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Department of the Treasury

PRESS RELEASES

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January 2, 2009
HP-1337

Treasury Releases Emergency Economic Stabilization Report

Washington – Treasury today released the attached report, required by section 102 of the Emergency Economic Stabilization Act. As required by section 102(a), Treasury established the Asset Guarantee Program to provide guarantees for assets held by systemically significant financial institutions that face a high risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets.

This program would be utilized as needed to improve market confidence in a systemically significant institution and in financial markets broadly and it is not anticipated that the program will be made widely available.

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REPORTS

- Report

Report to Congress Pursuant to Section 102 of the Emergency Economic Stabilization Act

12/31/2008

This report fulfills the requirement under section 102 of the Emergency Economic Stabilization Act (EESA) for the Treasury Department to report to Congress within 90 days of the passage of the bill on the insurance program established under Section 102(a).

Asset Guarantee Program

Treasury is exploring use of the Asset Guarantee Program to address the guarantee provisions of the agreement with Citigroup announced on November 23, 2008. Under the agreement, the Treasury Department will assume the second-loss position after Citigroup on a selected group of mortgage-related assets.

As required by section 102(a), Treasury established the Asset Guarantee Program (AGP). This program provides guarantees for assets held by systemically significant financial institutions that face a high risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets. This program will be applied with extreme discretion in order to improve market confidence in the systemically significant institution and in financial markets broadly. It is not anticipated that the program will be made widely available.

Under the AGP, Treasury would assume a loss position with specified attachment and detachment points on certain assets held by the qualifying financial institution; the set of insured assets would be selected by the Treasury and its agents in consultation with the financial institution receiving the guarantee. In accordance with section 102(a), assets to be guaranteed must have been originated before March 14, 2008.

Treasury would collect a premium, deliverable in a form deemed appropriate by the Treasury Secretary. As required by the statute, an actuarial analysis would be used to ensure that the expected value of the premium is no less than the expected value of the losses to TARP from the guarantee. The United States government would also provide a set of portfolio management guidelines to which the institution must adhere for the guaranteed portfolio.

Treasury would determine the eligibility of participants and the allocation of resources on a case-by-case basis. The program would be used for systemically significant institutions, and could be used in coordination with other programs. Treasury may, on a case-by-case basis, use this program in coordination with a broader guarantee involving one or more other agencies of the United States government.

Justification

The objective of this program is to foster financial market stability and thereby to strengthen the economy and protect American jobs, savings, and retirement security. In an environment of high volatility and severe financial market strains, the loss of confidence in a financial institution could result in significant market disruptions that threaten the financial strength of similarly situated financial institutions and thus impair broader financial markets and pose a threat to the overall economy. The resulting financial strains could threaten the viability of otherwise financially sound businesses, institutions, and municipalities, resulting in adverse spillovers on employment, output, and incomes.

Determination of Eligible Institutions

In determining whether to use the program for an institution, Treasury may consider, among other things:

1. The extent to which destabilization of the institution could threaten the viability of creditors and counterparties exposed to the institution, whether directly or indirectly;

2. The extent to which an institution is at risk of a loss of confidence and the degree to which that stress is caused by a distressed or illiquid portfolio of assets;

3. The number and size of financial institutions that are similarly situated, or that would be likely to be affected by destabilization of the institution being considered for the program;

4. Whether the institution is sufficiently important to the nation's financial and economic system that a loss of confidence in the firm's financial position could potentially cause major disruptions to credit markets or payments and settlement systems, destabilize asset prices, significantly increase uncertainty, or lead to similar losses of confidence or financial market stability that could materially weaken overall economic performance;

5. The extent to which the institution has access to alternative sources of capital and liquidity, whether from the private sector or from other sources of government funds.

In making these judgments, Treasury will obtain and consider information from a variety of sources, and will take into account recommendations received from the institution's primary regulator, if applicable, or from other regulatory bodies and private parties that could provide insight into the potential consequences if confidence in a particular institution deteriorated.

TARP Accounting and Treasury's Loss Position

Treasury generally achieves a greater impact per TARP dollar absorbed by taking an early loss position over a narrow interval of losses rather than a late loss position over a larger range of losses.

Treasury's purchasing authority under TARP is reduced by the total value of the guaranteed asset less the cash premium received, where the premium is equal to the expected loss on the guaranteed asset. If the Treasury collects a non-cash premium – for example, preferred shares – the TARP purchasing authority is reduced by the entire value of the guarantee until the preferred shares are sold and converted to cash.

These accounting rules imply that if guarantees for two assets of different values have the same expected loss, the larger asset will be more TARP-intensive to insure. For example, suppose Treasury has the choice between guaranteeing two different assets, one of which is worth $50 and has a 10 percent chance of losing all of its value and the other of which is worth $10 and has a 50 percent chance of losing all of its value. For the sake of simplicity, the premium in this example will be paid in cash. If the premium received equals the expected value of the losses to TARP from the guarantee (thereby meeting the statutory requirement), Treasury would collect a $5 premium for guaranteeing either asset. However, the TARP purchasing authority would be reduced by $45 for the guarantee on the first asset (the $50 covered minus the $5 premium) and just $5 for the guarantee on the second asset (the $10 covered minus the $5 premium). Although the net expected payouts of the two guarantees are equal, the second guarantee is more valuable per dollar of TARP absorbed: covering the first asset uses $9 of TARP per $1 of expected loss, whereas the second asset uses only $1 of TARP per $1 of expected loss. Because of this feature of TARP accounting under Section 102 of the EESA, Treasury in using the AGP will generally take a relatively early loss position over a narrow range of losses to provide the greatest protection per TARP dollar absorbed.

Other Potential Asset Guarantee Programs

Treasury is reviewing options for the development of other programs to insure troubled assets pursuant to the legislation. Two design considerations will be important factors for any potential program developed under Section 102:

(1) Accounting under the TARP purchasing authority: The TARP purchasing authority is reduced dollar-for-dollar by the amount guaranteed less the premiums received; the expected net payout from the program is not considered for this purpose. This means that insuring an asset under section 102 has almost an equivalent impact on the TARP purchasing authority as purchasing the same asset (Section 102.c.4).

(2) Adverse selection: Information on the credit risk underlying a particular asset, notably complex assets such as mortgage backed securities, can often be understood only through intensive research—and even then, the risk will ultimately depend on outcomes such as future home price appreciation that can be forecast only

imperfectly. If an insurance program were to offer a set premium for a specific asset class – even one that is narrowly defined – it could well be the case that only the holders of assets for whom the premium was either appropriate or underpriced would buy insurance. By construction, the credit risk associated with the securities that would actually be insured at any given premium would be higher than the premium would cover. Individually pricing the assets – a resource-intensive endeavor – is the only way of achieving an expected net payout of zero. In practice, this means that setting the pricing of the insurance premiums will inevitably require particular assumptions and judgments; the ex-post financial outcome involved with the guarantees could deviate substantially from the ex-ante actuarial analysis—for better or for worse.

To assist in the consideration of programs under Section 102, the Treasury issued Federal Register Notice (Docket # TREAS-DO-2008-0018 posted 10/16/2008). Treasury asked for comment on programs consistent with Section 102 of the Emergency Economic Stabilization Act of 2008 (EESA). Treasury particularly invited comments on the appropriate structure for such a program, and whether the program should offer insurance against losses for both individual whole loans and individual mortgage backed securities (MBS), as well as the payout and triggering event, estimation of losses, and setting the appropriate premium. A summary of the comments received is attached next as an Appendix to this report.

Appendix: Summary of Responses to Request for Comments

Treasury received 85 responses to the Request for Comments from a wide variety of respondents, including individuals, academics, financial institutions, municipalities, and trade groups. Many submissions chose to urge the eligibility of the represented group to EESA-related programs rather than to outline an insurance program structure.

The responses to the Request for Comments largely envisioned a standard insurance program, in which the Treasury would offer a guarantee on some portion of the principal and payments from a security in return for a premium. The respondents recognized the difficulty associated with setting prices for these premiums, but argued that in order to avoid adverse selection, premiums for the securities must be priced either individually or on pools of homogeneous assets. Several respondents commented that a guarantee program could offer greater flexibility than asset purchase programs in structuring time-limited or partial support (by incorporating loss-sharing, for example).

Respondents expressed differing view along two important dimensions of the program: the assets that should be eligible and the share of the assets that should be insured.

Proposed structure of guarantee

Most respondents focused on guarantees of existing individual loans or MBS. In guaranteeing whole loans, Treasury would receive insurance premiums and pay the insured (the owner of the mortgage loan) for a realized loss relative to principal and future interest payments due on the mortgage loan. Factors that would affect the premium include the degree of loss coverage (co-pay), the size of the deductible, and loan characteristics.

In guarantees of pools of existing loans owned by financial institutions, Treasury could, in exchange for a premium, purchase any loan that reaches a certain level of delinquency at a predetermined price. Alternatively, Treasury could offer to share loss on a loan, once the institution carried the loan through appropriate workout adjustment including foreclosure.

Other proposed structures included:

- Limiting participation in the insurance program to institutions that successfully execute a private capital raise.
- Conditioning participation on foreclosure mitigation efforts.
- Guaranteeing securitizations of whole loans or MBS
  - In return for a fee, Treasury would purchase existing loans or MBS pools, issue securities backed by these assets, and guarantee principal and interest on securities if an institution that issued the loans in the pool defaults.

- This could be made operational through an SPV set up to purchase and hold the assets and issue short- and medium-term obligations against them, with Treasury guaranteeing the performance of the SPV securities.
- This securitization and pool guarantee could be applied to shorter-term securities that are also troubled due to market seizure, for example asset backed commercial paper (ABCP).
- There is a question of whether this satisfies the statute, which states that the guarantee must apply to assets originated before March 14th, 2008. The guaranteed assets, in this case, would be payments from a securitized pool issued through the SPV, not the assets underlying these pools.

- Guaranteeing severe loss for insurance entities holding portfolio credit risk. For example, rather than guaranteeing individual assets, the program could compensate holders of MBS or mortgage loans for losses in excess of a threshold in exchange for a fee.
- Issuing derivatives correlated with the performance of an existing index of mortgage-related credit. For example, the Treasury could sell put options on the ABX index, or link payout to an existing house appreciation index such as the Case-Shiller index. This structure allows institutions to hedge their exposure to aggregate risk associated with the assets in their portfolios but not asset-specific risk.
    - For the institutions' capital position to be improved by this program the derivatives must qualify as "highly effective" hedges – their performance must be highly correlated with the performance of the hedged assets.

Eligible assets

Respondents generally commented that the guarantee should be offered where it may be more efficient than asset purchase under Sec. 101. Respondents suggested that performing but illiquid assets – such as senior tranches of non-agency residential and commercial MBS, performing whole mortgage loans, ABS (credit card, auto loans, and student loans), auction rate securities (ARS), and municipal bonds – would be most suitable for such a program.

The assets that received the most attention were whole residential loans and residential MBS.

Determining risk and pricing premiums

Respondents uniformly agreed that – no matter which assets are insured in this program – pricing is a monumental task that will almost certainly have to be contracted out. Respondents suggested that Treasury use the methods and models standard in the industry to determine risk. No feasible alternative to individually pricing the assets was offered.

Payout

Most respondents suggested paying out 100 percent of principal and expected interest, or some portion thereof. Arguments in favor of each were as follows:

100 percent of principal and expected interest: The higher the guarantee the government provides, the more liquidity and confidence will be restored to the market. Most respondents favoring this structure argued that the 100 percent guarantee should be applied to the current value of the asset, on an expected cash-flow basis, rather than the original value of the asset.

A portion of the principal and expected interest: Guaranteeing less than 100 percent ensures that the participating institutions share in the loss, thus incentivizing them to pursue all their loss-mitigation options. Institutions holding whole loans and MBS with deductibles or other loss-sharing mechanisms would be far more likely to attempt to restructure those loans.

Respondents suggested either guaranteeing a fixed percentage of the original value of the asset, regardless of the current expected cash-flows, or guaranteeing a fixed percentage of the current value of the asset, as measured on an expected cash-flow basis.

Several respondents suggested that the level of guarantee should reflect the broad risk characteristics of the asset class. For example, a higher level of coverage should be available for senior tranches of MBS than for junior tranches, and residential mortgages should be insured at a higher level than incomplete residential development projects.

Setting premiums

Premiums should reflect the risk of default and total losses for the insured assets. Respondents agreed that premiums will vary for different classes of assets to reflect the risk and total credit loss associated with that asset class. The majority of respondents recommend pricing the premiums either on an asset-by-asset basis or on a homogeneous pool of assets and periodically re-evaluating the assets and premiums as the program continues.

The premiums can either be paid up front as a lump sum or periodically. Respondents cited the flexibility of periodic payments as a desirable feature; the premium can be adjusted based on long term performance, actual loss, and improvements.

Market value of the guarantee

Respondents argued that making the guarantee transferable is essential to establishing liquidity to the market this guarantee program is targeting. The guarantee should be attached to the asset and transferred to the asset's new owner when the asset is sold.

Administrative issues
Management of the program, including premium setting, determination of institution and asset eligibility, and extensive monitoring of guaranteed institutions and assets will be complex and resource-intensive. Most proposals recommend Treasury seek outside expertise in accounting, insurance, pricing, and administration.

January 2, 2009
HP-1338

Treasury Releases Guidelines for Targeted Investment Program

Washington – Treasury today released the program description for the Targeted Investment Program under which the Citigroup investment that was announced on Nov. 23 was made. This program description is required by Section 101(d) of the Emergency Economic Stabilization Act. Other EESA program descriptions are posted at: http://www.treasury.gov/initiatives/eesa/program-descriptions/.

Guidelines for Targeted Investment Program

The United States Department of the Treasury will determine eligibility of participants and allocation of resources under the Emergency Economic Stabilization Act (EESA) pursuant to the Targeted Investment Program. Financial Institutions (as defined in EESA) will be considered for participation in the Targeted Investment Program on a case-by-case basis. There is no deadline for participation in this program.

Justification

The objective of this program is to foster financial market stability and thereby to strengthen the economy and protect American jobs, savings, and retirement security. In an environment of high volatility and severe financial market strains, the loss of confidence in a financial institution could result in significant market disruptions that threaten the financial strength of similarly situated financial institutions and thus impair broader financial markets and pose a threat to the overall economy. The resulting financial strains could threaten the viability of otherwise financially sound businesses, institutions, and municipalities, resulting in adverse spillovers on employment, output, and incomes.

Eligibility Considerations

In determining whether an institution is eligible for participation, Treasury may consider, among other things:

1. The extent to which destabilization of the institution could threaten the viability of creditors and counterparties exposed to the institution, whether directly or indirectly;
2. The extent to which an institution is at risk of a loss of confidence and the degree to which that stress is caused by a distressed or illiquid portfolio of assets;
3. The number and size of financial institutions that are similarly situated, or that would be likely to be affected by destabilization of the institution being considered for the program;
4. Whether the institution is sufficiently important to the nation's financial and economic system that a loss of confidence in the firm's financial position could potentially cause major disruptions to credit markets or payments and settlement systems, destabilize asset prices, significantly increase uncertainty, or lead to similar losses of confidence or financial market stability that could materially weaken overall economic performance; and
5. The extent to which the institution has access to alternative sources of capital and liquidity, whether from the private sector or from other sources of government funds.

In making these judgments, Treasury will obtain and consider information from a variety of sources, and will take into account recommendations received from the institution's primary regulator, if applicable, or from other regulatory bodies and private parties that could provide insight into the potential consequences if confidence in a particular institution deteriorated.

Form, Terms, and Conditions of Treasury Investment

Treasury will determine the form, terms, and conditions of any investment made pursuant to this program on a case-by-case basis in accordance with the considerations mandated in EESA. Treasury may invest in any financial instrument, including debt, equity, or warrants, that the Secretary of the Treasury determines to be a troubled asset, after consultation with the Chairman of the Board of Governors of the Federal Reserve System and notice to Congress. Treasury will require any institution participating in this program to provide Treasury with warrants or alternative consideration, as necessary, to minimize the long-term costs and maximize the benefits to the taxpayers in accordance with EESA. Treasury will also require any institution participating in the program to adhere to rigorous executive compensation standards. In addition, Treasury will consider other measures, including limitations on the institution's expenditures, or other corporate governance requirements, to protect the taxpayers' interests.

These program guidelines are being published in accordance with the requirements of Section 101(d) of EESA.

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PRESS ROOM

January 5, 2009
2009-1-5-16-30-47-912

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $78,199 million as of the end of that week, compared to $76,272 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	December 19, 2008		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			78,199
(a) Securities	9,483	14,417	23,900
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	11,058	7,083	18,141
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,626		
(3) SDRs [2]	9,369		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	8,122		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	8,122		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits				

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-537,402	-247,397	-290,005	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	8,284
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	8,284
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	78,199
--currencies in SDR basket	78,199
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

January 5, 2009
2009-1-5-16-35-26-983

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $76,272 million as of the end of that week, compared to $74,292 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	December 12, 2008		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			76,272
(a) Securities	9,046	14,112	23,158
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,633	6,943	17,576
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,487		
(3) SDRs [2]	9,199		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,811		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,811		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

			Maturity breakdown (residual maturity)		
		Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits					

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-566,051	-261,149	-304,902	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	7,967
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	7,967
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	76,272
--currencies in SDR basket	76,272
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

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January 5, 2009
hp1339

Treasury Provides TARP Funds to Local Banks

Washington- The U.S. Treasury Department announced details this week of a $15 billion investment in 7 banks made through its Capital Purchase Program.

Treasury created the Capital Purchase Program, a part of the Troubled Asset Relief Program, to help to stabilize and strengthen the U.S. financial system. Treasury allocated $250 billion under TARP's Capital Purchase Program to invest in U.S. financial institutions. To date, the Department has made $177.5 billion of investments, receiving preferred stock and warrants from participating institutions. Investments have ranged from as small as $1.5 million to as large as $25 billion, financing community banking and Community Development Financial Institutions in 41 states and Puerto Rico.

Institutions that sell shares to the government must comply with restrictions on executive compensation during the period that Treasury holds equity issued through this program and agree to limitations on dividends and stock repurchases. Information about Treasury's Troubled Asset Relief Program can be found at http://www.treas.gov/initiatives/eesa/.

Following are the transaction details:

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REPORTS

- Treasury announced the following transaction details today (PDF)

Date	Seller			Price Paid
	Name of Institution	City	State	
12/31/2008	SunTrust Banks, Inc.	Atlanta	GA	$1,350,000,000
12/31/2008	The PNC Financial Services Group Inc.	Pittsburgh	PA	$7,579,200,000
12/31/2008	Fifth Third Bancorp	Cincinnati	OH	$3,408,000,000
12/31/2008	Hampton Roads Bankshares, Inc.	Norfolk	VA	$80,347,000
12/31/2008	CIT Group Inc.	New York	NY	$2,330,000,000
12/31/2008	West Bancorporation, Inc.	West Des Moines	IA	$36,000,000
2/ 12/31/2008	First Banks, Inc.	Clayton	MO	$295,400,000

PRESS ROOM

January 6, 2009
IRP-01062009

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $78,334 million as of the end of that week, compared to $78,199 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	December 26, 2008		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			78,334
(a) Securities	9,630	14,254	23,884
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	11,212	6,977	18,189
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,622		
(3) SDRs [2]	9,365		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	8,234		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	8,234		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits				

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-552,728	-278,253	-274,475	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	8,364
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	8,364
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	78,334
--currencies in SDR basket	78,334
2--currencies not in SDR basket	
--by individual currencies (optional)	

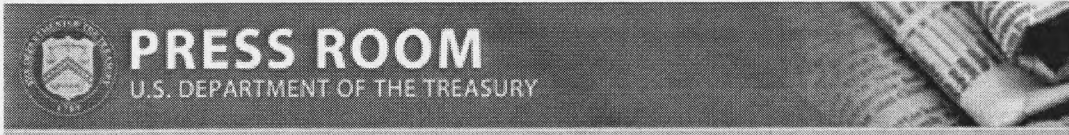
Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."



January 6, 2009
HP-1340

Assistant Secretary Swagel to Hold Monthly Economic Briefing

Assistant Secretary for Economic Policy Phillip Swagel will hold a media briefing Friday to review economic indicators from the last month and discuss the state of the U.S. economy. The event is open to the media:

Who
Assistant Secretary for Economic Policy Phillip Swagel

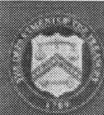
What
Monthly Economic Briefing

When
Friday, January 9, 11:00 a.m. EST

Where
Treasury Department
Media Room (4121)
1500 Pennsylvania Avenue, NW
Washington, D.C.

Note
Media without Treasury press credentials should contact Frances Anderson at (202) 622-2960, or Frances.Anderson@do.treas.gov with the following information: full name, Social Security number, and date of birth.

-30-



January 6, 2009
HP-1341

Treasury Targets Hizballah Construction Company

Washington, DC--The U.S. Department of the Treasury today designated the Waad Project, a Hizballah-run construction firm, under Executive Order 13224 (E.O. 13224), which targets terrorists and those providing support to terrorists or acts of terrorism.

"The Waad Project is another example of Hizballah's use of deceptive tactics to support its military and terrorist apparatus," said Under Secretary for Terrorism and Financial Intelligence Stuart Levey.

Hizballah established the Waad Project, in part, because Jihad al-Bina--Hizballah's main construction company--had difficulty receiving funds from donors following its designation under E.O. 13224 by the Treasury Department on February 20, 2007. Hizballah Secretary General Hasan Nasrallah publicly endorsed the Waad Project in May 2007.

Hizballah has used the Waad Project to rebuild its command headquarters in Beirut's southern suburbs, which was destroyed in the summer 2006 conflict with Israel. The Waad Project has built Hizballah's underground weapons storage facilities and parts of the group's military infrastructure in Lebanon. Additionally, the Waad Project's website has provided telephone numbers for those wishing to donate aid to Hizballah, Jihad al-Bina, and the Hizballah-controlled Martyrs Association, an organization named as a Specially Designated Global Terrorist in July 2007 for providing financial support to Hizballah.

The Waad Project has tried to hide its affiliation with Hizballah, just as Jihad al-Bina used deceptive means to seek funding projects from international development organizations. Additionally, the general manager of the Waad Project has stated that donors to the Waad Project have wished to remain anonymous because Hizballah is a terrorist organization and they preferred not to be identified due to the risks of dealings with a terrorist group.

Under E.O. 13224, any assets held by the Waad Project under U.S. jurisdiction are frozen and U.S. persons are prohibited from engaging in any transactions with the Waad Project.

-30-

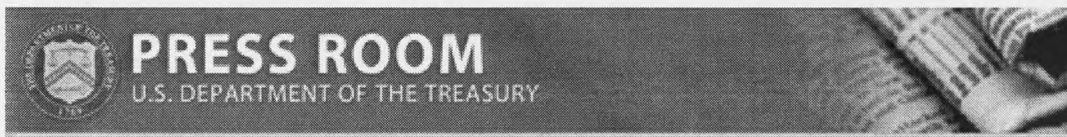
Identifier Information

WAAD PROJECT
AKAs:
Wa'id Company
Wa'ed Organization
Waad Waed
Wa'd Project
Al-Waad Al-Sadiq
Waad Company
Waad for Rebuilding the Southern Suburb
`Mashura Waad Laadat Al-Aamar
Waad Project for Reconstruction
Wa'ad As Sadiq

Telephone No. 1
009613679153
Telephone No. 2
009613380223
Telephone No. 3
03889402
Telephone No. 4
03669916

Location No. 1
Harat Hurayk, Lebanon
Location No. 2
Beirut, Lebanon

-30-



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January 6, 2009
HP-1342

Treasury Releases Congressional Report on Emergency Economic Stabilization Act

Washington, DC – The Treasury Department today released the attached report, required by section 105(a) of the Emergency Economic Stabilization Act. The first in the series of reports was delivered on December 5, 2008.

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REPORTS

- Report

UNITED STATES DEPARTMENT OF THE TREASURY
SECTION 105(a) TROUBLED ASSET RELIEF PROGRAM
REPORT TO CONGRESS
FOR THE PERIOD
DECEMBER 1, 2008 TO DECEMBER 31, 2008

I. OVERVIEW

The current financial crisis is one of the most serious and challenging in recent history. In response, Treasury has acted quickly and creatively to implement several programs under the Troubled Asset Relief Program (TARP) with the following three critical objectives: one, to stabilize financial markets and reduce systemic risk; two, to support the housing market by avoiding preventable foreclosures and supporting mortgage finance; and three, to protect taxpayers. While there is no single action the Federal Government can take to end the financial market turmoil and the economic downturn, Treasury has focused on developing the most effective combination of tools to further stabilize the financial system and speed the process of economic recovery.

During this reporting period, Treasury continued to make significant investments in United States financial institutions through the Capital Purchase Program (CPP). These investments have improved the capitalization of these institutions, which is essential to improving the flow of credit to businesses and consumers and boosting the confidence of depositors, investors, and counterparties alike. With higher capital levels and restored confidence, banks can continue to play their vital role as lenders in our communities, a necessary requisite for economic recovery and a return to prosperity. As of December 31, 2008, Treasury has invested $177.5 billion in United States financial institutions through the CPP, providing support to small and large financial institutions, as well as Community Development Financial Institutions, in over 40 states and Puerto Rico. Treasury has committed an additional $10 billion with a deferred settlement date.

In December, Treasury also moved swiftly and thoughtfully to support auto makers and auto financing companies through the newly established Automotive Industry Financing Program (AIFP). On December 29, Treasury agreed to loan up to $1 billion to General Motors (GM) to assist the company in supporting the reorganization as a bank holding company of GMAC LLC (GMAC), a financing company that supports GM. Treasury also invested $5 billion directly in GMAC pursuant to its reorganization as a bank holding company. On December 31, 2008, Treasury loaned an additional $4 billion to GM and committed to an additional loan of $5.4 billion in January 2009, with an additional loan of $4 billion possible in February. Under each of these arrangements, the company has agreed to rigorous restrictions on executive privileges and compensation and other terms designed to protect the taxpayer. These steps will facilitate the restructuring of the domestic auto industry and prevent disorderly bankruptcies during a time of economic difficulty.

Treasury also made a significant investment in Citigroup on December 31, 2008, purchasing $20 billion in preferred stock and warrants. Treasury announced its plans to make this investment in

November 2008. The investment is part of a new Targeted Investment Program (TIP), which is designed to preserve confidence in financial institutions and foster financial market stability, thereby strengthening the economy, protecting American jobs, savings, and retirement security. Treasury will consider financial institutions for participation in the TIP on a case-by-case basis, based on criteria in the TIP program guidelines.

In addition to making these investments, Treasury transmitted a report to Congress on an insurance program, known as the Asset Guarantee Program, as required by section 102 of the Emergency Economic Stabilization Act of 2008 (EESA). This program provides guarantees for assets held by systemically significant financial institutions that face a high risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets. This program will be applied with extreme discretion in order to improve market confidence in the systemically significant institution and in financial markets broadly. Treasury does not anticipate making the program widely available.

At the same time that TARP programs are being designed and executed, Treasury is continuing to build the Office of Financial Stability, focusing on hiring a highly-qualified staff, implementing a comprehensive process for monitoring contractors, and establishing a strong compliance program. Treasury also has robust controls in place to ensure that the use of TARP funds under section 115 of the EESA does not exceed the current limit of $350 billion. Treasury has made significant progress since the TARP was launched in October, and many challenges lie ahead. We will continue to remain vigilant, ready to respond and to manage unpredictable events as they occur, with economic recovery as the first priority.

II. REPORTING REQUIREMENTS

This is Treasury's second *Section 105(a) Troubled Asset Relief Program Report to Congress* (TARP Report) required by EESA. Treasury transmitted its first TARP Report to Congress on December 5, 2008, covering activities through November 30, 2008. This TARP Report covers the next 30-day period, as well as activities occurring on December 31, 2008, and addresses the following three areas required by EESA section 105(a):

- An overview of actions taken by the Secretary, including the considerations required by section 103 and the efforts under section 109.
- The actual obligation and expenditure of the funds provided for administrative expenses by section 118.
- A detailed financial statement with respect to the exercise of authority, including:
  1. all agreements made or renewed;
  2. all insurance contracts entered into pursuant to section 102;
  3. all transactions occurring during the initial 60-day period, including the types of parties involved;
  4. the nature of the assets purchased;
  5. all projected costs and liabilities;
  6. operating expenses, including compensation for financial agents;
  7. the valuation or pricing method used for each transaction; and
  8. a description of the vehicles established to exercise such authority.

III. INDIVIDUAL PROGRAMS AND INITIATIVES

The Capital Purchase Program

Under the voluntary Capital Purchase Program (CPP), the Treasury is purchasing senior preferred shares from qualified financial institutions. In accordance with the considerations of the EESA, a broad spectrum of institutions is eligible for the program: U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies. To protect the interests of the taxpayer, only viable institutions are accepted into the program. A recommendation on acceptance is received from the institution's primary federal regulator or, in some cases, from a council of representatives from each federal regulator. The Treasury is responsible for final approval.

The minimum subscription amount is 1 percent of the institution's risk-weighted assets; the maximum subscription amount is 3 percent of risk-weighted assets (up to a maximum of $25 billion). Standardized terms have been developed for institutions that are organized as publicly traded and privately held institutions; terms applicable to S corporations and mutual organizations are still under consideration. The standardized terms impose restrictions on executive compensation and corporate governance and include provisions (such as the issuance of warrants) that will enable the taxpayer to benefit from the future appreciation of the firm.

Between December 1, 2008 and December 31, 2008, Treasury purchased $26.1 billion in senior preferred shares from 162 financial institutions under the CPP. Since the launch of the CPP in October 2008 through December 31, 2008, Treasury has invested a total of $177.5 billion in senior preferred shares in 214 financial institutions in over 40 states and Puerto Rico, and committed to purchase another $10 billion from an additional institution with a deferred settlement date.

Complete details about the Capital Purchase Program are available on the Treasury website at: http://www.treas.gov/initiatives/eesa/.

The Automotive Industry Financing Program

The objective of the Automotive Industry Financing Program (AIFP) is to prevent a significant disruption of the American automotive industry, which would pose a systemic risk to financial market stability and have a negative effect on the economy of the United States. The program requires participating institutions to implement plans that will achieve long-term viability. Participating institutions must also adhere to rigorous executive compensation standards and other measures to protect the taxpayer's interests, including limits on the institution's expenditures and other corporate governance requirements. Guidelines for the AIFP are published on Treasury's website.

On December 19, 2008, Treasury announced a plan to make emergency loans available from the TARP to General Motors Corporation (GM) and Chrysler LLC (Chrysler) to assist the domestic auto industry in becoming financially viable. This step was taken to stave off a disorderly bankruptcy of one or more auto companies and prevent significant disruption to the already fragile economy. Treasury will carry out these transactions under the newly established AIFP.

Treasury closed on its agreement with GM on December 31, 2008, and its agreement with Chrysler on January 2. Under the GM agreement, Treasury will provide GM with up to a total of $13.4 billion in short-term financing from the TARP. Treasury funded $4 billion of this loan immediately, and committed to fund an additional $5.4 billon on January 16, 2009. Treasury will provide an additional $4 billion on February 17, 2009, subject to GM meeting certain conditions and funds being available to Treasury to purchase troubled assets under section 115(a) of the EESA. To protect taxpayers, the agreement requires GM to use these funds to become financially viable and includes other binding terms. The Chrysler agreement is outside the reporting period and will be discussed in the next report under section 105(a) of EESA.

On December 29, 2008, Treasury also purchased $5 billion of senior preferred equity with an 8% annual distribution right from GMAC LLC (GMAC) through the AIFP. Under the agreement, GMAC issued warrants to Treasury in the form of additional preferred equity in an amount equal to 5% of the preferred stock purchase; these warrants were exercised at closing of the investment transaction for additional preferred equity with a 9% annual distribution right. Additionally, Treasury agreed to lend up to $1 billion of TARP funds to GM so that GM can participate in a rights offering by GMAC in support of GMAC's reorganization as a bank holding company. The loan will be secured by collateral including certain GMAC equity interests owned by GM and those being acquired by GM in the rights offering, and it will be exchangeable at any time, at Treasury's option, for the GMAC equity interests being acquired by GM in the rights offering. The ultimate level of funding under this facility will depend upon the level of current investor participation in GMAC's rights offering. Under these agreements, both GMAC and GM must comply with enhanced restrictions on executive compensation.

The Targeted Investment Program

The Targeted Investment Program (TIP) is designed to prevent a loss of confidence in financial institutions that could result in significant market disruptions, threatening the financial strength of similarly situated financial institutions, impairing broader financial markets, and undermining the overall economy. Institutions will be considered for this program on a case-by-case basis, based on a number of factors described in the program guidelines. These factors include the threats posed by destabilization of the institution, the risks caused by a loss of confidence in the institution, and the institution's importance to the nation's economy. Program guidelines for the TIP were published on Treasury's web site on January 2, as required by section 101(d) of the EESA.

Treasury completed the first transaction under the TIP on December 31, 2008, when it invested $20 billion in Citigroup perpetual preferred stock and warrants. Under the agreement with Citigroup, Treasury will receive an 8% annual dividend, payable quarterly. As part of this agreement, Citigroup must implement rigorous executive compensation standards and other restrictions on corporate expenditures. The transaction represents Treasury's second investment in Citigroup; in October 2008, Treasury also invested $25 billion in the company through the CPP.

The Asset Guarantee Program

On December 31, 2008, Treasury transmitted to Congress a report that describes the Asset Guarantee Program (AGP) established under section 102 of the EESA. This program provides guarantees for assets held by systemically significant financial institutions that face a risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets. The AGP will be applied with extreme discretion in order to improve market confidence in the systemically significant institution and in financial markets broadly. Treasury does not anticipate that the program will be made widely available, and notes that the EESA requires that premiums under section 102 be set to ensure that taxpayers are fully protected

Treasury is exploring use of the AGP to address the guarantee provisions of the non-binding agreement with Citigroup Inc. announced on November 23, 2008, and described in Treasury's 105(a) Report to Congress dated December 5, 2008.

The insurance program report to Congress is available on Treasury's website.

Other Initiatives:

Term Asset-Backed Securities Loan Facility

The Treasury will provide $20 billion from the TARP to support the Federal Reserve's $200 billion Term Asset-Backed Securities Loan Facility (TALF). This facility will help market participants meet the credit needs of households and small businesses by supporting the issuance of asset-backed securities (ABS) collateralized by student loans, auto loans, credit card loans, and loans guaranteed by the Small Business Administration. The TALF is expected to begin operation early in 2009.

Credit market stresses led to a steep decline in the issuance of ABS for these types of loans in the third quarter of 2008, and the market essentially came to a halt in October. At the same time, higher risk premiums drove interest rate spreads on AAA-rated tranches of ABS to levels well outside the range of historical experience. The purpose of the TALF is to increase credit availability by stimulating the issuance of consumer and small business ABS at more normal interest rate spreads.

On December 19, 2008, the Federal Reserve released revised terms and conditions and questions and answers detailing operational aspects of the TALF. Under the revised terms and conditions, the Federal Reserve will lend on a non-recourse basis to holders of certain AAA-rated ABS fully secured by newly and recently originated consumer and small business loans. TALF loans will have a term of three years and will be fully secured by eligible collateral. Haircuts (a percentage reduction used for collateral valuation) will be determined based on the riskiness of each type of eligible collateral and the maturity of the eligible collateral pledged to the Federal Reserve. The haircuts will provide additional protection to taxpayers by protecting the Federal Government from loss. Treasury will provide $20 billion of credit protection to the Federal Reserve in connection with the TALF. The sponsor of the eligible ABS must agree to comply with the same executive compensation restrictions required for participants in the CPP.

IV. TARP ADMINISTRATIVE EXPENSES

United States Department of Treasury
Office of Financial Stability

Report of Administrative Obligations and Expenditures

	Budget Object Class	Budget Object Class Title	For Period Ending December 31, 2008 Obligations	For Period Ending December 31, 2008 Expenditures	For Period Ending January 31, 2009 Projected Obligations	For Period Ending January 31, 2009 Projected Expenditures
PERSONNEL SERVICES	1100 & 1200	PERSONNEL COMPENSATION & BENEFITS	$713,928	$713,928	$1,193,000	$1,193,000
		PERSONNEL SERVICES Total:	**$713,928**	**$713,928**	**$1,193,000**	**$1,193,000**
NON-PERSONNEL SERVICES	2100	TRAVEL & TRANSPORTATION OF PERSONS	12,993	6,725	17,000	12,000
	2200	TRANSPORTATION OF THINGS				
	2300	RENTS, COMMUNICATIONS, UTILITIES & MISC CHARGES	87,642	87,642	738,000	153,000
	2400	PRINTING & REPRODUCTION	7,227	7,227	8,000	8,000
	2500	OTHER SERVICES	4,730,497	3,040,209	24,417,000	4,980,000
	2600	SUPPLIES AND MATERIALS	4,964	4,784	130,000	130,000
	3100	EQUIPMENT	20,844	20,844	50,000	50,000
		NON-PERSONNEL SERVICES Total:	**$4,864,167**	**$3,167,431**	**$25,360,000**	**$5,333,000**
		GRAND TOTAL:	**$5,578,095**	**$3,881,359**	**$26,553,000**	**$6,526,000**

Notes: The statutorily required reporting date results in OFS estimating amounts prior to the Department of Treasury's accounting records closing on January 6, 2008. The December 31, 2008 period ending obligation amount is smaller than the November 30, 2008 period ending amount due to a recategorization of detailee salaries from BOC 2500 to 1100 & 1200 and BOC 2500 programmatic operating obligations that were shown as BOC 2500 administrative obligations.

V. DETAILED FINANCIAL STATEMENTS

U.S. Treasury Department
Office of Financial Stability

Troubled Asset Relief Program

Agreements Under TARP [Section 105(a)(3)(A)]

For Period Ending December 31, 2008

Date Approved or Renewed	Type of Transaction	Vendor	Purpose
10/10/2008	BPA	Simpson, Thacher & Bartlett	Legal Services
10/11/2008	BPA	EnnisKnupp	Investment and Advisory Services
10/14/2008	Financial Agent	Bank of New York Mellon	Custodian and Cash Mangement
10/16/2008	BPA	PricewaterhouseCoopers	Internal Control Services
10/18/2008	BPA	Ernst & Young	Accounting Services
10/23/2008	IAA	GSA - Turner Consulting	Archiving Services
10/29/2008	BPA	Hughes Hubbard & Reed	Legal Services
10/29/2008	BPA	Squire Sanders & Dempsey	Legal Services
10/31/2008	Contract	Lindholm & Associates*	Human Resources Services
11/7/2008	BPA	Thacher Proffitt & Wood	Legal Services
11/14/2008	IAA	Securities and Exchange Commission	Detailees
12/3/2008	IAA	Trade and Tax Bureau - Treasury	IT Services
12/5/2008	Procurement	Washington Post	Vacancy Announcement
12/5/2008	IAA	Department of Housing and Urban Development	Detailees
12/10/2008	BPA	Thacher Proffitt & Wood	Legal Services
12/18/2008	BPA	Kirkland and Elllis, LLP	Legal Services

* Small or Women-, or Minority-Owned Small Business

Office of Financial Stability

Troubled Asset Relief Program

Description of Vehicles Established [Section 105(a)(3((F)]

For Period Ending December 31, 2008

Date	Vehicle	Description
	None	

VI. TRANSACTIONS REPORT – CAPITAL PURCHASE PROGRAM

U.S. Treasury Department
Office of Financial Stability

Troubled Asset Relief Program

Transactions Report

For Period Ending December 31, 2008

CAPITAL PURCHASE PROGRAM

	Seller						
Date	Name of Institution	City	State	Transaction Type	Description	Price Paid	Pricing Mechanism
10/28/2008	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/Warrants	$15,000,000,000	Par
10/28/2008	Bank of New York Mellon Corporation	New York	NY	Purchase	Preferred Stock w/Warrants	$3,000,000,000	Par
10/28/2008	Citigroup Inc.	New York	NY	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
10/28/2008	The Goldman Sachs Group, Inc.	New York	NY	Purchase	Preferred Stock w/Warrants	$10,000,000,000	Par
10/28/2008	JPMorgan Chase & Co.	New York	NY	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
10/28/2008	Morgan Stanley	New York	NY	Purchase	Preferred Stock w/Warrants	$10,000,000,000	Par
10/28/2008	State Street Corporation	Boston	MA	Purchase	Preferred Stock w/Warrants	$2,000,000,000	Par
10/28/2008	Wells Fargo & Company	San Francisco	CA	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
1/ 10/28/2008	Merrill Lynch & Co., Inc.	New York	NY	Purchase	Preferred Stock w/Warrants	$10,000,000,000	Par
11/14/2008	Bank of Commerce Holdings	Redding	CA	Purchase	Preferred Stock w/Warrants	$17,000,000	Par
11/14/2008	1st FS Corporation	Hendersonville	NC	Purchase	Preferred Stock w/Warrants	$16,369,000	Par
11/14/2008	UCBH Holdings, Inc.	San Francisco	CA	Purchase	Preferred Stock w/Warrants	$298,737,000	Par
11/14/2008	Northern Trust Corporation	Chicago	IL	Purchase	Preferred Stock w/Warrants	$1,576,000,000	Par
11/14/2008	SunTrust Banks, Inc.	Atlanta	GA	Purchase	Preferred Stock w/Warrants	$3,500,000,000	Par
11/14/2008	Broadway Financial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$9,000,000	Par
11/14/2008	Washington Federal Inc.	Seattle	WA	Purchase	Preferred Stock w/Warrants	$200,000,000	Par
11/14/2008	BB&T Corp.	Winston-Salem	NC	Purchase	Preferred Stock w/Warrants	$3,133,640,000	Par
11/14/2008	Provident Bancshares Corp.	Baltimore	MD	Purchase	Preferred Stock w/Warrants	$151,500,000	Par
11/14/2008	Umpqua Holdings Corp.	Portland	OR	Purchase	Preferred Stock w/Warrants	$214,181,000	Par
11/14/2008	Comerica Inc.	Dallas	TX	Purchase	Preferred Stock w/Warrants	$2,250,000,000	Par
11/14/2008	Regions Financial Corp.	Birmingham	AL	Purchase	Preferred Stock w/Warrants	$3,500,000,000	Par
11/14/2008	Capital One Financial Corporation	McLean	VA	Purchase	Preferred Stock w/Warrants	$3,555,199,000	Par
11/14/2008	First Horizon National Corporation	Memphis	TN	Purchase	Preferred Stock w/Warrants	$866,540,000	Par
11/14/2008	Huntington Bancshares	Columbus	OH	Purchase	Preferred Stock w/Warrants	$1,398,071,000	Par
11/14/2008	KeyCorp	Cleveland	OH	Purchase	Preferred Stock w/Warrants	$2,500,000,000	Par
11/14/2008	Valley National Bancorp	Wayne	NJ	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
11/14/2008	Zions Bancorporation	Salt Lake City	UT	Purchase	Preferred Stock w/Warrants	$1,400,000,000	Par
11/14/2008	Marshall & Ilsley Corporation	Milwaukee	WI	Purchase	Preferred Stock w/Warrants	$1,715,000,000	Par
11/14/2008	U.S. Bancorp	Minneapolis	MN	Purchase	Preferred Stock w/Warrants	$6,599,000,000	Par
11/14/2008	TCF Financial Corporation	Wayzata	MN	Purchase	Preferred Stock w/Warrants	$361,172,000	Par
11/21/2008	First Niagara Financial Group	Lockport	NY	Purchase	Preferred Stock w/Warrants	$184,011,000	Par
11/21/2008	HF Financial Corp.	Sioux Falls	SD	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
11/21/2008	Centerstate Banks of Florida Inc.	Davenport	FL	Purchase	Preferred Stock w/Warrants	$27,875,000	Par
11/21/2008	City National Corporation	Beverly Hills	CA	Purchase	Preferred Stock w/Warrants	$400,000,000	Par
11/21/2008	First Community Bankshares Inc.	Bluefield	VA	Purchase	Preferred Stock w/Warrants	$41,500,000	Par
11/21/2008	Western Alliance Bancorporation	Las Vegas	NV	Purchase	Preferred Stock w/Warrants	$140,000,000	Par
11/21/2008	Webster Financial Corporation	Waterbury	CT	Purchase	Preferred Stock w/Warrants	$400,000,000	Par
11/21/2008	Pacific Capital Bancorp	Santa Barbara	CA	Purchase	Preferred Stock w/Warrants	$180,634,000	Par
11/21/2008	Heritage Commerce Corp.	San Jose	CA	Purchase	Preferred Stock w/Warrants	$40,000,000	Par
11/21/2008	Ameris Bancorp	Moultrie	GA	Purchase	Preferred Stock w/Warrants	$52,000,000	Par
11/21/2008	Porter Bancorp Inc.	Louisville	KY	Purchase	Preferred Stock w/Warrants	$35,000,000	Par
11/21/2008	Banner Corporation	Walla Walla	WA	Purchase	Preferred Stock w/Warrants	$124,000,000	Par
11/21/2008	Cascade Financial Corporation	Everett	WA	Purchase	Preferred Stock w/Warrants	$38,970,000	Par
11/21/2008	Columbia Banking System, Inc.	Tacoma	WA	Purchase	Preferred Stock w/Warrants	$76,898,000	Par
11/21/2008	Heritage Financial Corporation	Olympia	WA	Purchase	Preferred Stock w/Warrants	$24,000,000	Par
11/21/2008	First PacTrust Bancorp, Inc.	Chula Vista	CA	Purchase	Preferred Stock w/Warrants	$19,300,000	Par
11/21/2008	Severn Bancorp, Inc.	Annapolis	MD	Purchase	Preferred Stock w/Warrants	$23,393,000	Par
11/21/2008	Boston Private Financial Holdings, Inc.	Boston	MA	Purchase	Preferred Stock w/Warrants	$154,000,000	Par
11/21/2008	Associated Banc-Corp	Green Bay	WI	Purchase	Preferred Stock w/Warrants	$525,000,000	Par
11/21/2008	Trustmark Corporation	Jackson	MS	Purchase	Preferred Stock w/Warrants	$215,000,000	Par
11/21/2008	First Community Corporation	Lexington	SC	Purchase	Preferred Stock w/Warrants	$11,350,000	Par
11/21/2008	Taylor Capital Group	Rosemont	IL	Purchase	Preferred Stock w/Warrants	$104,823,000	Par
11/21/2008	Nara Bancorp, Inc.	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$67,000,000	Par
12/5/2008	Midwest Banc Holdings, Inc.	Melrose Park	IL	Purchase	Preferred Stock w/Warrants	$84,784,000	Par
12/5/2008	MB Financial Inc.	Chicago	IL	Purchase	Preferred Stock w/Warrants	$196,000,000	Par
12/5/2008	First Midwest Bancorp, Inc.	Itasca	IL	Purchase	Preferred Stock w/Warrants	$193,000,000	Par
12/5/2008	United Community Banks, Inc.	Blairsville	GA	Purchase	Preferred Stock w/Warrants	$180,000,000	Par
12/5/2008	Wesbanco Bank Inc.	Wheeling	WV	Purchase	Preferred Stock w/Warrants	$75,000,000	Par
12/5/2008	Encore Bancshares Inc.	Houston	TX	Purchase	Preferred Stock w/Warrants	$34,000,000	Par
12/5/2008	Manhattan Bancorp	El Segundo	CA	Purchase	Preferred Stock w/Warrants	$1,700,000	Par
12/5/2008	Iberiabank Corporation	Lafayette	LA	Purchase	Preferred Stock w/Warrants	$90,000,000	Par
12/5/2008	Eagle Bancorp, Inc.	Bethesda	MD	Purchase	Preferred Stock w/Warrants	$38,235,000	Par
12/5/2008	Sandy Spring Bancorp, Inc.	Olney	MD	Purchase	Preferred Stock w/Warrants	$83,094,000	Par
12/5/2008	Coastal Banking Company, Inc.	Fernandina Beach	FL	Purchase	Preferred Stock w/Warrants	$9,950,000	Par
12/5/2008	East West Bancorp	Pasadena	CA	Purchase	Preferred Stock w/Warrants	$306,546,000	Par
12/5/2008	South Financial Group, Inc.	Greenville	SC	Purchase	Preferred Stock w/Warrants	$347,000,000	Par
12/5/2008	Great Southern Bancorp	Springfield	MO	Purchase	Preferred Stock w/Warrants	$58,000,000	Par

	12/5/2008	Cathay General Bancorp	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$258,000,000	Par
	12/5/2008	Southern Community Financial Corp.	Winston-Salem	NC	Purchase	Preferred Stock w/Warrants	$42,750,000	Par
	12/5/2008	CVB Financial Corp	Ontario	CA	Purchase	Preferred Stock w/Warrants	$130,000,000	Par
	12/5/2008	First Defiance Financial Corp.	Defiance	OH	Purchase	Preferred Stock w/Warrants	$37,000,000	Par
	12/5/2008	First Financial Holdings Inc.	Charleston	SC	Purchase	Preferred Stock w/Warrants	$65,000,000	Par
	12/5/2008	Superior Bancorp Inc.	Birmingham	AL	Purchase	Preferred Stock w/Warrants	$69,000,000	Par
	12/5/2008	Southwest Bancorp, Inc.	Stillwater	OK	Purchase	Preferred Stock w/Warrants	$70,000,000	Par
	12/5/2008	Popular, Inc.	San Juan	PR	Purchase	Preferred Stock w/Warrants	$935,000,000	Par
	12/5/2008	Blue Valley Ban Corp	Overland Park	KS	Purchase	Preferred Stock w/Warrants	$21,750,000	Par
	12/5/2008	Central Federal Corporation	Fairlawn	OH	Purchase	Preferred Stock w/Warrants	$7,225,000	Par
	12/5/2008	Bank of Marin Bancorp	Novato	CA	Purchase	Preferred Stock w/Warrants	$28,000,000	Par
	12/5/2008	Bank of North Carolina	Thomasville	NC	Purchase	Preferred Stock w/Warrants	$31,260,000	Par
	12/5/2008	Central Bancorp, Inc.	Somerville	MA	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
	12/5/2008	Southern Missouri Bancorp, Inc.	Poplar Bluff	MO	Purchase	Preferred Stock w/Warrants	$9,550,000	Par
	12/5/2008	State Bancorp, Inc.	Jericho	NY	Purchase	Preferred Stock w/Warrants	$36,842,000	Par
	12/5/2008	TIB Financial Corp	Naples	FL	Purchase	Preferred Stock w/Warrants	$37,000,000	Par
	12/5/2008	Unity Bancorp, Inc.	Clinton	NJ	Purchase	Preferred Stock w/Warrants	$20,649,000	Par
	12/5/2008	Old Line Bancshares, Inc.	Bowie	MD	Purchase	Preferred Stock w/Warrants	$7,000,000	Par
	12/5/2008	FPB Bancorp, Inc.	Port St. Lucie	FL	Purchase	Preferred Stock w/Warrants	$5,800,000	Par
	12/5/2008	Sterling Financial Corporation	Spokane	WA	Purchase	Preferred Stock w/Warrants	$303,000,000	Par
	12/5/2008	Oak Valley Bancorp	Oakdale	CA	Purchase	Preferred Stock w/Warrants	$13,500,000	Par
	12/12/2008	Old National Bancorp	Evansville	IN	Purchase	Preferred Stock w/Warrants	$100,000,000	Par
	12/12/2008	Capital Bank Corporation	Raliegh	NC	Purchase	Preferred Stock w/Warrants	$41,279,000	Par
	12/12/2008	Pacific International Bancorp	Seattle	WA	Purchase	Preferred Stock w/Warrants	$6,500,000	Par
	12/12/2008	SVB Financial Group	Santa Clara	CA	Purchase	Preferred Stock w/Warrants	$235,000,000	Par
	12/12/2008	LNB Bancorp Inc.	Lorain	OH	Purchase	Preferred Stock w/Warrants	$25,223,000	Par
	12/12/2008	Wilmington Trust Corporation	Wilmington	DE	Purchase	Preferred Stock w/Warrants	$330,000,000	Par
	12/12/2008	Susquehanna Bancshares, Inc	Lititz	PA	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
	12/12/2008	Signature Bank	New York	NY	Purchase	Preferred Stock w/Warrants	$120,000,000	Par
	12/12/2008	HopFed Bancorp	Hopkinsville	KY	Purchase	Preferred Stock w/Warrants	$18,400,000	Par
	12/12/2008	Citizens Republic Bancorp, Inc.	Flint	MI	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
	12/12/2008	Indiana Community Bancorp	Columbus	IN	Purchase	Preferred Stock w/Warrants	$21,500,000	Par
	12/12/2008	Bank of the Ozarks, Inc.	Little Rock	AR	Purchase	Preferred Stock w/Warrants	$75,000,000	Par
	12/12/2008	Center Financial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$55,000,000	Par
	12/12/2008	NewBridge Bancorp	Greensboro	NC	Purchase	Preferred Stock w/Warrants	$52,372,000	Par
	12/12/2008	Sterling Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/Warrants	$125,198,000	Par
	12/12/2008	The Bancorp, Inc.	Wilmington	DE	Purchase	Preferred Stock w/Warrants	$45,220,000	Par
	12/12/2008	TowneBank	Portsmouth	VA	Purchase	Preferred Stock w/Warrants	$76,458,000	Par
	12/12/2008	Wilshire Bancorp, Inc.	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$62,158,000	Par
	12/12/2008	Valley Financial Corporation	Roanoke	VA	Purchase	Preferred Stock w/Warrants	$16,019,000	Par
	12/12/2008	Independent Bank Corporation	Ionia	MI	Purchase	Preferred Stock w/Warrants	$72,000,000	Par
	12/12/2008	Pinnacle Financial Partners, Inc.	Nashville	TN	Purchase	Preferred Stock w/Warrants	$95,000,000	Par
	12/12/2008	First Litchfield Financial Corporation	Litchfield	CT	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
	12/12/2008	National Penn Bancshares, Inc.	Boyertown	PA	Purchase	Preferred Stock w/Warrants	$150,000,000	Par
	12/12/2008	Northeast Bancorp	Lewiston	ME	Purchase	Preferred Stock w/Warrants	$4,227,000	Par
	12/12/2008	Citizens South Banking Corporation	Gastonia	NC	Purchase	Preferred Stock w/Warrants	$20,500,000	Par
	12/12/2008	Virginia Commerce Bancorp	Arlington	VA	Purchase	Preferred Stock w/Warrants	$71,000,000	Par
	12/12/2008	Fidelity Bancorp, Inc.	Pittsburgh	PA	Purchase	Preferred Stock w/Warrants	$7,000,000	Par
	12/12/2008	LSB Corporation	North Andover	MA	Purchase	Preferred Stock w/Warrants	$15,000,000	Par
	12/19/2008	Intermountain Community Bancorp	Sandpoint	ID	Purchase	Preferred Stock w/Warrants	$27,000,000	Par
	12/19/2008	Community West Bancshares	Goleta	CA	Purchase	Preferred Stock w/Warrants	$15,600,000	Par
	12/19/2008	Synovus Financial Corp.	Columbus	GA	Purchase	Preferred Stock w/Warrants	$967,870,000	Par
	12/19/2008	Tennessee Commerce Bancorp, Inc.	Franklin	TN	Purchase	Preferred Stock w/Warrants	$30,000,000	Par
	12/19/2008	Community Bankers Trust Corporation	Glen Allen	VA	Purchase	Preferred Stock w/Warrants	$17,680,000	Par
	12/19/2008	BancTrust Financial Group, Inc.	Mobile	AL	Purchase	Preferred Stock w/Warrants	$50,000,000	Par
	12/19/2008	Enterprise Financial Services Corp.	St. Louis	MO	Purchase	Preferred Stock w/Warrants	$35,000,000	Par
	12/19/2008	Mid Penn Bancorp, Inc.	Millersburg	PA	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
	12/19/2008	Summit State Bank	Santa Rosa	CA	Purchase	Preferred Stock w/Warrants	$8,500,000	Par
	12/19/2008	VIST Financial Corp.	Wyomissing	PA	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
	12/19/2008	Wainwright Bank & Trust Company	Boston	MA	Purchase	Preferred Stock w/Warrants	$22,000,000	Par
	12/19/2008	Whitney Holding Corporation	New Orleans	LA	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
	12/19/2008	The Connecticut Bank and Trust Company	Hartford	CT	Purchase	Preferred Stock w/Warrants	$5,448,000	Par
	12/19/2008	CoBiz Financial Inc.	Denver	CO	Purchase	Preferred Stock w/Warrants	$64,450,000	Par
	12/19/2008	Santa Lucia Bancorp	Atascadero	CA	Purchase	Preferred Stock w/Warrants	$4,000,000	Par
	12/19/2008	Seacoast Banking Corporation of Florida	Stuart	FL	Purchase	Preferred Stock w/Warrants	$50,000,000	Par
	12/19/2008	Horizon Bancorp	Michigan City	IN	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
	12/19/2008	Fidelity Southern Corporation	Atlanta	GA	Purchase	Preferred Stock w/Warrants	$48,200,000	Par
	12/19/2008	Community Financial Corporation	Staunton	VA	Purchase	Preferred Stock w/Warrants	$12,643,000	Par
	12/19/2008	Berkshire Hills Bancorp, Inc.	Pittsfield	MA	Purchase	Preferred Stock w/Warrants	$40,000,000	Par
	12/19/2008	First California Financial Group, Inc	Westlake Village	CA	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
	12/19/2008	AmeriServ Financial, Inc	Johnstown	PA	Purchase	Preferred Stock w/Warrants	$21,000,000	Par
	12/19/2008	Security Federal Corporation	Aiken	SC	Purchase	Preferred Stock w/Warrants	$18,000,000	Par
	12/19/2008	Wintrust Financial Corporation	Lake Forest	IL	Purchase	Preferred Stock w/Warrants	$250,000,000	Par
	12/19/2008	Flushing Financial Corporation	Lake Success	NY	Purchase	Preferred Stock w/Warrants	$70,000,000	Par
	12/19/2008	Monarch Financial Holdings, Inc.	Chesapeake	VA	Purchase	Preferred Stock w/Warrants	$14,700,000	Par
	12/19/2008	StellarOne Corporation	Charlottesville	VA	Purchase	Preferred Stock w/Warrants	$30,000,000	Par
	12/19/2008	Union Bankshares Corporation	Bowling Green	VA	Purchase	Preferred Stock w/Warrants	$59,000,000	Par
	12/19/2008	Tidelands Bancshares, Inc	Mt. Pleasant	SC	Purchase	Preferred Stock w/Warrants	$14,448,000	Par
	12/19/2008	Bancorp Rhode Island, Inc.	Providence	RI	Purchase	Preferred Stock w/Warrants	$30,000,000	Par
	12/19/2008	Hawthorn Bancshares, Inc.	Lee's Summit	MO	Purchase	Preferred Stock w/Warrants	$30,255,000	Par
	12/19/2008	The Elmira Savings Bank, FSB	Elmira	NY	Purchase	Preferred Stock w/Warrants	$9,090,000	Par
	12/19/2008	Alliance Financial Corporation	Syracuse	NY	Purchase	Preferred Stock w/Warrants	$26,918,000	Par
	12/19/2008	Heartland Financial USA, Inc.	Dubuque	IA	Purchase	Preferred Stock w/Warrants	$81,698,000	Par
	12/19/2008	Citizens First Corporation	Bowling Green	KY	Purchase	Preferred Stock w/Warrants	$8,779,000	Par
2/	12/19/2008	FFW Corporation	Wabash	IN	Purchase	Preferred Stock w/ Exercised Warrants	$7,289,000	Par
2/	12/19/2008	Plains Capital Corporation	Dallas	TX	Purchase	Preferred Stock w/ Exercised Warrants	$87,631,000	Par
2/	12/19/2008	Tri-County Financial Corporation	Waldorf	MD	Purchase	Preferred Stock w/ Exercised Warrants	$15,540,000	Par
3/	12/19/2008	OneUnited Bank	Boston	MA	Purchase	Preferred Stock	$12,063,000	Par
2/	12/19/2008	Patriot Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/ Exercised Warrants	$26,038,000	Par
2/	12/19/2008	Pacific City Finacial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$16,200,000	Par
2/	12/19/2008	Marquette National Corporation	Chicago	IL	Purchase	Preferred Stock w/ Exercised Warrants	$35,500,000	Par
2/	12/19/2008	Exchange Bank	Santa Rosa	CA	Purchase	Preferred Stock w/ Exercised Warrants	$43,000,000	Par
2/	12/19/2008	Monadnock Bancorp, Inc.	Peterborough	NH	Purchase	Preferred Stock w/ Exercised Warrants	$1,834,000	Par
2/	12/19/2008	Bridgeview Bancorp, Inc.	Bridgeview	IL	Purchase	Preferred Stock w/ Exercised Warrants	$38,000,000	Par
2/	12/19/2008	Fidelity Financial Corporation	Wichita	KS	Purchase	Preferred Stock w/ Exercised Warrants	$36,282,000	Par

2/	12/19/2008	Bridgeview Bancorp, Inc.	Bridgeview	IL	Purchase	Preferred Stock w/ Exercised Warrants	$38,000,000	Par
2/	12/19/2008	Fidelity Financial Corporation	Wichita	KS	Purchase	Preferred Stock w/ Exercised Warrants	$36,282,000	Par
2/	12/19/2008	Patapsco Bancorp, Inc.	Dundalk	MD	Purchase	Preferred Stock w/ Exercised Warrants	$6,000,000	Par
2/	12/19/2008	NCAL Bancorp	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
2/	12/19/2008	FCB Bancorp, Inc.	Louisville	KY	Purchase	Preferred Stock w/ Exercised Warrants	$9,294,000	Par
	12/23/2008	First Financial Bancorp	Cincinnati	OH	Purchase	Preferred Stock w/ Warrants	$80,000,000	Par
	12/23/2008	Bridge Capital Holdings	San Jose	CA	Purchase	Preferred Stock w/ Warrants	$23,864,000	Par
	12/23/2008	International Bancshares Corporation	Laredo	TX	Purchase	Preferred Stock w/ Warrants	$216,000,000	Par
	12/23/2008	First Sound Bank	Seattle	WA	Purchase	Preferred Stock w/ Warrants	$7,400,000	Par
	12/23/2008	M&T Bank Corporation	Buffalo	NY	Purchase	Preferred Stock w/ Warrants	$600,000,000	Par
	12/23/2008	Emclaire Financial Corp.	Emlenton	PA	Purchase	Preferred Stock w/ Warrants	$7,500,000	Par
	12/23/2008	Park National Corporation	Newark	OH	Purchase	Preferred Stock w/ Warrants	$100,000,000	Par
	12/23/2008	Green Bankshares, Inc.	Greeneville	TN	Purchase	Preferred Stock w/ Warrants	$72,278,000	Par
	12/23/2008	Cecil Bancorp, Inc.	Elkton	MD	Purchase	Preferred Stock w/ Warrants	$11,560,000	Par
	12/23/2008	Financial Institutions, Inc.	Warsaw	NY	Purchase	Preferred Stock w/ Warrants	$37,515,000	Par
	12/23/2008	Fulton Financial Corporation	Lancaster	PA	Purchase	Preferred Stock w/ Warrants	$376,500,000	Par
	12/23/2008	United Bancorporation of Alabama, Inc.	Atmore	AL	Purchase	Preferred Stock w/ Warrants	$10,300,000	Par
	12/23/2008	MutualFirst Financial, Inc.	Muncie	IN	Purchase	Preferred Stock w/ Warrants	$32,382,000	Par
	12/23/2008	BCSB Bancorp, Inc.	Baltimore	MD	Purchase	Preferred Stock w/ Warrants	$10,800,000	Par
	12/23/2008	HMN Financial, Inc.	Rochester	MN	Purchase	Preferred Stock w/ Warrants	$26,000,000	Par
	12/23/2008	First Community Bank Corporation of America	Pinellas Park	FL	Purchase	Preferred Stock w/ Warrants	$10,685,000	Par
	12/23/2008	Sterling Bancorp	New York	NY	Purchase	Preferred Stock w/ Warrants	$42,000,000	Par
	12/23/2008	Intervest Bancshares Corporation	New York	NY	Purchase	Preferred Stock w/ Warrants	$25,000,000	Par
	12/23/2008	Peoples Bancorp of North Carolina, Inc.	Newton	NC	Purchase	Preferred Stock w/ Warrants	$25,054,000	Par
	12/23/2008	Parkvale Financial Corporation	Monroeville	PA	Purchase	Preferred Stock w/ Warrants	$31,762,000	Par
	12/23/2008	Timberland Bancorp, Inc.	Hoquiam	WA	Purchase	Preferred Stock w/ Warrants	$16,641,000	Par
	12/23/2008	1st Constitution Bancorp	Cranbury	NJ	Purchase	Preferred Stock w/ Warrants	$12,000,000	Par
	12/23/2008	Central Jersey Bancorp	Oakhurst	NJ	Purchase	Preferred Stock w/ Warrants	$11,300,000	Par
2/	12 /23/2008	Western Illinois Bancshares Inc.	Monmouth	IL	Purchase	Preferred Stock w/ Exercised Warrants	$6,855,000	Par
2/	12 /23/2008	Saigon National Bank	Westminster	CA	Purchase	Preferred Stock w/ Exercised Warrants	$1,549,000	Par
2/	12 /23/2008	Capital Pacific Bancorp	Portland	OR	Purchase	Preferred Stock w/ Exercised Warrants	$4,000,000	Par
2/	12 /23/2008	Uwharrie Capital Corp	Albemarle	NC	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
3/	12/23/2008	Mission Valley Bancorp	Sun Valley	CA	Purchase	Preferred Stock	$5,500,000	Par
2/	12 /23/2008	The Little Bank, Incorporated	Kinston	NC	Purchase	Preferred Stock w/ Exercised Warrants	$7,500,000	Par
2/	12 /23/2008	Pacific Commerce Bank	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$4,060,000	Par
2/	12 /23/2008	Citizens Community Bank	South Hill	VA	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/	12 /23/2008	Seacoast Commerce Bank	Chula Vista	CA	Purchase	Preferred Stock w/ Exercised Warrants	$1,800,000	Par
2/	12 /23/2008	TCNB Financial Corp.	Dayton	OH	Purchase	Preferred Stock w/ Exercised Warrants	$2,000,000	Par
2/	12 /23/2008	Leader Bancorp, Inc.	Arlington	MA	Purchase	Preferred Stock w/ Exercised Warrants	$5,830,000	Par
2/	12 /23/2008	Nicolet Bankshares, Inc.	Green Bay	WI	Purchase	Preferred Stock w/ Exercised Warrants	$14,964,000	Par
2/	12 /23/2008	Magna Bank	Memphis	TN	Purchase	Preferred Stock w/ Exercised Warrants	$13,795,000	Par
2/	12 /23/2008	Western Community Bancshares, Inc.	Palm Desert	CA	Purchase	Preferred Stock w/ Exercised Warrants	$7,290,000	Par
2/	12 /23/2008	Community Investors Bancorp, Inc.	Bucyrus	OH	Purchase	Preferred Stock w/ Exercised Warrants	$2,600,000	Par
2/	12 /23/2008	Capital Bancorp, Inc.	Rockville	MD	Purchase	Preferred Stock w/ Exercised Warrants	$4,700,000	Par
2/	12 /23/2008	Cache Valley Banking Company	Logan	UT	Purchase	Preferred Stock w/ Exercised Warrants	$4,767,000	Par
2/	12 /23/2008	Citizens Bancorp	Nevada City	CA	Purchase	Preferred Stock w/ Exercised Warrants	$10,400,000	Par
2/	12 /23/2008	Tennessee Valley Financial Holdings, Inc.	Oak Ridge	TN	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/	12 /23/2008	Pacific Coast Bankers' Bancshares	San Francisco	CA	Purchase	Preferred Stock w/ Exercised Warrants	$11,600,000	Par
	12/31/2008	SunTrust Banks, Inc.	Atlanta	GA	Purchase	Preferred Stock w/ Warrants	$1,350,000,000	Par
	12/31/2008	The PNC Financial Services Group Inc.	Pittsburgh	PA	Purchase	Preferred Stock w/ Warrants	$7,579,200,000	Par
	12/31/2008	Fifth Third Bancorp	Cincinnati	OH	Purchase	Preferred Stock w/ Warrants	$3,408,000,000	Par
	12/31/2008	Hampton Roads Bankshares, Inc.	Norfolk	VA	Purchase	Preferred Stock w/ Warrants	$80,347,000	Par
	12/31/2008	CIT Group Inc.	New York	NY	Purchase	Preferred Stock w/ Warrants	$2,330,000,000	Par
	12/31/2008	West Bancorporation, Inc.	West Des Moines	IA	Purchase	Preferred Stock w/ Warrants	$36,000,000	Par
2/	12 /31/2008	First Banks, Inc.	Clayton	MO	Purchase	Preferred Stock w/ Exercised Warrants	295,400,000	Par
						TOTAL	$187,539,500,000	

1/ Settlement deferred pending merger.
2/ Privately-held qualified financial institution; Treasury received a warrant to purchase additional shares of preferred stock, which it exercised immediately.
3/ To promote community development financial institutions (CDFIs), Treasury did not require warrants as part of its investment.

VII. TRANSACTION REPORT – SYSTEMICALLY SIGNIFICANT FAILING INSTITUTIONS

SYSTEMICALLY SIGNIFICANT FAILING INSTITUTIONS

	Seller						
Date	Name of Institution	City	State	Transaction Type	Description	Price Paid	Pricing Mechanism
11/25/2008	AIG	New York	NY	Purchase	Preferred Stock w/ Warrants	$40,000,000,000	Par

VIII. TRANSACTION REPORT – AUTOMOTIVE INDUSTRY FINANCING PROGRAM

AUTOMOTIVE INDUSTRY FINANCING PROGRAM

		Seller						
	Date	**Name of Institution**	**City**	**State**	**Transaction Type**	**Description**	**Amount**	**Pricing Mechanism**
	12/29/2008	GMAC LLC	Detroit	MI	Purchase	Preferred Stock w/ Exercised Warrants	$5,000,000,000	Liquidation Preference
1/	12/29/2008	General Motors Corporation	Detroit	MI	Purchase	Debt Obligation	$1,000,000,000	N/A
2/	12/31/2008	General Motors Corporation	Detroit	MI	Purchase	Debt Obligation w/ Warrants	$9,400,000,000	N/A
						TOTAL	$15,400,000,000	

1/ Treasury committed to lend General Motors Corporation up to $1,000,000,000. The ultimate level of funding will depend upon the level of current investor participation in GMAC LLC's rights offering. Once determined, the Amount will be updated to reflect the final funding level.

2/ The Amount includes $4,000,000,000 funded on December 31, 2008, and $5,400,000,000 to be funded on January 16, 2009; it does not include an additional loan of $4,000,000,000, which is contingent on Treasury's authority under section 115(a) of EESA.

IX. TRANSACTION REPORT – TARGETED INVESTMENT PROGRAM

TARGETED INVESTMENT PROGRAM

	Seller						
Date	Name of Institution	City	State	Transaction Type	Description	Price Paid	Pricing Mechanism
12/31/20008	Citigroup	New York	NY	Purchase	Preferred Stock w/ Warrants	$20,000,000,000	Par

X. PROJECTED COSTS AND LIABILITIES

U.S. Treasury Department
Office of Financial Stability

Troubled Asset Relief Program

Projected Costs and Liabilities [Section 105(a)(3((E)]

For Period Ending December 31, 2008

Type of Expense/Liability	Amount
None	

U.S. Treasury Department
Office of Financial Stability

Troubled Asset Relief Program

Programmatic Operating Expenses [Section 105(a)(3)(F)]

For Period Ending December 31, 2008

Type of Expense	Amount
Compensation for financial agents and legal firms	$7,757,662

U.S. Treasury Department
Office of Financial Stability

Troubled Asset Relief Program

Insurance Contracts [Section 105(a)(3((B)]

For Period Ending December 31, 2008

Name	Amount
None	

Notes: Treasury interprets this reporting requirement as applicable to costs and liabilities related to insurance contracts entered into under the provisions of section 102 of the EESA. No such contracts have been entered into to date.

January 6, 2009
HP-1343

Treasury Announces Results of High School Financial Literacy Challenge

Washington– The Treasury Department today announced the results of the fall National Financial Literacy Challenge, a web-based contest open to high school students across the country. At the recommendation of the President's Advisory Council on Financial Literacy, the Department administered the test from November 3 to December 12 to identify and recognize high school students demonstrating knowledge of important personal finance concepts.

The first National Challenge was held in May 2008 and attracted 46,000 students. Due to a positive response from teachers, parents, and students, over 75,000 students participated in the voluntary exam this round.

"We're pleased with the quick growth of the National Challenge and hope it continues, but there is additional work left to do. The `challenge' to parents, teachers, school administrators and policy makers across the country is to get effective personal finance education into every classroom, for every student. We owe it to the members of the next generation to properly equip them for the financial choices and challenges they will face," said Deputy Assistant Secretary for Financial Education Dan Iannicola, Jr.

Students who scored in the top 25th percentile received certificates of recognition and 362 students earned the National Financial Literacy Award medal for demonstrating exceptional levels of financial literacy with perfect or near-perfect scores. In addition to the certificates and medals, each student who obtained a perfect score received a college scholarship from the Charles Schwab Foundation, with an additional financial contribution going to each winning student's school.

Laura Levine, member of the President's Advisory Council and Executive Director of the Jump$tart Coalition for Personal Finance said, "We're proud of the students who excelled on the Challenge and the parents and teachers who taught them about money. The reason the President's Advisory Council recommended implementing the Challenge was to raise awareness of the good work by students and teachers in the field of personal finance and to encourage other schools to follow that example."

The Challenge's 35 questions are correlated to the National Standards in K-12 Personal Finance Education published by the Jump$tart Coalition for Personal Finance in 2007. The questions were developed in consultation with economists, Junior Achievement USA, the National Council on Economic Education, the National Endowment for Financial Education and the Jump$tart Coalition for Personal Financial Literacy.

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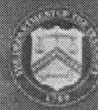

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January 6, 2009
HP-1344

Treasury Releases Statement on Treasury Markets Practice Group Proposal

Washington, DC – Acting Assistant Secretary for Financial Markets Karthik Ramanathan released the following statement today on the recent initiatives to further enhance liquidity in the U.S. Treasury market:

"Treasury supports private-sector initiatives, such as the measures announced by the Treasury Markets Practice Group this week, to further enhance the depth and liquidity of the United States Treasury market.

"We commend the TMPG members for their efforts as well as those of the Securities Industry and Financial Markets Association and the Depository Trust and Clearing Corporation in working to implement these protocols in a timely manner.

"The practical measures recommended by the TMPG should serve to minimize episodes of chronic fails, promote overall market liquidity, and enhance the efficiency and operational integrity of the Treasury marketplace."

TPMG's statement can be found at: http://www.newyorkfed.org/tmpg/pr090105c.pdf

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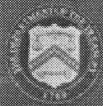

PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

January 7, 2009
HP-1345

Remarks by Treasury Secretary Henry M. Paulson, Jr. on The Role of the GSEs in Supporting the Housing Recovery before the Economic Club of Washington

Washington – Good afternoon. Thank you, David and thanks to the Washington Economic Club for this opportunity to provide my thoughts on long-term reform of the housing Government Sponsored Enterprises, the GSEs, Fannie Mae and Freddie Mac.

Debate over the role and function of these entities has raged for years. Congress established Fannie and Freddie decades ago to meet a public policy goal – to increase the funding available for home mortgage financing. The GSEs achieve this through providing liquidity to the secondary market for a limited range of home mortgages, either through credit guarantees on mortgage-backed securities (MBS) or by directly investing in mortgages and mortgage-related securities through their retained mortgage portfolios. To further this mission, their congressional charters grant the GSEs several benefits which together created a perception that the GSEs were backed by the U.S. government, even though this was not the case. This "implicit" government guarantee provided the GSEs with a funding advantage over other mortgage market participants.

The inherent conflict in this structure is obvious – the GSEs served both a public mission and private shareholders – they received public support but operated for private shareholder gain. While policymakers of every ideological stripe have acknowledged the risks created by this conflict, entrenched debate, often with little recognition of market realities, prevented reform. Over time, the GSEs' advantages enabled them to grow at a phenomenal pace, so that today they have $5.4 trillion in obligations outstanding, held by investors in the U.S. and around the world. As a comparison, that is almost 40 percent the size of the entire $14 trillion U.S. economy. The systemic risk posed by such size was heightened by the fact that investors assumed that GSE securities were backed by the U.S. government and therefore virtually risk-free, despite repeated statements by consecutive U.S. administrations to the contrary. These debt-holders would be the largest, but not the only, conduits of systemic impact should either GSE fail. Derivative counterparties, for example, would also be overwhelmed by a default of either GSE.

For some time market participants had questioned whether the GSEs were adequately capitalized for the risk they were taking, and therefore able to withstand losses without triggering a systemic event. Policymakers acknowledged that the GSE regulator did not have the authorities to address these risks, yet they could not reach consensus to improve it, and instead left a clearly inadequate regulatory structure in place. When I came to Washington, I saw an opportunity to improve the regulatory structure, even if it wouldn't be perfect. I set to work in the fall of 2006 to broker progress in the House, and we did begin to solve some of the seemingly intractable differences.

Even as Washington debated GSE oversight, there was little debate over the extent to which government should subsidize homeownership, and whether such government support was contributing to a housing bubble. The U.S. government has many policies that subsidize homeownership – it would be oversimplifying and wrong to blame Fannie and Freddie for the bubble, but they clearly are part of the public policy bias that contributed to it.

In sum, the GSE reform debate was largely frozen in place, or moving at glacial

speed. Then suddenly, the unprecedented housing correction shifted the ground under that debate and forced action.

Today I will review the actions we have taken and their effect, and address two issues before us. First, in the short-term, how do we use the GSEs to mitigate the current credit crisis and housing downturn? Second, given the temporary nature of their current status, how might we address the appropriate long-term structure?

Prelude to Recent Actions Regarding Fannie Mae and Freddie Mac

As we progressed through the current housing market downturn, investors fled mortgages that carried any credit risk. But because the GSEs take the credit risk on the mortgages they guarantee and because investors believed there was implicit government backing, the conforming loan market continued to function relatively well. As a result, the GSE share of new mortgage business rose from 46 percent in the second quarter of 2007 to 84 percent in the second quarter of 2008. Without the GSEs to finance mortgages, it was very clear that mortgage finance would essentially dry up.

However, as the extraordinary housing correction deepened, weaknesses in these entities became apparent. In July 2008, investors lost confidence as they became increasingly uncertain about Fannie and Freddie's capital position. The GSEs' already depressed stock prices plummeted further. Shareholder losses did not pose a public policy concern, but the share price drop further weakened confidence among the holders of the $5.4 trillion of GSE debt and MBS. Investors at home and abroad were reducing purchases and even selling from their holdings of GSE debt. The consequences of either GSE failing would be catastrophic. We couldn't wait for a failure; we had to act preemptively to shore up confidence in these enterprises.

In July, I requested that Congress quickly complete work on long-sought GSE regulatory reform and also provide Treasury with expanded authority to support Fannie, Freddie and the Federal Home Loan Banks. Congress did so – giving us enormous temporary authorities to inject capital if the GSEs asked for it, and to create a back up liquidity facility for GSE debt.

Immediately after passage of the legislation, in coordination with the Federal Reserve, the newly-constituted GSE regulator, FHFA, and our advisor Morgan Stanley, we began a comprehensive financial review of the GSEs. At the same time, mortgage market conditions continued to deteriorate. Negative earnings announcements by Fannie and Freddie in August reflected those worsening conditions, and further roiled markets. Neither company appeared to have any reasonable prospect of raising private capital to allay those concerns in the foreseeable future, and our examination found capital to be inadequate – in terms of both the quality of capital and the embedded losses stemming from worsening mortgage market conditions.

Confidence in the GSE model was largely shattered. It was clear to me that simply injecting even a great deal of equity into their business model would not create the market confidence necessary to fund these enterprises going forward and to bolster confidence in the $5.4 trillion of extant GSE obligations, which posed the greatest systemic risk. Market fragility and the GSEs' deteriorating balance sheets required that we take responsibility for the GSE structural ambiguities that U.S. policymakers had let fester for decades. If we had asked Congress for, and received, the power to explicitly guarantee the GSEs' obligations, we would have done so. But without that authority, we had to be creative and find a way to effectively guarantee the GSEs' obligations.

We had to stabilize the situation immediately. We knew that markets were exceptionally fragile and would be further threatened in September when we expected that a number of large financial institutions, including Lehman Brothers, would post disappointing earnings. Chairman Bernanke, FHFA Director Lockhart and I met almost daily, over a 10 day period, to work toward a comprehensive action plan. As I made clear at the time, we sought a temporary solution that would achieve three goals: (1) stabilize markets, (2) promote mortgage availability, and (3)

protect the taxpayer.

In comprehensive action taken on September 7th, FHFA placed Fannie and Freddie into conservatorship, enabling Treasury to take creative steps to support their obligations. We moved quickly to do what was necessary. Our actions would have been impossible to implement were it not for the GSE reform legislation that gave FHFA the expanded power to make qualitative and quantitative judgments about capital and also gave Treasury the financial authorities necessary to make conservatorship a stabilizing, as opposed to a destabilizing, event. We devised Preferred Stock Purchase Agreements to effectively guarantee the GSEs' obligations by ensuring Fannie and Freddie would maintain a positive net worth. This commitment ensures that they can fulfill their financial obligations, even after the temporary authorities expire in December 2009. Additionally, Treasury established a new secured lending credit facility intended to serve as an ultimate liquidity backstop. To further support the availability of mortgage financing, Treasury initiated a program to purchase GSE MBS and has purchased over $50 billion thus far.

We took these actions first, to avert the financial market meltdown that would ensue from the collapse of these institutions and, second, to allow the GSEs to continue, in the midst of overall market stress, to perform their essential role of providing mortgage finance. This conservatorship, with the explicit backing of the federal government, is temporary and must be resolved for the long-term. In the meantime, the GSEs must serve the taxpayers' interest by assisting in turning the corner on the housing correction, which is critical to return normalcy to the capital markets and resume U.S. economic growth. The GSEs can facilitate progress through the housing correction by keeping mortgage rates low and by mitigating foreclosures.

Keeping Mortgage Rates Low

Lower mortgage rates enable more potential homebuyers to return to the market and help put a floor under home prices. Initially, following our September actions, mortgage rates did fall. Market turmoil subsequently increased and mortgage rates rose, but not nearly as much as the cost of other forms of credit. Still, neither the taxpayers nor the economy were getting the full benefit of the agreements put in place to effectively guarantee GSE debt. We could have gone back to Congress to ask for authority to directly guarantee GSE debt, however this would have been difficult to achieve. While a simple, direct government guarantee of GSE MBS might have reduced rates further – given the extraordinary strains in today's markets it probably would still have failed to produce all of the desired mortgage rate reductions. Therefore, we examined other means of deploying our authorities that could reduce mortgage rates.

We immediately noted that, given the effective government guarantee and the spread between Treasury rates and those of the GSEs, the taxpayers would profit if the government simply issued Treasuries to buy GSE securities. And in fact, we have funded the purchase of GSE securities with the issuance of Treasury bonds. But to make an impact on mortgage rates, such an initiative would have to be very large and those Treasury issuances would count against the debt limit.

On November 25, the Federal Reserve announced a new program to purchase up to $100 billion in GSE debt securities and $500 billion in GSE MBS. This Federal Reserve program had a significant impact. The 30-year fixed rate has fallen from an average of 6.04 percent the week before the policy was announced to a record low 5.10 percent last week, accomplishing a vitally important step in addressing this housing correction – lower mortgage rates that may bring additional credit-worthy buyers into the housing market.

Foreclosure Mitigation Efforts

While the GSEs are in this temporary form, we have also worked to increase their impact on foreclosure mitigation. In November, FHFA, the GSEs, Treasury and the HOPE NOW Alliance announced a major streamlined loan modification program (SMP) to move struggling homeowners into affordable mortgages. The new

protocol relies heavily on the "IndyMac model" developed by the FDIC and creates sustainable monthly mortgage payments by targeting a benchmark ratio of housing payments to monthly gross income. Together with the IndyMac/FDIC protocol, the SMP creates a powerful new model that should help ensure that no borrower who wants to stay in their home and can make a reasonable monthly payment will fall into foreclosure.

The SMP will directly and immediately apply to the 50 percent of homeowners with loans serviced under the GSEs' auspices. Fannie and Freddie announced that they would suspend foreclosure sales and cease evictions of owner-occupied homes until January 9th to allow time for implementation of the modification program. The timing of this initiative is especially important as prime loans now account for almost 50 percent of new delinquencies, and delinquencies are increasingly the result of overall economic factors rather than the loan features and underwriting practices associated with Alt-A and subprime products.

And the impact of the SMP will go much further. The vast majority of servicing contracts for non-GSE mortgages reference the GSEs' practices, and we therefore expect the SMP to be widely adopted and quickly move hundreds of thousands of struggling borrowers into sustainable, affordable mortgages. Further, this streamlined protocol frees up servicing industry resources that can be redirected to providing case-by-case assistance to more difficult cases that fall outside the SMP protocol.

Impact of Temporary Authorities to Stabilize the GSEs

Given the authority granted by Congress last summer, we have gone about as far as we can to avert systemic risk and to use the GSEs to speed progress through the housing correction that lies at the heart of our economic downturn. Although the effective guarantee of GSE debt and MBS has brought some degree of stabilization, it is not the most efficient way to remove the ambiguity inherent in the GSE structure, even temporarily.

To the extent that the Congress and the next Administration wish to use the GSEs as a tool to further reduce mortgage rates, they could, under existing authorities, make large purchases of mortgages made at a target rate of, say, 4 percent – although very large volumes of Treasury issuances would be required for such a program to be effective. A targeted program such as one that purchases only new mortgages made for home purchases, as opposed to refinancing, for a one year period would require less but still substantial funding. Separately, the next Administration could pursue legislative authority to directly guarantee GSE debt for the remainder of the conservatorship period.

Long-Term Policy Recommendations

The GSEs are playing a necessary role supporting the mortgage availability which is essential to eventually turning the corner on the housing correction, reducing the stress in our capital markets and returning to growth in our economy. This must continue to be our first priority. But we will make a grave error if we don't use this period to decide what role government in general, and these entities in particular, should play in the housing market.

The public debate over the long-term structure of the GSEs is dramatically changed today – no one any longer doubts the systemic risk these entities posed. It is clear to all conservatorship is a temporary form, and that returning the GSEs to their pre-conservatorship form is not an option.

The debate about the future of Fannie and Freddie requires answering the much larger and more important question of the federal government's role in the mortgage market and in housing policy, generally. Given the bubble we have experienced, policymakers must ask what amount of homeownership subsidies are appropriate. Numerous long-standing indirect subsidies already exist, including the mortgage interest deduction, subsidized FHA mortgages, and the variety of other HUD programs that expand homeownership opportunities.

Is that enough? Or should government also reduce mortgage rates for a larger group of homebuyers? Policymakers must decide if the GSE subsidy is a public policy priority. If the GSEs are to play a role, then, the debate is clearly framed: Government support needs to be either explicit or non-existent, and structured to resolve the conflict between public and private purposes. Any middle ground is a recipe for another crisis. Although there are strong differences of opinion over the government's role in supporting housing, under any course policymakers choose, there are structures and choices that can resolve the long-term conflict of purposes issues.

And it is clear that to protect against systemic risk in the future, the GSEs should be constituted with a portfolio no larger than what is minimally necessary for warehousing purposes. Without portfolios of significant size, the enterprises' management of interest rate risk would remain a vital function for the safety and soundness of the enterprises, but would no longer present the same potential systemic risk.

As a public policy tool to expand homeownership, the GSEs, like FHA-Ginnie Mae, reduce mortgage rates for borrowers by taking on the credit risk that mortgage investors would otherwise bear and guaranteeing that mortgage investors will be paid in full should the mortgage borrower default. As Congress considers the future role and structure of the GSEs, it must consider how much credit risk the Federal government should take.

Addressing Credit Risk

In today's stressed mortgage market, between FHA-Ginnie Mae, Fannie Mae, and Freddie Mac, almost all new mortgage market originations have federal government credit support. This is not sustainable over the long-run. It will lead to inefficiency, less innovation and higher costs. It also contradicts basic U.S. market principles. We must have some degree of private sector involvement in the evaluation of credit risk if we are going to have a mortgage market that allocates resources with efficiency.

In the mortgage market of the future, I clearly see a role for the FHA and Ginnie Mae for first-time and low income homebuyers. Beyond the explicit guarantee provided to FHA and Ginnie Mae policymakers must decide how much to further subsidize mortgage credit risk, if at all, and must decide the role of private capital in any subsidy plan. Depending on the degree of subsidy policymakers choose, there are a variety of options for structures to replace the GSEs, including:

(1) Expanded FHA/Ginnie Mae. Some advocate that beyond the current credit crisis the U.S. government's long-term policy should make the implicit, explicit. Explicitly guaranteeing Fannie and Freddie's obligations would essentially nationalize this significant portion of the U.S. housing finance market. Under this model, the GSEs could become a government entity, or their functions could be absorbed by FHA/Ginnie Mae . In either case, the GSEs would no longer have private shareholders. The size of the eligible population of homebuyers would determine how large a share of mortgage credit exposure the government would own.

I view the permanent nationalization of the GSEs, essentially expanding the role of FHA and Ginnie Mae, as a less-than optimal model. While it offers the perceived advantage of explicit government support, it eliminates the necessary private sector evaluations of credit risk and the private market stimulus to innovation.

(2) Partial Guarantee. A hybrid of this would be to create a Ginnie Mae-like entity for non-FHA mortgages, structured as a partial guarantee mechanism. The new entity could operate on a similar basis as Ginnie Mae, but provide only partial guarantees for MBS. Investors would then have a floor under potential MBS losses, but would still evaluate the credit risk associated with individual issuers. While such a hybrid program would clearly define the extent of the government's guarantee, developing risk sharing parameters compatible with profit incentives would be as problematic, and potentially as inefficient, as in the current GSE structure.

(3) Privatization. A third alternative would be to remove all direct or indirect government support, completely privatizing these companies while breaking them up to minimize systemic risk. As appealing as this alternative sounds, it is difficult to envision a sound, practical, private sector mortgage insurance business of any significant size that does not require large amounts of capital, and consequently generates only a modest return on capital. The recent problems encountered by monoline insurers, which ventured into guaranteeing mortgage product as well as the experience of the GSEs, underscores this point. Moreover, a break up scenario does not look particularly promising, as reverse economies of scale would take hold. It is also worth noting that a regional mortgage insurer would lack diversity as a risk mitigant. Perhaps a consortium of banks would find it advantageous to own a national mortgage insurer to wrap their product, or some other good private sector business model may emerge. But I am skeptical that the "break it up and privatize it" option will prove to be a robust or even viable model of any substantial scale, without some sort of government support or protection. However, should policymakers choose to scale back public policy bias toward homeownership, we will eventually find out what business model the free market would support.

(4) Housing Utility. Finally, given traditional U.S. public policy support for marshalling private capital to expand homeownership, establishing a public utility-like mortgage credit guarantor could be the best way to resolve the inherent conflict between public purpose and private gain. Under a utility model, Congress would replace Fannie Mae and Freddie Mac with one or two private sector entities. The entities would purchase and securitize mortgages with a credit guarantee backed by the federal government, and would not have investment portfolios. These entities would be privately-owned, but governed by a rate setting commission that would establish a targeted rate of return, thereby addressing the inherent conflicts between private ownership and public purpose that are unresolved in the current GSE structure. This commission would also approve mortgage product and underwriting innovations to continually improve the availability of mortgage finance for a population to be defined by the Congress. In this model, continued safety and soundness regulation would be essential.

Need to Support Vibrant Private Market

If we are to maintain a private-sector secondary mortgage market – which I believe serves the taxpayer and the homebuyer equally well – then we must enhance the ability of depository institutions to fund mortgages, either as competitors to a newly-established government structure or as a substitute for government funding. One way to do this is for the government to receive some compensation for its guarantee. The current GSE Preferred Stock Purchase Agreements take a small step in this direction, in that as of 2010 the GSEs must pay the government a fee for the taxpayer backstop on their guarantees. Of course, if this rate perfectly reflected the risk versus the cost of the guarantee, there would be no subsidy to mortgage availability. It is obviously inherently difficult to reach an exactly correct price, yet a long-term fee-like structure in exchange for explicit government backing would help to reduce advantages over private institutions. Over time, another approach might be to offer other financial institutions the opportunity to pay a fee for government backing on securitized, conforming loans, a structural transformation that would lower entry barriers, and increase competition and innovation in housing finance.

Covered bonds are another private sector alternative worth exploring. The FDIC has made regulatory changes to support the emergence of covered bonds, which could provide enhanced opportunities for depository institutions to fund and manage mortgage credit risk. There is strong interest in developing a U.S. covered bond market, but we will have to work through the credit crisis before a new market is likely to take hold. Some have advocated dedicated covered bond legislation, which could be helpful to establishing this market, and should be considered in the context of broader housing finance reforms.

Additionally, the President's Working Group on Financial Markets has recommended extensive reforms in the mortgage securitization process by investors, ratings agencies, underwriters and regulators, especially with respect to mortgage origination oversight. When these reforms are in place, we expect private

label securitization to return with greater oversight and market discipline.

Conclusion

My thoughts today are intended to inform the necessary debate over the future structure of the housing GSEs. By allowing the GSE structural ambiguities to persist for too long, U.S. policymakers have created an untenable situation. Today, Fannie Mae and Freddie Mac are in a temporary form that, while stable, cannot efficiently serve their Congressionally-chartered mission and protect the taxpayers' investment over the long-term. We took the right actions to meet a specific need at a specific time.

The GSEs are critical to getting us through this current period, and this is our first priority. More may need to be done to clarify and simplify their structure and to increase their effectiveness in curbing further housing price correction. But we cannot look only at this short-term need; policymakers must resolve the question of long-term structure because the pre-conservatorship model has been disproven.

The first step must be for policymakers to decide – in light of the recent housing bubble and the severe financial and economic penalty it has imposed on our nation – the role government should play in supporting home ownership. We cannot allow a repeat of the devastation this housing correction has wreaked on families and communities across the United States. Once that decision is made, the GSEs should be restructured to meet that public policy choice and satisfy three objectives: First, there must be no ambiguity as to government backing. It must be explicit or non-existent. Second, there must be a clear means of managing the conflict between public support and private profit. Third, there must be strong regulatory oversight of the resulting institutions.

As I have outlined, whatever role the U.S. government chooses to play in subsidizing mortgage finance, there is a structure that can meet the objectives. With the knowledge of recent experience, we have a responsibility to begin work now on a long-term GSE structure which avoids the dangerous mix of policy and market distortions created by the former flawed GSE model. Thank you.

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January 8, 2009
HP-1346

Treasury Releases Fourth Tranche Report

Washington, DC – The Treasury Department today released the fourth Tranche Report to Congress, as required by section 105(b) of the Emergency Economic Stabilization Act. All Tranche Reports can be found at: http://www.treasury.gov/initiatives/eesa/tranche-reports.shtml.

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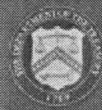

January 8, 2009
HP-1347

Interim Assistant Secretary for Financial Stability
Neel Kashkari Remarks at Brookings Institution

Washington – Good afternoon. Thank you, Martin, for that kind introduction. I would also like to thank the Brookings Institution for hosting us today. I will provide a comprehensive update on the Treasury Department's progress in implementing the Troubled Asset Relief Program (TARP), and then spend some time taking questions from the audience and having a discussion.

We are in an unprecedented period and market events are moving rapidly and unpredictably. We at Treasury have responded quickly to adapt to events on the ground. Throughout the crisis, we have always acted with the following critical objectives in mind: one, to stabilize financial markets and reduce systemic risk; two, to support the housing market by avoiding preventable foreclosures and supporting mortgage finance; and three, to protect taxpayers. The authorities and flexibility granted to us by Congress have been essential to developing the programs necessary to meet these objectives.

A program as large and complex as the TARP would normally take many months or years to establish. But, we did not have the luxury of first building the operation, then designing our programs and then executing them. Given the severity of the financial crisis, we had to build the Office of Financial Stability, design our programs, and execute them - all at the same time. We have made remarkable progress since the President signed the law only 97 days ago.

Today, I will brief you about five areas. First, I will give an update on execution of the programs Treasury has implemented under the TARP. Second, I will review the progress we've made in building the Office of Financial Stability. Third, I will provide an update on our efforts to meet the highest standards for compliance and oversight. Fourth, I will review the thorough reporting requirements we continue to meet. Finally, I will update you on some of the measurements we look at to judge if our programs are working.

Update on TARP Programs

I will begin with the Capital Purchase Program (CPP). On October 14, Secretary Paulson announced that we would allocate $250 billion of the financial rescue package for a voluntary capital purchase program for healthy, viable banks of all sizes. The CPP was designed to first stabilize the financial system by increasing the capital in our banks, and then to restore confidence so credit could flow to our consumers and businesses.

People often ask: why are we investing in healthy banks? Shouldn't the TARP be used for failing banks? Healthy banks are in the best position to support their communities by extending credit. A dollar invested in a healthy bank is far more likely to be used to promote lending to creditworthy borrowers than a dollar invested in a failing bank, which would more likely use it to stay afloat.

It has been 86 days since Secretary Paulson announced the Capital Purchase Program. We started from scratch, recruited and built a world class team, designed the program details, hired necessary outside vendors, and implemented a complex, but efficient processing model. In that time, we have invested $178 billion in 214 institutions in 41 states across the country, as well as Puerto Rico.

There is a huge demand for the program: the number of applications under-review at the regulators is in the thousands, representing every state in the country, and hundreds more have already been pre-approved by Treasury. We are pleased with the large number of banks that have applied. The regulators are working diligently to get through their review and forward recommended applications to us as quickly as they can. We expect their review to continue over the next few months.

We continue to process applications quickly but carefully to ensure our program guidelines and goals are met. Our investment committee meets virtually every day to review applications as soon as they are sent to us by the regulators and we close transactions often within days of approval. In fact, we find that institutions need more time to complete their legal requirements than Treasury needs to execute the investments.

Our work will not let up until the last application has been reviewed and processed. Completing investments in more than 200 institutions across the nation in less than 90 days is a feat that I believe is unmatched in the public or private sectors. This progress is remarkable not only in its speed and quality, but also in its scope. We have reviewed applications from every state in the nation and touched almost every banking market with applications from small and large banks alike, including Community Development Financial Institutions. The largest investment under the CPP has been $25 billion and the smallest less than $2 million, with applications for upcoming investments of a few hundred thousand dollars.

Automotive Industry Financing Program

Next, I will discuss Treasury's actions under TARP to support the auto sector. While the TARP was designed to stabilize the financial sector, the legislation provided sufficiently broad authority to act to stabilize the domestic automotive industry. Absent congressional action, no other authority existed within the federal government to stave off a disorderly bankruptcy of one or more auto companies. Treasury was forced to act to prevent a significant disruption of the automotive industry that would pose a systemic risk to financial markets and negatively affect the real economy.

Last week, Treasury began funding transactions under this program. We funded our full commitment of a $4 billion loan to Chrysler, and we funded the first $4 billion of a $13.4 billion commitment to GM - the last $4 billion of which depends on future congressional action. The terms of these loans require the companies to move quickly to develop plans demonstrating long-term viability, and they also include significant taxpayer protection provisions.

Because the finance companies serve as the lifeblood of the automakers, we knew that our program would need to address the short-term needs of the auto finance companies as well. Last week, we funded a $5 billion investment in GMAC. We also committed to an additional $1 billion loan to GM to be used to participate in a rights offering at GMAC as part of its recapitalization in becoming a bank holding company.

These financings were designed to use our limited remaining resources to address the participating companies' short-term needs while providing them enough time to begin the hard work with all stakeholders that will be necessary to achieve viability.

Term Asset-Backed Securities Lending Facility

Support of the consumer finance sector is a high priority for Treasury because of its fundamental role in fueling economic growth. Like other forms of credit, affordable consumer credit depends on ready access to a liquid and affordable secondary market – in this case, the asset-backed credit market.

The Federal Reserve is setting-up a $200 billion program to support consumer finance securitization markets, specifically credit cards, auto loans, student loans and small business loans. Under the TARP, Treasury will provide $20 billion in this

facility, which will enable a broad range of institutions to step up their lending and enable borrowers to have access to lower-cost consumer finance and small business loans. The facility may be expanded over time and eligible asset classes may be expanded later to include other assets, such as commercial mortgage-backed securities, non-agency residential mortgage-backed securities or other asset classes. Treasury and the Federal Reserve continue to make progress in establishing this facility, which we expect to become operational in February.

Asset Guarantee Program

We established the Asset Guarantee Program under section 102 of the EESA. This program provides guarantees for assets held by systemically significant financial institutions that face a risk of losing market confidence due in large part to a portfolio of distressed or illiquid assets. Treasury is exploring use of this program to address the $5 billion guarantee provisions of our recent agreement with Citigroup.

Targeted Investment Program

As part of our recent $20 billion investment in Citigroup, Treasury also established the Targeted Investment Program, the objective of which is to foster financial market stability. In an environment of high volatility and severe financial market strains, the loss of confidence in a major financial institution could result in significant market disruptions that threaten the financial strength of similar institutions. This investment in Citigroup includes important restrictions on executive compensation and corporate expenses as well as provisions to protect the taxpayers.

Building the Office of Financial Stability

Let me now turn to our work to establish the Office of Financial Stability. I mentioned that a program as large and complex as the TARP would normally take many months or years to establish. Given the severity of the financial crisis, we had to build the Office of Financial Stability, design our programs, and execute them - all at the same time.

Recruiting excellent people was the first and most important part of successfully establishing the office. We started by tapping the very best, seasoned, financial veterans from across the government and private sector to help launch the program. We were successful in quickly recruiting outstanding interim leaders for key positions in the office. In each case, the interim official was charged with: one, setting up the office; two, hiring permanent staff; three, operationalizing our programs; and, four, identifying their permanent successor. That process has worked extremely well.

Today we have almost 90 dedicated TARP staff, including full-time employees we have hired since the law was signed and experienced detailees we have recruited from across the government. In many cases, those detailees are choosing to become permanent members of the TARP team. This does not include the numerous main Treasury employees who are spending most of their time on TARP. We also have a robust pipeline of outstanding new people joining the team each week.

We have worked very hard to ensure the transition to the next Administration is smooth. The only political position within in the TARP is the Assistant Secretary position. Almost all of the remaining positions are being filled by people who are planning to remain with the program after the transition. The next Administration will inherit an Office of Financial Stability that is fully-staffed and executing extremely well. We have worked very hard to make sure there would be continuity so the program does not slow down. As I previously mentioned, we have many applications to process for the CPP over the next several months. We have made sure the team is in place to see that work through. We have also worked closely with the GSA to acquire dedicated space for the entire team. We moved in this past Monday and we expect the Special Inspector General will move to the same space in the next few weeks.

For a sense of the execution challenges this team has already successfully faced, consider that last week alone, our team closed $48 billion of transactions. We signed and funded over $15 billion in our Capital Purchase Program, a $20 billion investment in Citigroup, and a total of $13 billion to GMAC, GM and Chrysler.

Compliance and Oversight

I will now turn to oversight. Congressional committees of jurisdiction are the traditional bodies of oversight and Treasury has participated in five Congressional hearings on the TARP since the EESA was passed. In addition, the Congress established four additional avenues of oversight: one, the Financial Stability Oversight Board; two, the Special Inspector General; three, the Government Accountability Office; and four, the Congressional Oversight Panel. I will briefly review Treasury's interaction with each body.

First, we moved immediately to establish the Financial Stability Oversight Board, which is chaired by Federal Reserve Chairman Bernanke. The law requires the Board to meet once a month, but it has met multiple times since the law was signed, with numerous staff calls between meetings. We have also posted the bylaws and minutes of the Board meetings on Treasury's website.

Second, the law also requires appointment of a Senate-confirmed Special Inspector General to oversee the program. We welcome the Senate's confirmation of Neil Barofsky as the Special Inspector General. I meet weekly with the Inspector General and our staffs meet regularly.

Third, the law calls for the Government Accountability Office to establish a physical presence at Treasury to monitor the program. Treasury provided workspace for our auditors within days of the President signing the law. I have participated in multiple briefings with the GAO and our respective staffs are meeting almost daily for program updates and to review contracts.

Finally, the law called for the establishment of a Congressional Oversight Panel to review the TARP. That Oversight Panel was recently formed and we had our first meeting on Friday, November 21 and our second meeting on Thursday, December 18. The Congressional Oversight Panel posed a number of questions to Treasury and we provided a detail response which we published on our website on December 31.

Reporting and Transparency

Next, I will discuss reporting requirements and transparency. Reporting results to Congress and the American people is a critical responsibility of the TARP. People need to see what we are doing, understand why we are doing it, and know the effects of our actions. The law defined numerous reporting requirements for the TARP, which I will briefly review here. Treasury has met all of our reporting requirements on time, and will continue to do so. All of our reports are posted on the Treasury website.

- First, the law requires Treasury to publish a Transaction Report within two business days of completing each TARP transaction. We have published eleven transaction reports so far.
- Second, the law requires Treasury to publish a Tranche Report to Congress within seven days of each $50 billion commitment that is made. To date, Treasury has published four Tranche Reports, including one this week.
- Finally, the law requires Treasury to provide a detailed report on the overall program within 60 days of the first exercise of the TARP purchase authority and then monthly thereafter. We have published two such reports so far, the most recent this week.

Measuring Results

Finally, I will address the important issue of measuring the results of our programs.

People often ask: how do we know our programs are working? The most important evidence that our strategy is working is that we have stemmed a series of financial institution failures. The financial system is fundamentally more stable than it was when Congress passed the legislation. While it is difficult to isolate one program's effects given policymakers' numerous actions, one indicator that points to reduced risk of default among financial institutions is the average credit default swap spread for the eight largest U.S. banks, which has declined by about 275 basis points since before Congress passed the EESA. Another key indicator of perceived risk is the spread between LIBOR and OIS: 1-month and 3-month LIBOR-OIS spreads have declined about 202 and 147 basis points, respectively, since the law was signed and about 312 and 242 basis points, respectively, from their peak levels before the CPP was announced.

People also ask: when will we see banks making new loans? It is important to note that almost $75 of the $250 billion CPP has yet to be received by the banks. Treasury is executing at a rapid speed, but it will take some time to review and fund all the remaining applications. This capital needs to get into the system before it can have the desired effect. In addition, we are still at a point of low confidence – both due to the financial crisis and the economic downturn. As long as confidence remains low, banks will remain cautious about extending credit, and consumers and businesses will remain cautious about taking on new loans. As confidence returns, Treasury expects to see more credit extended.

People have then asked: how will you track lending activity? Treasury has been working with the banking regulators to design a program to measure the lending activities of banks that have received TARP capital. We plan to use quarterly call report data to study changes in the balance sheets and intermediation activities of institutions we have invested in and compare their activities to a comparable set of institutions that have not received TARP capital investments. Because call report data is infrequent, we also plan to augment that analysis with a selection of data we plan to collect monthly from the largest banks we have invested in for a more frequent snapshot.

The increased lending that is vital to our economy will not materialize as fast as any of us would like, but it will happen much faster as a result of deploying resources from the TARP to stabilize the system and increase capital in our banks.

Conclusions

While we have made significant progress, we recognize challenges lie ahead. As Secretary Paulson has said, there is no single action the federal government can take to end the financial market turmoil and the economic downturn, but the authorities Congress provided last fall dramatically expanded the tools available to address the needs of our system. We are confident that we are pursuing the right strategy to stabilize the financial system and support the flow of credit to our economy. We have worked around the clock to build the Office of Financial Stability, design our programs, and execute them and will hand the next Administration a program that is staffed and fully operational. Thank you and I would be happy to take your questions.

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January 9, 2009
2009-1-9-13-42-45-12516

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $78,006 million as of the end of that week, compared to $78,334 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	January 2, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			78,006
(a) Securities	9,565	14,187	23,752
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	11,125	6,941	18,066
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,662		
(3) SDRs [2]	9,315		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	8,169		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	8,169		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits				

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-544,474	-393,779	-150,695	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	8,335
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	8,335
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	78,006
--currencies in SDR basket	78,006
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

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January 9, 2009
HP-1348

Treasury Releases Sixth in a Series of Social Security Papers

Washington, DC – Treasury today released the sixth and final in a series of papers on Social Security. Issue Brief No. 6 is entitled Social Security Reform: Work Incentives.

REPORTS

- Social Security Reform: Work Incentives

ISSUE BRIEF NO. 6

SOCIAL SECURITY REFORM: WORK INCENTIVES

INTRODUCTION

This sixth and final Treasury issue brief on Social Security reform discusses Social Security's effect on work incentives and the implications for reform. Social Security discourages work effort in much the same way as does an ordinary tax on labor income. As was demonstrated in Treasury's first three issue briefs, an individual's lifetime contribution to Social Security has two components: the difference between the value of lifetime taxes and lifetime benefits—lifetime net taxes—and the difference between gross taxes and net taxes—effectively "forced saving" that determines benefit levels. For current and future workers, lifetime net taxes finance the excess of benefits over taxes that have been paid or are promised to earlier generations, an amount estimated to exceed $13.6 trillion; and benefits are financed entirely by forced saving. The net tax component of Social Security contributions discourages work effort in the same way as an ordinary tax—workers pay more in taxes than they expect to receive in lifetime Social Security benefits, and this effectively reduces the return to work. The forced saving component of Social Security contributions would be expected to have little effect on work effort provided that workers understand that this part of Social Security taxes will be returned as future benefits, and provided there is a mechanism in place to ensure that the forced savings are truly set aside to help pay future benefits (as opposed to giving rise to increased current non-Social Security government spending or lower non-Social Security taxes than would be the case without Social Security).

Two key goals for Social Security reform are to raise more than $13.6 trillion in net taxes from current and future workers fairly and with as little effect as possible on work incentives. This net tax will be assessed under any permanently solvent Social Security system, and will involve some combination of increased revenue and lower benefits relative to what is scheduled under current law. When designing Social Security's net taxes, maintaining work incentives is important because it is economically wasteful for people to work less in an attempt to avoid Social Security's net taxes—the reduced work effort results in less economic activity, higher net tax rates, and no less net tax revenue, as in the end $13.6 trillion in net taxes must be assessed. Social Security is said to be "efficient" to the extent that the program does not discourage work effort.

Undertaking Social Security reform necessarily entails a subjective choice that balances the competing goals of fairness and efficiency. Most people believe that fairness requires that the tax structure be progressive in the sense that net tax rates increase with the level of earnings – nearly all proposals for Social Security reform involve a progressive net tax. But there is a tradeoff between fairness and efficiency, because progressive net tax structures are generally less efficient than proportional or regressive net tax structures—the adverse impact on efficiency comes about because a higher net tax rate on higher incomes discourages work effect by more than a net tax rate that is equal at all income levels.

The forced saving component of Social Security contributions also adversely affects work effort if workers do not understand (or do not believe) that this portion of their contributions will be returned to them as future benefits. As discussed in Treasury's third Social Security brief, the forced savings component of

Social Security would have little or no impact on work effort if workers realize that those contributions will be returned to them as future benefits. Hence, Social Security reform would usefully make Social Security's forced saving more transparent to workers—to make clear to workers the relationship between today's earnings and future benefits.

Even with such transparency, Social Security's forced savings could still discourage work effort if near-term Social Security revenues in excess of benefits paid are not truly set aside to build up the resources to pay future benefits, but instead give rise to more spending or lower taxes in the non-Social Security budget. This could be the case today, for example, to the extent that Social Security surpluses obscure the underlying fiscal situation and facilitate increased spending or tax cuts in the rest of the federal budget. As discussed in Treasury's fourth Social Security Brief, if these near-term surpluses result in additional near-term government spending, the additional spending must ultimately be financed with either higher future non-Social Security taxes or smaller future non-Social Security spending. Work effort would be discouraged to the extent that the finance source is higher future taxes.

A given level of progressivity can be achieved in many different ways, and some are better for work incentives than others. A goal of Social Security reform, therefore, is to maximize work incentives for the chosen level of progressivity. In this regard, this brief makes the following key points:

- The current Social Security system imposes net tax rates on earnings that vary by age in a manner that encourages early retirement. Policies that would rectify this problem are discussed.

- Social Security's net tax rate on an additional dollar of earnings is generally smaller than the payroll tax rate because benefits generally accrue as people work more (that is, part of Social Security contributions are forced savings). Because the Social Security benefit computation is complex, however, it is likely that many people underestimate the extent to which Social Security benefits increase with work effort. Such a misunderstanding would naturally lead a worker to overestimate Social Security's net tax rates and thus choose to work less than they would if they were better informed. Ways to make the relationship between work and Social Security benefits more transparent are discussed.

- Many people appear to interpret the earliest age that benefits can be collected (the "early retirement age", currently 62) as an officially-sanctioned suggested retirement age and are influenced by that suggestion. This is true despite the fact that the Social Security net tax structure gives no true economic incentive for workers with reasonably prudent nest eggs to retire at that specific age. Increasing the early retirement age would not affect the retirement incentives of these workers, but would likely encourage additional work effort through the suggestion effect.

- Increasing the "normal retirement age" is equivalent to a proportional reduction in benefits and should therefore have the same effect on retirement incentives as the equivalent benefit cut. As with the early retirement age, however, many people seem to interpret the normal retirement age as a suggested retirement age. Such people's retirement decisions would be more responsive to an increase in the normal retirement age than to the equivalent proportional benefit cut.

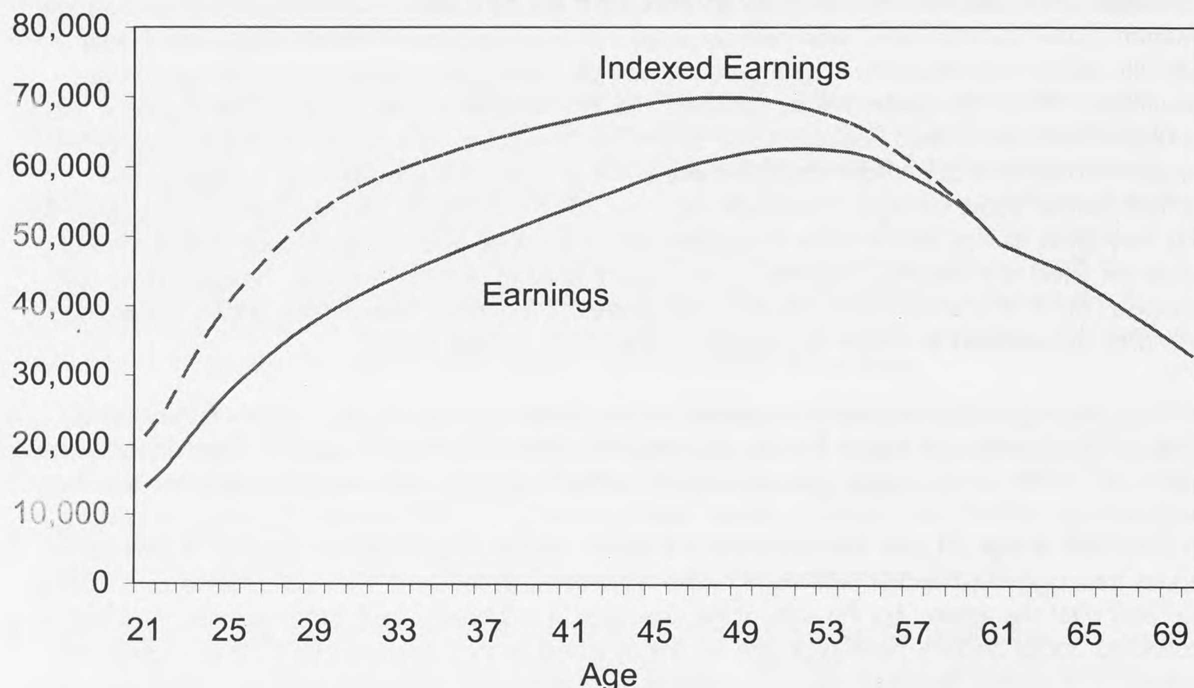
- For couples with one spouse earning substantially more than the other spouse, the current special benefits for spouses and survivors increase work incentives of the high earner and reduce work incentives of the low earner. The net result is probably less work effort on the whole because the low earner tends to be more sensitive to taxes than the high earner when deciding how much to work. A potential remedy for this problem is discussed.

The next section reviews how Social Security affects work incentives; later sections discuss policy implications.

HOW SOCIAL SECURITY'S NET TAXES AFFECT WORK INCENTIVES

The impact of Social Security's net taxes on work effort will be illustrated with reference to an average woman ("Jane") born in 1990 who collects benefits as a single person. As it is certain that Social Security will be a permanently solvent system eventually, making the example plausible requires an assumption of how the system will be reformed. For this purpose, it is assumed that the illustrative reform analyzed in Treasury's third Social Security brief—Plan X—will be put in place. Plan X reduces benefits proportionately from current-law scheduled levels so that real benefits received by successive birth cohorts remain about constant on average between 2008 and 2036, and sets benefits after 2036 so that they grow as they would under current law except for small annual proportionate reductions that offset the effect of increasing longevity on the present value of benefits received. (Treasury does not endorse Plan X—it is used only for illustrative purposes.) In addition, interest rates, prices, wages, and mortality are assumed to evolve as projected in the 2005 Trustees Report.

Jane is assumed to be a representative earner with medium earnings. Figure 1 shows the assumed time profile of Jane's real wages by age assuming she does not retire until age 70. (Also shown in the figure are "indexed real wages" that are used to compute benefits, which are discussed below.) The real earnings profile is an inverted U shape: earnings start at $21,000 at age 21 and grow steadily to $63,000 at age 52, and then commence a steady decline to $33,000 at age 70. If Jane retires earlier than age 70, then her real wage profile is the same as in Figure 1 except it falls to zero starting the year after she retires. For the sake of this illustration, it will be assumed that Jane retires and begins collecting Social Security benefits at age 67, the so-called "normal retirement age" for the 1990 birth cohort. (The normal retirement age and possible revisions to it are discussed below.) In that case, the expected present values as of age 21 of Jane's pre-tax wages, her payroll taxes, and her retirement benefits are $1,140,290, $120,684, and $64,725, respectively. (Both disability benefits and taxes are excluded from the calculations; consequently the payroll tax rate used here is 10.6 percent.) The net value of Social Security to Jane is, therefore, the difference between the value of her benefits and her taxes, which is -$56,139 or -4.9 percent of her lifetime wages. That is, Jane's lifetime net tax rate is 4.9 percent, and Social Security raises as much net revenue from Jane as would a 4.9 percent tax on wages in every year of her working life.



TWO CHANNELS OF INFLUENCE ON WORK EFFORT: LIFETIME WEALTH EFFECT AND MARGINAL WORK REWARD EFFECT

Social Security's net tax affects Jane's work effort through two channels: by reducing Jane's lifetime wealth, and by reducing both the reward for working an additional hour in a given year and the reward for working an additional year before retiring. The reward for an additional hour of work or an additional year of work is a marginal reward because it is the reward for changing work effort, not the reward for all work effort.

Social Security's first effect on work effort—the lifetime wealth effect—is straightforward: Social Security reduces Jane's lifetime wealth by $56,139, the expected difference between the value of Jane's lifetime taxes and her lifetime benefits. This causes Jane to work more to make up for some of the loss.

Social Security's second effect on work effort—the change in the reward for working more—causes Jane to work less. This effect can be isolated by imagining the combined effect on Jane's work effort of Social Security and an unconditional $56,139 gift such as an inheritance. Social Security and the unconditional gift together have no effect on Jane's lifetime wealth. There is an impact, however, on Jane's incentives to work, because working more causes Jane's lifetime payroll taxes to increase by more than her lifetime benefits increase—that is, additional work increases Social Security net lifetime taxes. Hence, Social Security reduces the marginal rewards for work, and this causes Jane's work effort to decline.

Theory alone cannot determine which of Social Security's two effects on work effort—the lifetime wealth effect or the marginal-rewards-to-work effect—is stronger. Overall, it is possible that Social Security

causes work to increase or decrease. When choosing among Social Security reform plans that are permanently solvent, however, differences in work incentives stem entirely from differences in the marginal rewards to work. This is because the wealth effects of Social Security reform are the same for any plan that makes the system solvent, as all such plans must collect a net tax (the difference between the value of taxes and the value of benefits) of about $13.6 trillion from current and future workers. Reform plans that make Social Security permanently solvent entail the same total wealth effect on work effort and therefore differ only with regard to the extent to which they reduce the marginal rewards to work. For this reason, the remainder of this brief focuses on how Social Security reform affects the marginal rewards to work.[1]

SOCIAL SECURITY'S EFFECT ON THE MARGINAL REWARDS FOR ADDITIONAL WORK

Returning to the example of Jane and Plan X, a solvent Social Security system raises as much revenue from Jane as would a 4.9 percent tax on her wages. But Social Security's effect on Jane's marginal rewards to work is much different than that of a 4.9 percent tax on wages because Social Security's net taxes have a much more complex structure than does a simple proportional tax. Social Security's net tax on a given year's earnings is equal to gross payroll taxes less the accrual of Social Security benefits. The payroll tax component of Social Security's net taxes—10.6 percent of taxable earnings—is simple. What makes Social Security's net tax structure complex is the accrual of benefits.

HOW BENEFITS ARE CALCULATED

As discussed in Treasury's third Social Security brief, Plan X simply reduces future benefits proportionately from current-law levels, so that Jane's initial benefits under Plan X are determined in the same three steps as they are under current law. First, a special average of Jane's taxable wages while working—called average indexed monthly earnings or AIME—is calculated. Second, a progressive formula is used to convert the AIME to the primary insurance amount (PIA). And third, initial benefits are determined by adjusting the PIA for retirement before or after the normal retirement age and adjusting for price inflation between age 62 and the time Jane begins collecting benefits.

The AIME is computed as the average of the highest 35 years of indexed covered earnings divided by 12. Indexed covered earnings prior to age 60 are actual earnings scaled up in accordance with the growth of economy-wide average earnings between the time the wages are earned and the time the worker turns 60. For example, Jane's age-40 real earnings are $53,071 and economy-wide average real earnings when Jane is age 60 are 24 percent higher than when she is age 40 (20 years growth at an assumed 1.1 percent annual rate), so her age-40 indexed covered earnings are $66,051 ($53,071 x 1.24). This adjustment scales up wages from early in a person's life to what the person's earnings might have been had the level of wages in the overall economy been at the level they are at age 60. After age 60, earnings are not indexed for the purposes of the AIME calculation; in those years, indexed earnings are equal to actual earnings.

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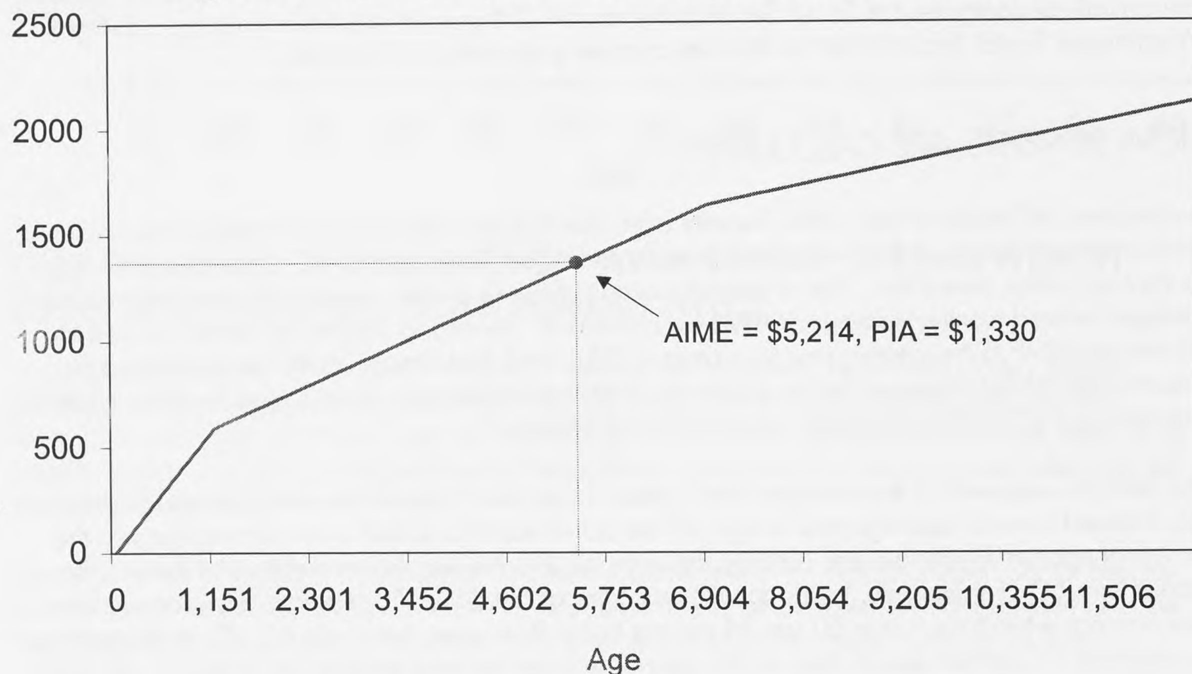
1 While Social Security's overall wealth effect on work effort is fixed in size, its timing is not. Social Security's wealth effects on work effort will vary over time in accordance with how Social Security's reform burden is distributed across generations. When comparing two permanently solvent reform plans, the one that puts a relatively large burden on early birth cohorts will have a relatively larger wealth effect on work effort in the near term, and a relatively smaller effect in the longer term.

Jane's indexed earnings are shown in Figure 1.[2] The highest 35 years of earnings occur between and including the ages of 27 and 61, and the AIME calculated over those years is $5,214 ($62,567 divided by 12).

In the second step of the benefit calculation, Jane's AIME is used to compute her PIA using the formula depicted in Figure 2 that applies to the 1990 birth cohort only. The PIA formula is the joining of three lines with progressively smaller slopes:

- For AIME between zero and $1,062, the PIA increases by 51 cents for each additional dollar of AIME;
- For AIME between $1,062 and $6,400, the PIA increases by 18 cents for each additional dollar of AIME; and,
- For higher levels of AIME, the PIA increases by 8 cents for each additional dollar of AIME.

Figure 2: Plan X PIA Formula for the 1990 Birth Cohort



The AIME values at which the slope of the PIA formula changes are called "bend points." (As will be discussed below with reference to policy, the declining slopes of the successive segments of the PIA formula cause the current law Social Security program to be progressive.) Plan X applies the same benefit formula as under current law except that each multiplication factor is 43 percent smaller, reflecting the reforms under Plan X that make Social Security financially sustainable.

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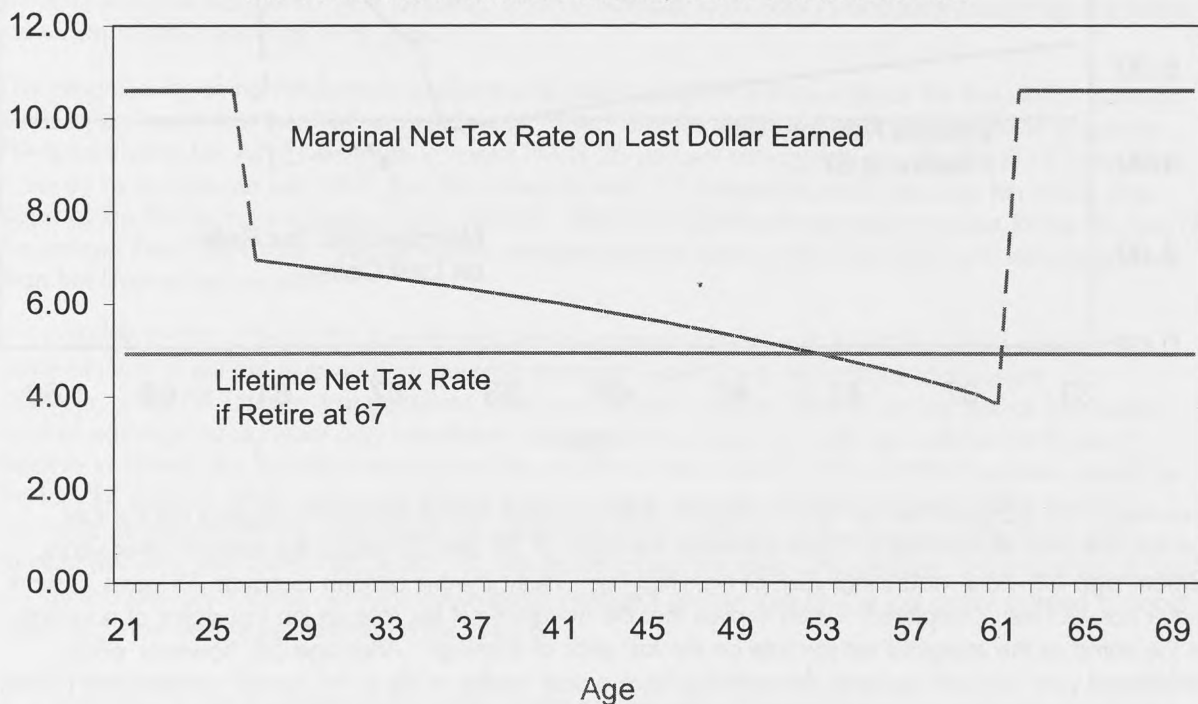
2 To make this example simple while still explaining the essence of Social Security's benefit accruals, Figure 1 assumes that there is no price inflation. It is possible to meaningfully include both real earnings and indexed earnings on the same chart only when there is no price inflation after age 60. Price inflation prior to age 60 has no effect on real benefits, while price inflation after age 60 reduces real benefits by about the amount that the value of a dollar falls between ages 60 and 62. If annual inflation is 3 percent during that time, then the example overstates real benefits by about 6 percent.

The Figure 2 benefit formula indicates that Jane's $5,214 AIME translates to a $1,330 PIA and the last dollar of AIME boosts Jane's PIA by $0.18. Jane begins to collect benefits at the normal retirement age (age 67 for the 1990 birth cohort), so her actual benefit equals the PIA adjusted for price inflation between ages 62 and 67. As price inflation is assumed zero in this example, both her real and her nominal benefit is $1,330 per month. At the time Jane is age 21, the expected present value of a real annuity of $1,330 per month starting at age 67 is $64,725.

MARGINAL REWARDS FOR ADDITIONAL EARNINGS WHILE WORKING

Social Security's effect on the reward for working more hours in a particular year is determined by the marginal net tax rate on the last dollar earned. In the case of a simple 4.9 percent proportional tax on earnings in all years, this marginal net tax rate is 4.9 percent in all years. In contrast, Social Security's marginal net tax rate on Jane's last dollar earned has the very different profile that is shown in Figure 3. This marginal net tax rate is 10.6 percent—the full payroll tax rate—for ages 21-26 and 62-70. This is because those years' earnings do not count toward benefits. Only the 35 years for which indexed earnings are highest count toward benefits, and in this case those earnings occur from age 27 to 61. The marginal net tax rate on the last dollar earned declines with age for the years with earnings that count toward benefits; relative to the lifetime net tax rate, this marginal net tax rate is higher prior to age 49 and is lower in later years. If Jane retires at 67, then the marginal net tax rate on the last dollar earned averages 6.8 percent over her working life, nearly half again as large as Jane's lifetime net tax rate of 4.9 percent.

Figure 3: Marginal Net Tax Rate On Last Dollar Eaned Under Plan X for Medium Female Earner, 1990 Birth Cohort



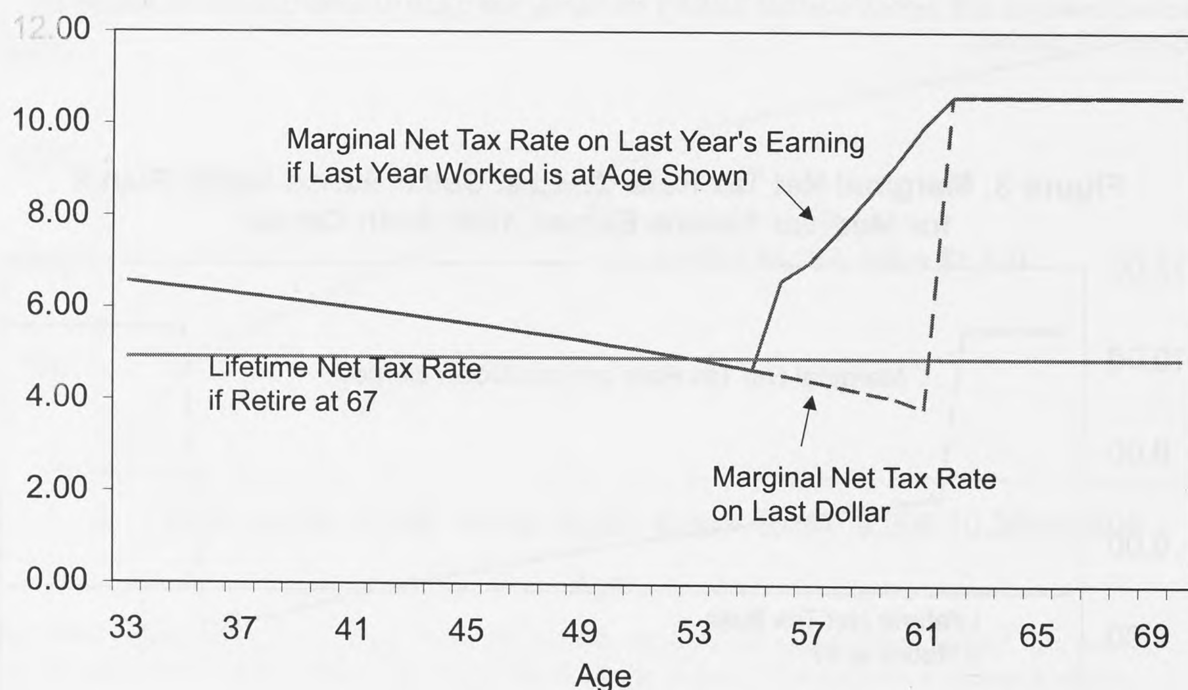
Two features of Figure 3 discussed below with reference to policy are:

- The progressive nature of the Social Security benefit formula results in Jane's marginal net tax rate on the last dollar earned being larger on average than her lifetime net tax rate.
- A dollar earned early in life tends to result in smaller benefit accruals than a dollar earned late in life, which explains why the marginal net tax rate on the last dollar earned tends to decline with age.

MARGINAL REWARDS FOR ADDITIONAL YEARS OF WORK

Social Security affects the marginal reward for an additional year of work through the marginal net tax rate on earnings in the last year worked. This is the additional net tax that is paid as a result of working an additional year (payroll taxes less benefit accruals) divided by the additional wages earned in that year. As with the marginal net tax rate on the last dollar earned, the marginal net tax rate on the last year of work is generally higher than it would be under a proportional tax on earnings that generates the same net tax revenue. This is shown in Figure 4 for the case of Jane.

Figure 4: Marginal Net Tax Rate On Last Year of Work Under Plan X, Medium Female Earner, 1990 Birth Cohort



Relative to the marginal net tax rate on the last dollar earned, Social Security's marginal net tax rate on the last year of earnings is higher between the ages of 56 and 61 and is the same in other years. Before age 56, each additional year of earnings counts fully toward benefits because 35 years of work have not yet been completed, which implies that the marginal net tax rate on the last dollar of earnings is the same as the marginal net tax rate on the last year of earnings. After age 55, however, each additional year of work replaces the earnings from a year earlier in life in the benefit computation (which only uses the top 35 years of earnings), and the last year's earnings boost benefits only to the extent that they contribute more to benefits than does the year that was displaced in the benefit computation. For

example, as of age 55 the highest 35 years of indexed earnings are the years between and including ages 21 to 55, and the lowest year of annual indexed earnings ($25,144) occurs at age 21. If an additional year is worked, then indexed earnings at age 56—$60,359—displace the age-21 earnings in the AIME computation. Hence, work at age 56 results in $60,359 more indexed earnings, but only $35,215 of those earnings serve to increase the AIME (age-65 earnings of $60,359 less the age-21 earnings of $25,144 that are replaced). As a result, the marginal net tax rate on all age-56 earnings (6.6 percent) exceeds the marginal net tax rate on the last dollar of age-56 earnings (4.6 percent). Policies to reduce late-life marginal net tax rates on the last year of work are discussed in the next section.

POLICY ISSUES

The following sections discuss how specific policy changes to the Social Security system affect work incentives and the fairness of the system.

THE TRADEOFF BETWEEN WORK INCENTIVES (EFFICIENCY) AND PROGRESSIVITY

If fairness requires a progressive net tax structure, as most people believe, then there is a tradeoff between Social Security's fairness and its efficiency. This is true because progressive tax structures are generally less efficient than proportional or regressive tax structures. This section demonstrates this point with reference to Jane.

Figure 2 shows the progressive nature of Plan X— the PIA formula has a diminishing slope as the AIME increases, which means that the net tax rate increases with the AIME. For example, if Mary is exactly like Jane except that she earns twice as much in every year, then Mary would have an AIME twice as large as Jane's but would have a PIA only 1.46 times as high. This means that Mary pays twice as much tax as Jane but only receives 46 percent more benefits; as a result, her lifetime net tax rate (6.5 percent) is higher than Jane's (4.9 percent). (In this example, both Mary's and Jane's earnings are below maximum taxable earnings in all years.)

The progressivity of the PIA formula explains why Jane's marginal net tax rate on the last dollar earned tends to be larger than her lifetime net tax rate. Jane's lifetime net tax rate depends on how large her PIA is relative to her AIME; in Figure 2, Jane's PIA is 26 percent as large as her AIME. But if Jane earns more so as to increase her AIME, her PIA increases only 18 percent as much as does her AIME (the slope of the PIA formula at Jane's AIME amount). Because additional earnings increase Jane's PIA less at the margin than they do on average, Jane's marginal net tax rates on the last dollar earned are greater than her lifetime net tax rate.

It is possible to find a flatter PIA formula that would increase Jane's work incentives while raising the same amount of net tax revenue from her—but the result would be a less progressive system. For example, a flat PIA formula that preserves Jane's real benefit and her lifetime net tax rate at her current level of earnings would have only one linear segment with a slope of 0.26, as is shown in Figure 5. Relative to Plan X, the flat PIA formula gives less credit for Jane's first $1,151 of AIME but more credit for the last $4,603 of AIME, and on average gives the same amount of credit for each dollar of AIME. But because the amount of credit given for additional AIME is larger at the margin under the flat PIA formula ($0.26) than under Plan X ($0.18), the marginal net tax rates on Jane's last dollar earned shown in Figure 6 are much lower. In fact, the average marginal net tax rate on the last dollar earned is about equal to Jane's lifetime net tax rate in this case.[3]

3 In this case, a special weighted average of the marginal net tax rate on the last dollar earned is exactly equal to the lifetime net tax rate. The weights in this average are the shares of the expected present value of lifetime earnings that occur in each year.

Figure 5: Plan X PIA Formula for the 1990 Birth Cohort Compared to Proportional PIA Formula

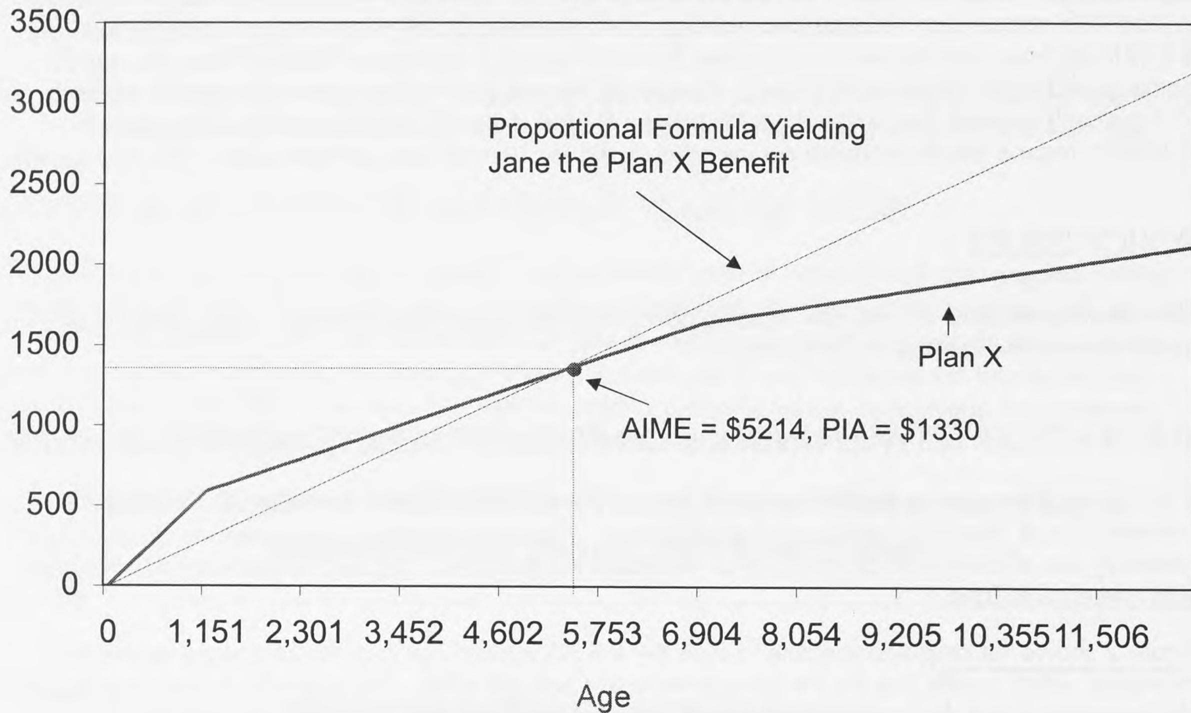
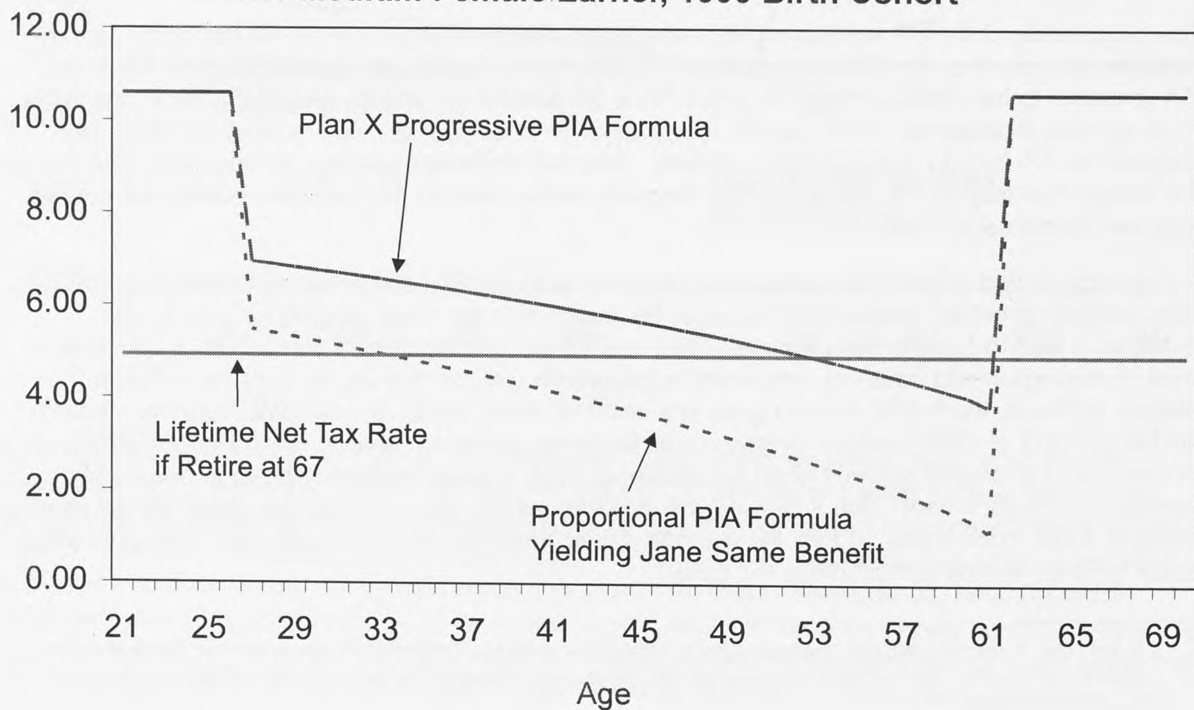


Figure 6: Marginal Net Tax Rate on Last Dollar Earned for Medium Female Earner, 1990 Birth Cohort



To the extent that Jane works more with the flat PIA formula than with the progressive formula, net tax revenue would be higher and the financial status of the system would be improved. Jane would be better off in this situation since she has chosen to work more; she could have chosen not to work more and have been no worse off than under the progressive formula. Hence, the flat PIA formula is more efficient than the progressive formula.

While a flatter PIA formula would increase work incentives, it would lessen the degree of redistribution within Social Security—the tradeoff noted above. It might be, for example, that Jane is average in the sense that the flat benefit formula in Figure 5 not only raises the same net tax revenue from her as does Plan X, but it also raises the same total net tax revenue as does Plan X. In that case, the flat PIA formula would be a sustainable policy that, relative to Plan X, raises lifetime net taxes for workers with AIME smaller than Jane's, and lowers lifetime net taxes for workers with AIME higher than Jane's. This would be the case even though work incentives are improved for the approximately 70 percent of workers with AIMEs above Plan X's first bend point.[4]

This discussion also applies to the marginal net tax rate on the last year of work. As noted above, this marginal net tax rate is the same as the marginal net tax rate on the last dollar earned up until 35 years of work have been completed, and is higher in later years. A flatter PIA formula would result in this marginal net tax rate being lower in all years that count toward benefits, but at the expense of less progressivity.

To summarize, this discussion shows that the right amount of progressivity requires weighing the competing goals of achieving fairness and maintaining work incentives.

MAKE MARGINAL NET TAX RATES MORE EQUAL AT DIFFERENT AGES

The marginal net tax rate profiles shown in Figures 4 and 6 stand contrary to the practical rule of thumb that an efficient tax system should equalize marginal tax rates on different economic activities so that the tax code does not encourage one activity over another. Specifically, Plan X—like the current Social Security system—taxes work effort at different ages differently.

To see how marginal net tax rates could be equalized for different ages, it is useful to first understand the age pattern of the marginal net tax rate under Plan X. The Plan X benefit formula (and the current law formula) is close to a system that computes the AIME as the hypothetical account balance that would obtain if payroll taxes in the high-35 years were invested at a fixed rate of return. Specifically, this plan would result in the same benefit for everyone as under Plan X if the rate of return credited to the notional account was equal to the annual rate of economy-wide wage growth through age 60 and zero thereafter, if the PIA bend points were all made larger by a factor of 45, and if the PIA multiplication factors were all made smaller by a factor of 1/45. (This calculation assumes the payroll tax rate is 10.6 percent in all years.) The revised AIME in this plan will be called the "notional account balance."

Interpreting the Plan X benefit formula this way explains why the marginal net tax rates have the patterns shown in Figures 4 and 6. The marginal net tax rate on the last dollar earned tends to fall with age for years included in the AIME calculation because the real (inflation-adjusted) rate of return credited to the notional account is less than the risk-free rate of return (assumed to be 2.7 percent). Prior to age 60,

4 For new benefit awards to 62-year-olds in 2002, about 30 percent had AIMEs below the current-law first bend point. For those workers, the PIA increases $0.51 for each additional dollar of AIME under Plan X, and marginal net tax rates are therefore smaller under Plan X than with the flat PIA formula.

the real return credited to the notional account is 1.1 percent—the annual growth in real economy-wide average wages—which is smaller than the risk-free return of 2.7 percent. As a result, a real dollar paid into the system at age 40, for example, counts 1.011 times as much toward benefits as does a real dollar paid into the system at age 41 (because a dollar in the "notional account" grows 1.1 percent per year – i.e., is multiplied by 1.011), while the value of a real dollar at age 40 has a value 1.027 times the value of a real dollar at age 41 (because a dollar invested in a risk-free asset grows 2.7 percent per year – i.e., is multiplied by 1.027). The portion of a dollar paid into the system that is a net tax is therefore larger the earlier in life the dollar is paid in. This is even more the case after age 60 when the real return credited to the notional account is zero.[5] For example, $100 of taxes paid at age 40 are worth the same as $102.70 of taxes paid at age 41 if the real risk-free rate of return is 2.7 percent. If real economy-wide average wages grow at 1.1 percent per year, the notional account balance at age 60 is increased by $124.46 by $100 of taxes paid at age 40 ($100 x 1.01120), and is increased by $126.43 by $102.70 of taxes paid at age 41 ($102.70 x 1.01119). Hence, taxes paid at age 41 yield a higher return in the form of benefits than taxes paid at age 40.

The notional account interpretation of Plan X also explains the years for which marginal net tax rates are equal to the full payroll tax rate of 10.6 percent. Those are years for which payroll taxes are not credited to the notional account.

These observations indicate that the only way to make Social Security's marginal net tax rates equal at all ages is to base benefits effectively on a notional account balance that would obtain if all payroll taxes—not just those in the high-35 years—were invested at the risk-free rate of return. In principle this could be done without changing the overall level of benefits. For example, Jane's benefits would be unchanged in such a plan if her notional account balance were entered into a PIA formula like the Plan X formula except that the PIA bend points are larger by a factor of 81 and the PIA multiplication factors are smaller by a factor of 1/81. In that case, Jane's notional account balance at age 67 would be $421,440, (equal to 81 times her AIME), and it can be verified that her benefit is the same as it is under Plan X.[6]

Under this plan, Jane's marginal net tax rate on the last dollar earned would be the same in all years—6.6 percent—and in every year would equal the marginal net tax rate on the last year of earnings. This pattern is compared with the Plan X patterns in Figures 7 and 8. On average, the notional accounts system results in the same marginal net tax rates on the last dollar earned as does Plan X, but those rates are constant across different ages rather than varying as under Plan X. The notional accounts system results in modestly higher marginal net tax rates on the last dollar earned between the ages of 33 and 61, and lower rates in other years (Figure 7). With regard to retirement incentives, the notional account system is clearly superior to Plan X. It results in substantially lower marginal net tax rates on the last year of work if the last year of work is after age 56—the years that most matter for retirement incentives (Figure 8).

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5 With regard to this feature, Plan X and current law are akin to (but not exactly like) a notional accounts system that pays a return less than the risk-free return and allows the participant to keep the entire balance. Compared to earning a risk-free return, a dollar invested at a below-market return is a worse deal for the participant the longer the period of time the dollar is invested.

6 Under the revised benefit formula, Jane's benefit is:
$(1/81) \times [F_1 \times 81 \times BEND_1 + F_2 \times (81 \times AIME)\ 81 \times BEND_2)]$
where $BEND_1$ and $BEND_2$ are the Plan X bend points and F_1 and F_2 are the Plan X multiplication factors.
Clearly, this expression reduces to the Plan X benefit:
$F_1 \times BEND_1 + F_2 \times (AIME - BEND_2)$.

Figure 7: Marginal Net Tax Rate on Last Dollar Earned for Medium Female Earner, 1990 Birth Cohort

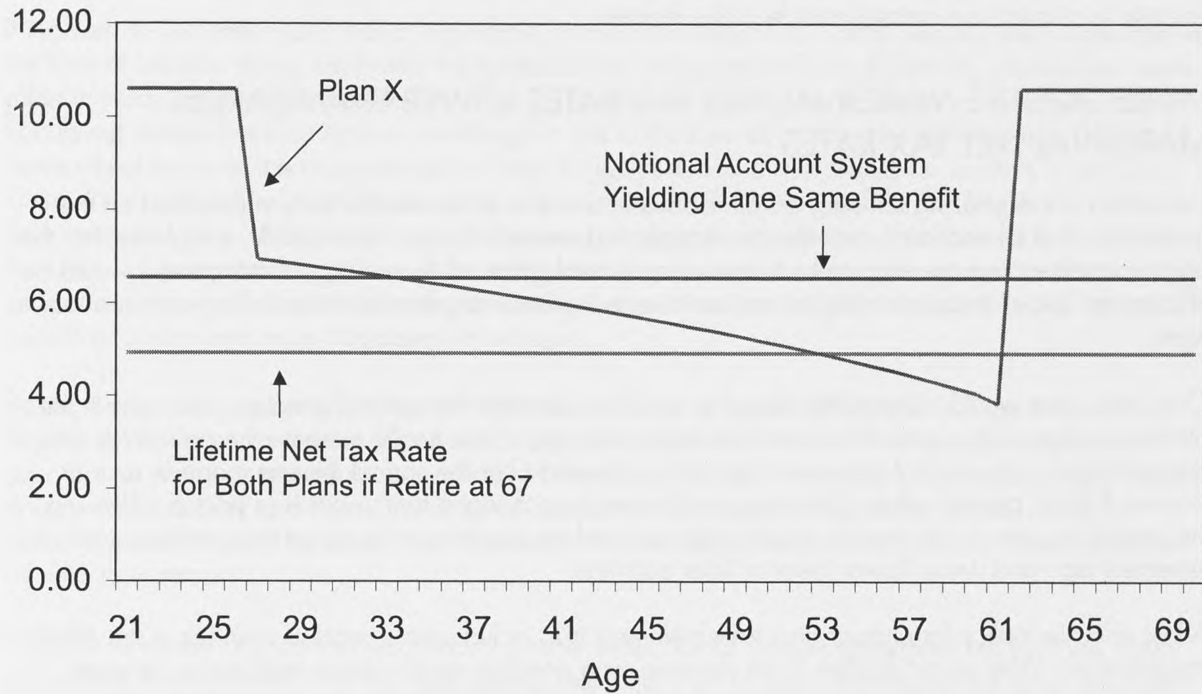
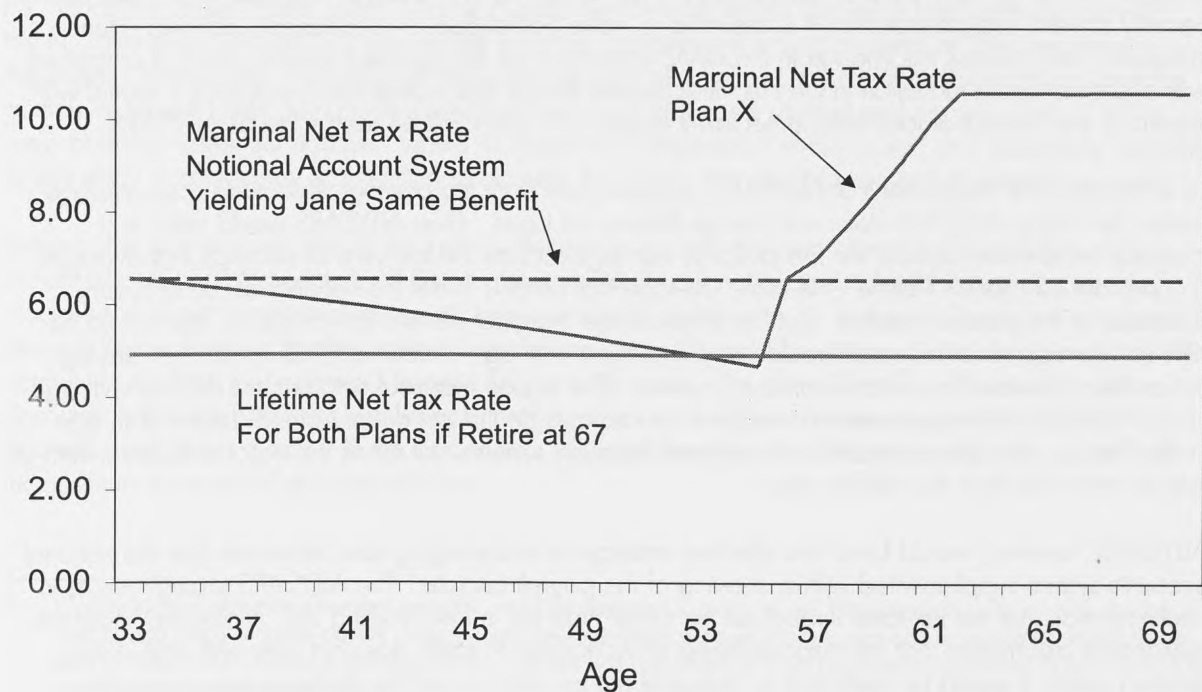


Figure 8: Marginal Net Tax Rate On Last Year of Work, Medium Female Earner, 1990 Birth Cohort



In addition to being more efficient than Plan X, a case can be made that the notional accounts plan is also fairer. Other things the same, a person's lifetime net taxes under Plan X (and current law) are higher the more the person works in early life relative to late life. There would seem to be no reason for Social Security to discriminate among people in this manner.

MAKE LATE-LIFE MARGINAL NET TAX RATES LOWER THAN EARLIER MARGINAL NET TAX RATES

The notion that equalizing tax rates on all economic activities promotes efficiency is premised on the assumption that all economic activities are equally responsive to taxes. Alternatively, it might be that the age of retirement is more responsive to taxes than is work effort while working. It that case, it would be efficient for Social Security's marginal net tax rates to be lower at potential retirement ages than at earlier ages.

One policy that would achieve this objective would supplement the notional accounts discussed in the previous section with a payroll tax rate that varies with age. Specifically, suppose the payroll tax rate is raised prior to the normal retirement age and is lowered after the normal retirement age in such a manner that the present value of lifetime payroll taxes is unchanged for the average person. Skewing the payroll tax rate in this manner would raise marginal net tax rates on earnings prior to the normal retirement age and would lower them on later earnings.

A less effective policy for encouraging later retirement is to include more years of earnings in the AIME computation. With regard to Plan X, for example, one possible modification would be to compute the AIME as the sum of all indexed earnings divided by 35 x 12. That is, the denominator of the AIME computation (the number of months in 35 years) would be the same as it is under Plan X, but the numerator of the computation would include more indexed earnings to the extent that a person has earnings in more than 35 years. Under this reform, people with earnings in more than 35 years would see their AIME increase and their benefits increase in retirement while other people would see no change—implying that the policy would need to be combined with additional measures to make Social Security solvent. (Recall that Plan X is assumed to make Social Security permanently solvent.) Hence, in order to fairly assess this change in the AIME formula, it will be assumed that the reform is combined with a proportionate reduction in the PIA multiplication factors that makes the overall reform neutral with respect to the amount of total lifetime net taxes levied. This plan will be referred to as ALLYEARS.

To understand the implications of ALLYEARS, suppose Jane from the previous illustrations is an average person for whom ALLYEARS does not change lifetime net taxes. Then ALLYEARS would result in a marginal net tax rate on both the last dollar of earnings and on the last year of earnings that averages 6.6 percent over Jane's lifetime—the same average that obtains under the notional accounts system discussed in the previous section. But the shape of the marginal net tax rate profile by age would be different: marginal net tax rates would steadily decline with age under ALLYEARS rather than staying flat as they do under the notional accounts system. The reason marginal net tax rates decline with age under ALLYEARS is the same reason marginal net tax rates on the last dollar earned decline with age under Plan X: both plans are similar to notional accounts systems that credit the account balance with a rate of return less than the risk-free return.

ALLYEARS, however, would be a less effective strategy for encouraging later retirement than the notional accounts system supplemented with a skewing of the payroll tax rate. The ALLYEARS strategy results in declining marginal net tax rates throughout life rather than just in late working life. Moreover, under the reasonable assumption that the responsiveness of work effort to taxes does not vary with age during working years, it would be inefficient for marginal net tax rates to decline during early working life.

MAKE SOCIAL SECURITY'S MARGINAL NET TAX RATES EASIER FOR WORKERS TO UNDERSTAND

If workers do not understand that a large share of their contributions to Social Security will be returned in the form of benefits during retirement, the forced saving component of Social Security discourages work effort in much the same way as does the net tax component (or as does a regular tax—workers pay in but do not realize that they receive something for this in the form of accrued future benefits). This could come about because the marginal net tax rates in Figures 4 and 6 are difficult for workers to estimate. There is a risk, therefore, that workers focus only on the part of the marginal net tax rate that is obvious and immediate—the 10.6 percent payroll tax—and discount or entirely ignore the benefit accruals. In this case, workers would behave as if the marginal net tax rate on the last dollar earned and on the last year of earnings is 10.6 percent in all years. Work effort, therefore, would increase if Social Security's benefit accruals were more transparent to workers.

Basing Social Security benefits on a notional account balance as explained above might help in this regard. Workers could monitor their notional account balance and see that it increases each year in accordance with their payroll tax payments. While Social Security must assess net taxes going forward in order to be solvent and hence the notional account balance cannot benefit the worker dollar for dollar, it would be easy for workers to understand that increasing the account balance does cause their benefits to increase.

Personal retirement accounts would almost certainly make Social Security's marginal net tax rates easier for workers to understand. For example, slightly more than half of Jane's lifetime payroll taxes are forced savings that entirely finance her benefits. It would be possible to devise a system whereby those forced savings are diverted to a personal retirement account over the course of Jane's lifetime, defined benefits are reduced to zero, and marginal net tax rates and progressivity are the same as they are under Plan X.[7] If Jane invested her account entirely in government bonds, and if her benefits were paid as a life annuity, she would be assured the same benefit as in Plan X. Alternatively, if Jane invested some of her account in riskier assets, there is some chance her benefits would decrease relative to the defined benefit, and some chance that they would increase, this outcome would depend on the performance of the assets. In any case, the personal retirement account plan would make it transparent to Jane that the portion of payroll taxes going to her retirement account are forced savings and not pure taxes. In this way, personal retirement accounts would increase the transparency of the system and potentially improve its efficiency in a way that has nothing to do with the returns that might be earned in private accounts.

Indeed, notional accounts would be just as effective as private accounts at making Social Security's benefit accruals transparent to workers. In the equivalent notional account plan, the payroll taxes that would be diverted to personal retirement accounts would continue to go to the trust fund, but a notional account balance would be maintained and defined benefits would be set equal the annuity value of the account at the time that retirement benefits begin to be paid. This plan differs from the earlier notional accounts in that the account balance accurately measures the value of defined benefits that have accrued at all points in time. In the earlier plan, defined benefits accrue less than dollar for dollar with increases in the notional account balance.

7 Contributions to personal retirement accounts could be designed in many ways. One possibility would be to divert 5.7 percentage points of Jane's payroll taxes to a personal retirement account in every year and to reduce her defined benefits by the annuity value of a hypothetical account balance calculated as if her personal account contributions earned a risk-free rate of return in every year.

If a policy cannot be implemented that enables people to understand that a large share of their contributions to Social Security are forced savings that are returned dollar for dollar in the form of benefits, the implication is that the forced savings component of Social Security discourages work effort in much the same way that the net tax component does. In these circumstances, many people might well regard some or all of their forced savings as pure taxes that penalize work effort. If this is the case, there is a trade-off between the level of benefits and the level of work incentives—higher benefits would require increased forced savings that workers perceive to be pure taxes, which would in turn adversely affect work incentives.

MODIFY EARLY RETIREMENT DEDUCTIONS AND DELAYED RETIREMENT CREDITS

The amount of Social Security benefits a retiree receives depends on the age benefit payments begin, in addition to the lifetime history of earnings. Initial benefits for a person retiring at the "normal retirement age" equal their PIA adjusted for price inflation between the year they turn 62 and the year benefits commence (the normal retirement age in this case). That same person could have collected reduced benefits as early as age 62 or could delay retirement and receive higher monthly benefits starting a later age.

Under current law, benefit reductions for early retirement and benefit credits for delayed retirement are designed to be about actuarially fair in the sense that the expected present value of lifetime benefits for a person with a given PIA and average expected longevity is approximately the same no matter when an individual chooses to begin collecting benefits. For every month the person retires earlier than the normal retirement age, benefits are reduced 5/9ths of 1 percent for the first 36 months early and 5/12ths of 1 percent for months early in excess of 36 months. And, for every month the person chooses to delay collecting benefits relative to the normal retirement age, benefits are increased by 2/3rds of 1 percent up to age 70. There is no reward for delaying benefit commencement after age 70.

As an example, consider the 1943 birth cohort that reaches its normal retirement age of 66 in 2009. Table 1 reports benefits as a portion of the inflation-adjusted PIA for each age of benefit onset between ages 62 and 70. Also shown are the adjustment factors that would be fair in the sense that the expected present value of benefits is the same for all benefit commencement dates, using the mortality probabilities projected in the 2005 Social Security Trustee Report and assuming that individuals earn a safe 2.7 percent real annual return on private investments. The adjustment factors used by Social Security are very close to fair for males and slightly favor late commencement of benefits for females. For males, starting benefits at age 62 increases the expected present value of benefits by 0.3 percent relative to starting benefits at age 66, and starting benefits at age 70 increases the expected present value of benefits by 1.4 percent. For females, the comparable numbers are a 2.1 percent decrease at age 62, and a 4.4 percent increase at age 70.

Table 1
Initial Benefit As Percent of Inflation-Adjusted PIA
(1943 Birth Cohort)

Age Benefits Begin	Current Law	Actuarially Fair Adjustment Factors		
		Males	Females	Unisex
62	77.2	77.0	78.9	78.0
63	81.3	82.0	83.5	82.8
64	87.1	87.4	88.5	88.0
65	93.3	93.4	94.0	93.7
66	100.0	100.0	100.0	100.0
67	108.0	107.3	106.5	106.9
68	116.6	115.3	113.7	114.4
69	126.0	124.2	121.6	122.8
70	136.0	134.2	130.3	132.0

In addition, Social Security includes an "earnings test" that reduces benefits for people who collect benefits before the normal retirement age but continue to work and earn more than a threshold amount and then compensates for any reduction in benefits by increasing benefits later in life. This earnings test is designed to help ensure that older people who are able to continue to work prior to the normal retirement age do not unnecessarily sacrifice late-life benefits for higher early-life benefits. In 2008, benefits are reduced 50 cents for every dollar of earnings above $13,560 and below $36,120, and 33-1/3 cents for every dollar earned above $36,120. (The threshold amounts, $13,560 and $36,120, are increased annually in accordance with the growth of economy-wide average earnings.) Benefits withheld prior to the normal retirement age serve to increase benefits after the normal retirement age by an amount that is gauged to the early retirement adjustment factors in Table 1, and those increases would be just sufficient to compensate entirely for withheld benefits if the Table 1 adjustment factors were fair. In the case of the 1943 birth cohort, post-normal retirement age benefit increases are about right for males and too large for females (compared with the actuarially fair amount).

Some analysts have advocated increasing Social Security's early retirement reductions so as to encourage later retirement, arguing that people may work longer if their early retirement benefits are lower than the actuarially fair amount. Such policies can be expected to be successful, however, only for people with little liquid wealth and without access to borrowing on fair terms. To understand this result, it is important to distinguish the age at which Social Security benefits begin and the age that an individual retires (i.e., substantially cuts back their work effort). Prior to the normal retirement age, early retirement adjustment factors that favor early commencement of benefits also encourage earlier retirement. This is true because the relatively advantageous terms on which benefits are paid early can be enjoyed only to the extent that benefits are not reduced by the earnings test. But the reverse is not necessarily true—early retirement adjustment factors favoring late commencement of benefits do not necessarily encourage later retirement. In this latter case, the actuarial adjustment factors might cause the individual to begin collecting benefits later, but they would not influence the retirement age provided that the individual has sufficient liquid wealth to sustain their living standard between retirement and the time benefits commence, or if he or she has access to borrowing on fair terms. In these circumstances, being retired and delaying the onset of benefits would require greater drawdown of assets (or greater debt)

initially, but the eventual higher benefits would more than compensate (on average) for the drawdown of assets or increased debt. Hence, there would be no reason to work longer.

On the other hand, early retirement adjustment factors favoring late commencement of benefits might cause later retirement on the part of some people with little liquid wealth and without access to borrowing on fair terms. Such people would be unable to finance consumption during retirement unless benefits are being paid, and will be referred to as being "liquidity constrained."

Currently, there is no earnings test after an individual reaches the normal retirement age. After the normal retirement age, therefore, the delayed retirement credits might influence the age at which benefits commence, but they should have no influence on when retirement occurs.

To conclude, reducing early retirement benefits relative to benefits payable at the normal retirement age would probably induce some liquidity constrained individuals to delay their retirement.

INCREASE THE NORMAL RETIREMENT AGE

The normal retirement age was set at age 65 for all workers when Social Security was instituted in 1935, but legislation enacted in 1983 provided for the normal retirement age to increase gradually over time as shown in Figure 9. The normal retirement age increases steadily from 65 for persons born in 1937 to 66 for persons born in 1943, stays at 66 through to the 1954 birth cohort, steadily increases to 67 for persons born between 1955 and 1960, and remains constant at 67 for persons born after 1960.

Figure 9: Normal Retirement Age

The normal retirement age might affect retirement behavior both through financial incentives and through the perception that it is a suggested retirement age. As is explained below, the suggestion effect could be much larger than the financial incentives effect.

With regard to financial incentives, increasing the normal retirement age is equivalent to a proportionate benefit cut provided that the early and late retirement adjustment factors continue to be set so that the expected present value of benefits is independent of the age that benefits begin. This can be seen in Table 2, which shows that increasing the normal retirement age by 1 year to age 67 for the 1943 birth cohort is equivalent to a 7.4 percent across-the-board reduction in benefits regardless of the age at which a worker actually retires so long as the adjustment factors for early and late retirement are revised to be consistent with the current adjustment factors. The revised adjustment factors for the higher retirement age can be obtained from the current-law figures by noting that: (1) benefits at the normal retirement age (now age 67) are 100 percent of the inflation-adjusted PIA, and (2) the ratio of the entries in any two rows of the reform column must equal the ratio of the figures in the same two rows of the current-law column if the objective in both cases is for the expected present value of benefits to be independent of the age that benefits begin. The implication is that the reform is equivalent to a 7.4 percent across-the-board reduction in benefits, and that the actuarially fair monthly early retirement reductions under the reform are two-thirds of 1 percent for the first 12 months, five-ninths of 1 percent for next 36 months, and five-twelfths of one percent for months exceeding 48 months.

Table 2
Initial Benefit As Percent of Inflation-Adjusted PIA
(1943 Birth Cohort)

Age Benefits Begin	Benefit As Percent of Inflation-Adjusted PIA		Benefit Cut Resulting From NRA Increase (Percent)
	Current Law	NRA Increased to 67	
62	77	72	-7.4
63	81	75	-7.4
64	87	81	-7.4
65	93	86	-7.4
66	100	93	-7.4
67	108	100	-7.4
68	117	108	-7.4
69	126	117	-7.4
70	136	126	-7.4

The fact that increasing the normal retirement age while maintaining early and late retirement adjustment factors that are consistent with the current adjustment factors is equivalent to a proportionate reduction in benefits indicates that the normal retirement age is not a special tool in the policymaker's arsenal for encouraging later retirement. In principle, then, people should not be much influenced by the normal retirement age when deciding when to begin collecting benefits. This inference, however, conflicts with the well-known empirical facts. As shown in Table 3, 21 percent of male members of the 1935 birth

cohort began collecting benefits within 1 year of reaching the normal retirement age (age 65 for this cohort), while only 13 percent began collecting benefits during the preceding year and less than 1 percent began collecting benefits during the year that followed.

Some analysts hypothesize that people perceive the normal retirement age as a suggested retirement age and are influenced by that suggestion. Supporting this hypothesis is the fact that most people begin collecting benefits at age 62 when they are first eligible (see Table 3). As is discussed below, rational well-informed individuals with a reasonably prudent nest egg at age 62 should be no more apt to begin collecting benefits at age 62 then at later ages. It may be, therefore, that people tend to begin collecting benefits at 62 because of the suggestion that it is a prudent retirement age; if so, it is reasonable to suppose that the normal retirement age has suggestion effects as well.

An alternative explanation for people's tendency to begin collecting benefits at age 65 is that Medicare eligibility begins at that time. People might be induced to work so as to be covered by employer-provided health insurance until they are eligible for Medicare. (Medicare cannot explain, however, the high incidence of retirement at age 62.) As more data becomes available on new benefit awards for birth cohorts with normal retirement ages significantly higher than age 65 (as a result of the 1983 legislation), it will be possible to measure the extent to which it is Medicare eligibility or the Social Security normal retirement age that explains the past tendency to begin collecting benefits at age 65.

Table 3
Age That Retirement Benefits Begin,
Males Born in 1935 Who Never Collected Disability Benefits*

Age Begin Collecting Benefits	Percent of Sample
< 63	51.8
≥ 63, < 64	7.0
≥ 64, < 65	13.4
≥ 65, < 66	21.2
≥ 66, < 67	0.6
≥ 67	6.0

*Treasury tabulations from the 2002 Continuous Work History Survey.

INCREASE THE EARLY RETIREMENT AGE

Increasing the early retirement age, currently 62, is a particular way to "penalize" early retirement by increasing the early retirement reduction amounts. For example, if the early retirement age is set at 63 for the 1943 birth cohort, that policy is equivalent to increasing the monthly reduction for early retirement to 100 percent for the 37th month prior to the normal retirement age the person begins collecting benefits. Hence, the conclusions regarding increasing the early retirement reductions apply here: Some liquidity constrained individuals would delay their retirement while individuals who are not liquidity constrained would have no economic incentive to change their retirement behavior.

On the other hand, to the extent that some people regard the early retirement date as a suggested retirement age, increasing the early retirement age would have some effect on the retirement behavior

even of people who are not liquidity constrained.

INCREASE MAXIMUM TAXABLE EARNINGS

The Social Security payroll tax applies only to earnings up to a maximum amount or cap, and only these taxed earnings are taken into account when computing benefits. For 2008, maximum taxable earnings are $102,000. In future years, this cap will increase at the same rate as economy-wide average earnings.

The earnings cap has been in place since Social Security's inception, and reflects the view that Social Security should provide a base amount of income in retirement.

Workers pay no tax and accrue no benefits on earnings above the cap, implying that the marginal net tax rate on the last dollar earned is zero. (As is discussed below, the marginal net tax rate on the last year worked remains positive.) Social Security's effect on work effort for such workers is unambiguously positive: they work more to compensate for the reduction in their lifetime earnings because they are not penalized for doing so. Social Security has only a wealth effect on work effort in this case.

The cap on Social Security's taxable wages serves to encourage work effort at the top of the income distribution, but at the expense of reduced work incentives at the lower end of the income distribution. A solvent Social Security system must collect a net tax, the difference between the value of taxes and the value of benefits, exceeding $13.6 trillion from current and future workers. Exempting income above the cap from consideration for taxes (and benefits) necessitates higher net tax rates on earnings below the cap.

Figures 10 and 11 illustrate these findings with reference to a member of the 1990 birth cohort (Susan) whose earnings at each age are three times as large as Jane's. The figures show Susan's marginal net tax rates on the last dollar earned and on the last year of earnings, respectively. Susan earns more than the maximum taxable amount between the ages of 28 and 60, so her marginal net tax rate on the last dollar earned is zero in those years. Nevertheless, the marginal net tax rate on the last year of work shown in Figure 11 is substantial. That marginal net tax rate profile has a shape similar to the profile for Jane in Figure 4. The step-up at age 43 occurs because her AIME first exceeds the second PIA bend point in that year, and the lower PIA multiplication factor causes benefit accruals to decline. (A worker's AIME increases especially rapidly with additional years of work up to 35 years.) Jane, in contrast, has an AIME between the first and second bend points for all retirement ages after age 33.

Figure 10: Marginal Net Tax Rates Under Plan X, High Female Earner, 1990 Birth Cohort

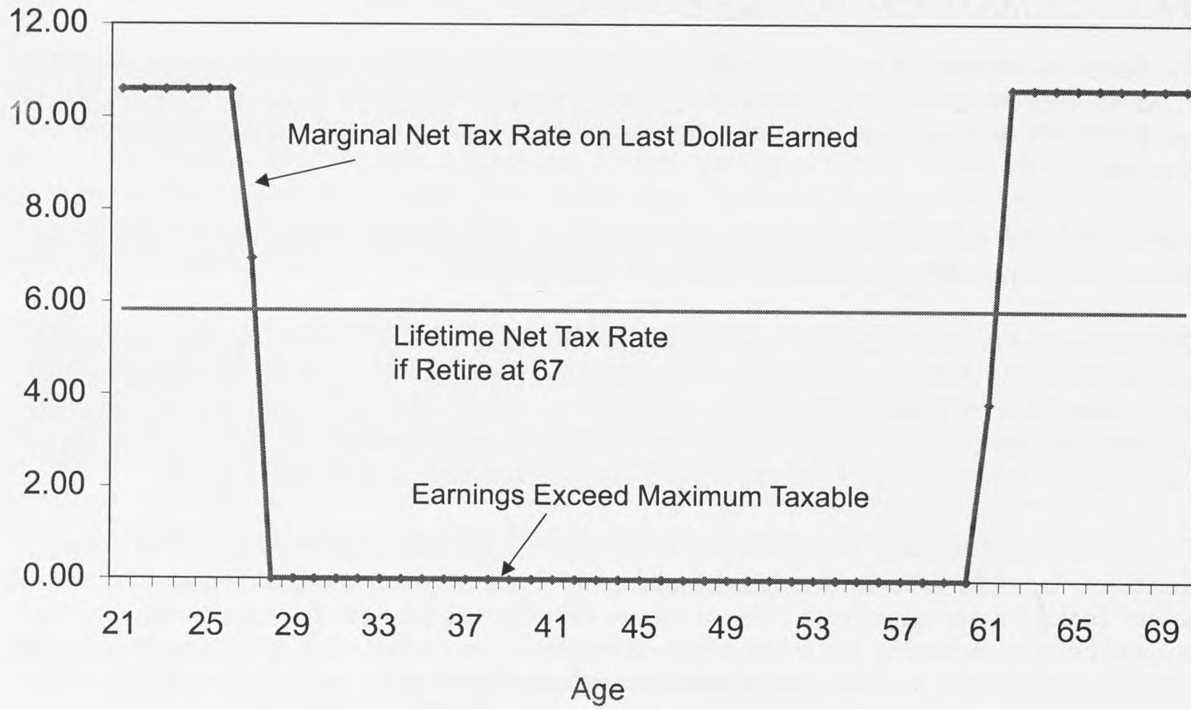
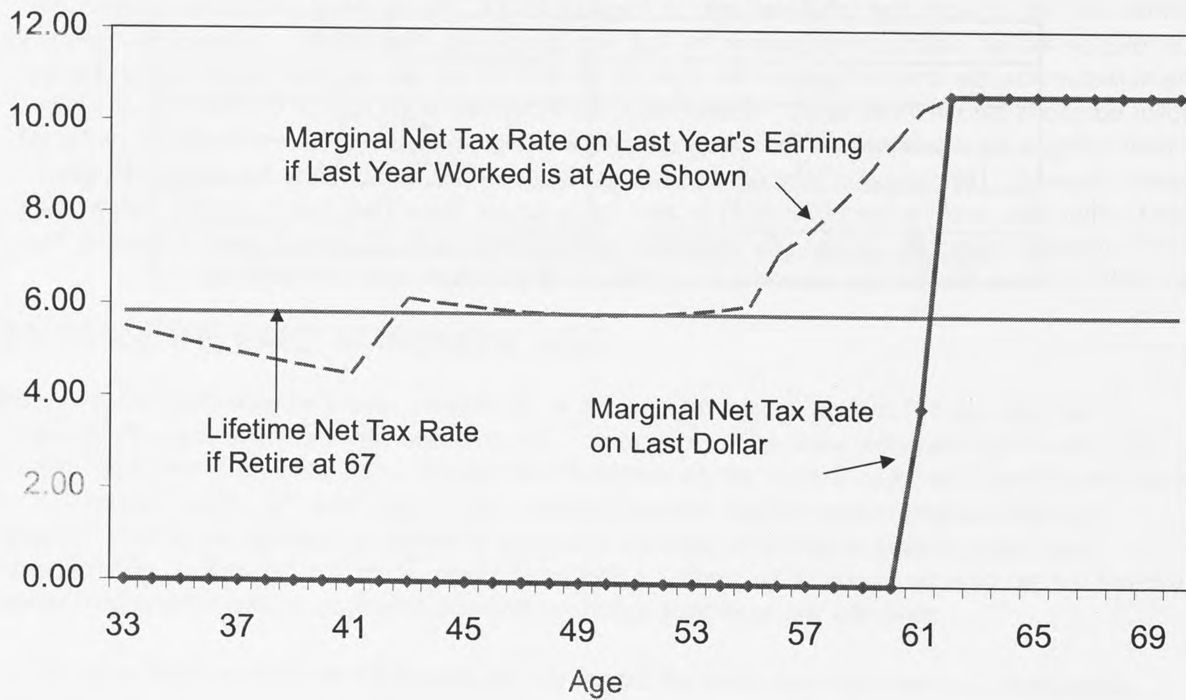


Figure 11: Marginal Net Tax Rates Under Plan X, High Female Earner, 1990 Birth Cohort



Susan's net tax rate of 5.8 percent is not much higher than Jane's lifetime net tax rate of 4.9 percent even though Susan's earnings are three times as large as Jane's. As is explained in Treasury's second and third Social Security briefs, the system is regressive for earnings above maximum taxable earnings. Indeed, if Susan's earnings were six times as large as Jane's in every year rather than three times as large, her lifetime net tax rate would be only 3.2 percent—lower than Jane's.

SPECIAL ISSUES CONCERNING BENEFITS FOR COUPLES

Thus far, Social Security's marginal net tax rates have been discussed assuming that retirement benefits are based on an individual's own earnings. This is not the case for a married individual whose spouse has substantially higher lifetime earnings. Those individuals may receive benefits based on the high-earning spouse's earnings rather than on their own earnings. Specifically, a married individual's PIA is the larger of either half of the high-earner's PIA or the PIA based on the individual's own earnings. And, after the high-earning spouse dies, Social Security provides a survivor's benefit under which the lower-earning spouse receives the benefits of the high-earner rather than his or her own smaller amount. These two features of current law—the spouse's benefit and the survivor's benefit—are advantageous to married couples with unequal earnings but lead to higher marginal net tax rates on the earnings of the low-earner while lowering marginal net tax rates on earnings of the high-earner. These effects on marginal net tax rates in turn have implications for work incentives.

Table 4 illustrates these findings by comparing the net taxes paid by a couple with the net taxes that would be paid if the couple were two singles, assuming Plan X is in place. The couple is comprised of two members of the 1990 birth cohort—Jill and Tom. Jill has earnings at each age that are half as large as Jane's earnings from Figure 1 that are assumed in earlier illustrations, and Tom has earnings at each age twice as large as Jane's (and hence four times as large as Jill's). (Jill is assumed here to be the lower earner because that is most often the case, and gender matters for longevity and thus the value of the survivor's benefit.) It is assumed that Tom retires at the normal retirement age of 67 and that Jill retires at 62. These assumptions are consistent with the strong incentive Jill has to begin collecting benefits as soon as possible to take advantage of the fact that retiring early reduces her benefits only for as long as Tom is alive.

Tom's and Jill's PIAs based on their individual earnings are $1,943 and $855, respectively, provided they work at least through to age 61. Jane retires and begins collecting benefits at age 62 on the basis of her own earnings—that benefit is $855 reduced by 30 percent to $599 because she retires early. Jill's later benefits depend on when Tom dies. If Tom reaches age 67, he retires and begins collecting his full PIA of $1,943 and Jill begins collecting the spouse's benefit of $971 (half of Tom's PIA). Assuming that Tom dies after retiring but before his wife, Jill receives the survivor's benefit of $1,943—Tom's full retirement benefit rather than her own.

Table 4 allocates the couple's Social Security benefits to each spouse in accordance with whose earnings generate the benefits.[8] Of the expected total lifetime benefits accrued from Tom's earnings ($150,298), about 45 percent are Jill's benefits as a spouse and a widow. Taking into account both the spouse's and widow's benefits, Tom's lifetime net tax rate in this example is 3.9 percent, a full 3.1 percentage points lower than it would be if Tom were single. Jill's lifetime net tax rate is 8.7 percent, which is 5.4 percentage points higher than if she were a single person. For Tom and Jill combined, being married reduces their lifetime net tax rate from 6.3 percent to 4.8 percent. The spouse's and widow's benefits are advantageous to Jill despite the fact that they raise her marginal net tax rates; there is no scenario under which Jill receives lower total Social Security benefits because she qualifies for

Table 4
Effect of Spouses and Widow's (Widower's) Benefits on a Couple's Lifetime Net Taxes*

Item	As Couple			If Two Singles		
	Tom	Jill	Total	Tom	Jill	Total
Primary Insurance Amount at 62	1,943	855	--	1,943	855	--
Primary Insurance Amount at 66	1,943	--	--	1,943	--	--
Retirement Benefit (non-Widow)	1,943	631	--	1,943	599	--
Present Value Taxes	219,195	46,117	265,312	237,433	57,073	294,506
Present Value Benefits	141,430	1,303	142,733	80,284	39,342	119,626
Own	80,012	1,303	81,315	80,284	39,342	119,626
Spouse's Benefit	48,839	--	48,839	--	--	--
Widow's Benefit	12,579	--	12,579	--	--	--
Lifetime Net Taxes	77,764	44,815	122,579	157,149	17,731	174,880
Present Value Earnings	2,067,874	435,069	2,502,943	2,239,935	538,420	2,778,355
Lifetime Net Tax Rate	3.8	10.3	4.9	7.0	3.3	6.3

*Assumes retirement and benefit commencement occurs at age 67 for Tom and 62 for Jill. Note that Tom's primary insurance amount is not increased as a result of work between age 62 and 66.

spouse's and widow's benefits.

The advantage Jill receives from spouse's and widow's benefits is conveyed in a manner that reduces her incentive to work and increases Tom's incentive to work. As shown in Figure 12, the marginal net tax rate on the last dollar Jill earns is quite close to the full payroll tax rate of 10.6 percent in every year she works because her contributions to the system have little effect on her future benefits (her retirement benefits are mainly based on her spouse's earnings). Averaged over her working life, the marginal net tax rate on the last dollar earned by Jill is 9.6 percent, compared with a 6.1 percent average if she collects benefits as a single person. In contrast, the average marginal net tax rate on the last dollar Tom earns is reduced by marriage, from 9.1 percent as a single person to 7.7 percent as a married person. This is because his earnings add to future benefits for both himself and Jill, which serves to lower the net tax rate.

8 The calculations in Table 4 allow for other contingencies not described in the text. If Tom dies prior to age 31, Jill collects benefits based on her own earnings all her life because Tom does not complete the ten years of work necessary to qualify for benefits. (Tom's PIA after ten years of work is high enough that the widow's benefit at age 67 is higher than Jill's benefit based on her own earnings.) If Tom dies prior to age 67 but after age 30, it is assumed that Jill collects her own benefit between age 62 and 66, and then collects the full widow's benefit starting at age 67. (If Jill collects the widow's benefit before age 67, it is reduced in accordance with the early retirement adjustment factors.)

Figure 12: Marginal Net Tax Rate on Last Dollar Earned Under Plan X, Effect of Mariage, 1990 Birth Cohort

Marriage increases Jill's marginal net tax rates more than it reduces Tom's. The reason marriage increases the couple's marginal net tax rates on balance, despite lowering its lifetime net tax rate, is that a $1 increase in AIME increases Tom's PIA only about half as much as it does Jill's (due to the progressive benefit formula), and marriage increases the share of total benefits that are based on Tom's earnings.

Social Security's treatment of marriage probably reduces Tom's and Jill's combined work effort. A large body of empirical evidence shows that among couples, the work effort of the lower earner (the so-called "secondary earner") is more sensitive to taxes than the work effort of the relatively high earner. Hence, even if marriage were to lower Tom's marginal net tax rates by the same amount as it increases Jill's, the net effect of the spouses' and widows' benefit would be to lower combined work effort.

The evidence that the work effort of secondary earners is more responsive to taxes than the work effort of primary earners is especially strong with respect to the choice of whether to work at all. The incentive to work at all depends on the lifetime net tax rate, not the marginal net tax rates shown in Figure 12 that are relevant to the choice of how many hours work once one chooses to be in the work force. As is shown in Table 4, the spouse and survivor benefits greatly discourage Jill's incentive to participate in the labor force at all—they raise Jill's lifetime net tax rate to 8.7 percent from 3.3 percent.

One possibility for increasing work incentives for secondary earners is to replace the spouse and survivor benefits with a system that splits a couple's joint earnings evenly for purposes of calculating benefits.

This would preserve the low-earner's share of benefit accruals in the event of divorce and ensure that the last dollar earned by each party counts toward benefits in all of the couple's highest 35 years of earnings. The low-earner's retirement benefit would equal the high-earner's benefit if they both began collecting benefits at the same age, and the death of either Tom or Jill would halve total household Social Security benefits. The reduction in household benefits at the time a spouse dies could be made smaller if the income averaging plan were supplemented to require that couples' benefits be paid as a joint and a survivor's annuity, which would pay the survivor more than half of the amount paid when both the husband and wife are alive.

To illustrate the income averaging plan, suppose that both Tom and Jill survive to the normal retirement age (age 67) and begin collecting benefits at that time. Table 5 shows that the real benefit under Plan X would be $1,943 for Tom and $971 (half of $1,943) for Jill while both are alive, and would be $1,943 while only one is alive. Under the income-averaging plan, Tom's and Jill's benefits would be equal: $1,568 each while both are alive ($3,163 total), and $1,568 for a survivor. If, in addition to income averaging, benefits to Tom and Jill were paid as a joint and survivor annuity paying 80 percent as much while only one is alive as while both are alive, the total household annuity would be $2,630 while both are alive and $2,104 while only one is alive. Compared to Plan X, income averaging with

Table 5
Real Monthly Benefit Levels: Income Averaging Compared to Spouse's and Widows Benefit*

Household Composition	Spouse's & Widow's Benefit			Income Averaging			Income Averaging & 80% Joint Survivor Annuity		
	Tom	Jill	Total	Tom	Jill	Total	Tom	Jill	Total
Both Alive	1,943	971	2,914	1,568	1,568	3,136	--	--	2,630
One Alive	--	--	1,943	--	--	1,568	--	--	2,104

*Assumes both Tom and Jill work to age 66 and begin collecting benefits at age 67.

a joint and survivor annuity pays less while both are alive and more while only one is alive.

SPECIAL ISSUES CONCERNING THE TRANSITION TO A REFORMED SYSTEM

Social Security reform that makes the system solvent could include changes to the structure of benefits that reduce marginal net tax rates for people in the middle of their working lives at the time reform is initiated. For example, consider a particular 45-year-old worker for whom a 2 percentage point increase in the payroll tax rate increases net lifetime taxes by the same amount as would an 8 percent reduction in current-law scheduled benefits. (That is, putting into place either the benefit reduction or the revenue increase would have the same effect on the person's lifetime net taxes.) For this worker, compare the following two reform plans:

Reform 1: Increase the payroll tax rate by 2 percentage points and leave benefits unchanged from current-law scheduled benefits.

Reform 2: Reduce current-law scheduled benefits by 8 percent, raise the payroll tax rate 2 percentage points, and supplement the benefit cut with a second tier of benefits set equal to the annuity value of the increased payroll taxes. (Current-law scheduled benefits after the 8 percent reduction will be referred to as "Tier 1" benefits, and the benefit supplement will be referred to as "Tier 2" benefits.)

These two reforms are designed so that the worker's lifetime net taxes and benefits are the same under both plans. Net lifetime taxes paid by the worker are the same because the tax increase in Reform 1 has the same effect on lifetime net taxes as the reduction in current-law benefits under Reform 2, and the combination of the payroll tax increase and Tier 2 benefits under Reform 2 have no effect on net taxes. Benefits are the same because under Reform 2, Tier 2 benefits have the same present value as 8 percent of current-law scheduled benefits. (This is implied by the facts that the Reform 2 incremental tax has the same present value as Tier 2 benefits and the incremental tax has the same present value as 8 percent of current-law scheduled benefits.)

Despite the fact that both reforms impose the same lifetime net tax on the worker, Reform 2 imposes smaller marginal net tax rates on future work and is therefore more efficient. The reason is that the reduction from current-law benefits to Tier 1 benefits reduces benefit accruals (increases net taxes) deriving from both past and future work, but reducing benefits deriving from past work can have no consequence for work effort. Reform 1, on the other hand, leaves benefit accruals on past work effort unchanged and thereby focuses all of the increase in Social Security's net taxes on future work effort.

This efficiency advantage of Reform 2 over Reform 1 applies only to workers in mid working life at the time of the reform. For generations entering the work force after the reform is initiated – whose entire working lives are ahead of them – all increases in net taxes apply to future work effort.

Reform 2 is essentially equivalent to an 8 percent reduction in benefits combined with mandatory personal retirement accounts financed with an increased payroll tax rate. A general feature of reforms with personal retirement accounts is that they restructure benefits in a manner that reduces past benefit accruals by more than they reduce future benefit accruals, and this feature enhances work incentives for mid-career workers at the time of the reform. But as Reform 2 makes clear, these efficiencies can be achieved just as effectively with notional accounts as they can be with actual accounts.[9] As is explained in Treasury's fourth Social Security brief, the main advantage of personal retirement accounts is that they ensure that attempted pre-funding is truly set aside to help pay future Social Security benefits.

Some might argue that it is unfair for Social Security reform to reduce past benefit accruals. However, as the example of Reform 1 and Reform 2 shows, reducing past benefit accruals does not harm a worker to the extent that higher future accruals (or smaller future payroll tax rates) make up the difference. This is not to say that Reforms 1 and 2 are equal for all 45-year-old workers. Other things the same, workers intending to retire relatively early, and hence to accrue relatively few additional benefits in the future, would favor Reform 1 over Reform 2. But given that current-law scheduled benefits and taxes cannot be sustained indefinitely, it would be unreasonable to expect no changes to the current benefit structure.

The analysis of this section indicates that if policymakers must choose between policies that make Social Security solvent though tax increases alone, or through benefit cuts alone, then the benefit reduction policies would have an inherent advantage in terms of work incentives and thus economic efficiency. This is true because a benefit reduction policy can reduce both past and future benefit accruals, while a

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9 It is important to note that there are many possible reforms that would increase future benefit accruals at the expense of past accruals—not just personal retirement accounts or notional accounts. For example, computing the AIME as a simple average of real taxable earnings rather than as an average of indexed covered earnings while modifying the PIA formula so that the same benefits are paid on average would reduce the importance of early-life earnings and increase the importance of late-life earnings in the benefit calculation. (Treasury's fifth issue brief discusses this possibility.) This reform, therefore, would increase future benefit accruals at the expense of past benefit accruals for people in mid-career at the time of the reform.

tax increase policy leaves past benefit accruals unchanged. However, as demonstrated with reference to Reform 1 and Reform 2 above, there are other options. The same efficiency gains can be achieved by reforms that combine tax and revenue changes; increased efficiency does not require that overall benefits be lower than current-law scheduled benefits.

CONCLUSION

Social Security must assess a net tax (lower benefits and/or higher revenues) exceeding $13.6 trillion on current and future workers to finance net benefits that the system has paid or has promised to earlier birth cohorts. This issue brief applies long-standing principles of good tax policy to the question of how this net tax should be levied. A key insight is that it is essential to consider the implications of the net tax for both fairness and work incentives when deciding how it should be apportioned and structured.

Nearly all Social Security reform proposals impose a disproportionate share of the burden of Social Security reform on workers with relatively high lifetime earnings; that is, they increase the progressivity of the system. In general, the more progressive is the system, the greater is the adverse impact on work incentives. While the right balance between progressivity and work incentives is subjective, making an informed choice requires that the tradeoff be understood.

There are many reforms that would enhance work incentives without necessarily affecting the distribution of net taxes across income groups. Such reforms are of two types: those that help people make better informed choices, and those that better focus Social Security's net taxes on work that is least responsive to tax while not sacrificing fairness. Reforms of the first type include increasing the transparency of the forced savings so that workers better understand the degree to which earnings increase retirement benefits, and changing the normal and/or early retirement ages to improve peoples' perceptions of what is prudent. Reforms of the second type include making Social Security's net tax rates on earnings in potential retirement years lower than in earlier years, and changing the design of couples' benefits so that spouses with substantially unequal earnings face more similar tax rates. Reforms of both types would improve work incentives, lead to greater work effort and higher incomes, and would thus lessen the sacrifice necessary to make Social Security solvent.

January 13, 2009
HP-1349

Interim Assistant Secretary for Financial Stability Neel Kashkari Review of the Financial Market Crisis and the Troubled Assets Relief Program

Washington - Good morning. Thank you, Dean Daly, for that kind introduction. I would also like to thank the McDonough School of Business at Georgetown for hosting us today.

Today, I will provide a review of the financial market crisis and Treasury's strategy to implement the Troubled Assets Relief Program (TARP) to promote financial stability. First, I will briefly explain why the Administration took the unprecedented action to request Congressional approval for a $700 billion program to support the financial system. Second, I will explain why- as a first step- we decided to invest in healthy banks through purchases of capital, rather than buying illiquid assets. Third, I will discuss how the capital is being used by recipient banks. Finally, I look forward to answering your questions.

Before I begin, I will give you a brief update on the latest statistics of the Capital Purchase Program, a program to invest in healthy banks of all sizes. On Friday, we executed 43 investments, bringing our total investment to $192 billion in 257 banks in 42 states and Puerto Rico. The largest investment was $25 billion and the smallest investment $1 million. In addition, after extensive preparation, we have also completed a term sheet for S-corps to participate in this program. The S-corp term sheet will be posted on the Treasury website tomorrow. The application period will open at that time and will remain open for 30 days.

The Importance of the Financial System

Let me begin by reviewing how the financial system affects Americans and their families. Banks serve as the primary intermediary between borrowers and savers. Americans save for their futures and their families. These savings of individual Americans are combined and made available to other people and businesses who need to borrow money for their specific needs. The financial system links millions of savers around the country with millions borrowers around the country through billions of individual transactions. This extraordinarily complex, but usually efficient system includes both banks, where people have their savings accounts, and other financial institutions that provide, for example, car loans and student loan financing. This system has developed over our Nation's history and it is built on confidence and on trust. Savers – be they individuals or businesses – must have confidence in the people and institutions they entrust with their money. And because no single bank can touch every family or every business, banks must have confidence to lend to each other for the system to work. If the financial system were to collapse, families might not be able to access the money they have saved. The economic implications of a financial system collapse are profound – for every single American.

Causes of the Credit Crisis

With that background, let me briefly describe the fundamental causes of the credit crisis. The seeds of the credit crisis were planted during a decade of benign economic conditions, including low interest rates and low inflation. Financial innovation, which has served the U.S. economy well over the years, also accelerated. Investors gained increasing confidence in the effectiveness of new financial products to diversify and distribute risks. With this perceived reduction in risk, leverage increased across the financial system. Underwriting standards for

mortgages weakened as more and more reliance was placed on the value of the collateral (the home) rather than the willingness and ability of the borrower to repay the loan out of income. Homeowners took out ever larger mortgages with little or no down payment and little or no documentation of income. Regulators, investors and homeowners took comfort from the belief that home prices only go up.

As we have learned, that belief was incorrect. To understand the consequence of that miscalculation, consider that the residential mortgage market in the United States is an $11 trillion market. With banks' highly leveraged balance sheets and minimal down payments on home loans, even a minor drop in home prices and rise in defaults can result in a large hit to banks' capital. Large losses can threaten the solvency of financial institutions.

Rooted in housing, this credit crisis is complicated by a number of related factors: First, home prices adjust downward slowly, in part due to homeowners' reluctance to realize losses; most people would rather keep their home than sell for a loss if they can avoid it since it usually is their largest financial asset. Next, this necessary housing correction, which is not over, is setting the pace of the credit crisis. Finally, this slow adjustment makes it difficult to value mortgages and mortgage-backed securities, because investors don't know for sure where the bottom of the housing market is and when it will be reached.

But investors are forward looking. With the high leverage in our financial system, the large and necessary housing correction, and credit problems arising in other sectors of the economy, investors quickly realized that the financial system had insufficient capital to withstand the expected losses. But the opacity of mortgage-backed securities and the difficulty in valuing mortgage assets meant it was hard for investors to determine exactly which institutions were at greatest risk.

Not wanting to be exposed to a failing institution, but also not being able to determine for certain which institutions were at risk, investors pulled back wherever they could.

A capital problem for some institutions led to a liquidity problem for all institutions. That liquidity problem created a serious risk that our financial system as a whole, both in the U.S. and abroad, could fail.

Secretary Paulson and Chairman Bernanke recognized early that there might come a time when the private markets would become unwilling to provide the necessary capital to our financial system to deal with the large losses from the housing correction. In such a scenario, only the Federal government would be in a position to support the financial system – to step in to provide the needed capital to prevent a collapse. Government intervention was not our first choice, as it often has unintended, far-reaching consequences. But it was a necessary choice.

Capital is essential for a healthy financial system; it permits banks to take risks and absorb losses while honoring their obligations to depositors and other creditors. During an economic downturn, many businesses and consumers want to see extra capital in their bank in order to have confidence the bank is sound and their money safe. Similarly, in such times, many banks want to see increased capital in other banks in order to have confidence to do business with them.

Although government leaders have numerous tools to combat financial market crises, there was no existing tool to provide capital to the financial system. In early 2008, we evaluated numerous policy alternatives and focused on a program to strengthen banks' balance sheets by purchasing illiquid mortgage assets in very large scale. By ridding their balance sheets of hard to value and troubled assets, banks would be better able to attract the private capital needed to recapitalize our system. We all hoped such government intervention would not become necessary, but recognized the possibility and began contingency planning.

In late summer, after the failure of Bear Stearns, the crisis intensified and our financial institutions came under even more pressure from deteriorating market conditions and the loss of confidence. In a very short period of time, some of our

largest financial institutions failed. In July, IndyMac failed. In the month of September alone, we witnessed the conservatorship of Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers, the rescue of AIG by the Fed, the distressed sale of Wachovia, and the failure of Washington Mutual. Eight major U.S. financial institutions effectively failed in 6 months – six of them in September alone.

As a result, credit markets froze. The commercial paper market shut down, 3-month Treasuries dipped below zero, and a money market mutual fund "broke the buck" for only the second time in history, precipitating a $200 billion net outflow of funds from that market. The savings of millions of Americans and the ability of businesses and consumers to access affordable credit were put at serious risk.

The Need for Government Action

Recognizing the threat to our financial system and to every American family, Secretary Paulson and Chairman Bernanke knew the time had come to provide government support for the U.S. financial system. On September 18, they went to the Congress to ask for unprecedented authority to prevent a financial collapse. Congress also recognized this threat and just two weeks later, on October 3, the Congress passed and President Bush signed into law the Emergency Economic Stabilization Act of 2008. We worked hard with the Congress to build tremendous flexibility into the legislation because the one constant throughout the credit crisis has been its unpredictability.

In our discussions with the Congress, we focused on a two part plan: one, our initial, market-based plan to purchase illiquid mortgage assets as a means to attract private capital to the financial system, and two, providing sufficient flexibility to deal with any individual contingencies that arose. In the two weeks between the time we submitted the draft legislation and the time the bill passed, credit markets deteriorated more quickly than we had expected. One key measure we looked at was LIBOR-OIS spread – a measure of perceived credit risk in the financial system. Typically, 5 – 10 basis points, on September 1, the one month spread was 47 basis points. By the 18th, when we first went to Congress, the spread had climbed to 135 basis points. By the time the bill passed, just two week later on October 3, the spread had nearly doubled to 263 basis points.

Why did we switch from illiquid asset purchases to capital investments? Simply put, our Nation was faced with the potential imminent collapse of our banking and financial system and more immediate and powerful actions were needed. It was clear to Secretary Paulson and Chairman Bernanke that we needed to use the authority and flexibility granted under the law as aggressively as possible to quickly stabilize the system. Purchasing equity in healthy banks around the country would be a faster and more direct way to inject much-needed capital into the system and restore confidence compared with asset purchases. We began immediately designing a capital purchase program in addition to continuing work on illiquid asset purchases, which would take longer to implement.

Meanwhile, credit markets continued to deteriorate. On October 10, the LIBOR-OIS spread had risen to 338 basis points. So, four days later, on October 14, when our Capital Purchase Program was ready, we announced a plan to invest $250 billion in banks and savings institutions of all sizes, in combination with the FDIC's announcement of its guarantee of senior bank debt. These combined actions were taken to build confidence in the U.S. financial system. We believe these actions were successful.

The Capital Purchase Program was not a bailout of participating banks. Only healthy, viable banks are eligible for the program and it is designed to generate a positive return to the taxpayer.

At the same time, we continued working hard on our illiquid asset purchase programs. We were keenly aware that, while $700 billion is a large sum of money, it is a finite amount. We needed to use the available funds to provide the maximum benefit to the system, while leaving enough dry powder to deal with contingencies.

Throughout the process, we carefully monitored how the markets were responding to our actions and conditions in the broader economy. We asked ourselves: Would banks apply for the capital? Would credit markets respond? What was happening in the economy?

We were pleased that healthy banks of all sizes were signing up for the program and credit markets were showing signs of thawing. But the economic indicators were less positive. On October 31, data on third quarter GDP showed negative 0.3 percent growth. In addition, data released on October 28 showed that through August, home prices in 10 major cities had fallen 18 percent over the previous year.

A large contingency also arose that threatened the financial system and we had to restructure the Federal Reserve's loan to AIG, using $40 billion of TARP funds. With about half the original $700 billion available for asset purchases, we asked ourselves: would such a program still be the best approach? For an asset purchase program to be effective, it must be done in very large scale. We concluded that capital would provide the most benefit given available resources.

It is also important to support the non-banking market, which is essential to helping consumers, businesses and our economy get the credit they need. The Federal Reserve is setting-up a $200 billion program, the Term Asset-Backed Securities Loan Facility (TALF). With $20 billion from the TARP, we will help make it easier for American families to get affordable auto loans, student loans, and consumer credit, as well as loans for small businesses.

Where We Are Today

As of today, we have fully allocated the first $350 billion and, at the President-Elect's request, President Bush has asked Congress to make available the remaining $350 billion for the next Administration. As I mentioned when I opened, we have invested $189 billion of the $250 billion Capital Purchase Program in 257 institutions in 42 states across the country, as well as Puerto Rico. There is a huge demand for the program: the number of applications under-review at the regulators is in the thousands, representing every state in the country, and hundreds more have already been pre-approved by Treasury. We are pleased with the large number of banks that have applied. As I also noted above, we have also allocated $20 billion for the TALF to support consumer and small business lending. Today, the LIBOR-OIS spread has fallen to 19 basis points. We believe the combined actions of Treasury, the Federal Reserve and FDIC have prevented a financial collapse.

We have also had to deal with several contingencies, including a possible loss of confidence in Citigroup, and the impending failures of AIG and the domestic auto companies which have consumed the remaining allocation within the first $350 billion. We believe that when government intervention is required to prevent the failure of a firm, the firm's shareholders should pay a high price to discourage imprudent risk-taking in the future. Our actions to stabilize Fannie Mae, Freddie Mac and AIG demonstrate this perspective where existing shareholders were severely diluted and the taxpayers received warrants for 80 percent of the companies.

This approach has challenges, however, when the system as a whole comes under pressure and several similarly-situated institutions are at risk. We have worked hard to develop programs to encourage private capital to flow into the banking sector. Whenever possible, we have designed programs that avoid the government controlling private institutions. We have used a combination of tools such as preferred investments and asset guarantees as a means to enhance the confidence of systemically-important institutions on a case-by-case basis.

Update on Lending

People recently have begun to ask what the banks are doing with the money we've invested in them. We designed important features into our investment contracts to limit what banks can do with the money: one, we restricted dividend increases and

share repurchases and, two, placed restrictions on executive compensation. By increasing a bank's capital, the bank will have strong economic incentives to deploy the capital profitably. Banks are in the business of lending and they will provide credit to sound borrowers whenever possible. They may also use the capital to absorb losses as part of loan write-downs and restructurings. If a bank doesn't put the new capital to work earning a profit or reducing a loss, its returns for its shareholders will suffer.

What about mergers and acquisitions? Why didn't Treasury prohibit them? We must remember that when a failing bank is acquired by a healthy bank, the community of the failing bank is better off than if the bank had been allowed to fail. Branches and financial services in that community are usually preserved. Costs to the taxpayers via the FDIC deposit fund are also lower than had the bank been allowed to fail. Prudent mergers and acquisitions can strengthen our financial system and our communities, while protecting taxpayers.

People then ask: when will we see banks making new loans? It is important to note that over $60 of the $250 billion CPP has yet to be received by the banks. Treasury is executing at a rapid speed, but it will take some time to review and fund all the remaining applications. This capital needs to get into the system before it can have the desired effect. In addition, we are still at a point of low confidence – both due to the financial crisis and the economic downturn. As long as confidence remains low, banks will remain cautious about extending credit, and consumers and businesses will remain cautious about taking on new loans. As confidence returns, Treasury expects to see more credit extended.

This reduced demand for and provision of credit is common in an economic downturn. During the past nine recessions, inflation-adjusted total private sector lending per quarter has contracted on average 30 percent from peak to trough, while real GDP has contracted 2.0 percent. So we should not be surprised that lending and borrowing will be lower during this current economic downturn. We absolutely need our banks to continue to make credit available – especially given the disruption in the non-banking financial markets. Our banks' role as provider of credit in our economy is even more important now. But we must not attempt to force them to make loans whose risks they are not comfortable with. Bad lending practices were at the root cause of this crisis. Returning to those practices will not help end this financial turmoil.

People have then asked: how will you track lending activity? Treasury has been working with the banking regulators to design a program to measure the activities of banks that have received TARP capital. We plan to use quarterly call report data to study changes in the balance sheets and intermediation activities of institutions we have invested in and compare their activities to a comparable set of institutions that have not received TARP capital investments. Because call report data is infrequent, we also plan to augment that analysis with a selection of data we plan to collect monthly from the largest banks we have invested in for a more frequent snapshot.

The provision of credit that is vital to our economy will not materialize as fast as any of us would like, but it will happen much faster as a result of deploying resources from the TARP to stabilize the system and increase capital in our banks.

Conclusion

The EESA is not an economic stimulus plan, nor is it an economic growth plan. It was one of several initiatives taken by the Federal government to stabilize the financial system – a necessary precondition to any economic recovery. We believe the combined actions of Treasury, the Federal Reserve and FDIC have helped stabilize the financial system and prevent a financial collapse. Nonetheless, the current crisis took years to build up and will take time to work through, and we still face some real economic challenges. As Secretary Paulson has said, there is no single action the Federal government can take to end the financial market turmoil and the economic downturn, but the authorities Congress provided last fall dramatically expanded the tools available to address the needs of our system. Thank you and I would be happy to take your questions.

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January 13, 2009
HP-1350

United States, France Sign Protocol to Income Tax Treaty

Washington - The Treasury Department today announced that United States Ambassador to France Craig Roberts Stapleton and French Minister of Finance Christine Lagarde signed a protocol updating the current income tax treaty between the United States and France.

In a ceremony held in Paris, the two officials signed a Protocol that makes several significant changes to the existing U.S.-France income tax treaty. The agreement provides for the elimination of source-country taxation of certain direct dividends as well as the elimination of source-country taxation of cross-border royalty payments.

The Protocol also provides for mandatory arbitration of certain cases that cannot be resolved by the competent authorities within a specified period of time, strengthens the treaty's provisions preventing so-called treaty shopping (the inappropriate use of a tax treaty by third-country residents), and updates the rules for the exchange of taxpayer information between the tax authorities of each country.

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REPORTS

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PROTOCOL
AMENDING THE CONVENTION
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE FRENCH REPUBLIC
FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION
WITH RESPECT TO TAXES ON INCOME AND CAPITAL,
SIGNED AT PARIS ON AUGUST 31, 1994,
AS AMENDED BY THE PROTOCOL SIGNED ON DECEMBER 8, 2004

THE GOVERNMENT OF THE UNITED STATES OF AMERICA

AND

THE GOVERNMENT OF THE FRENCH REPUBLIC

DESIRING to amend the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, signed at Paris on August 31, 1994, as amended by the Protocol signed at Washington on December 8, 2004 ("the Convention"), have agreed as follows:

ARTICLE I

1. Subparagraph b) (iii) of paragraph 2 of Article 4 (Resident) of the Convention shall be deleted and replaced by the following:

> "(iii) in the case of the United States, a regulated investment company, a real estate investment trust, and a real estate mortgage investment conduit; in the case of France, a "société d'investissement à capital variable" (SICAV), a "société d'investissement immobilier cotée" (SIIC), a "société de placement à prépondérance immobilière à capital variable" (SPPICAV); and any similar investment entities agreed upon by the competent authorities of both Contracting States."

2. Subparagraphs b) (iv), (b) (v), and (b) (vi) of paragraph 2 of Article 4 (Resident) of the Convention shall be deleted.

3. New subparagraph c) of paragraph 2 of Article 4 (Resident) of the Convention shall be added as follows:

"c) An item of income paid from the United States to a French qualified partnership shall be considered derived by a resident of France only to the extent that such income is included currently in the taxable income of a shareholder, associate or other member that is otherwise treated as a resident of France under the provisions of this Convention. A French qualified partnership means a partnership:

(i) that has its place of effective management in France,

(ii) that has not elected to be taxed in France as a corporation,

(iii) the tax base of which is computed at the partnership level for French tax purposes, and

(iv) all of the shareholders, associates or other members of which, pursuant to the tax laws of France, are liable to tax therein in respect of their share of the profits of that partnership."

4. New paragraph 3 of Article 4 (Resident) of the Convention shall be added as follows:

"3. For purposes of applying this Convention, an item of income, profit or gain derived through an entity that is fiscally transparent under the laws of either Contracting State, and that is formed or organized:

a) in either Contracting State, or;

b) in a state that has concluded an agreement containing a provision for the exchange of information with a view to the prevention of tax evasion with the Contracting State from which the income, profit, or gain is derived,

shall be considered to be derived by a resident of a Contracting State to the extent that the item is treated for purposes of the taxation law of such Contracting State as the income, profit or gain of a resident."

5. Paragraphs 3 and 4 of Article 4 (Resident) of the Convention shall be renumbered as paragraphs 4 and 5.

ARTICLE II

Article 10 (Dividends) of the Convention shall be deleted and replaced by the following:

"Article 10

Dividends

1. Dividends paid by a company that is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed:

a) 5 percent of the gross amount of the dividends if the beneficial owner is a company that owns:

(i) directly at least 10 percent of the voting stock of the company paying the dividends, if such company is a resident of the United States; or

(ii) directly or indirectly at least 10 percent of the capital of the company paying the dividends, if such company is a resident of France;

b) 15 percent of the gross amount of the dividends in all other cases.

3. Notwithstanding the provisions of paragraph 2, such dividends shall not be taxed in the Contracting State of which the company paying the dividends is a resident if the beneficial owner is a company that is a resident of the other Contracting State that has owned, directly or indirectly through one or more residents of either Contracting State, shares representing 80 percent or more of the voting power of the company paying the dividends in the case of the United States, or 80 percent or more of the capital of the company paying the dividends in the case of France, for a 12-month period ending on the date on which entitlement to the dividends is determined and:

a) satisfies the conditions of clause (i) or (ii) of subparagraph c) of paragraph 2 of Article 30 (Limitation on Benefits of the Convention);

b) satisfies the conditions of clauses (i) and (ii) of subparagraph e) of paragraph 2 of Article 30, provided that the company satisfies the conditions described in paragraph 4 of that Article with respect to the dividends;

c) is entitled to benefits with respect to the dividends under paragraph 3 of Article 30; or

d) has received a determination pursuant to paragraph 6 of Article 30 with respect to this paragraph.

4. Paragraphs 2 and 3 shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

5. a) Subparagraph a) of paragraph 2 and paragraph 3 shall not apply in the case of dividends paid by a U.S. Regulated Investment Company (RIC), a U.S. Real Estate Investment Trust (REIT), a French "société d'investissement à capital variable" (SICAV), a French "société d'investissement immobilier cotée" (SIIC), or a French "société de placement à prépondérance immobilière à capital variable" (SPPICAV).

b) In the case of dividends paid by a RIC or a SICAV, subparagraph (b) of paragraph 2 shall apply. In the case of dividends paid by a REIT, a SIIC or a SPPICAV, subparagraph (b) of paragraph 2 shall apply only if:

(i) the beneficial owner of the dividends is an individual, or a pension trust or other organization maintained exclusively to administer or provide retirement or employee benefits that is established or sponsored by a resident, in either case holding an interest of not more than 10 percent in the REIT, SIIC or SPPICAV;

(ii) the dividends are paid with respect to a class of shares that is publicly traded and the beneficial owner of the dividends is a person holding an interest of not more than 5 percent of any class of the REIT's, SIIC's or SPPICAV's shares; or

(iii) the beneficial owner of the dividends is a person holding an interest of not more than 10 percent in the REIT, SIIC or SPPICAV and, in the case of a REIT, such REIT is diversified.

c) For purposes of this paragraph, a REIT shall be "diversified" if the value of no single interest in real property exceeds 10 percent of its total interests in real property. For the purposes of this provision, foreclosure property shall not be considered an interest in real property. Where a REIT holds an interest in a partnership, it shall be treated as owning directly a proportion of the partnership's interests in real property corresponding to its interest in the partnership.

6. a) The term "dividends" means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income treated as a distribution by the taxation laws of the State of which the company making the distribution is a resident; and income from arrangements, including debt obligations, that carry the right to participate in, or are determined with reference to, profits of the issuer or one of its associated enterprises, as defined in subparagraph (a) or (b) of paragraph 1 of Article 9 (Associated Enterprises), to the extent that such income is characterized as a dividend under the law of the Contracting State in which the income arises. The term "dividend" shall not include income referred to in Article 16 (Directors' Fees).

b) The provisions of this Article shall apply where a beneficial owner of dividends holds depository receipts evidencing ownership of the shares in respect of which the dividends are paid, in lieu of the shares themselves.

7. The provisions of paragraphs 2 through 4 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State, of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the dividends are attributable to such permanent establishment or fixed base. In such case, the provisions of Article 7 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply.

8. a) A company that is a resident of a Contracting State and that has a permanent establishment in the other Contracting State, or that is subject to tax on a net basis in that other Contracting State on items of income that may be taxed in that other State under Article 6 (Income From Real Property) or under paragraph 1 of Article 13 (Capital Gains), may be subject in that other Contracting State to a tax in addition to the tax allowable under the other provisions of this Convention. Such tax, however, may be imposed only on the portion of the business profits of the company attributable to the permanent establishment and the portion of the income referred to in the preceding sentence that is subject to tax under Article 6 or paragraph 1 of Article 13 that,

(i) in the case of the United States, represents the "dividend equivalent amount" of those profits and income; the term "dividend equivalent amount" shall, for the purposes of this subparagraph, have the meaning that it has under the law of the United States as it may be amended from time to time without changing the general principle thereof; and

(ii) in the case of France, is included in the base of the French withholding tax in accordance with the provisions of Article 115 quinquies of the French tax code (Code général des impôts) or with any similar provisions which amend or replace the provisions of that Article.

b) The taxes referred to in subparagraph (a) also shall apply to the portion of the business profits, or of the income subject to tax under Article 6 (Income From Real Property) or paragraph 1 of Article 13 (Capital Gains) that is referred to in subparagraph (a), which is attributable to a trade or business conducted in one Contracting State through a partnership or other entity treated as a fiscally transparent entity under the laws of that State by a company that is a member of such partnership or entity and a resident of the other Contracting State.

9. The tax referred to in subparagraphs (a) and (b) of paragraph 8 shall not be imposed at a rate exceeding the rate specified in subparagraph (a) of paragraph 2. In any case, it shall not be imposed on a company that:

a) satisfies the conditions of clause (i) or (ii) of subparagraph (c) of paragraph 2 of Article 30 (Limitation on Benefits of the Convention);

b) satisfies the conditions of clauses (i) and (ii) of subparagraph (e) of paragraph 2 of Article 30, provided that the company satisfies the conditions described in paragraph 4 of that Article with respect to an item of income, profit, or gain described in paragraph 7;

c) is entitled under paragraph 3 of Article 30 to benefits with respect to an item of income, profit, or gain described in paragraph 7; or

d) has received a determination pursuant to paragraph 6 of Article 30 with respect to this paragraph.

10. Subject to the provisions of paragraph 8, where a company that is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the dividends are attributable to a permanent establishment or fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State."

ARTICLE III

1. Paragraph 1 of Article 12 (Royalties) of the Convention shall be deleted and replaced by the following:

"1. Royalties arising in a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State."

2. Paragraphs 2, 3, 4, and 5 of Article 12 (Royalties) of the Convention shall be deleted.

3. New paragraphs 2 and 3 of Article 12 (Royalties) of the Convention shall be added as follows:

> "2. The term "royalties" as used in this Article means:
>
> a) payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic, or scientific work or any neighboring right (including reproduction rights and performing rights), any cinematographic film, any sound or picture recording, any software, any patent, trademark, design or model, plan, secret formula or process, or other like right or property, or for information concerning industrial, commercial, or scientific experience; and
>
> b) gains derived from the alienation of any such right or property described in this paragraph that are contingent on the productivity, use, or further alienation thereof.
>
> 3. The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State, in which the royalties arise, through a permanent establishment situated therein, or performs in that State independent personal services from a fixed base situated therein, and the royalties are attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply."

4. Paragraphs 6 and 7 of Article 12 (Royalties) of the Convention shall be renumbered as paragraphs 4 and 5.

ARTICLE IV

Paragraph 5 of Article 13 (Capital Gains) of the Convention shall be deleted and replaced by the following:

> "5. Gains described in subparagraph (b) of paragraph 2 of Article 12 (Royalties) shall be taxable only in accordance with the provisions of Article 12."

ARTICLE V

The last sentence of paragraph 1 of Article 17 (Artistes and Sportsmen) of the Convention shall be deleted and replaced by the following:

> "However, the provisions of this paragraph shall not apply where the amount of the gross receipts derived by such entertainer or sportsman from such activities, including expenses reimbursed to him or borne on his behalf, does not exceed 10,000 United States dollars or its equivalent in euros for the taxable period concerned."

ARTICLE VI

The first sentence of paragraph 1 of Article 18 (Pensions) of the Convention shall be deleted and replaced by the following:

> "Payments under the social security legislation or similar legislation of a Contracting State to a resident of the other Contracting State or to a citizen of the United States, and pension distributions and other similar remuneration arising in one of the Contracting States in consideration of past employment paid to a resident of the other Contracting State, whether paid periodically or in a lump sum, shall be taxable only in the first-mentioned State."

ARTICLE VII

Article 22 (Other Income) of the Convention shall be deleted and replaced by the following:

"Article 22

Other Income

1. Items of income beneficially owned by a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.

2. The provisions of paragraph 1 shall not apply to income, other than income from real property as defined in paragraph 2 of Article 6 (Income From Real Property), if the beneficial owner of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply."

ARTICLE VIII

1. Regarding Article 24 (Relief From Double Taxation) of the Convention as incorporated in the alternat of the United States, in both the English and French version of such alternat, paragraph 1 shall be renumbered paragraph 2, and paragraph 2 shall be renumbered paragraph 1.

2. Clause (iii) of subparagraph a) of paragraph 1 of Article 24 (Relief From Double Taxation) of the Convention, as amended by paragraph 1 of this Article VIII of this Protocol, shall be deleted and replaced by the following:

"(iii) in the case of income referred to in Article 10 (Dividends), Article 11 (Interest), paragraph 1 of Article 13 (Capital Gains), Article 16 (Director's Fees), and Article 17 (Artistes and Sportsmen), to the amount of tax paid in the United States in accordance with the provisions of the Convention; however, such credit shall not exceed the amount of French tax attributable to such income."

3. Clause (i) of subparagraph b) of paragraph 1 of Article 24 (Relief From Double Taxation) of the Convention, as amended by paragraph 1 of this Article VIII of this Protocol, shall be deleted and replaced by the following:

> "(i) income consisting of dividends paid by a company that is a resident of the United States, or interest arising in the United States, as described in paragraph 5 of Article 11 (Interest), or royalties arising in the United States, as described in paragraph 4 of Article 12 (Royalties), that is derived and beneficially owned by such individual and that is paid by:
>
> aa) the United States or any political subdivision or local authority thereof; or
>
> bb) a person created or organized under the laws of a state of the United States or the District of Columbia, the principal class of shares of or interests in which is substantially and regularly traded on a recognized stock exchange as defined in subparagraph (d) of paragraph 7 of Article 30 (Limitation on Benefits of the Convention); or
>
> cc) a company that is a resident of the United States, provided that less than 10 percent of the outstanding shares of the voting power in such company was owned (directly or indirectly) by the resident of France at all times during the part of such company's taxable period preceding the date of payment of the income to the owner of the income and during the prior taxable period (if any) of such company, and provided that less than 50 percent of such voting power was owned (either directly or indirectly) by residents of France during the same period; or
>
> dd) a resident of the United States, not more than 25 percent of the gross income of which for the prior taxable period (if any) consisted directly or indirectly of income derived from sources outside the United States;".

4. Clause (i) of subparagraph e) of paragraph 1 of Article 24 (Relief From Double Taxation) of the Convention as amended by paragraph 1 of this Article VIII of this Protocol, shall be deleted and replaced by the following:

> "(i) Where a company resident of France is taxed in that state according to French domestic law on a consolidated tax base, including the profits or losses of subsidiaries that are residents of the United States or of permanent establishments situated in the United States, the provisions of the Convention shall not prevent the application of that law."

5. Subparagraph (c) of paragraph 2 of Article 24 (Relief From Double Taxation) of the Convention, as amended by paragraph 1 of this Article VIII of this Protocol, shall be deleted.

ARTICLE IX

1. The last sentence of paragraph 2 of Article 25 (Non-Discrimination) shall be deleted and replaced by the following:

> "The provisions of this paragraph shall not prevent the application by either Contracting State of the taxes described in paragraph 8 of Article 10 (Dividends)."

2. The first sentence of clause a) of paragraph 3 of Article 25 shall be deleted and replaced by the following:

> "Except where the provisions of paragraph 1 of Article 9 (Associated Enterprises), paragraph 6 of Article 11 (Interest), or paragraph 5 of Article 12 (Royalties) apply, interest, royalties, and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purposes of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State."

ARTICLE X

Paragraph 5 of Article 26 (Mutual Agreement Procedure) shall be deleted and replaced by the following paragraphs:

"5. Where, pursuant to a mutual agreement procedure under this Article, the competent authorities have endeavored but are unable to reach a complete agreement, the case shall be resolved through arbitration conducted in the manner prescribed by, and subject to, the requirements of paragraph 6 and any rules or procedures agreed upon by the Contracting States, if:

a) tax returns have been filed with at least one of the Contracting States with respect to the taxable years at issue in the case;

b) the case is not a particular case that both competent authorities agree, before the date on which arbitration proceedings would otherwise have begun, is not suitable for determination by arbitration; and

c) all concerned persons agree according to the provisions of subparagraph (d) of paragraph 6.

An unresolved case shall not, however, be submitted to arbitration if a decision on such case has already been rendered by a court or administrative tribunal of either Contracting State.

6. For the purposes of paragraph 5 and this paragraph, the following rules and definitions shall apply:

a) the term "concerned person" means the presenter of a case to a competent authority for consideration under this Article and all other persons, if any, whose tax liability to either Contracting State may be directly affected by a mutual agreement arising from that consideration;

b) the "commencement date" for a case is the earliest date on which the information necessary to undertake substantive consideration for a mutual agreement has been received by both competent authorities;

c) arbitration proceedings in a case shall begin on the later of:

(i) two years after the commencement date of that case, unless both competent authorities have previously agreed to a different date, and

(ii) the earliest date upon which the agreement required by subparagraph d) has been received by both competent authorities;

d) the concerned person(s), and their authorized representatives or agents, must agree prior to the beginning of arbitration proceedings not to disclose to any other person any information received during the course of the arbitration proceeding from either Contracting State or the arbitration panel, other than the determination of such panel;

e) unless any concerned person does not accept the determination of an arbitration panel the determination shall constitute a resolution by mutual agreement under this Article and shall be binding on both Contracting States with respect to that case only; and

f) for purposes of an arbitration proceeding under paragraph 5 and this paragraph, the members of the arbitration panel and their staffs shall be concerned "persons or authorities" to whom information may be disclosed under Article 27 (Exchange of Information) of the Convention."

ARTICLE XI

Article 27 (Exchange of Information) of the Convention shall be deleted and replaced by the following:

"Article 27

Exchange of Information

1. The competent authorities of the Contracting States shall exchange such information as may be relevant for carrying out the provisions of this Convention or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting States, insofar as taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Articles 1 (Personal Scope) and 2 (Taxes Covered).

2. Any information received under this Article by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection or administration of, the enforcement or prosecution in respect of, the determination of appeals in relation to the taxes referred to in paragraph 1, or the oversight of the above. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting State the obligation:

a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;

b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy ("ordre public").

4. a) If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall use its information gathering measures to obtain the requested information, even though that other State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph 3 but in no case shall such limitations be construed to permit a Contracting State to decline to supply information solely because it has no domestic interest in such information.

b) If specifically requested by the competent authority of a Contracting State, the competent authority of the other Contracting State shall, if possible, provide information under this Article in the form of depositions of witnesses and authenticated copies of unedited original documents (including books, papers, statements, records, accounts, and writings), to the same extent such depositions and documents can be obtained under the laws and administrative practices of the other Contracting State with respect to its own taxes.

c) A Contracting State shall allow representatives of the other Contracting State to enter the first-mentioned Contracting State to interview taxpayers and look at and copy their books and records, but only after obtaining the consent of those taxpayers and the competent authority of the first-mentioned State (who may be present or represented, if desired), and only if the two Contracting States agree, in an exchange of diplomatic notes, to allow such inquiries on a reciprocal basis. Such inquiries shall not be considered audits for purposes of French domestic law.

5. In no case shall the provisions of paragraph 3 be construed to permit a Contracting State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person."

ARTICLE XII

Paragraph 5 of Article 28 (Assistance in Collection) of the Convention shall be deleted and replaced by the following:

> "The assistance provided for in this Article shall not be accorded with respect to citizens, companies, or other entities of the Contracting State to which application is made."

ARTICLE XIII

1. Paragraph 2 of Article 29 (Miscellaneous Provisions) of the Convention shall be deleted and replaced by the following:

> "2. Notwithstanding any provision of the Convention except the provisions of paragraph 3, the United States may tax its residents, as determined under Article 4 (Resident) and its citizens as if the Convention had not come into effect, and France may tax entities which have their place of effective management and which are subject to tax in France as if paragraph 3 of Article 4 of the Convention had not come into effect. Notwithstanding the other provisions of this Convention, a former citizen or former long-term resident of a Contracting State may, for the period of ten years following the loss of such status, be taxed in accordance with the laws of that Contracting State, with respect to its income from, or treated as from, sources within that Contracting State. For this purpose, the term "long term resident" means, with respect to a Contracting State, any individual (other than a citizen of that Contracting State) who is a lawful permanent resident of that Contracting State in at least eight taxable years during the preceding fifteen taxable years."

2. Subparagraph b) of paragraph 3 of Article 29 (Miscellaneous Provisions) of the Convention shall be deleted and replaced by the following:

> "b) the benefits conferred under paragraph 2 of Article 18 (Pensions), and under Articles 19 (Public Remuneration), 20 (Teachers and Researchers), 21 (Students and Trainees), and 31 (Diplomatic and Consular Officers), upon individuals resident in a Contracting State who are neither citizens of, nor have immigrant status in, that Contracting State."

3. In view of the amendment of Article 24 (Relief from Double Taxation) of the Convention by paragraph 1 of Article VIII of this Protocol, Subparagraph (b) of paragraph 7 of Article 29 (Miscellaneous Provisions) of the Convention, as incorporated in the alternat of the United States, in both the English and French version of such alternat, shall be deleted and replaced by the following:

> "b) United States state and local income taxes on income from personal services and any other business income (except income that is exempt under subparagraph 1 a) (i) or (ii) of Article 24 (Relief from Double Taxation) shall be allowed as business expenses."

4. A new paragraph 9 of Article 29 (Miscellaneous Provisions) of the Convention shall be added as follows:

> "9. Notwithstanding the provisions of Article 19 (Public Remuneration), remuneration, other than a pension, paid by France or a local authority thereof, or an agency or instrumentality of France or that authority, to an individual in respect of services rendered to France, or to that authority, agency or instrumentality shall be taxable only in the United States if the services are rendered in the United States and the individual is a resident and a national of the United States or an alien admitted to the United States for permanent residence (a "green card holder")."

ARTICLE XIV

Article 30 (Limitation on Benefits of the Convention) of the Convention shall be deleted and replaced by the following:

"Article 30

Limitation on Benefits of the Convention

1. A resident of a Contracting State shall be entitled to benefits otherwise accorded to residents of a Contracting State by this Convention only to the extent provided in this Article.

2. A resident of a Contracting State shall be entitled to all the benefits of this Convention if the resident is:

a) an individual;

b) a Contracting State, a political subdivision (in the case of the United States) or local authority thereof, or an agency or instrumentality of that State, subdivision, or authority;

c) a company, if:

(i) its principal class of shares (and any disproportionate class of shares) is regularly traded on one or more recognized stock exchanges, and either

aa) its principal class of shares is primarily traded on a recognized stock exchange located in the Contracting State of which the company is a resident (or, in the case of a company resident in France, on a recognized stock exchange located within the European Union or, in the case of a company resident in the United States, on a recognized stock exchange located in another state that is a party to the North American Free Trade Agreement); or

bb) the company's primary place of management and control is in the Contracting State of which it is a resident; or

(ii) at least 50 percent of the aggregate voting power and value of the shares (and at least 50 percent of any disproportionate class of shares) in the company are owned directly or indirectly by five or fewer companies entitled to benefits under clause (i) of this subparagraph or by persons described in subparagraph b), provided that, in the case of indirect ownership, each intermediate owner is a resident of either Contracting State;

d) a person described in clause (ii) of subparagraph (b) of paragraph 2 of Article 4 (Resident) of this Convention, provided that

(i) in the case of a pension trust and any other organization established in a State and maintained exclusively to administer or provide retirement benefits that is established or sponsored by a person that is a resident of that State under the provisions of Article 4, more than 50 percent of the person's beneficiaries, members or participants are individuals resident in either Contracting State; or

(ii) the organization sponsoring such person is entitled to the benefits of this Convention pursuant to this Article, or

e) a person other than an individual, if:

(i) on at least half the days of the taxable year at least 50 percent of the aggregate voting power and value of its shares (and at least 50 percent of any disproportionate class of shares) or other beneficial interests in the person is owned, directly or indirectly, by residents of the Contracting State of which that person is a resident that are entitled to the benefits of this Convention under subparagraph (a), subparagraph (b), clause (i) of subparagraph (c), or subparagraph (d) of this paragraph, provided that, in the case of indirect ownership, each intermediate owner is a resident of that Contracting State; and

(ii) less than 50 percent of the person's gross income for the taxable year, as determined in the person's State of residence, is paid or accrued, directly or indirectly, to persons who are not residents of either Contracting State entitled to the benefits of this Convention under subparagraph a), subparagraph b), clause (i) of subparagraph c), or subparagraph d) of this paragraph in the form of payments that are deductible for purposes of the taxes covered by this Convention in the person's State of residence (but not including arm's length payments in the ordinary course of business for services or tangible property and payments in respect of financial obligations to a bank that is not related to the payor).

f) An investment entity referred to in clause (iii) of subparagraph (b) of paragraph 2 of Article 4 (Resident) provided that more than half of the shares, rights, or interests in such entity are owned directly or indirectly by:

> (i) persons that are resident of the Contracting State of which the investment entity is a resident and that qualify for benefits under subparagraph a), subparagraph b), clause (i) of subparagraph c), or subparagraph d) of this paragraph, and
>
> (ii) citizens of the United States in the case of an investment entity that is a resident of the United States,

provided that, in the case of indirect ownership, each intermediate owner is a resident of the Contracting State of which the investment entity is a resident.

3. A company that is a resident of a Contracting State shall also be entitled to the benefits of the Convention if:

a) at least 95 percent of the aggregate voting power and value of its shares (and at least 50 percent of any disproportionate class of shares) is owned, directly or indirectly by seven or fewer persons that are equivalent beneficiaries; and

b) less than 50 percent of the company's gross income, as determined in the company's State of residence, for the taxable year is paid or accrued, directly or indirectly, to persons who are not equivalent beneficiaries, in the form of payments (but not including arm's length payments in the ordinary course of business for services or tangible property and payments in respect of financial obligations to a bank that is not related to the payor), that are deductible for the purposes of the taxes covered by this Convention in the company's State of residence.

4. a) A resident of a Contracting State shall be entitled to benefits of the Convention with respect to an item of income derived from the other Contracting State, regardless of whether the resident is entitled to benefits under paragraph 2 or 3 of this Article, if the resident is engaged in the active conduct of a trade or business in the first-mentioned State (other than the business of making or managing investments for the resident's own account, unless these activities are banking, insurance or securities activities carried on by a bank, insurance company or registered securities dealer), and the income derived from the other Contracting State is derived in connection with, or is incidental to, that trade or business.

b) If a resident of a Contracting State derives an item of income from a trade or business activity in the other Contracting State, or derives an item of income arising in the other Contracting State from an associated enterprise, subparagraph a) of this paragraph shall apply to such item only if the trade or business activity in the first-mentioned State is substantial in relation to the trade or business activity in the other State. Whether a trade or business activity is substantial for purposes of this paragraph shall be determined based on all the facts and circumstances.

c) In determining whether a person is "engaged in the active conduct of a trade or business" in a Contracting State under subparagraph a) of this paragraph, activities conducted by persons connected to such person shall be deemed to be conducted by such person. A person shall be connected to another person if one possesses at least 50 percent of the beneficial interest in the other (or, in the case of a company, at least 50 percent of the aggregate vote and at least 50 percent of the aggregate value of the shares in the company or of the beneficial equity interest in the company) or another person possesses, directly or indirectly, at least 50 percent of the beneficial interest (or, in the case of a company, at least 50 percent of the aggregate vote and at least 50 percent of the aggregate value of the shares in the company or of the beneficial equity interest in the company) in each person. In any case, a person shall be considered to be connected to another person if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same person or persons.

5. Notwithstanding the preceding provisions of this Article, where an enterprise of a Contracting State derives income from the other Contracting State, and that income is attributable to a permanent establishment which that enterprise has in a third jurisdiction, the tax benefits that would otherwise apply under the other provisions of the Convention shall not apply to that income if the combined tax that is actually paid with respect to such income in the first-mentioned Contracting State and in the third jurisdiction is less than 60 percent of the tax that would have been payable in the first-mentioned State if the income were earned in that Contracting State by the enterprise and were not attributable to the permanent establishment in the third jurisdiction. Any dividends, interest or royalties to which the provisions of this paragraph apply shall be subject to tax in the other Contracting State at a rate that shall not exceed 15 percent of the gross amount thereof. Any other income to which the provisions of this paragraph apply shall be subject to tax under the provisions of the domestic law of the other Contracting State, notwithstanding any other provision of the Convention. The provisions of this paragraph shall not apply if:

a) in the case of royalties, the royalties are received as compensation for the use of, or the right to use, intangible property produced or developed by the permanent establishment itself; or

b) in the case of any other income, the income derived from the other Contracting State is derived in connection with, or is incidental to, the active conduct of a trade or business carried on by the permanent establishment in the third jurisdiction (other than the business of making, managing or simply holding investments for the enterprise's own account, unless these activities are banking or securities activities carried on by a bank or registered securities dealer).

6. A resident of a Contracting State that is not entitled to benefits pursuant to the preceding paragraphs of this Article shall, nevertheless, be granted benefits of the Convention if the competent authority of the other Contracting State determines that the establishment, acquisition or maintenance of such person and the conduct of its operations did not have as one of its principal purposes the obtaining of benefits under the Convention. The competent authority of the other Contracting State shall consult with the competent authority of the first-mentioned State before denying the benefits of the Convention under this paragraph.

7. For the purposes of this Article,

a) the term "principal class of shares" means the ordinary or common shares of the company, provided that such class of shares represents the majority of the voting power and value of the company. If no single class of ordinary or common shares represents the majority of the aggregate voting power and value of the company, the "principal class of shares" is that class or those classes that in the aggregate represent a majority of the aggregate voting power and value of the company.

b) the term "disproportionate class of shares" means any class of shares of a company resident in one of the States that entitles the shareholder to disproportionately higher participation, through dividends, redemption payments or otherwise, in the earnings generated in the other State by particular assets or activities of the company.

c) the term "shares" shall include depository receipts thereof.

d) the term "recognized stock exchange" means:

(i) the NASDAQ System owned by the National Association of Securities Dealers, Inc. and any stock exchange registered with the U.S. Securities and Exchange Commission as a national securities exchange under the U.S. Securities Exchange Act of 1934;

(ii) the French stock exchanges controlled by the "Autorité des marchés financiers";

(iii) the stock exchanges of Amsterdam, Brussels, Frankfurt, Hamburg, London, Lisbon, Madrid, Milan, Stockholm, Sydney, Tokyo, Toronto and the Swiss stock exchange; and

(iv) any other stock exchanges agreed upon by the competent authorities of the Contracting States.

e) a company's primary place of management and control shall be in the State of which it is a resident only if executive officers and senior management employees exercise day-to-day responsibility for more of the strategic, financial and operational policy decision making for the company (including its direct and indirect subsidiaries) in that State than in any other state, and the staffs conduct more of the day-to-day activities necessary for preparing and making those decisions in that State than in any other state.

f) the term "equivalent beneficiary" means a resident of a member state of the European Union or of a party to the North American Free Trade Agreement, but only if that resident:

(i) aa) would be entitled to all the benefits of a comprehensive convention for the avoidance of double taxation between any member state of the European Union or any party to the North American Free Trade Agreement and the Contracting State from which the benefits of this Convention are claimed under provisions analogous to subparagraph a), subparagraph b), clause (i) of subparagraph c), or subparagraph d) of paragraph 2 of this Article, provided that if such convention does not contain a comprehensive limitation on benefits article, the person would be entitled to the benefits of this Convention by reason of subparagraph a), subparagraph b), clause (i) of subparagraph c), or subparagraph d) of paragraph 2 of this Article if such person were a resident of one of the Contracting States under Article 4 (Resident) of this Convention; and

bb) with respect to insurance premiums and to income referred to in Articles 10 (Dividends), 11 (Interest) or 12 (Royalties) of this Convention, would be entitled under such convention to an exemption from excise tax on such premiums or a rate of tax with respect to the particular item of income for which benefits are being claimed under this Convention that is at least as low as the rate applicable under this Convention; or

(ii) is a resident of a Contracting State that is entitled to the benefits of this Convention by reason of subparagraph a), subparagraph b), clause (i) of subparagraph c), or subparagraph d) of paragraph 2 of this Article.

For the purposes of applying paragraph 3 of Article 10 (Dividends) in order to determine whether a person owning shares, directly or indirectly, in the company claiming the benefits of this Convention is an equivalent beneficiary, such person shall be deemed to hold the same voting power in the case of a company resident of the United States, or share of the capital in the case of a company resident of France, in the company paying the dividend as the company claiming the benefits holds in such company.

g) with respect to dividends, interest, or royalties arising in France and beneficially owned by a company that is a resident of the United States, a company that is a resident of a member state of the European Union shall be treated as satisfying the requirements of subparagraph (f)(i)(bb) for purposes of determining whether such United States resident is entitled to benefits under this paragraph if a payment of dividends, interest, or royalties arising in France and paid directly to such resident of a member state of the European Union would have been exempt from tax pursuant to any directive of the European Union, notwithstanding that the income tax convention between France and that other member state of the European Union would provide for a higher rate of tax with respect to such payment than the rate of tax applicable to such United States company under Article 10 (Dividends), 11 (Interest), or 12 (Royalties) of this Convention."

ARTICLE XV

Paragraph 1 of Article 32 (Provisions for Implementation) of the Convention shall be deleted and replaced by the following:

"1. The competent authorities of the Contracting States may prescribe rules and procedures, jointly or separately, to determine the mode of application of the provisions of this Convention."

ARTICLE XVI

1. The Contracting States shall notify each other when their respective constitutional and statutory requirements for the entry into force of this Protocol have been satisfied. The Protocol shall enter into force on the date of receipt of the later of such notifications.

2. The provisions of this Protocol shall have effect:

a) in respect of taxes withheld at source, for amounts paid or credited on or after the first day of January of the year in which this Protocol enters into force;

b) in respect of other taxes, for taxable periods beginning on or after the first day of January next following the date on which the Protocol enters into force.

3. Notwithstanding paragraph 2, the provisions of paragraphs 5 and 6 of Article 26 (Mutual Agreement Procedure) shall have effect with respect to

a) cases that are under consideration by the competent authorities as of the date on which this Protocol enters into force, and

b) cases that come under such consideration after that time,

and the commencement date for a case described in subparagraph a) of this paragraph shall be the date on which this Protocol enters into force.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Protocol.

DONE at Paris, in duplicate, this thirteenth day of January, 2009, in the English and French languages, each text being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

FOR THE GOVERNMENT OF THE FRENCH REPUBLIC

MEMORANDUM OF UNDERSTANDING

At the signing today of the Protocol Amending the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, Signed at Paris on August 31, 1994, as Amended by the Protocol Signed on December 8, 2004, the undersigned have agreed to define the mode of application of paragraphs 5 and 6 of Article 26 (Mutual Agreement Procedure) of the Convention, as further amended by the Protocol signed today, as follows:

In respect of any case where the competent authorities have endeavored but are unable to reach an agreement under Article 26 regarding the application of the Convention, binding arbitration shall be used to determine such application, unless the competent authorities agree that the particular case is not suitable for determination by arbitration. If an arbitration proceeding under paragraph 5 of Article 26 commences (the Proceeding), the following rules and procedures shall apply.

a) The Proceeding shall be conducted in the manner prescribed by, and subject to the requirements of, paragraphs 5 and 6 of Article 26 and these rules and procedures, as completed by any other rules and procedures agreed upon by the competent authorities pursuant to subparagraph q) below.

b) The determination reached by an arbitration panel in the Proceeding shall be limited to a determination regarding the amount of income, expense or tax reportable to the Contracting States.

c) Notwithstanding the initiation of the Proceeding, the competent authorities may reach a mutual agreement to resolve a case and terminate the Proceeding. Correspondingly, a concerned person may withdraw a request for the competent authorities to engage in the Mutual Agreement Procedure (and thereby terminate the Proceeding) at any time.

d) The requirements of subparagraph d) of paragraph 6 of Article 26 shall be met when the competent authorities have each received from each concerned person a statement agreeing that the concerned person and each person acting on the concerned person's behalf shall not disclose to any other person any information received during the course of the Proceeding from either Contracting State or the arbitration panel, other than the determination of the Proceeding. A concerned person that has the legal authority to bind any other concerned person(s) on this matter may do so in a comprehensive statement.

e) Each Contracting State shall have 90 days from the date on which the Proceeding begins to send a written communication to the other Contracting State appointing one member of the arbitration panel. The members appointed shall not be employees of the tax administration of the Contracting State which appoints them. Within 60 days of the date on which the second such communication is sent, the two members appointed by the Contracting States shall appoint a third member, who shall serve as Chair of the panel. If the members appointed by the Contracting States fail to agree upon the third member, these members shall be regarded as dismissed and each Contracting State shall appoint a new member of the panel within 30 days of the dismissal of the original members. The competent authorities shall develop a non-exclusive list of individuals with familiarity in international tax matters who may potentially serve as the Chair of the panel. In any case, the Chair shall not be a citizen of either Contracting State.

f) The arbitration panel may adopt any procedures necessary for the conduct of its business, provided that the procedures are not inconsistent with any provision of Article 26.

g) Each of the Contracting States shall be permitted to submit, within 60 days of the appointment of the Chair of the arbitration panel, a Proposed Resolution describing the proposed disposition of the specific monetary amounts of income, expense or taxation at issue in the case, and a supporting Position Paper, for consideration by the arbitration panel. Copies of the Proposed Resolution and supporting Position Paper shall be provided by the panel to the other Contracting State on the date on which the later of the submissions is submitted to the panel. In the event that only one Contracting State submits a Proposed Resolution within the allotted time, then that Proposed Resolution shall be deemed to be the determination of the panel in that case and the Proceeding shall be terminated. Each of the Contracting States may, if it so desires, submit a Reply Submission to the panel within 120 days of the appointment of its Chair, to address any points raised by the Proposed Resolution or Position Paper submitted by the other Contracting State. Additional information may be submitted to the arbitration panel only at its request, and copies of the panel's request and the Contracting State's response shall be provided to the other Contracting State on the date on which the request or the response is submitted. Except for logistical matters such as those identified in subparagraphs l), n) and o) below, all communications from the Contracting States to the arbitration panel, and vice versa, shall take place only through written communications between the designated competent authorities and the Chair of the panel.

h) The presenter of the case to the competent authority of a Contracting State shall be permitted to submit, within 90 days of the appointment of the Chair of the arbitration panel, a Position Paper for consideration by the arbitration panel. Copies of the Position Paper shall be provided by the panel to the Contracting States on the date on which the later of the submissions of the Contracting States is submitted to the panel.

i) The arbitration panel shall deliver a determination in writing to the Contracting States within six months of the appointment of its Chair. The panel shall adopt as its determination one of the Proposed Resolutions submitted by the Contracting States.

j) The determination of the arbitration panel shall pertain to the application of the Convention in a particular case, and shall be binding on the Contracting States. The determination of the panel shall not state a rationale. It shall have no precedential value.

k) As provided in subparagraph e) of paragraph 6 of Article 26, the determination of an arbitration panel shall constitute a resolution by mutual agreement under Article 26. Each concerned person must, within 30 days of receiving the determination of the panel from the competent authority to which the case was first presented, advise that competent authority whether that concerned person accepts the determination of the panel. In the event the case is in litigation, each concerned person who is a party to the litigation must also advise, within the same time frame, the relevant court of its acceptance of the determination of the panel as the resolution by mutual agreement and withdraw from the consideration of the court the issues resolved through the Proceeding. If any concerned person fails to so advise the relevant competent authority and relevant court within this time frame, the determination of the panel shall be considered not to have been accepted in that case. Where the determination of the panel is not accepted, the case may not subsequently be the subject of a Proceeding.

l) Any meeting(s) of the arbitration panel shall be in facilities provided by the Contracting State whose competent authority initiated the mutual agreement proceedings in the case.

m) The treatment of any associated interest or penalties is outside the scope of the Proceeding and shall be determined by applicable domestic law of the Contracting State(s) concerned.

n) No information relating to the Proceeding (including the panel's determination) may be disclosed by the members of the arbitration panel or their staffs or by either competent authority, except as permitted by the Convention and the domestic laws of the Contracting States. In addition, all material prepared in the course of, or relating to, the Proceeding shall be considered to be information exchanged between the Contracting States. All members of the arbitration panel and their staffs must agree in statements sent to each of the Contracting States in confirmation of their appointment to the arbitration panel to abide by and be subject to the confidentiality and nondisclosure provisions of Article 27 (Exchange of Information) of the Convention and the applicable domestic laws of the Contracting States. In the event those provisions conflict, the most restrictive condition shall apply.

o) The fees and expenses shall be borne equally by the Contracting States. In general, the fees of members of the arbitration panel shall be set at the fixed amount of $2,000 (two thousand United States dollars) per day or the equivalent amount in euro, subject to modification by the competent authorities. In general, the expenses of members of the arbitration panel shall be set in accordance with the International Centre for Settlement of Investment Disputes (ICSID) Schedule of Fees for arbitrators (as in effect on the date on which the arbitration proceedings begin), subject to modification by the competent authorities. Any fees for language translation shall also be borne equally by the Contracting States. Meeting facilities, related resources, financial management, other logistical support, and general administrative coordination of the Proceeding shall be provided, at its own cost, by the Contracting State whose competent authority initiated the mutual agreement proceedings in the case. Any other costs shall be borne by the Contracting State that incurs them.

p) For purposes of paragraphs 5 and 6 of Article 26 and this paragraph, each competent authority shall confirm in writing to the other competent authority and to the concerned person(s) the date of its receipt of the information necessary to undertake substantive consideration for a mutual agreement. Such information shall be submitted to the competent authorities under relevant internal rules and procedures of each of the Contracting States. However, this information shall not be considered received until both competent authorities have received copies of all materials submitted to either Contracting State by the concerned person(s) in connection with the mutual agreement procedure.

q) The competent authorities of the Contracting States may complete the above rules and procedures as necessary to more effectively implement the intent of paragraph 5 of Article 26 to eliminate double taxation.

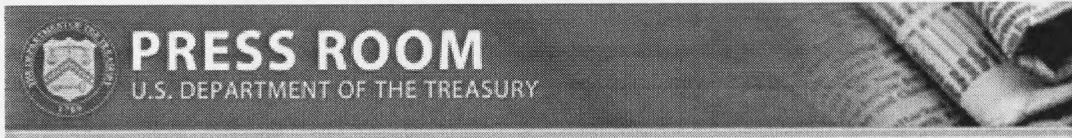
This Memorandum of Understanding shall enter into force on the date of entry into force of the Protocol Amending the Convention Between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, Signed at Paris on August 31, 1994, as Amended by the Protocol Signed on December 8, 2004, signed at Paris on January 13, 2009.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Memorandum of Understanding.

DONE at Paris, in duplicate, this thirteenth day of January, 2009, in the English and French languages, each text being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

FOR THE GOVERNMENT OF THE FRENCH REPUBLIC



January 13, 2009
HP-1351

Treasury Distributes 119.242 Million Stimulus Checks in 2008

Washington--The Treasury Department today announced that it distributed 323,000 additional stimulus payments in December, totaling $213 million. As of the end of 2008, a total of 119.242 million payments have been distributed totaling $96.343 billion since disbursements started April 28.

Individuals who did not qualify for a stimulus payment in 2008, but may be eligible for a recovery rebate credit in 2009, should claim the credit on their tax returns this year. For more information visit the IRS Web site.

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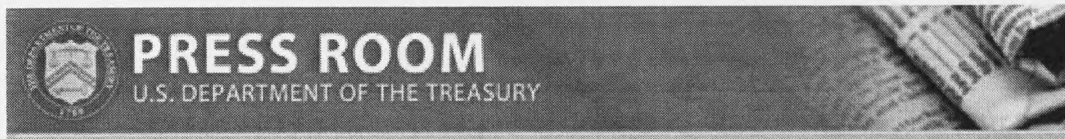

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January 13, 2009
HP-1352

Treasury Provides TARP Funds to Local Banks

Washington- The U.S. Treasury Department announced details this week of a $14.77 billion investment in 43 banks made through its Capital Purchase Program.

Treasury created the Capital Purchase Program, a part of the Troubled Asset Relief Program, to help to stabilize and strengthen the U.S. financial system. Treasury allocated $250 billion under TARP's Capital Purchase Program to invest in U.S. financial institutions. To date, the Department has made $192 billion of investments, receiving preferred stock and warrants from participating institutions. Investments have ranged from as small as $1 million to as large as $25 billion, financing community banking and Community Development Financial Institutions in 42 states and Puerto Rico.

Institutions that sell shares to the government must comply with restrictions on executive compensation during the period that Treasury holds equity issued through this program and agree to limitations on dividends and stock repurchases. Information about Treasury's Troubled Asset Relief Program can be found at http://www.treas.gov/initiatives/eesa/ .

Following are the transaction details:

Seller			
Name of Institution	**City**	**State**	**Price Paid**
Bank of America Corporation	Charlotte	NC	$10,000,000,000
FirstMerit Corporation	Akron	OH	$125,000,000
Farmers Capital Bank Corporation	Frankfort	KY	$30,000,000
Peapack-Gladstone Financial Corporation	Gladstone	NJ	$28,685,000
Commerce National Bank	Newport Beach	CA	$5,000,000
The First Bancorp, Inc.	Damariscotta	ME	$25,000,000
Sun Bancorp, Inc.	Vineland	NJ	$89,310,000
Crescent Financial Corporation	Cary	NC	$24,900,000
American Express Company	New York	NY	$3,388,890,000
Central Pacific Financial Corp.	Honolulu	HI	$135,000,000
Centrue Financial Corporation	St. Louis	MO	$32,668,000
Eastern Virginia Bankshares, Inc.	Tappahannock	VA	$24,000,000
Colony Bankcorp, Inc.	Fitzgerald	GA	$28,000,000
Independent Bank Corp.	Rockland	MA	$78,158,000
Cadence Financial Corporation	Starkville	MS	$44,000,000

LCNB Corp.	Lebanon	OH	$13,400,000
Center Bancorp, Inc.	Union	NJ	$10,000,000
F.N.B. Corporation	Hermitage	PA	$100,000,000
C&F Financial Corporation	West Point	VA	$20,000,000
North Central Bancshares, Inc.	Fort Dodge	IA	$10,200,000
Carolina Bank Holdings, Inc.	Greensboro	NC	$16,000,000
First Bancorp	Troy	NC	$65,000,000
First Financial Service Corporation	Elizabethtown	KY	$20,000,000
Codorus Valley Bancorp, Inc.	York	PA	$16,500,000
MidSouth Bancorp, Inc.	Lafayette	LA	$20,000,000
First Security Group, Inc.	Chattanooga	TN	$33,000,000
Shore Bancshares, Inc.	Easton	MD	$25,000,000
The Queensborough Company	Louisville	GA	$12,000,000
American State Bancshares, Inc.	Great Bend	KS	$6,000,000
Security California Bancorp	Riverside	CA	$6,815,000
Security Business Bancorp	San Diego	CA	$5,803,000
Sound Banking Company	Morehead City	NC	$3,070,000
Mission Community Bancorp	San Luis Obispo	CA	$5,116,000
Redwood Financial Inc.	Redwood Falls	MN	$2,995,000
Surrey Bancorp	Mount Airy	NC	$2,000,000
Independence Bank	East Greenwich	RI	$1,065,000
Valley Community Bank	Pleasanton	CA	$5,500,000
Rising Sun Bancorp	Rising Sun	MD	$5,983,000
Community Trust Financial Corporation	Ruston	LA	$24,000,000
GrandSouth Bancorporation	Greenville	SC	$9,000,000
Texas National Bancorporation	Jacksonville	TX	$3,981,000
Congaree Bancshares, Inc.	Cayce	SC	$3,285,000
New York Private Bank & Trust Corporation	New York	NY	$267,274,000

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REPORTS

- Chart

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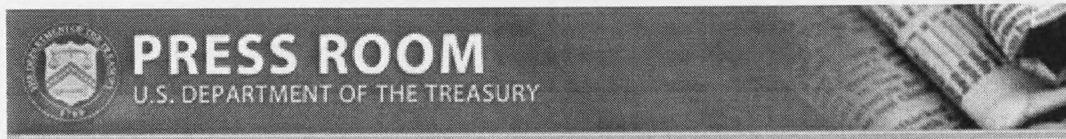

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January 14, 2009
HP-1353

Treasury Designates Additional FARC International Commission Members

Washington, DC--The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) today designated three international representatives of the Revolutionary Armed Forces of Colombia (FARC), a narco-terrorist organization. The OFAC action was taken pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act), which applies financial sanctions against significant foreign narcotics traffickers and organizations, like the FARC.

"Today's action exposes three additional members of the FARC's International Commission," said Adam J. Szubin, Director of OFAC. "The FARC is one of the world's largest suppliers of cocaine and continues to be Colombia's most notorious and vicious narco-terrorist organization. This is the seventh action over the past year that OFAC has taken against this group and we will continue our efforts to financially isolate the FARC, its leaders and their support network."

The three individuals designated are identified as key members of the FARC's International Commission: Omar Arturo Zabala Padilla (alias "Lucas Gualdron"), Maria Remedios Garcia Albert (alias "Soraya" and "Irene"), and Vlaudin Rodrigo Vega (alias "Carlos Vlaudin"). These International Commission members represent the FARC in France, Italy, Switzerland, Spain, and Australia.

As representatives of the FARC and members of its International Commission, these individuals work abroad to obtain recruits, support, and protection for the FARC's acts of narcotics trafficking and terrorism. Omar Arturo Zabala Padilla, the FARC's International Commission member for France, Italy and Switzerland, directs nearly 80% of the FARC's activities in Europe, which include contacts with other terrorist groups and arms deals. Maria Remedios Garcia Albert, the FARC's International Commission member for Spain, a key liaison between the leadership of the FARC and its supporters based in Europe, was arrested by Spanish authorities on July 26, 2008 and later released pending trial. Files recovered from the computer of Raul Reyes, a top FARC leader who was killed by Colombian forces in a March 2008 raid, noted the "special support" of Vlaudin Rodrigo Vega, the FARC's International Commission member for Australia.

In 2003, President George W. Bush identified the FARC as a significant foreign narcotics trafficker, or "drug kingpin," pursuant to the Kingpin Act. This followed the State Department's designation of the FARC as a Specially Designated Global Terrorist in 2001 pursuant to Executive Order 13224, and its 1997 designation of the FARC as a Foreign Terrorist Organization. To date, OFAC has designated 77 individuals and 10 entities for their support to the FARC. This OFAC action continues ongoing efforts under the Kingpin Act to apply financial measures against significant foreign narcotics traffickers and their organizations worldwide. In addition to the 75 drug kingpins that have been designated by the President, 530 businesses and individuals have been designated by OFAC pursuant to the Kingpin Act since June 2000.

Today's action freezes any assets the designated individuals may have under U.S. jurisdiction and prohibits U.S. persons from conducting transactions or dealings in the property interests of the designees. Penalties for violations of the Kingpin Act range from civil penalties of up to $1,075,000 per violation to more severe criminal penalties. Criminal penalties for corporate officers may include up to 30 years in

prison and fines of up to $5,000,000. Criminal fines for corporations may reach $10,000,000. Other individuals face up to 10 years in prison, and fines pursuant to Title 18 of the United States Code, for criminal violations of the Kingpin Act.

For a complete list of the individuals and entities designated today, please visit: http://www.treasury.gov/offices/enforcement/ofac/actions/index.shtml

To view previous OFAC actions directed against the FARC, please visit:

- Treasury Action against the FARC on September 30, 2008. http://www.treas.gov/press/releases/hp1169.htm
- Treasury Action against the FARC on September 12, 2008. http://www.ustreas.gov/press/releases/hp1132.htm
- Treasury Action against the FARC on July 31, 2008. http://www.treas.gov/press/releases/hp1096.htm
- Treasury Action against the FARC on May 7, 2008. http://www.treas.gov/press/releases/hp966.htm
- Treasury Action against the FARC on April 22, 2008. http://www.treas.gov/press/releases/hp938.htm
- Treasury Action against the FARC on January 15, 2008. http://www.treas.gov/press/releases/hp762.htm
- Treasury Action against the FARC on November 1, 2007. (http://www.treas.gov/press/releases/hp661.htm
- Treasury Action against the FARC on September 28, 2006. http://www.treas.gov/press/releases/hp119.htm
- Treasury Action against the FARC on February 19, 2004. http://www.ustreas.gov/press/releases/js1181.htm

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- Designation Chart

Revolutionary Armed Forces of Colombia (FARC)

September 2008

U.S. Department of the Treasury
Office of Foreign Assets Control

Foreign Narcotics Kingpin Designation Act

FARC Designated by the President as a
Significant Foreign Narcotics Trafficker on May 29, 2003

FARC
INTERNATIONAL COMMISSION MEMBERS

Nubia CALDERON DE TRUJILLO
"Esperanza"
DOB 25 Mar 1956
CC 36159126 (Colombia)

FARC Representative for Ecuador

Francisco Antonio CADENA COLLAZOS
"El Cura Camilo"
DOB 1 Jan 1947
CC 4904771 (Colombia)

FARC Representative for Brazil

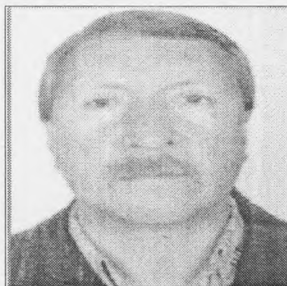
Jairo Alfonso LESMES BULLA
"Javier Calderon"
DOB 25 Mar 1947
CC 17164408 (Colombia)

FARC Representative for
Argentina, Chile, Uruguay, Paraguay

Arrested
in Colombia
Aug 2008

Ovidio SALINAS PEREZ
"Juan Antonio Rojas"
DOB 3 Jul 1945
CC 17125959 (Colombia)

FARC Representative for Panama

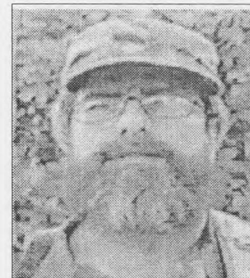


Efrain Pablo TREJO FREIRE
"Pablo Trejos Freyre"
DOB 07 Jun 1951
CC 13004986 (Colombia)

FARC Representative for Peru

Jorge DAVALOS TORRES
DOB 14 Dec 1972
CC 94377215 (Colombia)

FARC Representative for Canada



Orlay JURADO PALOMINO
"Commander Hermes"
DOB 9 Feb 1950
CC 7245990 (Colombia)

FARC Representative for Venezuela

INTERPOL
Arrest Warrants

Liliana LOPEZ PALACIOS
"Olga Lucia Marin"
DOB 21 Sep 1961
CC 51708175 (Colombia)

FARC Representative for Mexico

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January 14, 2009
hp1354

Treasury Releases Capital Purchase Program Term

Washington- The U.S. Treasury Department today released the term sheet and answers to frequently asked questions for qualified financial institutions applying to the Capital Purchase Program that are S corporations. The term sheet provides for issuances of debt instead of stock, unlike other term sheets for the Capital Purchase Program.

S corporations are corporations which make a valid election to be taxed under Subchapter S of Chapter 1 of the Internal Revenue Code. S corporations are generally not subject to corporate income tax, but their shareholders must take into account their share of the S corporation's income. To preserve their status, S Corporations cannot, among other restrictions, issue a second class of stock such as the preferred stock issued to Treasury by other qualified financial institutions under the Capital Purchase Program. These institutions cannot have more than 100 shareholders who, subject to limited exceptions, must be natural persons, not other companies or institutions.

S Corporations will have until February 13 to apply with their federal banking agency using forms on the Treasury's Troubled Assets Relief Program website.

Treasury already has provided capital to 257 large and small financial institutions in 42 states and Puerto Rico. The largest investment was $25 billion and the smallest investment has been $1 million. Among the institutions funded to date were several certified community development financial institutions, which the Treasury exempts from warrant requirements. Today's announcement furthers Treasury's assurance that the Capital Purchase Program has been and will continue to be available to community banks across the nation, many of which have already applied and have received funds under the program.

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REPORTS

- Term Sheet – S-Corporations
- FAQ – S-Corporations

PRESS ROOM

January 15, 2009
2009-1-15-11-15-19-29958

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $77,315 million as of the end of that week, compared to $78,006 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	January 9, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			77,315
(a) Securities	9,326	14,328	23,654
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,736	7,008	17,744
(ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,658		
(3) SDRs [2]	9,310		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,908		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,908		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

			Maturity breakdown (residual maturity)		
		Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits					

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) 4		-520,264	-351,882	-168,383	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	8,069
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	8,069
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	77,315
--currencies in SDR basket	77,315
2--currencies not in SDR basket	
--by individual currencies (optional)	

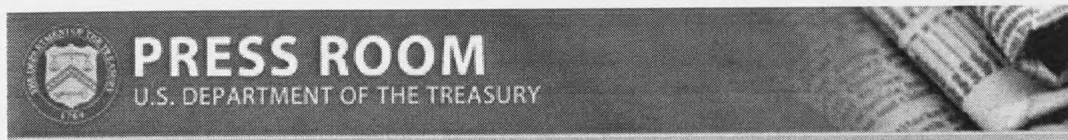
Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."



January 15, 2009
HP-1355

Treasury Targets Financial Networks of Key Supporters of the Burmese Junta

Washington, DC--The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) today applied additional sanctions against key financial backers of the Burmese regime pursuant to the Tom Lantos Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2008 and Executive Orders 13448 and 13464.

"Congress and the Administration have made clear the need to apply vigorous sanctions against the Burmese junta as long as it continues to suppress democratic dissent," said OFAC Director Adam J. Szubin. "The junta's imprisonment of prominent democracy advocates confirms Burma's unwillingness to abide by international commitments and underscores the need to maintain pressure against one of the world's worst violators of human rights."

Today's action adds two individuals and 14 companies to OFAC's List of Specially Designated Nationals. OFAC has now subjected 100 individuals and entities to its Burma sanctions, targeting key state-owned enterprises, senior junta officials, regime cronies and their business networks.

This most recent action targets regime cronies Zaw Zaw and Win Aung, along with their business networks and the business networks of two already-designated cronies of the Burmese junta, Tay Za and Steven Law.

Zaw Zaw is the managing director of the Max Myanmar Group of Companies, a Burmese entity with interests in the gem, timber, construction, and tourism industries. Max Myanmar has provided important services in support of the Burmese junta, particularly in the form of construction projects. Treasury's action targets eight companies of the Max Myanmar Group as well as Zaw Zaw's Singapore-based company, Max Singapore International Pte. Ltd.

Win Aung has made large financial donations to the Burmese junta and has provided services in support of the regime on significant construction projects. Win Aung is being designated along with two of his companies, Dagon International Limited and Dagon Timber Limited.

OFAC is levying a third round of sanctions against the financial network of Tay Za, a notorious regime henchman and arms dealer who was listed by the President in the Annex to Executive Order 13448 on October 18, 2007, an Executive Order issued in response to the Burmese junta's brutal crackdown on pro-democracy protesters. Today's action targets Espace Avenir, a Rangoon hotel owned or controlled by Tay Za.

In addition, today's action targets Sentosa Treasure Pte. Ltd., a Singaporean firm owned by Cecilia Ng, who was designated on February 25, 2008, along with her husband, junta crony Steven Law. Also designated are nine firms that previously had been identified as being owned by Ng.

Finally, OFAC is targeting Myanmar Ivanhoe Copper Company Limited (MICCL), a joint venture owned or controlled by the Burmese state-owned No. 1 Mining Enterprise, which was designated on July 29, 2008. MICCL controls the Monywa copper project, the biggest of its kind in the country, located in Myanmar's northwestern Sagaing division.

As a result of today's action, any assets the designees may have subject to U.S. jurisdiction are frozen, and all financial and commercial transactions by any U.S. person with the designated companies and individuals are prohibited.

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January 16, 2009
HP-1356

Treasury, Federal Reserve and the FDIC Provide Assistance to Bank of America

Washington, DC – The U.S. government entered into an agreement today with Bank of America to provide a package of guarantees, liquidity access and capital as part of its commitment to support financial market stability.

Treasury and the Federal Deposit Insurance Corporation will provide protection against the possibility of unusually large losses on an asset pool of approximately $118 billion of loans, securities backed by residential and commercial real estate loans, and other such assets, all of which have been marked to current market value. The large majority of these assets were assumed by Bank of America as a result of its acquisition of Merrill Lynch. The assets will remain on Bank of America's balance sheet. As a fee for this arrangement, Bank of America will issue preferred shares to the Treasury and FDIC. In addition and if necessary, the Federal Reserve stands ready to backstop residual risk in the asset pool through a non-recourse loan.

In addition, Treasury will invest $20 billion in Bank of America from the Troubled Assets Relief Program in exchange for preferred stock with an 8 percent dividend to the Treasury. Bank of America will comply with enhanced executive compensation restrictions and implement a mortgage loan modification program.

Treasury exercised this funding authority under the Emergency Economic Stabilization Act's Troubled Asset Relief Program (TARP). The investment was made under the Targeted Investment Program. The objective of this program is to foster financial market stability and thereby to strengthen the economy and protect American jobs, savings, and retirement security.

Separately, the FDIC board announced that it will soon propose rule changes to its Temporary Liquidity Guarantee Program to extend the maturity of the guarantee from three to up to 10 years where the debt is supported by collateral and the issuance supports new consumer lending.

With these transactions, the U.S. government is taking the actions necessary to strengthen the financial system and protect U.S. taxpayers and the U.S. economy. As was stated in November when the first transaction under the Targeted Investment Program was announced, the U.S. government will continue to use all of our resources to preserve the strength of our banking institutions and promote the process of repair and recovery and to manage risks.

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REPORTS

- Guarantee Term Sheet
- Preferred Investment Term Sheet

January 15, 2009

Summary of Terms

Eligible Asset Guarantee

Eligible Assets:	A pool of financial instruments consisting of securities backed by residential and commercial real estate loans and corporate debt, derivative transactions that reference such securities, loans, and associated hedges, as agreed, and such other financial instruments as the U.S. government (USG) has agreed to guarantee or lend against (the Pool). Each specific financial instrument in the Pool must be identified on signing of the guarantee agreement. Financial instruments in the Pool will remain on the books of institution but will be appropriately "ring-fenced." The following financial instruments will be excluded from the Pool: (i) foreign assets (definition to be provided by USG); (ii) assets originated or issued on or after March 14, 2008; (iii) equity securities; and (iv) any other assets that USG deems necessary to exclude.
Size:	The Pool contains up to $118 billion of financial instruments. More specifically, the Pool includes cash assets with a current book (i.e., carrying) value of up to $37 billion and a derivatives portfolio with maximum potential future losses of up to $81 billion (based on valuations agreed between institution and USG).
Term and Coverage of Guarantee:	Guarantee is in place for 10 years for residential assets and 5 years for non-residential assets. Residential assets will include loans secured solely by 1-4 family residential real estate, securities predominately collateralized by such loans, and derivatives that predominately reference such securities. Institution has the right to terminate the guarantee at any time (with the consent of USG), and the parties will negotiate in good faith as to an appropriate fee or rebate in connection with any permitted termination. If institution terminates the guarantee, it must prepay any

	outstanding Federal Reserve loan (described below) in full. Guarantee covers Eligible Losses on the Pool. Eligible Losses are the aggregate incurred credit losses (net of any gains and recoveries) on the Pool during the term of the guarantee, beyond the January 15, 2009, marks and credit valuation adjustments for the Pool (as agreed between institution and USG). Eligible Losses do not include unrealized mark-to-market losses but do include realized losses from a sale permitted under the asset management template (described below).
Deductible:	Institution absorbs all Eligible Losses in the Pool up to $10 billion. USG (UST/FDIC) will share Eligible Losses in the Pool in excess of that amount, up to $10 billion. All Eligible Losses beyond the institution's deductible will be shared USG (90%) and institution (10%).
Financing:	Federal Reserve will provide a non-recourse loan facility to institution, subject to institution's 10% loss sharing. Federal Reserve loan commitment will terminate (and any loans thereunder will mature) on the termination dates of USG guarantee. Institution has the right to terminate the Federal Reserve loan commitment and prepay any Federal Reserve loans at any time (with consent of Federal Reserve). Federal Reserve will charge a fee on undrawn amounts of 20 bp per annum and a floating interest rate on drawn amounts of OIS plus 300 bp per annum. Interest and fee payments will be with recourse to the institution. Institution may draw on Federal Reserve loan facility if and when additional mark-to-market and incurred credit losses on the Pool reach $18 billion.

Fee for Guarantee – Preferred Stock and Warrants:	Institution will issue to USG (UST/FDIC) (i) $4 billion of preferred stock with an 8% dividend rate (under terms described below); and (ii) warrants with an aggregate exercise value of 10% of the total amount of preferred issued. The fee may be adjusted, as necessary, based on the results of an actuarial analysis of the final composition of the Pool, as required under section 102(c) of the Emergency Economic Stabilization Act of 2008.
Management of Assets:	Institution generally will manage the financial instruments in the Pool in accordance with its ordinary business practices, but will be required to comply with an asset management template provided by USG. This template will require institution, among other things, to obtain USG approval (not to be unreasonably withheld) before any Material Disposition. A Material Disposition is a disposition of financial instruments in the Pool that creates an Eligible Loss that, combined with other dispositions of Pool instruments in the same year, exceeds 1% of the Pool size at the beginning of the year. This template also will include, among other things, a foreclosure mitigation policy acceptable to USG.
Revenues and Risk Weighting:	Institution will retain the income stream from the Pool. Risk weighting for the financial instruments in the Pool will be 20%.
Dividends:	Institution is prohibited from paying common stock dividends in excess of $.01 per share per quarter for three years without USG consent. A factor taken into account for consideration of USG consent is the ability to complete a common stock offering of appropriate size.
Executive Compensation:	An executive compensation plan, including bonuses, that rewards long-term performance and profitability, with appropriate limitations, must be submitted to, and

	approved by, USG. Executive compensation requirements will be consistent with the terms of the preferred stock purchase agreement between USG and institution.
Corporate Governance:	Other matters as specified, consistent with the terms of the preferred stock purchase agreement between USG and institution.

The foregoing is accepted and agreed by and among the following as of January 15, 2009:

DEPARTMENT OF THE TREASURY	FEDERAL RESERVE BOARD
BANK OF AMERICA CORPORATION	FEDERAL DEPOSIT INSURANCE CORP.

Summary of Terms

Preferred Securities

Issuer:	Bank of America ("BofA")
Initial Holder:	United States Department of the Treasury ("UST").
Size:	$20 billion
Security:	Preferred, liquidation preference $25,000 per share.
Ranking:	Same terms as preferred issued in CPP.
Term:	Perpetual life.
Dividend:	The Preferred will pay cumulative dividends at a rate of 8% per annum. Dividends will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year.
Redemption:	In stock or cash, as mutually agreed between UST and BofA. Otherwise, redemption terms of CPP preferred terms apply.
Restrictions on Dividends:	Institution is prohibited from paying common stock dividends, in excess of $.01 per share per quarter, for 3 years without UST consent. A factor taken into account for consideration of the UST's consent is the ability to complete a common stock offering of appropriate size.
Repurchases:	Same terms as preferred issued in CPP.
Voting rights:	The Preferred shall be non-voting, other than class voting rights on (i) any authorization or issuance of shares ranking senior to the Preferred, (ii) any amendment to the rights of Preferred, or (iii) any merger, exchange or similar transaction which would adversely affect the rights of the Preferred. If dividends on the Preferred are not paid in full for six dividend periods, whether or not consecutive, the Preferred will have the right to elect 2 directors. The right to elect directors will end when full dividends have been paid for all prior dividend periods.
Transferability:	The Preferred will not be subject to any contractual restrictions on transfer.

Executive Compensation: The top five Senior Executive Officers ("SEOs") will be subject to the Capital Purchase Program (CPP) terms on Executive Compensation plus SEOs would be excluded from receiving any severance payments. An additional group of approximately twenty-five top senior executives will be subject to the CPP rules on severance/golden parachutes. Bonus pools for the SEOs and senior executive group will be reduced for the 2008 and 2009 annual bonus cycle by approximately 40% from 2007, with any change for the 2009 year's bonus cycle requiring Treasury approval. All affected executives will need to sign waivers releasing Treasury from liability, including a clawback provision for any payments made in excess of the agreement. Certifications of compliance must be provided by the company on a quarterly basis.

Other: BofA must maintain its corporate expenditures policy, with material amendments to be approved by Treasury. The policy will require oversight and approvals for major expenses, including those involving conferences and events, travel, corporate aircraft usage and entertainment.

BofA will be required to maintain its policy regarding lobbying, government ethics and political activity, including governmental gifts, lobbying, and political contributions.

BofA management will monitor the use of the proceeds of the Preferred and periodically report to its board of directors on the use of those funds.

Summary of Warrant Terms

Warrant: BofA will issue a warrant to UST for an aggregate exercise value of 10% of the total preferred issued, equating to $2.0 billion.

Exercise Price: The strike price will be equal to $13.30 per share (the 20 day trailing average ending on January 14, 2009). The warrants issued to UST are not subject to reduction based on additional offerings.

Term: Ten years, immediately exercisable, in whole or in part.

PRESS ROOM

FROM THE OFFICE OF PUBLIC AFFAIRS

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January 16, 2009
HP-1357

Treasury International Capital (TIC) Data for November

Treasury International Capital (TIC) data for November 2008 are released today and posted on the U.S. Treasury website (www.treas.gov/tic). The next release, which will report on data for December, is scheduled for February 17, 2009.

Net foreign purchases of long-term securities were negative $21.7 billion.

- Net foreign purchases of long-term U.S. securities were negative $56.0 billion. Of this, net purchases by private foreign investors were negative $18.9 billion, and net purchases by foreign official institutions were negative $37.1 billion.
- U.S. residents sold a net $34.3 billion of long-term foreign securities.

Net foreign acquisition of long-term securities, taking into account adjustments, is estimated to have been negative $33.7 billion.

Foreign holdings of dollar-denominated short-term U.S. securities, including Treasury bills, and other custody liabilities increased $51.1 billion. Foreign holdings of Treasury bills increased $82.1 billion.

Banks' own net dollar-denominated liabilities to foreign residents increased $39.4 billion.

Monthly net TIC flows were $56.8 billion. Of this, net foreign private flows were $64.7 billion, and net foreign official flows were negative $7.9 billion.

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TIC Monthly Reports on Cross-Border Financial Flows

(Billions of dollars, not seasonally adjusted)

				12 Months Through					
		2006	2007	Nov-07	Nov-08	Aug-08	Sep-08	Oct-08	Nov-08
	Foreigners' Acquisitions of Long-term Securities								
1	Gross Purchases of Domestic U.S. Securities	21077.1	29730.6	29260.4	31508.7	2163.9	3081.9	2492.1	1548.0
2	Gross Sales of Domestic U.S. Securities	19933.9	28724.8	28255.5	31050.5	2169.4	3051.9	2528.7	1604.0
3	**Domestic Securities Purchased, net** (line 1 less line 2) /1	**1143.2**	**1005.8**	**1004.9**	**458.1**	**-5.5**	**30.0**	**-36.6**	**-56.0**
4	**Private, net /2**	**946.6**	**818.1**	**829.0**	**316.1**	**4.8**	**34.8**	**-19.4**	**-18.9**
5	Treasury Bonds & Notes, net	125.9	195.0	209.8	220.7	28.0	15.8	34.0	3.3
6	Gov't Agency Bonds, net	193.8	99.9	123.6	8.3	-11.0	14.8	-33.5	-9.5
7	Corporate Bonds, net	482.2	342.8	347.2	50.3	-12.6	-7.3	-13.8	-15.2
8	Equities, net	144.6	180.4	148.4	36.8	0.4	11.5	-6.1	2.5
9	**Official, net /3**	**196.6**	**187.7**	**175.9**	**142.0**	**-10.2**	**-4.8**	**-17.2**	**-37.1**
10	Treasury Bonds & Notes, net	69.6	3.0	-1.9	83.7	4.8	4.9	-1.1	-26.2
11	Gov't Agency Bonds, net	92.6	119.1	130.5	-14.6	-13.1	-8.7	-16.7	-11.6
12	Corporate Bonds, net	28.6	50.6	45.2	39.6	-0.5	-1.2	0.7	-0.9
13	Equities, net	5.8	15.1	2.1	33.2	-1.4	0.0	-0.1	1.6
14	Gross Purchases of Foreign Securities from U.S. Residents	5515.9	8187.6	8098.7	7942.0	585.5	710.0	645.3	411.5
15	Gross Sales of Foreign Securities to U.S. Residents	5766.8	8416.8	8363.4	7868.2	565.2	674.6	609.0	377.2
16	**Foreign Securities Purchased, net** (line 14 less line 15) /4	**-250.9**	**-229.2**	**-264.7**	**73.8**	**20.2**	**35.4**	**36.3**	**34.3**
17	Foreign Bonds Purchased, net	-144.5	-133.9	-149.8	53.7	17.4	37.8	14.6	13.0
18	Foreign Equities Purchased, net	-106.5	-95.3	-114.9	20.1	2.9	-2.4	21.7	21.3
19	**Net Long-Term Securities Transactions** (line 3 plus line	**892.3**	**776.6**	**740.2**	**531.9**	**14.8**	**65.4**	**-0.4**	**-21.7**
20	**Other Acquisitions of Long-term Securities, net /5**	**-174.6**	**-235.1**	**-237.6**	**-200.2**	**-12.9**	**-13.5**	**-14.8**	**-12.0**
21	**Net Foreign Acquisition of Long-Term Securities** (lines 19 and 20):	**717.7**	**541.5**	**502.7**	**331.8**	**1.9**	**51.9**	**-15.2**	**-33.7**
22	**Increase in Foreign Holdings of Dollar-denominated Short- U.S. Securities and Other Custody Liabilities: /6**	**146.2**	**198.0**	**176.7**	**269.2**	**22.2**	**13.0**	**92.0**	**51.1**

23 **U.S. Treasury Bills**	**-9.0**	**49.7**	**29.6**	**446.4**	**31.6**	**90.9**	**147.4**	**82.1**
24 Private, net	16.1	28.1	28.2	206.8	18.5	59.7	63.6	15.5
25 Official, net	-25.0	21.5	1.4	239.6	13.1	31.2	83.8	66.6
26 **Other Negotiable Instruments and Selected Other Liabilities: /7**	**155.1**	**148.4**	**147.0**	**-177.2**	**-9.4**	**-77.9**	**-55.4**	**-31.0**
27 Private, net	174.9	72.2	66.1	-76.9	-1.3	-69.5	-17.5	-6.9
28 Official, net	-19.8	76.2	80.9	-100.3	-8.1	-8.4	-37.9	-24.1
29 **Change in Banks' Own Net Dollar-Denominated Liabilities**	**198.0**	**-122.9**	**-122.3**	**-62.5**	**-7.4**	**77.8**	**183.8**	**39.4**
30 **Monthly Net TIC Flows** (lines 21,22,29) /8	**1061.8**	**616.7**	**557.1**	**538.5**	**16.7**	**142.7**	**260.6**	**56.8**
of which								
31 Private, net	923.0	327.5	289.5	319.6	19.1	125.4	248.7	64.7
32 Official, net	138.9	289.2	267.5	218.9	-2.5	17.3	11.9	-7.9

/1 Net foreign purchases of U.S. securities (+)

/2 Includes international and regional organizations

/3 The reported division of net purchases of long-term securities between net purchases by foreign official institutions and net purchases of other foreign investors is subject to a "transaction bias" described in Frequently Asked Questions 7 and 10.a.4 on the TIC web site.

/4 Net transactions in foreign securities by U.S. residents. Foreign purchases of foreign securities = U.S. sales of foreign securities to foreigners. Thus negative entries indicate net U.S. purchases of foreign securities, or an outflow of capital from the United States; positive entries indicate net U.S. sales of foreign securities.

/5 Minus estimated unrecorded principal repayments to foreigners on domestic corporate and agency asset-backed securities +
estimated foreign acquisitions of U.S. equity through stock swaps -
estimated U.S. acquisitions of foreign equity through stock swaps +
increase in nonmarketable Treasury Bonds and Notes Issued to Official Institutions and Other Residents of Foreign Countries.

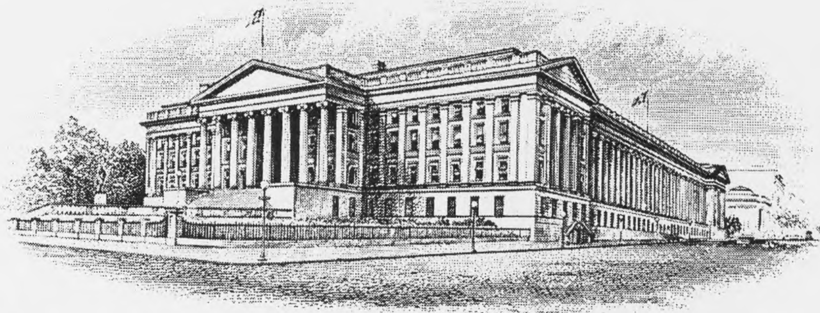
/6 These are primarily data on monthly changes in banks' and broker/dealers' custody liabilities. Data on custody claims are collected quarterly and published in the Treasury Bulletin and the TIC web site.

/7 "Selected Other Liabilities" are primarily the foreign liabilities of U.S. customers that are managed by U.S. banks or broker/dealers.

/8 TIC data cover most components of international financial flows, but do not include data on direct investment flows, which are collected and published by the Department of Commerce's Bureau of Economic Analysis. In addition to the monthly data summarized here, the TIC collects quarterly data on some banking and nonbanking assets and liabilities. Frequently Asked Question 1 on the TIC web site describes the scope of TIC data collection.

REPORTS

- (PDF) TIC Monthly Reports on Cross-Border Financial Flows (Billions of dollars, not seasonally adjusted)



DEPARTMENT OF THE TREASURY
OFFICE OF PUBLIC AFFAIRS

January 16, 2008
EMBARGOED UNTIL 9:00 AM

Contact: Rob Saliterman
(202) 622-2960

TREASURY INTERNATIONAL CAPITAL DATA FOR NOVEMBER

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Net foreign acquisition of long-term securities, taking into account adjustments, is estimated to have been negative $33.7 billion.

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Banks' own net dollar-denominated liabilities to foreign residents increased $39.4 billion.

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TIC Monthly Reports on Cross-Border Financial Flows

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18	Foreign Equities Purchased, net	-106.5	-95.3	-114.9	20.1	2.9	-2.4	21.7	21.3
19	**Net Long-Term Securities Transactions** (line 3 plus line 16):	**892.3**	**776.6**	**740.2**	**531.9**	**14.8**	**65.4**	**-0.4**	**-21.7**
20	**Other Acquisitions of Long-term Securities, net /5**	**-174.6**	**-235.1**	**-237.6**	**-200.2**	**-12.9**	**-13.5**	**-14.8**	**-12.0**
21	**Net Foreign Acquisition of Long-Term Securities (lines 19 and 20):**	**717.7**	**541.5**	**502.7**	**331.8**	**1.9**	**51.9**	**-15.2**	**-33.7**
22	**Increase in Foreign Holdings of Dollar-denominated Short-term U.S. Securities and Other Custody Liabilities: /6**	**146.2**	**198.0**	**176.7**	**269.2**	**22.2**	**13.0**	**92.0**	**51.1**
23	**U.S. Treasury Bills**	**-9.0**	**49.7**	**29.6**	**446.4**	**31.6**	**90.9**	**147.4**	**82.1**
24	Private, net	16.1	28.1	28.2	206.8	18.5	59.7	63.6	15.5
25	Official, net	-25.0	21.5	1.4	239.6	13.1	31.2	83.8	66.6
26	**Other Negotiable Instruments and Selected Other Liabilities: /7**	**155.1**	**148.4**	**147.0**	**-177.2**	**-9.4**	**-77.9**	**-55.4**	**-31.0**
27	Private, net	174.9	72.2	66.1	-76.9	-1.3	-69.5	-17.5	-6.9
28	Official, net	-19.8	76.2	80.9	-100.3	-8.1	-8.4	-37.9	-24.1
29	**Change in Banks' Own Net Dollar-Denominated Liabilities**	**198.0**	**-122.9**	**-122.3**	**-62.5**	**-7.4**	**77.8**	**183.8**	**39.4**
30	**Monthly Net TIC Flows** (lines 21,22,29) /8	**1061.8**	**616.7**	**557.1**	**538.5**	**16.7**	**142.7**	**260.6**	**56.8**
	of which								
31	Private, net	923.0	327.5	289.5	319.6	19.1	125.4	248.7	64.7
32	Official, net	138.9	289.2	267.5	218.9	-2.5	17.3	11.9	-7.9

/1 Net foreign purchases of U.S. securities (+)

/2 Includes international and regional organizations

/3 The reported division of net purchases of long-term securities between net purchases by foreign official institutions and net purchases of other foreign investors is subject to a "transaction bias" described in Frequently Asked Questions 7 and 10.a.4 on the TIC web site.

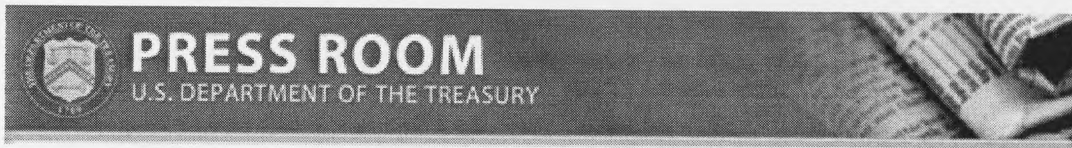
/4 Net transactions in foreign securities by U.S. residents. Foreign purchases of foreign securities = U.S. sales of foreign securities to foreigners. Thus negative entries indicate net U.S. purchases of foreign securities, or an outflow of capital from the United States; positive entries indicate net U.S. sales of foreign securities.

/5 Minus estimated unrecorded principal repayments to foreigners on domestic corporate and agency asset-backed securities + estimated foreign acquisitions of U.S. equity through stock swaps - estimated U.S. acquisitions of foreign equity through stock swaps + increase in nonmarketable Treasury Bonds and Notes Issued to Official Institutions and Other Residents of Foreign Countries.

/6 These are primarily data on monthly changes in banks' and broker/dealers' custody liabilities. Data on custody claims are collected quarterly and published in the Treasury Bulletin and the TIC web site.

/7 "Selected Other Liabilities" are primarily the foreign liabilities of U.S. customers that are managed by U.S. banks or broker/dealers.

/8 TIC data cover most components of international financial flows, but do not include data on direct investment flows, which are collected and published by the Department of Commerce's Bureau of Economic Analysis. In addition to the monthly data summarized here, the TIC collects quarterly data on some banking and nonbanking assets and liabilities. Frequently Asked Question 1 on the TIC web site describes the scope of TIC data collection.



January 16, 2009
hp-1358

U.S. Government Finalizes Terms of Citi Guarantee Announced in November

Washington, DC – The Treasury Department, Federal Reserve and the Federal Deposit Insurance Corporation have finalized the terms of the guarantee agreement with Citigroup that was previously announced on November 23, 2008. The agreement provides protection against the possibility of unusually large losses on an asset pool of approximately $301 billion of loans and securities backed by residential and commercial real estate and other such assets, which will remain on Citigroup's balance sheet.

The capital investment finalized last month and asset protections finalized today provide support as Citigroup executes its ongoing restructuring plans. This agreement was previously announced on November 23, 2008. No new money has been committed today and no government funds have been transferred. The U.S. government will continue efforts to strengthen our banking institutions and support financial markets.

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January 16, 2009
HP-1359

Treasury Targets Taiwanese Proliferators

Washington, DC--The U.S. Department of Treasury today designated two Taiwanese individuals and two Taiwanese entities pursuant to Executive Order 13382, an authority aimed at freezing the assets of proliferators of weapons of mass destruction (WMD) and their supporters, and at isolating them from the U.S. financial and commercial systems.

"Proliferators depend on access to the international financial and commercial systems to support their dangerous trade," said Stuart Levey, Under Secretary for Terrorism and Financial Intelligence. "Our action today exposes a North Korean procurement channel, and we urge governments and companies worldwide to cut this channel off entirely."

Alex H.T. Tsai (Tsai) has been designated for providing, or attempting to provide, financial, technological or other support for, or goods or services in support of the Korea Mining Development Trading Corporation (KOMID), which was identified as a proliferator by President George W. Bush in the June 2005 Annex to Executive Order 13382.

Tsai has been supplying goods with weapons production capabilities to KOMID and its subordinates since the late 1990s, and he has been involved in shipping items to North Korea that could be used to support North Korea's advanced weapons program. On June 19, 2008, Tsai was indicted by Taiwan's Taipei District Prosecutors Office for forging shipping invoices and illegally shipping restricted materials to North Korea.

Global Interface Company Inc. has been designated for being owned or controlled by Tsai, who is a shareholder of the company and acts as its president. Tsai is also the general manager of Trans Merits Co. Ltd., a subsidiary of Global Interface Company Inc. that has been designated for being owned or controlled by Global Interface Company Inc.

Alex H.T. Tsai's wife, Lu-chi Su, has also been designated pursuant to Executive Order 13382 for acting or purporting to act on behalf of, directly or indirectly, Trans Merits Co. Ltd. Lu-chi Su is an officer in Global Interface Company Inc. and Trans Merits Co. Ltd. and is directly involved in the companies' operations.

Designations under E.O. 13382 are implemented by Treasury's Office of Foreign Assets Control (OFAC), and they prohibit all transactions between the designees and any U.S. person, and freeze any assets the designees may have under U.S. jurisdiction.

Identifying Information

ALEX H.T. TSAI

AKA: Hsein Tai Tsai
DOB: August 8, 1945
POB: Tainan, Taiwan
Passport Number: 131134049 (Taiwan)

LU-CHI SU

AKA: Lu-Chi Tsai Su
DOB: February 7 1950
Alt DOB: November 1950
POB: Yun Lin Hsien, Taiwan
Passport Number: 210215095 (Taiwan)

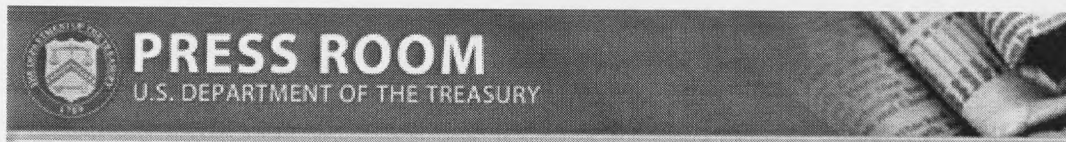
GLOBAL INTERFACE COMPANY INC.

Formerly Known As: Trans Scientific Corp.
Address: 9F-1, No. 22, Hsin Yi Rd., Sec. 2, Taipei, Taiwan
Alt. Address: 1st Floor, No. 49, Lane 280, Kuang Fu S. Road, Taipei, Taiwan;
Business Registration Document Number: 12873346 (Taiwan)

TRANS MERITS CO. LTD.

Address: 1F, NO. 49, Lane 280, Kuang Fu S. Road, Taipei, Taiwan
Business Registration Document Number: 16316976 (Taiwan)

- 30 -



January 16, 2009
hp-1360

Treasury Targets Al Qaida Operatives in Iran

Washington, D.C. - The U.S. Department of the Treasury today designated four al Qaida associates under Executive Order 13224, which targets terrorists and those providing support to terrorists or acts of terrorism.

"It is important that Iran give a public accounting of how it is meeting its international obligations to constrain al Qaida," said Stuart Levey, Under Secretary for Terrorism and Financial Intelligence. "Global efforts to financially isolate al Qaida have made it difficult for the core leadership to raise funds and sustain itself. Nevertheless, al Qaida remains a very dangerous threat, and it is crucial to keep targeting the support lines of al Qaida and its affiliates."

Under E.O. 13224, any assets held by these individuals under U.S. jurisdiction are frozen and U.S. persons are prohibited from engaging in any transactions with the designees.

"Even though individual terrorist attacks are relatively inexpensive to carry out, it costs a great deal of money for al Qaida to operate globally. These realities demand that we keep up the financial pressure against al Qaida and like-minded terrorist organizations," Levey continued. "Designations have a far reaching impact, deterring would-be donors from providing financial support to terrorism and leaving al Qaida leadership struggling to identify much-needed funding resources."

MUSTAFA HAMID

AKAs: Mustafa Muhammad `Atiya Hamid
Mustafa Atiya
Abu Walid al-Misri
Abu al-Walid al-Masri
Abu al-Walid
Hashim al-Makki
POB: Alexandria, Egypt
DOB: March 1945
Nationality: Egyptian
Pakistani

Mustafa Hamid is a senior al Qaida associate who served as a primary interlocutor between al Qaida and the Government of Iran. Before the fall of the Taliban, Hamid served as an instructor at a terrorist camp near Jalalabad that trained in the use of explosives. Hamid is the father-in-law of senior al Qaida military commander Sayf al-Adl. He formerly served as a correspondent for a satellite television station, at the request of senior al Qaida leadership. While living in Iran, Hamid was harbored by the Islamic Revolutionary Guard Corps (IRGC), which served as Hamid's point of contact for communications between al Qaida and Iran.

In the mid-1990s, Mustafa Hamid reportedly negotiated a secret relationship between Usama Bin Laden and Iran, allowing many al Qaida members safe transit through Iran to Afghanistan.

In the late 1990s, Mustafa Hamid passed communications between Usama bin Laden and the Government of Iran. When tensions were high between Iran and Afghanistan, Mustafa Hamid traveled multiple times from Kandahar to Tehran as an intermediary for the Taliban.

In late 2001, Mustafa Hamid was in Tehran delivering messages from the Taliban to the Government of Iran. Hamid also negotiated on behalf of al Qaida in an attempt to relocate al Qaida families to Iran. As part of this effort, senior al Qaida member Abu Hafs the Mauritanian traveled with Hamid and two IRGC members to Tehran for meetings. Beginning in late 2001, the family of a senior al Qaida military commander lived with Mustafa Hamid's family in Iran. Separately, in 2002 Mustafa Hamid facilitated contacts between the IRGC and another senior al Qaida military commander. In mid-2003, Mustafa Hamid was arrested in Iran along with other al Qaida members and associates.

MUHAMMAD RAB'A AL-SA YID AL-BAHTIYTI

AKAs:	Muhammad Mahmud Rabi' al-Zayd al-Bahtiti Muhammad Mahmud al-Bahtiti Muhammad Rabi' al-Sa'id al-Hatiti Muhammad Rabi' al-Bahtiti Abu Dujana al-Masri
DOB:	1971
P013	Al-Sharqiyyah, Egypt
Nationality:	Egyptian Pakistani

Muhammad Rab'a al-Sayid al-Bahtiyti is a senior member of the Egyptian Islamic Jihad (EIJ) and an al Qaida operative. Bahtiyti has served as a trusted aide to his father- in-law Ayman al-Zawahiri.

In the mid-1990s, Bahtiyti served on an al Qaida military committee and provided military training that included urban warfare tactics for al Qaida members. Bahtiyti drafted training manuals for al Qaida as well as a book on security that was used as a template for al Qaida's surveillance operations.

In 1995, Bahtiyti reportedly was involved in the bombing of the Egyptian Embassy in Islamabad, Pakistan.

After September 11, 2001, Ayman al-Zawahiri instructed Bahtiyti to take al-Zawahiri's family to Iran. Bahtiyti reportedly traveled to Iran with al-Zawahiri's daughters, where he was subsequently responsible for them. In January 2003, while working from Iran, Bahtiyti arranged housing on behalf of al Qaida. Bahtiyti reportedly was arrested by Iranian authorities in mid-2003.

ALI SALEH HUSAIN

AKAs:	Abu Dahhak 'Ali Salih Husayn al-Dhahak al-Tabuki Ali Saleh Husain al-Tabuki 'Ali Salih Husayn 'Ula'lah 'Ali Salih Husayn 'Ala'lah Dhahhak al-Tabuki Abu Dhahak al-Yemeni
DOB:	Circa 1970
POB:	al-Hudaydah, Yemen
Nationality:	Yemeni
Height	5'9"

Ali Saleh Husain is a senior al Qaida associate who had close relations with Usama bin Laden. Husain was responsible for logistics pertaining to al Qaida-affiliated fighters and acted as an interlocutor between al Qaida and its Chechnya-based affiliates. Husain coordinated with Usama bin Laden on the training of fighters in terrorist camps in Afghanistan who were preparing to travel to Chechnya.

Circa early 2001, Husain reportedly arranged a meeting that included a senior al Qaida operations chief to discuss operations planned against Israel. In April 2002, al Qaida senior official Abu Zubaydah indicated that the responsibility for operational meetings for attacks against Israel had been handed over to Husain. Husain also was reportedly Abu Zubaydah's secondary point of contact for obtaining fraudulent passports.

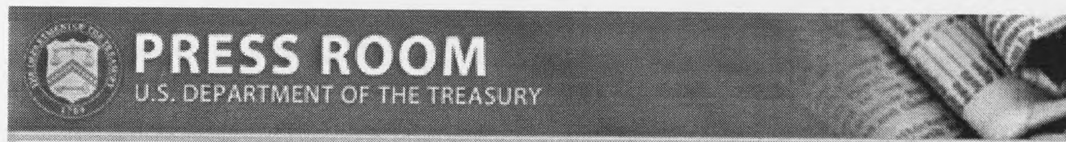
In 2001 after the fall of the Taliban, Husain facilitated the move of al Qaida-associated fighters, including an al Qaida military commander, from Afghanistan to Iran. After leaving Afghanistan, Husain was responsible for smuggling al Qaida members and associates via networks in Zahedan, Iran. In early 2002, Husain sent $20,000 to a senior al Qaida lieutenant who had requested financial assistance. Husain was detained by the Government of Iran in early 2003.

SA'AD BIN LADEN

AKAs:	Sad Bin Laden Sa'ad Muhammad Awad Abud Muhammad Awad Muhammad 'Awad Adbud Sa'ad Muhammad Baabood Abdul Rahman Al-Kahtane Bin Muhammad Awad Abbud
DOB:	1982
POB:	Saudi Arabia
Nationality:	Saudi Araibian
Passport No.	520951 (Sudan) 530951 (Sudan)

Sa'ad bin Laden, one of Usama bin Laden's sons, has been involved in al Qaida activities. For example, in late 2001, Sa'ad facilitated the travel of Usama bin Laden's family members from Afghanistan to Iran. Sa'ad made key decisions for al Qaida and was part of a small group of al Qaeda members that was involved in managing the terrorist organization from Iran. He was arrested by Iranian authorities in early 2003.

As of September 2008, it was possible that Sa'ad bin Laden was no longer in Iranian custody.



January 16, 2009
hp1361

PWG Private-Sector Committees Finalize Best Practices for Hedge Funds

Washington-- The two private-sector committees established by the President's Working Group on Financial Markets (PWG) released their finalized sets of best practices for asset managers and hedge fund investors in an effort to increase accountability for participants in this industry.

The PWG originally tasked the committees, selected in September 2007 and comprised of well-respected asset managers and investors, with collaborating on industry issues and developing best practices. The committees released their draft best practices in April 2008, and provided a public comment period.

The committees amended the reports in certain respects to further the fundamental goal of the best practices and to clarify parts of the report. The final best practices being released today may be viewed at the committees' website, www.amaicmte.org.

The final best practices for the asset managers call on hedge funds to adopt comprehensive best practices in all aspects of their business, including the critical areas of disclosure, valuation of assets, risk management, business operations, compliance and conflicts of interest.

"Given all of the events of recent months, it is more important than ever for the hedge fund industry to stand behind a set of far-reaching best practices that will promote investor protection and reduce systemic risk, said Eric Mindich, CEO of Eton Park Capital Management, who chairs the Asset Managers' Committee.

The final best practices for investors include a Fiduciary's Guide, which provides recommendations to individuals charged with evaluating the appropriateness of hedge funds as a component of an investment portfolio, and an Investor's Guide, which provides recommendations to those charged with executing and administering a hedge fund program if one is added to the investment portfolio.

Gary Bruebaker, Chief Investment Officer of the Washington State Investment Board, said, "These final recommendations can provide an important tool to those who are doing the diligence necessary to assess and monitor investments in hedge funds."

The committees' work was based on the PWG's Principles and Guidelines Regarding Private Pools of Capital issued in February 2007, which sought to enhance investor protections and systemic risk safeguards. The PWG includes the heads of the U.S. Treasury Department, the Federal Reserve Board, the Securities and Exchange Commission and the Commodity Futures Trading Commission.

The PWG Principles and Guidelines Regarding Private Pools of Capital issued in early 2007 provided a clear but flexible approach to address issues presented by the growth and dynamism of these investment vehicles. The PWG designed the principles to endure as financial markets evolved and identified four stakeholders who contribute to hedge fund vigilance: asset managers, creditors, investors and regulators.

Regulators moved to implement these principles and worked to encourage the industry to adopt the principles. Secretary Paulson in June 2007 announced that

the PWG would call upon experienced industry participants who could lead the charge to raise standards for improving transparency and accountability. The group selected chairmen to lead two private-sector committees to develop the best practices.

The PWG and the committee chairmen sought a range of experience and leadership when considering committee members. The Asset Managers' Committee includes representatives from a diverse group of hedge fund managers representing many different investment strategies. The Investors' Committee includes representatives from labor organizations, endowments, foundations, corporate and public pension funds, investment consultants and non-U.S. investors.

The reports can be found at www.amaicmte.org.

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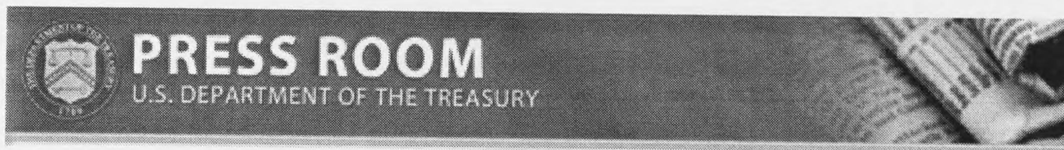

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January 16, 2009
HP-1362

Treasury Announces TARP Investments in Chrysler Financial

Washington, DC –The Treasury Department today announced that it will make a $1.5 billion loan to a special purpose entity created by Chrysler Financial to finance the extension of new consumer auto loans as part of a broader program to assist the domestic automotive industry in becoming financially viable.

The five year loan will pay interest at a rate of one month LIBOR + 100 basis points for the first year and one month LIBOR + 150 basis points for years two to five. Treasury's loan will be secured by a senior secured interest in a pool of newly originated consumer automotive loans, and Chrysler Holding will serve as a guarantor for certain covenants of Chrysler Financial.

Under the agreement Chrysler Financial must be in compliance with the executive compensation and corporate governance requirements of Section 111 of the Emergency Economic Stabilization Act, as well as enhanced restrictions on executive compensation.

The special purpose entity created by Chrysler Financial will issue warrants to Treasury in the form of additional notes in an amount equal to 5 percent of the total size of the loan. The additional notes will vest 20 percent on the closing date and 20 percent on each anniversary of the closing date and will have other terms similar to the loan.

Treasury exercised this funding authority under the Emergency Economic Stabilization Act's Troubled Asset Relief Program (TARP). The investment was made under the Automotive Industry Financing Program.

REPORTS

- Term Sheet

Automotive Industry Financing Program

CHRYSLER LB RECEIVABLES TRUST
Secured Term Loan

Summary of Terms

Borrower:	Chrysler LB Receivables Trust (the "Borrower").
Lender:	United States Department of the Treasury (the "Lender").
Guarantor:	Chrysler Holding LLC, as guarantor only of certain covenants of Chrysler Financial Services Americas LLC ("Chrysler Financial") relating to restrictions on dividends and distributions
Maximum Loan Amount:	$1.5 billion (the "Loan").
Closing Date:	January 16, 2009
Interest:	One month LIBOR plus the applicable spread amount, payable monthly in arrears on the 17th of each month. The applicable spread amount is 1.0% during the first year of the term and 1.5% during each of the remaining years.
Payment of Principal:	Principal will be paid monthly from cash collections remaining after payment of fees and interest.
Term:	Five (5) year term loan, with full repayment of any remaining principal and accrued but unpaid interest on January 16, 2014.
Purpose:	Borrower shall use the Loan to fund retail loans made by Chrysler Financial on or after January 1, 2009 to enable the purchase of Chrysler automobiles (each, an "Auto Loan", and collectively, the "Auto Loans"). Borrower shall establish a deposit account (the "Funding Account") at a financial institution acceptable to Lender into which Borrower shall deposit the Loan proceeds. Subject to certain conditions, funds may be withdrawn from the Funding Account as needed to purchase Auto Loans at the agreed advance rate percentage of the outstanding principal balance, subject to adjustment to compensate for below-market auto loan interest rates. The Auto Loans must meet certain geographic, credit quality and other standard overconcentration limits for transactions of this type. The Auto Loans will be serviced by Chrysler Financial, which will also act as Administrator of the Borrower's Auto Loan program. Borrower shall also establish a deposit account (the "Collection

Account") at a financial institution acceptable to Lender into which Borrower shall deposit any interest, principal or other proceeds or payments received on or in respect of the Auto Loans (the "Auto Loan Proceeds"). Any use of funds in the Funding Account or the Collection Account in contravention of the loan shall be an event of default. Upon any event of default, Lender shall have sole and absolute control over all funds in the Funding Account and the Collection Account.

If Borrower elects to sell the Auto Loans to another securitization vehicle, it must prepay the Loan in full.

Transferability of Auto Loans: Borrower shall not transfer, sell or assign any Auto Loan without the consent of the Lender unless it pays all obligations owed to the Lender in full.

Security: An Indenture Trustee will hold, for the benefit of the holders of notes issued under the Indenture, perfected first-priority liens on all existing and after-acquired property (tangible and intangible) of the Borrower, including but not limited to (i) all funds in the Funding Account and the Collection Account, and (ii) all Auto Loans.

Class A Notes: The Loan will be evidenced by Class A Notes issued under the Indenture. The Class A Notes will be subject to the payment priorities set forth below.

Class C Notes: Chrysler Financial may arrange for supplemental subordinated loans to the Borrower in an amount up to the overcollateralization of the Borrower. The holders of these loans will receive Class C Notes issued under the Indenture in an aggregate principal amount equal to the funding they provide. Class C Notes will accrue interest and will be subject to the payment priorities set forth below.

No Additional Debt: The Borrower may not incur any additional debt, other than the Class C Notes, without consent of Lender, which consent shall be in the sole and absolute discretion of Lender.

Payment Priorities: Collections received by the Borrower with respect to the Auto Loans will be applied first to pay certain trustee, servicing and hedge costs, then to pay interest, fees and costs on the Class A Notes, the Class B Notes, and the Class C Notes, in that order, and then to pay in full principal on the Class A Notes, the Class B Notes, and the Class C Notes, in that order. No principal may be paid on the Class C Notes until the Class A Notes and the Class B Notes have been paid in full. No principal may be paid on the Class B Notes until the Class A Notes have been paid in full.

Prepayment: Borrower may prepay the Loan at any time in accordance with the loan documents, without premium or penalty, provided that the Borrower provides Lender with two business days written notice of Borrower's intention to prepay the Loan.

Events of Default:

The Loan documents shall include events of default that are standard for transactions of this type, including the following, subject to specified cure periods:

(1) Any failure by the Borrower to make any scheduled payment of interest or principal;
(2) Any violation by the Borrower of any representation or warranty contained in the loan documents;
(3) Any material failure by the Borrower to comply with any covenant or agreement in the loan documents;
(4) Impairment of security interests granted by the loan documents; and
(5) The occurrence of an event of bankruptcy with respect to the Borrower.

Guarantee:

Chrysler Holding LLC ("Holding") shall guarantee payment to the Lender only of any amounts paid to Holding by Chrysler Financial in violation of certain dividend and distribution restrictions in the facility documents.

Executive Compensation:

Until such time as the obligations owing to the Lender under the loan documents are no longer outstanding, Chrysler Financial shall comply with the following restrictions on executive privileges and compensation, subject to agreed upon exceptions:

(A) Chrysler Financial shall take all necessary action to ensure that its Benefit Plans with respect to the Senior Executive Officers comply in all respects with Section 111(b) of the EESA, including the provisions for the Capital Purchase Program, as implemented by any guidance or regulation thereunder that has been issued and is in effect as of the Closing Date, including the rules set forth in 31 CFR Part 30 and the provisions prohibiting severance payments to Senior Executive Officers, and shall not adopt any new Benefit Plan with respect to its Senior Executive Officers that does not comply therewith;

(B) Chrysler Financial shall comply in all respects with the limits on annual executive compensation deductibles imposed by Section 162(m)(5) of the Code, as applicable;

(C) Chrysler Financial shall reduce by 40.00% the aggregate amount of bonus compensation that may be paid to Senior Executive Officers or Senior Employees in fiscal year 2009 from the aggregate bonus compensation actually paid to such employees in 2007, subject to certain adjustments;

(D) Chrysler Financial shall not adopt or maintain any compensation plan that would encourage manipulation of its reported earnings to enhance the compensation of any of its employees; and

(E) Chrysler Financial shall maintain all suspensions and other

restrictions of contributions to Benefit Plans that are in place or initiated as of the closing date.

Until such time as the obligations owing to the Lender under the loan documents are no longer outstanding, the Lender shall have the right to require Chrysler Financial to claw back any bonuses or other compensation, including golden parachutes, paid to any Senior Employees in violation of any of the foregoing.

Summary of Warrant Terms:

In lieu of warrants, the Lender will receive as additional consideration Class B Notes issued under the Indenture. The Class B Notes will have the same terms and maturity date as the Class A Notes, subject to the payment priorities set forth above. The Lender will receive Class B Notes in the aggregate principal amount of 5% of the Maximum Loan Amount (20% of such amount to vest on the Closing Date, and 20% to vest on each succeeding anniversary of the Closing Date on which any portion of the Loan remains outstanding).

January 16, 2009
HP-1363

Treasury's First Accounts Program Brings Thousands Into Financial Mainstream

Washington--The Treasury Department, through the First Accounts Program, has contributed to the opening of over 37,000 savings and checking accounts in urban, suburban, rural and Native American communities across the country.

The Treasury released today a report, *Findings from the First Accounts Program*, detailing approaches to bringing unbanked individuals into the financial mainstream. The report summarizes the First Accounts Program, a grant program administered by Treasury and intended to provide financial services to low- and moderate-income Americans without bank accounts.

"We hope that these findings will be of assistance to researchers, policy makers and practitioners as they continue their efforts to bring more American families into the financial mainstream and toward greater financial security," said Deputy Assistant Secretary for Financial Education Dan Iannicola, Jr.

The executive summary may be viewed online at: http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/firstaccounts/. The full report will be available online later this month. A limited number of printed copies are available upon request to first.accounts@do.treas.gov.

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January 16, 2009
hp-1364

Treasury Issues Additional Executive Compensation Rules Under TARP

The U.S. Department of the Treasury today issued interim final rules for reporting and recordkeeping requirements under the executive compensation standards of the Troubled Asset Relief Program's (TARP) Capital Purchase Program (CPP).

The new rule issued today requires the chief executive officer (CEO) to certify annually within 135 days after the financial institution's fiscal year end that the financial institution and its compensation committee have complied with these executive compensation standards.

In addition, within 120 days of the closing date of the Securities Purchase Agreement between the financial institution and the Treasury, the CEO is required to certify that the compensation committee has reviewed the senior executives' incentive compensation arrangements with the senior risk officers to ensure that these arrangements do not encourage senior executives to take unnecessary and excessive risks that could threaten the value of the financial institution.

The CEO must provide the 120-day and annual certifications to the TARP Chief Compliance Officer.

The financial institution is also required to keep records to substantiate these certifications for at least six years following each certification and provide these records to the TARP Chief Compliance Officer upon request.

Treasury originally published executive compensation standards for CPP last October. The rules generally apply to the chief executive officer, chief financial officer, plus the next three most highly compensated executive officers. These standards include:

- ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution;
- requiring clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate;
- prohibiting the financial institution from making any golden parachute payment (based on the Internal Revenue Code provision) to a senior executive; and
- agreeing not to deduct for tax purposes executive compensation in excess of $500,000 for each senior executive.

The rule also makes a few clarifications and a technical amendment to the October interim final rule.

Treasury also issued today a revised version of the executive compensation guidelines applicable to financial institutions participating in programs for Systemically Significant Failing Institutions (Treasury Notice 2008-PSSFI) to add similar compliance reporting and recordkeeping requirements as in today's Interim Final Rule.

In addition, Treasury is also issuing Frequently Asked Questions relating to the executive compensation standards to assist financial institutions' compliance with these standards.

The interim final rule, FAQs, and revised Treasury Notice 2008-PSSFI are attached.

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REPORTS

- CPP Executive Compensation Interim Final Rule
- Revised Notice 2008-PSSFI
- Executive Compensation FAQ

Billing Code 4810-25-P

DEPARTMENT OF THE TREASURY

31 CFR Part 30

RIN 1505-AC09

TARP CAPITAL PURCHASE PROGRAM

AGENCY: Domestic Finance, Treasury.

ACTION: Interim final rule.

SUMMARY: This interim final rule, promulgated pursuant to sections 101(a)(1), 101(c)(5), and 111(b) of the Emergency Economic Stabilization Act of 2008, Division A of Public Law 110-343 (EESA), provides further guidance on the executive compensation provisions applicable to participants in the Troubled Asset Relief Program (TARP) Capital Purchase Program (CPP). The Department of the Treasury published an interim final rule in 31 CFR Part 30 on October 20, 2008 (October Interim Final Rule) providing guidance on section 111(b) of EESA, which requires financial institutions from which the Treasury is purchasing troubled assets through direct purchases to meet appropriate standards for executive compensation and corporate governance. This interim final rule provides one technical amendment and two clarifications to the October Interim Final Rule and provides reporting and recordkeeping requirements regarding the

executive compensation requirements in the October Interim Final Rule and this interim final rule.

DATES: Effective Date: These regulations are effective on [**INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER**]. Comment due date: [**INSERT DATE THAT IS THIRTY DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**].

ADDRESSES: The Treasury requests comments on the topics addressed in this interim final rule. Comments may be submitted to the Treasury by any of the following methods: Submit electronic comments through the federal government e-rulemaking portal, www.regulations.gov or by email to executivecompensationcomments@do.treas.gov or send paper comments in triplicate to Executive Compensation Comments, Office of Financial Institutions Policy, Room 1418, Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.

In general, the Treasury will post all comments to www.regulations.gov without change, including any business or personal information provided such as names, addresses, e-mail addresses, or telephone numbers. The Treasury will also make such comments available for public inspection and copying in the Treasury's Library, Room 1428, Main Department Building, 1500 Pennsylvania Avenue, NW, Washington, DC 20220, on official business days between the hours of 10:00 a.m. and 5:00 p.m. Eastern Time. You can make an appointment to inspect comments by telephoning (202) 622-0990. All comments, including attachments and other supporting materials, received are part of the public record and subject to public disclosure. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: For further information regarding this interim rule contact the Office of Domestic Finance, the Treasury, at (202) 927-6618.

SUPPLEMENTARY INFORMATION:

I. Background.

In general, section 111(b) of the Emergency Economic Stabilization Act of 2008, Div. A of Pub. Law No. 110-343 (EESA) requires financial institutions from which the Treasury is purchasing troubled assets through direct purchases to meet appropriate standards for executive compensation and corporate governance. On October 20, 2008 (73 FR 62205), the Department of the Treasury (Treasury) published an interim final rule (October Interim Final Rule) in 31 CFR Part 30, promulgated pursuant to sections 101(a), 101(c)(5), and 111(b) of EESA, providing guidance on the executive compensation provisions applicable to participants in the Troubled Asset Relief Program (TARP) Capital Purchase Program (CPP).

Section 111(b)(2)(A) of EESA requires "limits on compensation that exclude incentives for senior executive officers of a financial institution to take unnecessary and excessive risks that threaten the value of the financial institution during the period that the Secretary holds an equity or debt position in the financial institution." With respect to section 111(b)(2)(A) of EESA for purposes of participation in the CPP, the October Interim Final Rule requires the financial institution's compensation committee to identify the features in the financial institution's senior executive officer (SEO) incentive compensation arrangements that could lead SEOs to take unnecessary and excessive risks that could threaten the value of the financial institution. The October Interim Final Rule requires that the compensation committee review the SEO incentive compensation

arrangements with the financial institution's senior risk officers, or other personnel acting in a similar capacity, to ensure that SEOs are not encouraged to take such risks. The October Interim Final Rule requires such review promptly, and in no case more than 90 days, after the purchase under the CPP.

The October Interim Final Rule also requires that the compensation committee meet at least annually with the financial institution's senior risk officers to discuss and review the relationship between the financial institution's risk management policies and practices and the SEO incentive compensation arrangements.

In addition, the October Interim Final Rule requires the compensation committee to certify that it has completed the reviews of the SEO incentive compensation arrangements as outlined above. The October Interim Final Rule also provides that financial institutions with securities registered with the Securities and Exchange Commission (SEC) pursuant to the federal securities laws should provide these certifications in the Compensation Discussion and Analysis required pursuant to Item 402(b) of Regulation S-K under the federal securities laws (17 CFR 229.402). Those financial institutions that do not have securities registered with the SEC pursuant to the federal securities laws are required to provide the certifications to their primary regulatory agency.

Section 111(b)(2)(B) of EESA requires "a provision for the recovery by the financial institution of any bonus or incentive compensation paid to a senior executive officer based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate." With respect to section 111(b)(2)(B) of EESA for purposes of participation in the CPP, the October Interim Final Rule provides that the SEO bonus and

incentive compensation paid during the period that the Treasury holds an equity or debt position acquired under the CPP must be subject to recovery or "clawback" by the financial institution if the payments were based on materially inaccurate financial statements and any other materially inaccurate performance metric criteria.

Section 111(b)(2)(C) of EESA requires "a prohibition on the financial institution making any golden parachute payment to its senior executive officer during the period that the Secretary holds an equity or debt position in the financial institution." With respect to section 111(b)(2)(C) of EESA for purposes of participation in the CPP, the October Interim Final Rule prohibits a financial institution from making any golden parachute payment to a SEO during the period the Treasury holds an equity or debt position acquired under the CPP. A golden parachute payment means any payment in the nature of compensation to (or for the benefit of) a SEO made on account of an applicable severance from employment to the extent the aggregate present value of such payments equals or exceeds an amount equal to three times the SEO's base amount.

The October Interim Final Rule sets forth an additional standard for executive compensation and corporate governance under section 111(b)(1) of EESA. Under this standard, the financial institution must agree, as a condition to participate in the CPP, that no deduction will be claimed for remuneration for federal income tax purposes in excess of $500,000 for each SEO that would not be deductible if section 162(m)(5) of the Internal Revenue Code applied to the financial institution.

II. This Interim Rule.

This interim final rule provides further guidance on the executive compensation and corporate governance provisions of section 111(b) of EESA with respect to the CPP.

Specifically, this interim final rule provides a technical amendment and two clarifications to the October Interim Final Rule and provides reporting and recordkeeping requirements regarding the executive compensation requirements in the October Interim Final Rule and this interim final rule. They are written in question and answer format.

This interim final rule amends § 30.5(b) of the October Interim Final Rule to require that the certifications required under the October Interim Final Rule of the compensation committee of a financial institution whose securities are registered with the SEC under the federal securities laws be provided in the Compensation Committee Report required pursuant to Item 407(e) of Regulation S-K under the federal securities laws (17 CFR 229.407). The October Interim Final Rule had required that these certifications be provided in the Compensation Discussion and Analysis required pursuant to Item 402 of Regulation S-K under the federal securities laws (17 CFR 229.402). Two comments on the October Interim Final Rule suggested that these certifications be provided in the Compensation Committee Report rather than the Compensation Discussion and Analysis. The Treasury believes this amendment is appropriate because the compensation committee prepares the Compensation Committee Report and is making the required certifications. Management of the financial institution prepares the Compensation Discussion and Analysis, which does not directly address the operations and functions of the compensation committee.

This interim final rule clarifies § 30.6, which requires that SEO bonus and incentive compensation paid during the period that the Treasury holds an equity or debt position acquired under the CPP be subject to recovery or "clawback" by the financial institution if the payments were based on materially inaccurate financial statements and

any other materially inaccurate performance metric criteria. One comment on the October Interim Final Rule sought clarification on the application of this provision to SEO bonus and incentive compensation earned, but not paid, during the Treasury holding period. The Treasury believes that it is appropriate that any bonus and incentive compensation earned during the Treasury holding period should be subject to clawback and this interim final rule clarifies that bonus and incentive compensation is considered paid to a SEO during the Treasury holding period when the SEO obtains a legally binding right to that payment during the Treasury holding period.

This interim final rule clarifies § 30.7, which compares the clawback provision under section 111(b)(2)(B) of EESA with the clawback provision in section 304 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) (Pub. Law No. 107-204). This interim final rule clarifies that the comparison to the Sarbanes-Oxley provision includes both the statutory provision under EESA as well as the regulations issued under this statutory provision in the October Interim Final Rule.

In addition, this interim final rule establishes a compliance reporting regime relating to the executive compensation requirements set forth in the October Interim Final Rule and this interim final rule. Under this interim final rule, the principal executive officer of the financial institution must provide the following certifications to the Chief Compliance Officer (CCO) of the TARP, with copies to the applicable transfer agent under the CPP. First, within 120 days of the closing date of the Securities Purchase Agreement between the financial institution and the Treasury, the principal executive officer of the financial institution is required to certify that the compensation committee of the financial institution has reviewed the SEO incentive compensation arrangements

with the senior risk officers of the financial institution to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that could threaten the value of the financial institution.

Second, within 135 days of the completion of each fiscal year during any part of which the financial institution has participated in the CPP, the principal executive officer of the financial institution is required to certify that the compensation committee has met at least once during the prior fiscal year with the senior risk officers of the financial institution to discuss and review the relationship between the risk management policies and practices of the financial institution and the SEO incentive compensation arrangements; the compensation committee has certified to this review; the financial institution has required that SEO bonus and incentive compensation be subject to recovery or "clawback" by the financial institution if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria; the financial institution has prohibited any golden parachute payment to a SEO; the financial institution has instituted procedures to limit the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to the financial institution; and certain named individuals are the SEOs for the current fiscal year based on the compensation of such individuals during the prior fiscal year.

Third, in addition to the certification required in the paragraph above, within 135 days of the completion of each annual fiscal year of the financial institution after the first fiscal year during any part of which the financial institution has participated in the CPP, the principal executive officer of the financial institution is required to certify that the

financial institution in fact has limited the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the fiscal year prior to the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to the financial institution.

If the principal executive officer is unable to provide any of these certifications in a timely manner, the principal executive officer is required to provide the CCO an explanation of the reason such certification has not been provided.

This interim final rule also provides that the financial institution is required to preserve appropriate documentation and records to substantiate each certification for no less than six years after the date of the certification, the first two years in an easily accessible place. This interim final rule provides that the financial institution is required to furnish promptly to the CCO such documentation and records as requested by the representative of the CCO.

This interim final rule also affirms that any individual or entity making or providing false information or certifications to the Treasury relating to a purchase under section 111 of EESA or required under the October Interim Final Rule or this interim final rule is subject to the criminal penalties under title 18 of the U.S. Code or other provision of federal criminal law.

This interim final rule amends and supplements the provisions of the October Interim Final Rule. As such, this rule applies to all financial institutions participating in the CPP.

III. Procedural Requirements.

Justification for Interim Rulemaking

This interim final rule is promulgated pursuant to EESA, the purpose of which is to immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States. Specifically, this interim final rule implements certain provisions of section 111 of EESA, which sets forth executive compensation standards for financial institutions that sell troubled assets to the Treasury under EESA. The statute provides that the Secretary may issue guidance and regulations to carry out these provisions and that such guidance and regulations may be effective upon issuance.

Financial institutions must have timely and reliable information with respect to the applicable executive compensation and corporate governance rules that apply under EESA programs. Accordingly, because EESA authorizes section 111 guidance to be immediately effective and because of exigencies in the financial markets, the Treasury finds that it would be contrary to the public interest, pursuant to 5 U.S.C. 553(b)(B), to delay the issuance of this interim final rule pending an opportunity for public comment, and good cause exists to dispense with this requirement. For the same reasons, pursuant to 5 U.S.C. 553(d)(3), the Treasury has determined that there is good cause for the interim final rule to become effective immediately upon publication. While this regulation is effective immediately upon publication, the Treasury is inviting public comment on the regulation during a 30-day period and will consider all comments in developing a final rule.

Regulatory Planning and Review

The interim final rule does not meet the criteria for a "significant regulatory action" as defined in Executive Order 12866. Therefore, the regulatory review procedures contained therein do not apply.

Regulatory Flexibility Act

Because no notice of proposed rulemaking is required, this interim final rule is not subject to the provisions of the Regulatory Flexibility Act (5 U.S.C chapter 6).

Paperwork Reduction Act

The information collection contained in this interim final rule has been reviewed and approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (44 U.S.C. chapter 35) and assigned OMB control number 1505-0211. Under the Paperwork Reduction Act, an agency may not conduct or sponsor, and an individual is not required to respond to, a collection of information unless it displays a valid OMB control number. Comments on the collection of information should be sent to the Desk Officer for the Department of Treasury, Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503 (or by e-mail to oira_submission@omb.eop.gov) with a copy to Executive Compensation Comments, Office of Financial Institutions Policy, Room 1418, Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.

List of Subjects in 31 CFR Part 30

Executive compensation, Troubled assets.

For the reasons set out in the preamble, Title 31 of the CFR is amended as follows:

PART 30 – TARP CAPITAL PURCHASE PROGRAM

1. The authority citation for Part 30 continues to read as follows:
Authority: Section 111(b) of the Emergency Economic Stabilization Act of 2008, Div. A of Pub. L. 110-343; 122 Stat 3765.

2. Revise § 30.5(b) to read as follows:

§ 30.5 Q-5: How should the financial institution comply with the certification requirements under Q-3 of this section?

* * * * *

(b) Location. For financial institutions with securities registered with the SEC pursuant to the federal securities laws, the compensation committee, or a committee acting in a similar capacity, should provide the certifications in the Compensation Committee Report required pursuant to Item 407(e) of Regulation S-K under the federal securities laws (17 CFR 229.407).

* * * * *

3. Revise § 30.6, by adding the following sentence at the end of the paragraph to read as follows:

§ 30.6 Q-6: What actions are necessary for a financial institution participating in the CPP to comply with section 111(b)(2)(B) of EESA?

* * * . For this purpose, bonus and incentive compensation is paid to a SEO when the SEO obtains a legally binding right to that payment if the legally binding right occurs during any period that the Treasury holds an equity or debt position under the CPP.

4. Revise the section heading of §30.7 to read as follows:

§ 30.7 Q–7: How do the standards and regulations under section 111(b)(2)(B) of EESA differ from section 304 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) (Pub. Law No. 107–204)?

* * * * *

5. Add § 30.12 to read as follows:

§ 30.12 Q-12: What actions are necessary for a financial institution participating in the CPP to comply with the executive compensation reporting and recordkeeping requirements?

(a) Reporting Requirements. (1) General. The PEO (or person acting in a similar capacity) of the financial institution participating in the CPP is required to provide to the Chief Compliance Officer (CCO) of TARP, the following certifications with respect to the compliance of the financial institution with section 111(b) of EESA as implemented under this part. The PEO of the financial institution is also required to provide copies of these certifications to the transfer agent under the CPP. To the extent that the PEO (or person acting in a similar capacity) of the financial institution is unable to provide any of these certifications in a timely manner, the PEO is required to provide the CCO an explanation of the reason such certification has not been provided. These certifications are in addition to the compensation committee certifications required by § 30.3 (Q-3).

(2) 120 Day Certification. Within 120 days of the closing date of the agreement between the financial institution and the Treasury under the CPP, the PEO (or person acting in a similar capacity) of the financial institution is required to provide a certification similar to the following to the CCO:

"I, [identify the principal executive officer of the financial institution], certify, based on my knowledge, that the compensation committee of [identify financial institution] reviewed within 90 days of the Department of the Treasury's purchase of the [identify financial instrument] of [identify financial institution] under the Capital Purchase Program the incentive compensation arrangements of the senior executive officers, as defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 and regulations and guidance issued thereunder (SEOs), of [identify financial institution] with senior risk officers of [identify financial institution] to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of [identify financial institution]."

(3) First Fiscal Year Certification. Within 135 days of the completion of the first annual fiscal year of the financial institution during any part of which the financial institution has participated in the CPP, the PEO (or person acting in a similar capacity) of the financial institution is required to provide a certification similar to the following to the CCO:

"I, [identify the principal executive officer of the financial institution], certify, based on my knowledge, that:

(i) The compensation committee of [identify financial institution] has met at least once during the most recently ended fiscal year with senior risk officers to discuss and review the relationship between the risk management policies and practices of [identify financial institution] and the incentive compensation arrangements of the senior executive officers, as defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 (EESA) and regulations and guidance issued

thereunder (SEOs), to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of [identify financial institution];

(ii) The compensation committee of [identify financial institution] has certified to the review of the SEO incentive compensation arrangements required under (i) above;

(iii) [Identify financial institution] has required that SEO bonus and incentive compensation be subject to recovery or "clawback" by [identify financial institution] if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(iv) [Identify financial institution] has prohibited any golden parachute payment, as defined in the regulations and guidance issued under section 111(b) of EESA, to a SEO;

(v) [Identify financial institution] has instituted controls and procedures to limit the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to [identify financial institution]; and

(vi) The following individuals are the SEOs for the current fiscal year: [identify names and titles of SEOs of financial institution]."

(4) Years Following First Fiscal Year Certification. Within 135 days of the completion of each annual fiscal year of the financial institution after the first fiscal year during any part of which the financial institution has participated in the CPP, the PEO (or

person acting in a similar capacity) of the financial institution is required to provide a certification similar to the following to the CCO:

"I, [identify the principal executive officer of the financial institution], certify, based on my knowledge, that:

(i) The compensation committee of [identify financial institution] has met at least once during the most recently ended fiscal year with senior risk officers to discuss and review the relationship between the risk management policies and practices of [identify financial institution] and the incentive compensation arrangements of the senior executive officers, as defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 (EESA) and regulations and guidance issued thereunder (SEOs), to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of [identify financial institution];

(ii) The compensation committee of [identify financial institution] has certified to the review of the SEO incentive compensation arrangements required under (i) above;

(iii) [Identify financial institution] has required that SEO bonus and incentive compensation be subject to recovery or "clawback" by [identify financial institution] if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(iv) [Identify financial institution] has prohibited any golden parachute payment, as defined in the regulations and guidance issued under section 111(b) of EESA, to a SEO;

(v) [Identify financial institution] has instituted controls and procedures to limit the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to [identify financial institution];

(vi) [Identify financial institution] has limited the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the fiscal year prior to the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to [identify financial institution]; and

(vii) The following individuals are the SEOs for the current fiscal year: [identify names and titles of SEOs of financial institution]."

(b) Recordkeeping Requirements. The financial institution is required to preserve appropriate documentation and records to substantiate each certification required under paragraph (a) of this § 30.12 (Q-12) for a period of not less than six years after the date of the certification, the first two years in an easily accessible place. The financial institution is required to furnish promptly to the TARP CCO legible, true, complete, and current copies of the documentation and records that are required to be preserved under paragraph (b) of this § 30.12 (Q-12) that are requested by the representative of the TARP CCO.

(c) Penalties for Making or Providing False or Fraudulent Statements. Any individual or entity which provides information or makes a certification to the Treasury that is relating to purchases under section 111 of EESA or required pursuant to 31 CFR Part 30 is subject to 18 U.S.C. 1001, which generally prohibits the making of any false or fraudulent statement to a federal officer. Upon receipt of information indicating that any

individual or entity has violated any provision of title 18 of the U.S. Code or other provision of federal law, the Treasury shall refer such information to the Department of Justice and the Special Inspector General provided for under EESA.

Dated: _______________

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Neel Kashkari
Interim Assistant Secretary for Financial Stability

NOTICE 2008-PSSFI

I. PURPOSE

This Notice, issued pursuant to sections 101(a)(1), 101(c)(5), and 111 of the Emergency Economic Stabilization Act of 2008, Div. A of Pub. Law No. 110-343 (EESA), provides guidance on certain executive compensation provisions applicable to a financial institution from which the Department of the Treasury (Treasury) acquires troubled assets through programs for systemically significant failing institutions (program).

II. BACKGROUND RELATING TO EESA EXECUTIVE COMPENSATION PROVISIONS

Section 101(a) of EESA authorizes the Secretary of the Treasury to establish a Troubled Asset Relief Program (TARP) 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 this Act and policies and procedures developed and published by the Secretary." Section 120 of EESA provides that the TARP authorities generally terminate on December 31, 2009, unless extended upon certification by the Secretary of the Treasury to Congress, but in no event later than two years from the date of enactment of EESA (October 3, 2008) (the TARP authorities period). Thus, the TARP authorities period is the period from October 3, 2008 to December 31, 2009 or, if extended, the period from October 3, 2008 to the date so extended, but not later than October 3, 2010.

Section 111 of EESA provides that financial institutions that sell assets to the Treasury may be subject to specified executive compensation standards. In the case of auction purchases from a financial institution that has sold assets to the Treasury in an amount that exceeds $300 million in the aggregate (including direct purchases), the financial institution is prohibited under section 111(c) of EESA from entering into any new employment contract with a senior executive officer (SEO) that provides a golden parachute to the SEO in the event of the SEO's involuntary termination, or in connection with the financial institution's bankruptcy filing, insolvency, or receivership. This prohibition applies during the TARP authorities period. The Treasury has issued separate guidance on these provisions (Notice 2008-TAAP).

In addition, for auction purchases, section 302 of EESA enacted tax provisions as amendments to sections 162(m) and 280G of the Internal Revenue Code that address compensation paid to certain executive officers employed by financial institutions that sell assets under TARP. The Treasury and the Internal Revenue Service have issued separate guidance on these provisions (I.R.S. Notice 2008-94).

In the case of direct purchases, section 111(b)(1) of EESA requires financial institutions to meet appropriate standards for executive compensation and corporate governance, as set forth by the Secretary of the Treasury. The Treasury has issued

guidance on section 111(b) in the form of an interim final rule with respect to the TARP Capital Purchase Program (CPP) (31 CFR Part 30), which applies the following standards with respect to the CPP: (a) limits on compensation that exclude incentives for SEOs of financial institutions to take unnecessary and excessive risks that threaten the value of the financial institution; (b) required recovery of any bonus or incentive compensation paid to a SEO based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate; (c) prohibition on the financial institution from making any golden parachute payment to any SEO; and (d) agreement to limit a claim to a federal income tax deduction for certain executive remuneration. The provisions apply while the Treasury holds an equity or debt position in the financial institution.

This Notice 2008-PSSFI addresses the direct purchase provisions under section 111(b) of EESA as they pertain to financial institutions participating in the program, applying similar standards to those set out in the interim final regulations, except for a more stringent rule with respect to golden parachute payments. Further guidance will be issued for any additional programs.

Q-1: To what financial institutions does this Notice apply?

A-1: (a) General rule. This Notice applies to any financial institution that participates in the program.

(b) Controlled group rules. For purposes of section 111(b) of EESA, two or more persons who are treated as a single employer under section 414(b) of the Internal Revenue Code (employees of a controlled group of corporations) and section 414(c) of the Internal Revenue Code (employees of partnerships, proprietorships, etc., that are under common control) are treated as a single employer. However, for purposes of section 111(b) of EESA, the rules for brother-sister controlled groups and combined groups are disregarded (including disregarding the rules in section 1563(a)(2) and (a)(3) of the Internal Revenue Code with respect to corporations and the parallel rules that are in section 1.414(c)-2(c) of the Treasury Regulations with respect to other organizations conducting trades or businesses). See Q&A-11 of this Notice for special rules where a financial institution is acquired.

Q-2: Who is a SEO under section 111 of EESA?

A-2: (a) General definition. A SEO means a "named executive officer" as defined in Item 402 of Regulation S-K under the federal securities laws who: (1) is employed by a financial institution that is participating in the program while the Treasury holds an equity or debt position acquired under the program; and (2)(i) is the principal executive officer (PEO) (or person acting in a similar capacity) of such financial institution (or, in the case of a controlled group, of the parent entity); (ii) the principal financial officer (PFO) (or person acting in a similar capacity) of such financial institution (or, in the case of a controlled group, of the parent entity); or (iii) one of the three most highly compensated executive officers of such financial institution (or the financial institution's controlled group) other than the PEO or the PFO.

(b) Determination of three most highly compensated executive officers. For financial institutions with securities registered with the Securities and Exchange Commission (SEC) pursuant to the federal securities law, the three most highly compensated executive officers are determined according to the requirements in Item 402 of Regulation S-K under the federal securities laws. The term "executive officer" has the same meaning as defined in Rule 3b-7 of the Securities Exchange Act of 1934 (Exchange Act).[1] For purposes of determining the three most highly compensated executive officers, compensation is determined as it is in Item 402 of Regulation S-K to include total compensation for the last completed fiscal year without regard to whether the compensation is includible in the executive officer's gross income. Until the compensation data for the current fiscal year are available, the financial institution should make its best efforts to identify the three most highly compensated executive officers for the current fiscal year.

(c) Application to private employers. Rules analogous to the rules in paragraphs (a) and (b) of this Q&A-2 apply to financial institutions that are not subject to the federal securities laws, rules, and regulations, including financial institutions that do not have securities registered with the SEC pursuant to the federal securities laws.

Q-3: What actions are necessary for a financial institution participating in the program to comply with section 111(b)(2)(A) of EESA?

A-3: In order to comply with section 111(b)(2)(A) of EESA for purposes of participation in the program, a financial institution must comply with the following rules: (1) promptly, and in no case more than 90 days, after the purchase under the program, the financial institution's compensation committee, or a committee acting in a similar capacity, must review the SEO incentive compensation arrangements with such financial institution's senior risk officers, or other personnel acting in a similar capacity, to ensure that the SEO incentive compensation arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the financial institution; (2) thereafter, the compensation committee, or a committee acting in a similar capacity, must meet at least annually with senior risk officers, or individuals acting in a similar capacity, to discuss and review the relationship between the financial institution's risk management policies and practices and the SEO incentive compensation arrangements; and (3) the compensation committee, or a committee acting in a similar capacity, must certify that it has completed the reviews of the SEO incentive compensation arrangements required under (1) and (2) above. These rules apply while the Treasury holds an equity or debt position acquired under the program.

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[1]Exchange Act Rule 3b-7: "The term 'executive officer,' when used with reference to a registrant, means its president, any vice president of the registrant in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function or any other person who performs similar policy-making functions for the registrant. Executive officers of subsidiaries may be deemed executive officers of the registrant if they perform such policy-making function for the registrant."

Q-4: How should the financial institution comply with the standard under Q&A-3 of this Notice that the compensation committee, or a committee acting in a similar capacity, review the SEO incentive compensation arrangements to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the financial institution?

A-4: Because each financial institution faces different material risks given the unique nature of its business and the markets in which it operates, the compensation committee, or a committee acting in a similar capacity, should discuss with the financial institution's senior risk officers, or other personnel acting in a similar capacity, the risks (including long-term as well as short-term risks) that such financial institution faces that could threaten the value of the financial institution. The compensation committee, or a committee acting in a similar capacity, should identify the features in the financial institution's SEO incentive compensation arrangements that could lead SEOs to take such risks. Any such features should be limited in order to ensure that the SEOs are not encouraged to take risks that are unnecessary or excessive.

Q-5: How should the financial institution comply with the certification requirements under Q&A-3 of this Notice?

A-5: (a) Certification. The compensation committee, or a committee acting in a similar capacity, of the financial institution must provide the certifications required by Q&A-3 of this Notice stating that it has reviewed, with such financial institution's senior risk officers, the SEO incentive compensation arrangements to ensure that the incentive compensation arrangements do not encourage SEOs to take unnecessary and excessive risks. Providing a statement similar to the following and in the manner provided in subparagraphs (b) and (c) of this Q&A-5, as applicable, would satisfy this standard: "The compensation committee certifies that it has reviewed with senior risk officers the SEO incentive compensation arrangements and has made reasonable efforts to ensure that such arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the financial institution."

(b) Location. For financial institutions with securities registered with the SEC pursuant to the federal securities law, the compensation committee, or a committee acting in a similar capacity, should provide this certification in the Compensation Committee Report required pursuant to Item 407(e) of Regulation S-K under the federal securities laws.

(c) Application to private financial institutions. The rules provided in this Q&A-5 are also applicable to financial institutions that are not subject to the federal securities laws, rules, and regulations, including financial institutions that do not have securities registered with the SEC pursuant to the federal securities laws. A private financial institution should file the certification of the compensation committee, or a committee acting in a similar capacity, with its primary regulatory agency.

Q-6: What actions are necessary for a financial institution participating in the program to comply with section 111(b)(2)(B) of EESA?

A-6: In order to comply with section 111(b)(2)(B) of EESA for purposes of participation in the program, a financial institution must require that SEO bonus and incentive compensation paid during the period that the Treasury holds an equity or debt position acquired under the program are subject to recovery or "clawback" by the financial institution if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria. For this purpose, bonus and incentive compensation is paid to a SEO when the SEO obtains a legally binding right to that payment if the legally binding right occurs during any period that the Treasury holds an equity or debt position under the program.

Q-7: How do the standards and regulations under section 111(b)(2)(B) of EESA differ from section 304 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) (Pub. Law No. 107-204)?

A-7: Section 304 of Sarbanes-Oxley requires the forfeiture by a public company's chief executive officer and the chief financial officer of any bonus, incentive-based compensation, or equity-based compensation received and any profits from sales of the company's securities during the twelve-month period following a materially non-compliant financial report. Section 111(b)(2)(B) of EESA differs from section 304 of Sarbanes-Oxley in several ways. The standard under section 111(b)(2)(B) of EESA: applies to the three most highly compensated executive officers in addition to the PEO and the PFO; applies to both public and private financial institutions; is not exclusively triggered by an accounting restatement; does not limit the recovery period; and covers not only material inaccuracies relating to financial reporting but also material inaccuracies relating to other performance metrics used to award bonuses and incentive compensation.

Q-8: What actions are necessary for a financial institution participating in the program to comply with section 111(b)(2)(C) of EESA?

A-8: In order to comply with section 111(b)(2)(C) of EESA for purposes of participation in the program, a financial institution must prohibit any golden parachute payment to a SEO during the period the Treasury holds an equity or debt position acquired under the program.

Q-9: What is a golden parachute payment under section 111(b) of EESA?

A-9: (a) Definition. For purposes of applying section 111(b) of EESA with respect to the program, a "golden parachute payment" means any payment in the nature of compensation to (or for the benefit of) a SEO made on account of an applicable severance from employment.

(b) Applicable severance from employment. (1) Definition. An applicable severance from employment means any SEO's severance from employment with the

financial institution (i) by reason of involuntary termination of employment with the financial institution or with an entity that is treated as the same employer as the financial institution under Q&A-1 of this Notice; or (ii) in connection with any bankruptcy filing, insolvency, or receivership of the financial institution or of an entity that is treated as the same employer as the financial institution under Q&A-1 of this Notice.

(2) Involuntary termination. (i) An involuntary termination from employment means a termination from employment due to the independent exercise of the unilateral authority of the employer to terminate the SEO's services, other than due to the SEO's implicit or explicit request to terminate employment, where the SEO was willing and able to continue performing services. An involuntary termination from employment may include the financial institution's failure to renew a contract at the time such contract expires, provided that the SEO was willing and able to execute a new contract providing terms and conditions substantially similar to those in the expiring contract and to continue providing such services. In addition, a SEO's voluntary termination from employment constitutes an involuntary termination from employment if the termination from employment constitutes a termination for good reason due to a material negative change in the SEO's employment relationship. See section 1.409A-1(n)(2) of the Treasury Regulations.

(ii) A severance from employment by a SEO is by reason of involuntary termination even if the SEO has voluntarily terminated employment in any case where the facts and circumstances indicate that absent such voluntary termination the financial institution would have terminated the SEO's employment and the SEO had knowledge that he or she would be so terminated.

(c) Payments on account of an applicable severance from employment. (1) Definition. A payment on account of an applicable severance from employment means a payment that would not have been payable if no applicable severance from employment had occurred (including amounts that would otherwise have been forfeited if no applicable severance from employment had occurred) and amounts that are accelerated on account of the applicable severance from employment. See section 1.280G-1, Q&A-24(b), of the Treasury Regulations for rules regarding the determination of the amount that is on account of an acceleration.

(2) Excluded amounts. Payments on account of an applicable severance from employment do not include amounts paid to a SEO under a tax qualified retirement plan.

Q-10: Are there other conditions that are required under the executive compensation and corporate governance standards in section 111(b)(1) of EESA?

A-10: The financial institution must agree, as a condition to participate in the program, that no deduction will be claimed for federal income tax purposes for remuneration that would not be deductible if section 162(m)(5) of the Internal Revenue Code were to apply to the financial institution. For this purpose, during the period that the Treasury holds an equity or debt position in the financial institution acquired under

the program: (i) the financial institution (including entities in its controlled group) is treated as an "applicable employer," (ii) its SEOs are treated as "covered executives," and (iii) any taxable year that includes any portion of that period is treated as an "applicable taxable year," each as defined in section 162(m)(5) of the Internal Revenue Code, except that the dollar limitation and the remuneration for the taxable year are prorated for the portion of the taxable year that the Treasury holds an equity or debt position in the financial institution under the program.

Q-11: How does section 111(b) of EESA operate in connection with an acquisition, merger, or reorganization?

A-11: (a) Special rules for acquisitions, mergers, or reorganizations. In the event that a financial institution (target) that had sold troubled assets to the Treasury through the program is acquired by an entity that is not related to target (acquirer) in an acquisition of any form, acquirer will not become subject to section 111(b) of EESA merely as a result of the acquisition. For this purpose, an acquirer is related to target if stock or other interests of target are treated (under section 318(a) of the Internal Revenue Code other than paragraph (4) thereof) as owned by acquirer. With respect to the target, any employees of target who are SEOs prior to the acquisition will be subject to section 111(b)(2)(C) of EESA until after the first anniversary following the acquisition.

(b) Example. In 2008, financial institution A sells $100 million of troubled assets to the Treasury through the program. In January 2009, financial institution B, which is not otherwise subject to section 111(b) of EESA, acquires financial institution A in a stock purchase transaction, with the result that financial institution A becomes a wholly owned subsidiary of financial institution B. Based on the rules in paragraph (a) of this Q&A-11, the SEOs of financial institution B are not subject to section 111(b) of EESA solely as a result of the acquisition of financial institution A in January 2009. The SEOs of financial institution A at the time of the acquisition are subject to section 111(b)(2)(C) of EESA until January 2010, the first anniversary following the acquisition.

Q-12: What actions are necessary for a financial institution participating in the program to comply with the executive compensation reporting and recordkeeping requirements?

(a) Reporting Requirements. (1) General. The PEO (or person acting in a similar capacity) of the financial institution participating in the program is required to provide to the Chief Compliance Officer (CCO) of TARP, the following certifications with respect to the compliance of the financial institution with section 111(b) of EESA as implemented under this Notice. The PEO of the financial institution is also required to provide copies of these certifications to the transfer agent under the program. To the extent that the PEO (or person acting in a similar capacity) of the financial institution is unable to provide any of these certifications in a timely manner, the PEO is required to provide the CCO an explanation of the reason such certification has not been provided. These certifications are in addition to the compensation committee certifications required by Q&A-3 of this Notice.

(2) 120 Day Certification. Within 120 days of the closing date of the agreement between the financial institution and the Treasury under the program, the PEO (or person acting in a similar capacity) of the financial institution is required to provide a certification similar to the following to the CCO:

"I, [identify the principal executive officer of the financial institution], certify, based on my knowledge, that the compensation committee of [identify financial institution] reviewed within 90 days of the Department of the Treasury's purchase of the [identify financial instrument] of [identify financial institution] under the program the incentive compensation arrangements of the senior executive officers, as defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 and regulations and guidance issued thereunder (SEOs), of [identify financial institution] with senior risk officers of [identify financial institution] to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of [identify financial institution]."

(3) First Fiscal Year Certification. Within 135 days of the completion of the first annual fiscal year of the financial institution during any part of which the financial institution has participated in the program, the PEO (or person acting in a similar capacity) of the financial institution is required to provide a certification similar to the following to the CCO:

"I, [identify the principal executive officer of the financial institution], certify, based on my knowledge, that:

(i) The compensation committee of [identify financial institution] has met at least once during the most recently ended fiscal year with senior risk officers to discuss and review the relationship between the risk management policies and practices of [identify financial institution] and the incentive compensation arrangements of the senior executive officers, as defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 (EESA) and regulations and guidance issued thereunder (SEOs), to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of [identify financial institution];

(ii) The compensation committee of [identify financial institution] has certified to the review of the SEO incentive compensation arrangements required under (i) above;

(iii) [Identify financial institution] has required that SEO bonus and incentive compensation be subject to recovery or "clawback" by [identify financial institution] if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(iv) [Identify financial institution] has prohibited any golden parachute payment, as defined in the regulations and guidance issued under section 111(b) of EESA, to a SEO;

(v) [Identify financial institution] has instituted controls and procedures to limit the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to [identify financial institution]; and

(vi) The following individuals are the SEOs for the current fiscal year: [identify names and titles of SEOs of financial institution]."

(4) Years Following First Fiscal Year Certification. Within 135 days of the completion of each annual fiscal year of the financial institution after the first fiscal year during any part of which the financial institution has participated in the program, the PEO (or person acting in a similar capacity) of the financial institution is required to provide a certification similar to the following to the CCO:

"I, [identify the principal executive officer of the financial institution], certify, based on my knowledge, that:

(i) The compensation committee of [identify financial institution] has met at least once during the most recently ended fiscal year with senior risk officers to discuss and review the relationship between the risk management policies and practices of [identify financial institution] and the incentive compensation arrangements of the senior executive officers, as defined in subsection 111(b)(3) of the Emergency Economic Stabilization Act of 2008 (EESA) and regulations and guidance issued thereunder (SEOs), to ensure that the SEO incentive compensation arrangements do not encourage the SEOs to take unnecessary and excessive risks that threaten the value of [identify financial institution];

(ii) The compensation committee of [identify financial institution] has certified to the review of the SEO incentive compensation arrangements required under (i) above;

(iii) [Identify financial institution] has required that SEO bonus and incentive compensation be subject to recovery or "clawback" by [identify financial institution] if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;

(iv) [Identify financial institution] has prohibited any golden parachute payment, as defined in the regulations and guidance issued under section 111(b) of EESA, to a SEO;

(v) [Identify financial institution] has instituted controls and procedures to limit the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to [identify financial institution];

(vi) [Identify financial institution] has limited the deduction for remuneration for federal income tax purposes to $500,000 for each SEO for the fiscal year prior to the most recently ended fiscal year as if section 162(m)(5) of the Internal Revenue Code applied to [identify financial institution]; and

(vii) The following individuals are the SEOs for the current fiscal year: [identify names and titles of SEOs of financial institution]."

(b) Recordkeeping Requirements. The financial institution is required to preserve appropriate documentation and records to substantiate each certification required under paragraph (a) of this Q&A-12 for a period of not less than six years after the date of the certification, the first two years in an easily accessible place. The financial institution is required to furnish promptly to the TARP CCO legible, true, complete, and current copies of the documentation and records that are required to be preserved under paragraph (b) of this Q&A-12 that are requested by the representative of the TARP CCO.

(c) Penalties for Making or Providing False or Fraudulent Statements. Any individual or entity which provides information or makes a certification to the Treasury that is relating to purchases under section 111 of EESA or required pursuant to these guidelines is subject to 18 U.S.C. 1001, which generally prohibits the making of any false or fraudulent statement to a federal officer. Upon receipt of information indicating that any individual or entity has violated any provision of title 18 of the U.S. Code or other provision of federal law, the Treasury shall refer such information to the Department of Justice and the Special Inspector General provided for under EESA.

REQUEST FOR COMMENTS

The Treasury requests comments on the topics addressed in this Notice. Comments may be submitted to the Treasury by any of the following methods: Submit electronic comments by email to executivecompensationcomments@do.treas.gov; or send paper comments in triplicate to Executive Compensation Comments, Office of Financial Institutions Policy, Room 1418, Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.

In general, the Treasury will post all comments to www.regulations.gov without change, including any business or personal information provided such as names, addresses, e-mail addresses, or telephone numbers. The Treasury will also make such comments available for public inspection and copying in the Treasury's Library, Room 1428, Main Department Building, 1500 Pennsylvania Avenue, NW, Washington, DC 20220, on official business days between the hours of 10:00 a.m. and 5:00 p.m. Eastern

Time. You can make an appointment to inspect comments by telephoning (202) 622-0990. All comments, including attachments and other supporting materials, received are part of the public record and subject to public disclosure. You should submit only information that you wish to make available publicly.

EFFECTIVE DATE

Financial institutions may rely on rules in this Notice for purposes of compliance with section 111(b) of EESA effective from October 3, 2008 (the date of enactment of EESA).

CONTACT INFORMATION

For further information regarding this guidance, contact the Office of Domestic Finance, the Treasury, at (202) 927-6618.

Frequently Asked Questions (FAQs)
Executive Compensation Requirements under the Capital Purchase Program (CPP)

For what period do the executive compensation requirements set forth in 31 C.F.R. Part 30 promulgated under EESA section 111(b) (CPP executive compensation requirements) apply to the financial institution?

The executive compensation requirements apply to the financial institution for as long as Treasury holds any equity or debt position in the financial institution under the CPP, including the Warrant or any equity acquired under the Warrant.

How are senior executive officers (SEOs) identified for purposes of compliance with the CPP executive compensation requirements?

(a) Non-tax-related standards. For purposes of the non-tax-related executive compensation standards (no unnecessary and excessive risk taking, clawbacks of certain bonus or incentive compensation, and prohibition on golden parachute payments), the SEOs for a year are the "named executive officers" who are identified in the financial institution's annual report on Form 10-K or annual meeting proxy statement for that year (reporting the executive's compensation for the immediately preceding year). These executive officers are considered the SEOs throughout that entire year.

Prior to the identification of the named executive officers in the financial institution's annual report on Form 10-K or annual meeting proxy statement, the financial institution must make its best efforts to identify the year's SEOs for purposes of the applicability of the non-tax related executive compensation standards for the year. If any executive is a potential SEO and terminates employment in an involuntary termination prior to the identification of the year's named executive officers, the financial institution should refrain from making any golden parachute payment until the year's named executive officers are identified in either the annual report on Form 10-K or annual meeting proxy statement so that it can be determined whether the executive is a named executive officer and, therefore, is a SEO who is not entitled to the golden parachute payment for the year.

(b) Tax-related standard. The tax-related executive compensation standard requires financial institutions to agree not to claim a tax deduction for compensation paid to each SEO in an amount that exceeds $500,000. Because the contractual limitation on the amount of the tax deduction is based on current year compensation, the SEOs are determined based on compensation for that year, rather than compensation paid in the preceding year as described above. This means that for the purposes of the tax-related standard, SEOs are determined based on the financial institution's annual report on Form 10-K or annual meeting proxy statement for the year subsequent to the year in which the contractual limitation on the tax deduction applies.

(c) Private financial institutions. Rules analogous to those in paragraph (a) and (b) apply to financial institutions that do not have securities registered with the Securities and Exchange Commission (SEC) pursuant to the federal securities laws.

How must a financial institution that is defined as a "smaller reporting company " pursuant to Item 10 of Regulation S-K under the federal securities laws identify SEOs for purposes of compliance with the CPP executive compensation requirements?

A financial institution that is a "smaller reporting company" must identify SEOs pursuant to the rules set forth in section 30.2 of 31 C.F.R. Part 30 and the previous FAQ. Note that such a financial institution must identify at least five SEOs, even if only three SEOs are provided in the disclosure pursuant to section 402 of Regulation S-K under the federal securities laws.

How should a financial institution that is defined as a "smaller reporting company" pursuant to Item 10 of Regulation S-K under the federal securities laws provide the certifications of the compensation committee for purposes of compliance with the CPP executive compensation requirements?

A financial institution that is a "smaller reporting company" should provide the certifications of the compensation committee, or a committee acting in a similar capacity, to its primary regulatory agency.

To what primary regulatory agency should a state-chartered bank that does not have securities registered with the SEC pursuant to the federal securities laws provide the certifications of the compensation committee for purposes of compliance with the CPP executive compensation requirements?

In the case of a state-chartered bank that does not have securities registered with the SEC pursuant to the federal securities laws, the primary regulatory agency is its primary federal banking regulator.

For purposes of compliance with the CPP executive compensation requirements relating to the clawback provision, must a financial institution recover bonuses and incentive compensation based on financial statements that become materially inaccurate because of revisions to generally accepted accounting principles where the financial statements were accurate based on generally accepted accounting principles applicable when the payment was made?

No.

Are payments on account of involuntary termination of employment that are made after the period that the Treasury holds an equity or debt position under the CPP taken into account for purposes of the rules prohibiting golden parachute payments under the CPP executive compensation requirements?

Yes. A golden parachute payment is the aggregate present value of <u>all</u> payments made on account of an applicable severance of employment that equals or exceeds three times the

SEO's base amount. Thus, the determination of a golden parachute payment includes amounts paid during or after the period the Treasury holds an equity or debt position under the CPP. ([See § 1.280G-1, Q&A-38, of the Treasury Regulations for how to allocate the base amount to a series of payments made over multiple years.])

Please check back regularly for postings of additional Q&As.

Assistant Secretary of the Office of Economic Policy Mark J. Warshawsky Statement

5/1/2006

hp-1365

For the Treasury Borrowing Advisory Committee of the Bond Market Association

A much more buoyant economy has emerged in the three months since the Committee last met. On Friday, the Bureau of Economic Analysis (BEA) announced that real GDP grew at the fastest rate in two and a half years. Payroll employment has rebounded strongly from hurricane-depressed levels last fall and the unemployment rate has receded further. Core inflation remains benign.

Real GDP grew at a 4.8 percent annual rate in the first quarter, according to the BEA's advance estimate. This followed a 1.7 percent pace of growth in the fourth quarter and was the strongest performance since the Jobs and Growth Act boosted real GDP to a 7.2 percent annual rate of growth in the third quarter of 2003.

The favorable showing comes as no surprise. By early February, the consensus of private forecasters was already predicting first-quarter growth in excess of 4 percent. In part, this represented the reasonable expectation of a rebound after a series of special factors had depressed fourth-quarter growth. Among those factors were a decline in motor vehicle sales following an outsized gain in the third quarter, a sharp rise in oil imports to offset the fall in production caused by Hurricane Katrina, and an anomalous drop in Federal spending.

In addition, it was evident that the stage was being set late last year for a stronger pace of growth at the beginning of 2006. In particular, personal consumption expenditures rose sharply in November and December, starting the first quarter off at a high level, and solid gains continued into the new year. As a result, real personal consumption expenditures rose at a healthy 5.5 percent annual rate in the first quarter of this year. The trade deficit continued to widen but by less than in the fourth quarter, as domestic oil production was restored and imports of petroleum products fell. Finally, Federal government spending rebounded in the first quarter after a decline in the fourth quarter.

Other apparently temporary restraints on growth in the fourth quarter turned around in the first quarter. For instance, investment in transportation equipment soared in the first quarter after falling in the fourth, contributing to a 16.4 percent annual rate gain in investment in equipment and software in the first quarter - a six-year record. Business investment in structures, which had been a laggard throughout the expansion, also firmed, growing at an 8.6 percent pace.

Residential investment in the first quarter rose at a 2.6 percent pace, little different from its fourth-quarter performance. Despite widespread predictions of a softening, this segment of the economy continues to hold its own after a considerable run-up over the past several years.

Overall, real GDP growth in the first quarter was very strong but because it follows on the heels of the statistically weak performance of the fourth quarter, it is reasonable to average the two quarters together to get a view of trend growth. That yields a solid real GDP increase of more than 3 percent at an annual rate.

Further evidence of an economy expanding at a solid pace is provided by labor market behavior. Employment growth stalled last fall in the wake of the hurricanes but has since bounced back strongly. Payroll job gains during the past two quarters have averaged 188,000 a month and the unemployment rate has fallen to 4.7 percent - the lowest since

July 2001. Claims data from the state unemployment insurance programs suggest that labor markets remained robust through April.

Equity markets have also performed well this year, as corporate profits have continued to rise strongly. These gains are helping to boost household wealth, providing additional support for personal consumption spending.

The economy appears to be running at cruising speed, with GDP growth and job opportunities expanding at a pace that can be accommodated without inflationary pressures. Although the hike in oil prices has contributed to consumer price growth of 3.4 percent over the past year, core cpr inflation (excluding food and energy) remained at 2.1 percent in March, about where it was during 2004 and 2005.

In sum, the overall economy appears to be in a good position to continue growing at a moderate pace -likely around 3 percent - for the remaining quarters of the year. Recent developments in energy markets remind us, however, that these prospects are not without hazards. Among the most visible is the fact that consumers are once again facing gasoline prices in excess of $3 a gallon, just as they head into the summer driving season.

High gasoline prices are caused by global competition for oil, the effects of Hurricane Katrina on US. refinery capacity, as well as the rapid transition from the fuel additive MTBE to ethanol, which will entail additional costs. Exacerbating these problems is the complex system of different blends of gasoline, or "boutique fuels," required by US. localities

Last week, President Bush presented a four-part plan that 1) ensures that American consumers are treated fairly at the pump, 2) promotes greater fuel efficiency, 3) boosts the supply of crude oil and gasoline, and 4) supports investment in alternative fuels to reduce US. demand for gasoline. Among the measures included in the President's program are a suspension of oil deposits to the Strategic Petroleum Reserve, temporary waivers to local fuel requirements, and a call for a better coordinated set of local fuel mix requirements in order to minimize the number of boutique fuels that refiners must produce. The program will help address the immediate needs of the American people by preventing fraud and price manipulation, assuring ample supplies of crude oil and gasoline from available sources, and promoting energy efficiency and improved production for the future.

PRESS ROOM

January 21, 2009
2009-1-21-16-8-20-22799

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $76,580 million as of the end of that week, compared to $77,315 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	January 16, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			76,580
(a) Securities	9,165	14,319	23,484
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,541	7,011	17,522
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,554		
(3) SDRs [2]	9,184		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,765		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,765		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

			Maturity breakdown (residual maturity)		
		Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits					

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-468,696	-284,207	-184,489	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	7,919
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	7,919
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	76,580
--currencies in SDR basket	76,580
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

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January 22, 2009
ts-01

Treasury Provides TARP Funds to Local Banks

Washington- The U.S. Treasury Department announced details this week of a $1.5 billion investment in 39 banks made through its Capital Purchase Program.

Treasury created the Capital Purchase Program, a part of the Troubled Asset Relief Program, to help to stabilize and strengthen the U.S. financial system. Treasury allocated $250 billion under TARP's Capital Purchase Program to invest in U.S. financial institutions. To date, the Department has made $193.8 billion of investments, receiving preferred stock and warrants from participating institutions. Investments have ranged from as small as $1 million to as large as $25 billion, financing community banking and Community Development Financial Institutions in 43 states and Puerto Rico.

Institutions that sell shares to the government must comply with restrictions on executive compensation during the period that Treasury holds equity issued through this program and agree to limitations on dividends and stock repurchases. Information about Treasury's Troubled Asset Relief Program can be found at http://www.treas.gov/initiatives/eesa/.

Following are the transaction details:

Seller			
Name of Institution	**City**	**State**	**Price Paid**
Home Bancshares, Inc.	Conway	AR	$50,000,000
Washington Banking Company/Whidbey Island Bank	Oak Harbor	WA	$26,380,000
New Hampshire Thrift Bancshares, Inc.	Newport	NH	$10,000,000
Bar Harbor Bankshares/Bar Harbor Bank & Trust	Bar Harbor	ME	$18,751,000
Somerset Hills Bancorp	Bernardsville	NJ	$7,414,000
SCBT Financial Corporation	Columbia	SC	$64,779,000
S&T Bancorp	Indiana	PA	$108,676,000
ECB Bancorp, Inc./East Carolina Bank	Engelhard	NC	$17,949,000
First BanCorp	San Juan	PR	$400,000,000
Texas Capital Bancshares, Inc.	Dallas	TX	$75,000,000

Yadkin Valley Financial Corporation	Elkin	NC	$36,000,000
Carver Bancorp, Inc	New York	NY	$18,980,000
Citizens & Northern Corporation	Wellsboro	PA	$26,440,000
MainSource Financial Group, Inc.	Greensburg	IN	$57,000,000
MetroCorp Bancshares, Inc.	Houston	TX	$45,000,000
United Bancorp, Inc.	Tecumseh	MI	$20,600,000
Old Second Bancorp, Inc.	Aurora	IL	$73,000,000
Pulaski Financial Corp	Creve Coeur	MO	$32,538,000
OceanFirst Financial Corp.	Toms River	NJ	$38,263,000
Community 1st Bank	Roseville	CA	$2,550,000
TCB Holding Company, Texas Community Bank	The Woodlands	TX	$11,730,000
Centra Financial Holdings, Inc./Centra Bank, Inc.	Morgantown	WV	$15,000,000
First Bankers Trustshares, Inc.	Quincy	IL	$10,000,000
Pacific Coast National Bancorp	San Clemente	CA	$4,120,000
Community Bank of the Bay	Oakland	CA	$1,747,000
Redwood Capital Bancorp	Eureka	CA	$3,800,000
Syringa Bancorp	Boise	ID	$8,000,000
Idaho Bancorp	Boise	ID	$6,900,000
Puget Sound Bank	Bellevue	WA	$4,500,000
United Financial Banking Companies, Inc.	Vienna	VA	$5,658,000
Dickinson Financial Corporation II	Kansas City	MO	$146,053,000
The Baraboo Bancorporation	Baraboo	WI	$20,749,000
Bank of Commerce	Charlotte	NC	$3,000,000
State Bankshares, Inc.	Fargo	ND	$50,000,000
BNCCORP, Inc.	Bismarck	ND	$20,093,000
First Manitowoc Bancorp, Inc.	Manitowoc	WI	$12,000,000
Southern Bancorp, Inc.	Arkadelphia	AR	$11,000,000
Morrill Bancshares, Inc.	Merriam	KS	$13,000,000

Treaty Oak Bancorp, Inc.	Austin	TX	$3,268,000

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REPORTS

- Chart

U.S. Treasury Department
Office of Financial Stability

Troubled Asset Relief Program

Transactions Report

For Period Ending January 16, 2009

CAPITAL PURCHASE PROGRAM

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
10/28/2008	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/Warrants	$15,000,000,000	Par
10/28/2008	Bank of New York Mellon Corporation	New York	NY	Purchase	Preferred Stock w/Warrants	$3,000,000,000	Par
10/28/2008	Citigroup Inc.	New York	NY	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
10/28/2008	The Goldman Sachs Group, Inc.	New York	NY	Purchase	Preferred Stock w/Warrants	$10,000,000,000	Par
10/28/2008	JPMorgan Chase & Co.	New York	NY	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
10/28/2008	Morgan Stanley	New York	NY	Purchase	Preferred Stock w/Warrants	$10,000,000,000	Par
10/28/2008	State Street Corporation	Boston	MA	Purchase	Preferred Stock w/Warrants	$2,000,000,000	Par
10/28/2008	Wells Fargo & Company	San Francisco	CA	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
11/14/2008	Bank of Commerce Holdings	Redding	CA	Purchase	Preferred Stock w/Warrants	$17,000,000	Par
11/14/2008	1st FS Corporation	Hendersonville	NC	Purchase	Preferred Stock w/Warrants	$16,369,000	Par
11/14/2008	UCBH Holdings, Inc.	San Francisco	CA	Purchase	Preferred Stock w/Warrants	$298,737,000	Par
11/14/2008	Northern Trust Corporation	Chicago	IL	Purchase	Preferred Stock w/Warrants	$1,576,000,000	Par
11/14/2008	SunTrust Banks, Inc.	Atlanta	GA	Purchase	Preferred Stock w/Warrants	$3,500,000,000	Par
11/14/2008	Broadway Financial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$9,000,000	Par
11/14/2008	Washington Federal Inc.	Seattle	WA	Purchase	Preferred Stock w/Warrants	$200,000,000	Par
11/14/2008	BB&T Corp.	Winston-Salem	NC	Purchase	Preferred Stock w/Warrants	$3,133,640,000	Par
11/14/2008	Provident Bancshares Corp.	Baltimore	MD	Purchase	Preferred Stock w/Warrants	$151,500,000	Par
11/14/2008	Umpqua Holdings Corp.	Portland	OR	Purchase	Preferred Stock w/Warrants	$214,181,000	Par
11/14/2008	Comerica Inc.	Dallas	TX	Purchase	Preferred Stock w/Warrants	$2,250,000,000	Par
11/14/2008	Regions Financial Corp.	Birmingham	AL	Purchase	Preferred Stock w/Warrants	$3,500,000,000	Par
11/14/2008	Capital One Financial Corporation	McLean	VA	Purchase	Preferred Stock w/Warrants	$3,555,199,000	Par
11/14/2008	First Horizon National Corporation	Memphis	TN	Purchase	Preferred Stock w/Warrants	$866,540,000	Par
11/14/2008	Huntington Bancshares	Columbus	OH	Purchase	Preferred Stock w/Warrants	$1,398,071,000	Par
11/14/2008	KeyCorp	Cleveland	OH	Purchase	Preferred Stock w/Warrants	$2,500,000,000	Par
11/14/2008	Valley National Bancorp	Wayne	NJ	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
11/14/2008	Zions Bancorporation	Salt Lake City	UT	Purchase	Preferred Stock w/Warrants	$1,400,000,000	Par
11/14/2008	Marshall & Ilsley Corporation	Milwaukee	WI	Purchase	Preferred Stock w/Warrants	$1,715,000,000	Par
11/14/2008	U.S. Bancorp	Minneapolis	MN	Purchase	Preferred Stock w/Warrants	$6,599,000,000	Par
11/14/2008	TCF Financial Corporation	Wayzata	MN	Purchase	Preferred Stock w/Warrants	$361,172,000	Par
11/21/2008	First Niagara Financial Group	Lockport	NY	Purchase	Preferred Stock w/Warrants	$184,011,000	Par
11/21/2008	HF Financial Corp.	Sioux Falls	SD	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
11/21/2008	Centerstate Banks of Florida Inc.	Davenport	FL	Purchase	Preferred Stock w/Warrants	$27,875,000	Par
11/21/2008	City National Corporation	Beverly Hills	CA	Purchase	Preferred Stock w/Warrants	$400,000,000	Par
11/21/2008	First Community Bankshares Inc.	Bluefield	VA	Purchase	Preferred Stock w/Warrants	$41,500,000	Par
11/21/2008	Western Alliance Bancorporation	Las Vegas	NV	Purchase	Preferred Stock w/Warrants	$140,000,000	Par
11/21/2008	Webster Financial Corporation	Waterbury	CT	Purchase	Preferred Stock w/Warrants	$400,000,000	Par
11/21/2008	Pacific Capital Bancorp	Santa Barbara	CA	Purchase	Preferred Stock w/Warrants	$180,634,000	Par
11/21/2008	Heritage Commerce Corp.	San Jose	CA	Purchase	Preferred Stock w/Warrants	$40,000,000	Par
11/21/2008	Ameris Bancorp	Moultrie	GA	Purchase	Preferred Stock w/Warrants	$52,000,000	Par
11/21/2008	Porter Bancorp Inc.	Louisville	KY	Purchase	Preferred Stock w/Warrants	$35,000,000	Par

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
11/21/2008	Banner Corporation	Walla Walla	WA	Purchase	Preferred Stock w/Warrants	$124,000,000	Par
11/21/2008	Cascade Financial Corporation	Everett	WA	Purchase	Preferred Stock w/Warrants	$38,970,000	Par
11/21/2008	Columbia Banking System, Inc.	Tacoma	WA	Purchase	Preferred Stock w/Warrants	$76,898,000	Par
11/21/2008	Heritage Financial Corporation	Olympia	WA	Purchase	Preferred Stock w/Warrants	$24,000,000	Par
11/21/2008	First PacTrust Bancorp, Inc.	Chula Vista	CA	Purchase	Preferred Stock w/Warrants	$19,300,000	Par
11/21/2008	Severn Bancorp, Inc.	Annapolis	MD	Purchase	Preferred Stock w/Warrants	$23,393,000	Par
11/21/2008	Boston Private Financial Holdings, Inc.	Boston	MA	Purchase	Preferred Stock w/Warrants	$154,000,000	Par
11/21/2008	Associated Banc-Corp	Green Bay	WI	Purchase	Preferred Stock w/Warrants	$525,000,000	Par
11/21/2008	Trustmark Corporation	Jackson	MS	Purchase	Preferred Stock w/Warrants	$215,000,000	Par
11/21/2008	First Community Corporation	Lexington	SC	Purchase	Preferred Stock w/Warrants	$11,350,000	Par
11/21/2008	Taylor Capital Group	Rosemont	IL	Purchase	Preferred Stock w/Warrants	$104,823,000	Par
11/21/2008	Nara Bancorp, Inc.	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$67,000,000	Par
12/5/2008	Midwest Banc Holdings, Inc.	Melrose Park	IL	Purchase	Preferred Stock w/Warrants	$84,784,000	Par
12/5/2008	MB Financial Inc.	Chicago	IL	Purchase	Preferred Stock w/Warrants	$196,000,000	Par
12/5/2008	First Midwest Bancorp, Inc.	Itasca	IL	Purchase	Preferred Stock w/Warrants	$193,000,000	Par
12/5/2008	United Community Banks, Inc.	Blairsville	GA	Purchase	Preferred Stock w/Warrants	$180,000,000	Par
12/5/2008	Wesbanco Bank Inc.	Wheeling	WV	Purchase	Preferred Stock w/Warrants	$75,000,000	Par
12/5/2008	Encore Bancshares Inc.	Houston	TX	Purchase	Preferred Stock w/Warrants	$34,000,000	Par
12/5/2008	Manhattan Bancorp	El Segundo	CA	Purchase	Preferred Stock w/Warrants	$1,700,000	Par
12/5/2008	Iberiabank Corporation	Lafayette	LA	Purchase	Preferred Stock w/Warrants	$90,000,000	Par
12/5/2008	Eagle Bancorp, Inc.	Bethesda	MD	Purchase	Preferred Stock w/Warrants	$38,235,000	Par
12/5/2008	Sandy Spring Bancorp, Inc.	Olney	MD	Purchase	Preferred Stock w/Warrants	$83,094,000	Par
12/5/2008	Coastal Banking Company, Inc.	Fernandina Beach	FL	Purchase	Preferred Stock w/Warrants	$9,950,000	Par
12/5/2008	East West Bancorp	Pasadena	CA	Purchase	Preferred Stock w/Warrants	$306,546,000	Par
12/5/2008	South Financial Group, Inc.	Greenville	SC	Purchase	Preferred Stock w/Warrants	$347,000,000	Par
12/5/2008	Great Southern Bancorp	Springfield	MO	Purchase	Preferred Stock w/Warrants	$58,000,000	Par
12/5/2008	Cathay General Bancorp	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$258,000,000	Par
12/5/2008	Southern Community Financial Corp.	Winston-Salem	NC	Purchase	Preferred Stock w/Warrants	$42,750,000	Par
12/5/2008	CVB Financial Corp	Ontario	CA	Purchase	Preferred Stock w/Warrants	$130,000,000	Par
12/5/2008	First Defiance Financial Corp.	Defiance	OH	Purchase	Preferred Stock w/Warrants	$37,000,000	Par
12/5/2008	First Financial Holdings Inc.	Charleston	SC	Purchase	Preferred Stock w/Warrants	$65,000,000	Par
12/5/2008	Superior Bancorp Inc.	Birmingham	AL	Purchase	Preferred Stock w/Warrants	$69,000,000	Par
12/5/2008	Southwest Bancorp, Inc.	Stillwater	OK	Purchase	Preferred Stock w/Warrants	$70,000,000	Par
12/5/2008	Popular, Inc.	San Juan	PR	Purchase	Preferred Stock w/Warrants	$935,000,000	Par
12/5/2008	Blue Valley Ban Corp	Overland Park	KS	Purchase	Preferred Stock w/Warrants	$21,750,000	Par
12/5/2008	Central Federal Corporation	Fairlawn	OH	Purchase	Preferred Stock w/Warrants	$7,225,000	Par
12/5/2008	Bank of Marin Bancorp	Novato	CA	Purchase	Preferred Stock w/Warrants	$28,000,000	Par
12/5/2008	Bank of North Carolina	Thomasville	NC	Purchase	Preferred Stock w/Warrants	$31,260,000	Par
12/5/2008	Central Bancorp, Inc.	Somerville	MA	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
12/5/2008	Southern Missouri Bancorp, Inc.	Poplar Bluff	MO	Purchase	Preferred Stock w/Warrants	$9,550,000	Par
12/5/2008	State Bancorp, Inc.	Jericho	NY	Purchase	Preferred Stock w/Warrants	$36,842,000	Par
12/5/2008	TIB Financial Corp	Naples	FL	Purchase	Preferred Stock w/Warrants	$37,000,000	Par
12/5/2008	Unity Bancorp, Inc.	Clinton	NJ	Purchase	Preferred Stock w/Warrants	$20,649,000	Par
12/5/2008	Old Line Bancshares, Inc.	Bowie	MD	Purchase	Preferred Stock w/Warrants	$7,000,000	Par
12/5/2008	FPB Bancorp, Inc.	Port St. Lucie	FL	Purchase	Preferred Stock w/Warrants	$5,800,000	Par
12/5/2008	Sterling Financial Corporation	Spokane	WA	Purchase	Preferred Stock w/Warrants	$303,000,000	Par
12/5/2008	Oak Valley Bancorp	Oakdale	CA	Purchase	Preferred Stock w/Warrants	$13,500,000	Par
12/12/2008	Old National Bancorp	Evansville	IN	Purchase	Preferred Stock w/Warrants	$100,000,000	Par
12/12/2008	Capital Bank Corporation	Raliegh	NC	Purchase	Preferred Stock w/Warrants	$41,279,000	Par
12/12/2008	Pacific International Bancorp	Seattle	WA	Purchase	Preferred Stock w/Warrants	$6,500,000	Par
12/12/2008	SVB Financial Group	Santa Clara	CA	Purchase	Preferred Stock w/Warrants	$235,000,000	Par

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
12/12/2008	LNB Bancorp Inc.	Lorain	OH	Purchase	Preferred Stock w/Warrants	$25,223,000	Par
12/12/2008	Wilmington Trust Corporation	Wilmington	DE	Purchase	Preferred Stock w/Warrants	$330,000,000	Par
12/12/2008	Susquehanna Bancshares, Inc	Lititz	PA	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
12/12/2008	Signature Bank	New York	NY	Purchase	Preferred Stock w/Warrants	$120,000,000	Par
12/12/2008	HopFed Bancorp	Hopkinsville	KY	Purchase	Preferred Stock w/Warrants	$18,400,000	Par
12/12/2008	Citizens Republic Bancorp, Inc.	Flint	MI	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
12/12/2008	Indiana Community Bancorp	Columbus	IN	Purchase	Preferred Stock w/Warrants	$21,500,000	Par
12/12/2008	Bank of the Ozarks, Inc.	Little Rock	AR	Purchase	Preferred Stock w/Warrants	$75,000,000	Par
12/12/2008	Center Financial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$55,000,000	Par
12/12/2008	NewBridge Bancorp	Greensboro	NC	Purchase	Preferred Stock w/Warrants	$52,372,000	Par
12/12/2008	Sterling Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/Warrants	$125,198,000	Par
12/12/2008	The Bancorp, Inc.	Wilmington	DE	Purchase	Preferred Stock w/Warrants	$45,220,000	Par
12/12/2008	TowneBank	Portsmouth	VA	Purchase	Preferred Stock w/Warrants	$76,458,000	Par
12/12/2008	Wilshire Bancorp, Inc.	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$62,158,000	Par
12/12/2008	Valley Financial Corporation	Roanoke	VA	Purchase	Preferred Stock w/Warrants	$16,019,000	Par
12/12/2008	Independent Bank Corporation	Ionia	MI	Purchase	Preferred Stock w/Warrants	$72,000,000	Par
12/12/2008	Pinnacle Financial Partners, Inc.	Nashville	TN	Purchase	Preferred Stock w/Warrants	$95,000,000	Par
12/12/2008	First Litchfield Financial Corporation	Litchfield	CT	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
12/12/2008	National Penn Bancshares, Inc.	Boyertown	PA	Purchase	Preferred Stock w/Warrants	$150,000,000	Par
12/12/2008	Northeast Bancorp	Lewiston	ME	Purchase	Preferred Stock w/Warrants	$4,227,000	Par
12/12/2008	Citizens South Banking Corporation	Gastonia	NC	Purchase	Preferred Stock w/Warrants	$20,500,000	Par
12/12/2008	Virginia Commerce Bancorp	Arlington	VA	Purchase	Preferred Stock w/Warrants	$71,000,000	Par
12/12/2008	Fidelity Bancorp, Inc.	Pittsburgh	PA	Purchase	Preferred Stock w/Warrants	$7,000,000	Par
12/12/2008	LSB Corporation	North Andover	MA	Purchase	Preferred Stock w/Warrants	$15,000,000	Par
12/19/2008	Intermountain Community Bancorp	Sandpoint	ID	Purchase	Preferred Stock w/Warrants	$27,000,000	Par
12/19/2008	Community West Bancshares	Goleta	CA	Purchase	Preferred Stock w/Warrants	$15,600,000	Par
12/19/2008	Synovus Financial Corp.	Columbus	GA	Purchase	Preferred Stock w/Warrants	$967,870,000	Par
12/19/2008	Tennessee Commerce Bancorp, Inc.	Franklin	TN	Purchase	Preferred Stock w/Warrants	$30,000,000	Par
12/19/2008	Community Bankers Trust Corporation	Glen Allen	VA	Purchase	Preferred Stock w/Warrants	$17,680,000	Par
12/19/2008	BancTrust Financial Group, Inc.	Mobile	AL	Purchase	Preferred Stock w/Warrants	$50,000,000	Par
12/19/2008	Enterprise Financial Services Corp.	St. Louis	MO	Purchase	Preferred Stock w/Warrants	$35,000,000	Par
12/19/2008	Mid Penn Bancorp, Inc.	Millersburg	PA	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
12/19/2008	Summit State Bank	Santa Rosa	CA	Purchase	Preferred Stock w/Warrants	$8,500,000	Par
12/19/2008	VIST Financial Corp.	Wyomissing	PA	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
12/19/2008	Wainwright Bank & Trust Company	Boston	MA	Purchase	Preferred Stock w/Warrants	$22,000,000	Par
12/19/2008	Whitney Holding Corporation	New Orleans	LA	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
12/19/2008	The Connecticut Bank and Trust Company	Hartford	CT	Purchase	Preferred Stock w/Warrants	$5,448,000	Par
12/19/2008	CoBiz Financial Inc.	Denver	CO	Purchase	Preferred Stock w/Warrants	$64,450,000	Par
12/19/2008	Santa Lucia Bancorp	Atascadero	CA	Purchase	Preferred Stock w/Warrants	$4,000,000	Par
12/19/2008	Seacoast Banking Corporation of Florida	Stuart	FL	Purchase	Preferred Stock w/Warrants	$50,000,000	Par
12/19/2008	Horizon Bancorp	Michigan City	IN	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
12/19/2008	Fidelity Southern Corporation	Atlanta	GA	Purchase	Preferred Stock w/Warrants	$48,200,000	Par
12/19/2008	Community Financial Corporation	Staunton	VA	Purchase	Preferred Stock w/Warrants	$12,643,000	Par
12/19/2008	Berkshire Hills Bancorp, Inc.	Pittsfield	MA	Purchase	Preferred Stock w/Warrants	$40,000,000	Par
12/19/2008	First California Financial Group, Inc	Westlake Village	CA	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
12/19/2008	AmeriServ Financial, Inc	Johnstown	PA	Purchase	Preferred Stock w/Warrants	$21,000,000	Par
12/19/2008	Security Federal Corporation	Aiken	SC	Purchase	Preferred Stock w/Warrants	$18,000,000	Par
12/19/2008	Wintrust Financial Corporation	Lake Forest	IL	Purchase	Preferred Stock w/Warrants	$250,000,000	Par
12/19/2008	Flushing Financial Corporation	Lake Success	NY	Purchase	Preferred Stock w/Warrants	$70,000,000	Par
12/19/2008	Monarch Financial Holdings, Inc.	Chesapeake	VA	Purchase	Preferred Stock w/Warrants	$14,700,000	Par
12/19/2008	StellarOne Corporation	Charlottesville	VA	Purchase	Preferred Stock w/Warrants	$30,000,000	Par

	Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
		Name of Institution	City	State				
	12/19/2008	Union Bankshares Corporation	Bowling Green	VA	Purchase	Preferred Stock w/Warrants	$59,000,000	Par
	12/19/2008	Tidelands Bancshares, Inc	Mt. Pleasant	SC	Purchase	Preferred Stock w/Warrants	$14,448,000	Par
	12/19/2008	Bancorp Rhode Island, Inc.	Providence	RI	Purchase	Preferred Stock w/Warrants	$30,000,000	Par
	12/19/2008	Hawthorn Bancshares, Inc.	Lee's Summit	MO	Purchase	Preferred Stock w/Warrants	$30,255,000	Par
	12/19/2008	The Elmira Savings Bank, FSB	Elmira	NY	Purchase	Preferred Stock w/Warrants	$9,090,000	Par
	12/19/2008	Alliance Financial Corporation	Syracuse	NY	Purchase	Preferred Stock w/Warrants	$26,918,000	Par
	12/19/2008	Heartland Financial USA, Inc.	Dubuque	IA	Purchase	Preferred Stock w/Warrants	$81,698,000	Par
	12/19/2008	Citizens First Corporation	Bowling Green	KY	Purchase	Preferred Stock w/Warrants	$8,779,000	Par
2/	12/19/2008	FFW Corporation	Wabash	IN	Purchase	Preferred Stock w/ Exercised Warrants	$7,289,000	Par
2/	12/19/2008	Plains Capital Corporation	Dallas	TX	Purchase	Preferred Stock w/ Exercised Warrants	$87,631,000	Par
2/	12/19/2008	Tri-County Financial Corporation	Waldorf	MD	Purchase	Preferred Stock w/ Exercised Warrants	$15,540,000	Par
3/	12/19/2008	OneUnited Bank	Boston	MA	Purchase	Preferred Stock	$12,063,000	Par
2/	12/19/2008	Patriot Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/ Exercised Warrants	$26,038,000	Par
2/	12/19/2008	Pacific City Finacial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$16,200,000	Par
2/	12/19/2008	Marquette National Corporation	Chicago	IL	Purchase	Preferred Stock w/ Exercised Warrants	$35,500,000	Par
2/	12/19/2008	Exchange Bank	Santa Rosa	CA	Purchase	Preferred Stock w/ Exercised Warrants	$43,000,000	Par
2/	12/19/2008	Monadnock Bancorp, Inc.	Peterborough	NH	Purchase	Preferred Stock w/ Exercised Warrants	$1,834,000	Par
2/	12/19/2008	Bridgeview Bancorp, Inc.	Bridgeview	IL	Purchase	Preferred Stock w/ Exercised Warrants	$38,000,000	Par
2/	12/19/2008	Fidelity Financial Corporation	Wichita	KS	Purchase	Preferred Stock w/ Exercised Warrants	$36,282,000	Par
2/	12/19/2008	Patapsco Bancorp, Inc.	Dundalk	MD	Purchase	Preferred Stock w/ Exercised Warrants	$6,000,000	Par
2/	12/19/2008	NCAL Bancorp	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
2/	12/19/2008	FCB Bancorp, Inc.	Louisville	KY	Purchase	Preferred Stock w/ Exercised Warrants	$9,294,000	Par
	12/23/2008	First Financial Bancorp	Cincinnati	OH	Purchase	Preferred Stock w/ Warrants	$80,000,000	Par
	12/23/2008	Bridge Capital Holdings	San Jose	CA	Purchase	Preferred Stock w/ Warrants	$23,864,000	Par
	12/23/2008	International Bancshares Corporation	Laredo	TX	Purchase	Preferred Stock w/ Warrants	$216,000,000	Par
	12/23/2008	First Sound Bank	Seattle	WA	Purchase	Preferred Stock w/ Warrants	$7,400,000	Par
	12/23/2008	M&T Bank Corporation	Buffalo	NY	Purchase	Preferred Stock w/ Warrants	$600,000,000	Par
	12/23/2008	Emclaire Financial Corp.	Emlenton	PA	Purchase	Preferred Stock w/ Warrants	$7,500,000	Par
	12/23/2008	Park National Corporation	Newark	OH	Purchase	Preferred Stock w/ Warrants	$100,000,000	Par
	12/23/2008	Green Bankshares, Inc.	Greeneville	TN	Purchase	Preferred Stock w/ Warrants	$72,278,000	Par
	12/23/2008	Cecil Bancorp, Inc.	Elkton	MD	Purchase	Preferred Stock w/ Warrants	$11,560,000	Par
	12/23/2008	Financial Institutions, Inc.	Warsaw	NY	Purchase	Preferred Stock w/ Warrants	$37,515,000	Par
	12/23/2008	Fulton Financial Corporation	Lancaster	PA	Purchase	Preferred Stock w/ Warrants	$376,500,000	Par
	12/23/2008	United Bancorporation of Alabama, Inc.	Atmore	AL	Purchase	Preferred Stock w/ Warrants	$10,300,000	Par
	12/23/2008	MutualFirst Financial, Inc.	Muncie	IN	Purchase	Preferred Stock w/ Warrants	$32,382,000	Par
	12/23/2008	BCSB Bancorp, Inc.	Baltimore	MD	Purchase	Preferred Stock w/ Warrants	$10,800,000	Par
	12/23/2008	HMN Financial, Inc.	Rochester	MN	Purchase	Preferred Stock w/ Warrants	$26,000,000	Par
	12/23/2008	First Community Bank Corporation of America	Pinellas Park	FL	Purchase	Preferred Stock w/ Warrants	$10,685,000	Par
	12/23/2008	Sterling Bancorp	New York	NY	Purchase	Preferred Stock w/ Warrants	$42,000,000	Par
	12/23/2008	Intervest Bancshares Corporation	New York	NY	Purchase	Preferred Stock w/ Warrants	$25,000,000	Par
	12/23/2008	Peoples Bancorp of North Carolina, Inc.	Newton	NC	Purchase	Preferred Stock w/ Warrants	$25,054,000	Par
	12/23/2008	Parkvale Financial Corporation	Monroeville	PA	Purchase	Preferred Stock w/ Warrants	$31,762,000	Par
	12/23/2008	Timberland Bancorp, Inc.	Hoquiam	WA	Purchase	Preferred Stock w/ Warrants	$16,641,000	Par
	12/23/2008	1st Constitution Bancorp	Cranbury	NJ	Purchase	Preferred Stock w/ Warrants	$12,000,000	Par
	12/23/2008	Central Jersey Bancorp	Oakhurst	NJ	Purchase	Preferred Stock w/ Warrants	$11,300,000	Par
2/	12/23/2008	Western Illinois Bancshares Inc.	Monmouth	IL	Purchase	Preferred Stock w/ Exercised Warrants	$6,855,000	Par
2/	12/23/2008	Saigon National Bank	Westminster	CA	Purchase	Preferred Stock w/ Exercised Warrants	$1,549,000	Par
2/	12/23/2008	Capital Pacific Bancorp	Portland	OR	Purchase	Preferred Stock w/ Exercised Warrants	$4,000,000	Par
2/	12/23/2008	Uwharrie Capital Corp	Albemarle	NC	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
3/	12/23/2008	Mission Valley Bancorp	Sun Valley	CA	Purchase	Preferred Stock	$5,500,000	Par
2/	12/23/2008	The Little Bank, Incorporated	Kinston	NC	Purchase	Preferred Stock w/ Exercised Warrants	$7,500,000	Par

	Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
		Name of Institution	City	State				
2/	12/23/2008	Pacific Commerce Bank	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$4,060,000	Par
2/	12/23/2008	Citizens Community Bank	South Hill	VA	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/	12/23/2008	Seacoast Commerce Bank	Chula Vista	CA	Purchase	Preferred Stock w/ Exercised Warrants	$1,800,000	Par
2/	12/23/2008	TCNB Financial Corp.	Dayton	OH	Purchase	Preferred Stock w/ Exercised Warrants	$2,000,000	Par
2/	12/23/2008	Leader Bancorp, Inc.	Arlington	MA	Purchase	Preferred Stock w/ Exercised Warrants	$5,830,000	Par
2/	12/23/2008	Nicolet Bankshares, Inc.	Green Bay	WI	Purchase	Preferred Stock w/ Exercised Warrants	$14,964,000	Par
2/	12/23/2008	Magna Bank	Memphis	TN	Purchase	Preferred Stock w/ Exercised Warrants	$13,795,000	Par
2/	12/23/2008	Western Community Bancshares, Inc.	Palm Desert	CA	Purchase	Preferred Stock w/ Exercised Warrants	$7,290,000	Par
2/	12/23/2008	Community Investors Bancorp, Inc.	Bucyrus	OH	Purchase	Preferred Stock w/ Exercised Warrants	$2,600,000	Par
2/	12/23/2008	Capital Bancorp, Inc.	Rockville	MD	Purchase	Preferred Stock w/ Exercised Warrants	$4,700,000	Par
2/	12/23/2008	Cache Valley Banking Company	Logan	UT	Purchase	Preferred Stock w/ Exercised Warrants	$4,767,000	Par
2/	12/23/2008	Citizens Bancorp	Nevada City	CA	Purchase	Preferred Stock w/ Exercised Warrants	$10,400,000	Par
2/	12/23/2008	Tennessee Valley Financial Holdings, Inc.	Oak Ridge	TN	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/	12/23/2008	Pacific Coast Bankers' Bancshares	San Francisco	CA	Purchase	Preferred Stock w/ Exercised Warrants	$11,600,000	Par
	12/31/2008	SunTrust Banks, Inc.	Atlanta	GA	Purchase	Preferred Stock w/ Warrants	$1,350,000,000	Par
	12/31/2008	The PNC Financial Services Group Inc.	Pittsburgh	PA	Purchase	Preferred Stock w/ Warrants	$7,579,200,000	Par
	12/31/2008	Fifth Third Bancorp	Cincinnati	OH	Purchase	Preferred Stock w/ Warrants	$3,408,000,000	Par
	12/31/2008	Hampton Roads Bankshares, Inc.	Norfolk	VA	Purchase	Preferred Stock w/ Warrants	$80,347,000	Par
	12/31/2008	CIT Group Inc.	New York	NY	Purchase	Preferred Stock w/ Warrants	$2,330,000,000	Par
	12/31/2008	West Bancorporation, Inc.	West Des Moines	IA	Purchase	Preferred Stock w/ Warrants	$36,000,000	Par
2/	12/31/2008	First Banks, Inc.	Clayton	MO	Purchase	Preferred Stock w/ Exercised Warrants	$295,400,000	Par
1/	1/9/2009	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/ Warrants	$10,000,000,000	Par
	1/9/2009	FirstMerit Corporation	Akron	OH	Purchase	Preferred Stock w/ Warrants	$125,000,000	Par
	1/9/2009	Farmers Capital Bank Corporation	Frankfort	KY	Purchase	Preferred Stock w/ Warrants	$30,000,000	Par
	1/9/2009	Peapack-Gladstone Financial Corporation	Gladstone	NJ	Purchase	Preferred Stock w/ Warrants	$28,685,000	Par
	1/9/2009	Commerce National Bank	Newport Beach	CA	Purchase	Preferred Stock w/ Warrants	$5,000,000	Par
	1/9/2009	The First Bancorp, Inc.	Damariscotta	ME	Purchase	Preferred Stock w/ Warrants	$25,000,000	Par
	1/9/2009	Sun Bancorp, Inc.	Vineland	NJ	Purchase	Preferred Stock w/ Warrants	$89,310,000	Par
	1/9/2009	Crescent Financial Corporation	Cary	NC	Purchase	Preferred Stock w/ Warrants	$24,900,000	Par
	1/9/2009	American Express Company	New York	NY	Purchase	Preferred Stock w/ Warrants	$3,388,890,000	Par
	1/9/2009	Central Pacific Financial Corp.	Honolulu	HI	Purchase	Preferred Stock w/ Warrants	$135,000,000	Par
	1/9/2009	Centrue Financial Corporation	St. Louis	MO	Purchase	Preferred Stock w/ Warrants	$32,668,000	Par
	1/9/2009	Eastern Virginia Bankshares, Inc.	Tappahannock	VA	Purchase	Preferred Stock w/ Warrants	$24,000,000	Par
	1/9/2009	Colony Bankcorp, Inc.	Fitzgerald	GA	Purchase	Preferred Stock w/ Warrants	$28,000,000	Par
	1/9/2009	Independent Bank Corp.	Rockland	MA	Purchase	Preferred Stock w/ Warrants	$78,158,000	Par
	1/9/2009	Cadence Financial Corporation	Starkville	MS	Purchase	Preferred Stock w/ Warrants	$44,000,000	Par
	1/9/2009	LCNB Corp.	Lebanon	OH	Purchase	Preferred Stock w/ Warrants	$13,400,000	Par
	1/9/2009	Center Bancorp, Inc.	Union	NJ	Purchase	Preferred Stock w/ Warrants	$10,000,000	Par
	1/9/2009	F.N.B. Corporation	Hermitage	PA	Purchase	Preferred Stock w/ Warrants	$100,000,000	Par
	1/9/2009	C&F Financial Corporation	West Point	VA	Purchase	Preferred Stock w/ Warrants	$20,000,000	Par
	1/9/2009	North Central Bancshares, Inc.	Fort Dodge	IA	Purchase	Preferred Stock w/ Warrants	$10,200,000	Par
	1/9/2009	Carolina Bank Holdings, Inc.	Greensboro	NC	Purchase	Preferred Stock w/ Warrants	$16,000,000	Par
	1/9/2009	First Bancorp	Troy	NC	Purchase	Preferred Stock w/ Warrants	$65,000,000	Par
	1/9/2009	First Financial Service Corporation	Elizabethtown	KY	Purchase	Preferred Stock w/ Warrants	$20,000,000	Par
	1/9/2009	Codorus Valley Bancorp, Inc.	York	PA	Purchase	Preferred Stock w/ Warrants	$16,500,000	Par
	1/9/2009	MidSouth Bancorp, Inc.	Lafayette	LA	Purchase	Preferred Stock w/ Warrants	$20,000,000	Par
	1/9/2009	First Security Group, Inc.	Chattanooga	TN	Purchase	Preferred Stock w/ Warrants	$33,000,000	Par
	1/9/2009	Shore Bancshares, Inc.	Easton	MD	Purchase	Preferred Stock w/ Warrants	$25,000,000	Par
2/	1/9/2009	The Queensborough Company	Louisville	GA	Purchase	Preferred Stock w/ Exercised Warrants	$12,000,000	Par
2/	1/9/2009	American State Bancshares, Inc.	Great Bend	KS	Purchase	Preferred Stock w/ Exercised Warrants	$6,000,000	Par
2/	1/9/2009	Security California Bancorp	Riverside	CA	Purchase	Preferred Stock w/ Exercised Warrants	$6,815,000	Par

	Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
		Name of Institution	City	State				
2/	1/9/2009	Security Business Bancorp	San Diego	CA	Purchase	Preferred Stock w/ Exercised Warrants	$5,803,000	Par
2/	1/9/2009	Sound Banking Company	Morehead City	NC	Purchase	Preferred Stock w/ Exercised Warrants	$3,070,000	Par
3/	1/9/2009	Mission Community Bancorp	San Luis Obispo	CA	Purchase	Preferred Stock	$5,116,000	Par
2/	1/9/2009	Redwood Financial Inc.	Redwood Falls	MN	Purchase	Preferred Stock w/ Exercised Warrants	$2,995,000	Par
2/	1/9/2009	Surrey Bancorp	Mount Airy	NC	Purchase	Preferred Stock w/ Exercised Warrants	$2,000,000	Par
2/	1/9/2009	Independence Bank	East Greenwich	RI	Purchase	Preferred Stock w/ Exercised Warrants	$1,065,000	Par
2/	1/9/2009	Valley Community Bank	Pleasanton	CA	Purchase	Preferred Stock w/ Exercised Warrants	$5,500,000	Par
2/	1/9/2009	Rising Sun Bancorp	Rising Sun	MD	Purchase	Preferred Stock w/ Exercised Warrants	$5,983,000	Par
2/	1/9/2009	Community Trust Financial Corporation	Ruston	LA	Purchase	Preferred Stock w/ Exercised Warrants	$24,000,000	Par
2/	1/9/2009	GrandSouth Bancorporation	Greenville	SC	Purchase	Preferred Stock w/ Exercised Warrants	$9,000,000	Par
2/	1/9/2009	Texas National Bancorporation	Jacksonville	TX	Purchase	Preferred Stock w/ Exercised Warrants	$3,981,000	Par
2/	1/9/2009	Congaree Bancshares, Inc.	Cayce	SC	Purchase	Preferred Stock w/ Exercised Warrants	$3,285,000	Par
2/	1/9/2009	New York Private Bank & Trust Corporation	New York	NY	Purchase	Preferred Stock w/ Exercised Warrants	$267,274,000	Par
	1/16/2009	Home Bancshares, Inc.	Conway	AR	Purchase	Preferred Stock w/ Warrants	$50,000,000	Par
	1/16/2009	Washington Banking Company/ Whidbey Island Bank	Oak Harbor	WA	Purchase	Preferred Stock w/ Warrants	$26,380,000	Par
	1/16/2009	New Hampshire Thrift Bancshares, Inc.	Newport	NH	Purchase	Preferred Stock w/ Warrants	$10,000,000	Par
	1/16/2009	Bar Harbor Bankshares/Bar Harbor Bank & Trust	Bar Harbor	ME	Purchase	Preferred Stock w/ Warrants	$18,751,000	Par
	1/16/2009	Somerset Hills Bancorp	Bernardsville	NJ	Purchase	Preferred Stock w/ Warrants	$7,414,000	Par
	1/16/2009	SCBT Financial Corporation	Columbia	SC	Purchase	Preferred Stock w/ Warrants	$64,779,000	Par
	1/16/2009	S&T Bancorp	Indiana	PA	Purchase	Preferred Stock w/ Warrants	$108,676,000	Par
	1/16/2009	ECB Bancorp, Inc./East Carolina Bank	Engelhard	NC	Purchase	Preferred Stock w/ Warrants	$17,949,000	Par
	1/16/2009	First BanCorp	San Juan	PR	Purchase	Preferred Stock w/ Warrants	$400,000,000	Par
	1/16/2009	Texas Capital Bancshares, Inc.	Dallas	TX	Purchase	Preferred Stock w/ Warrants	$75,000,000	Par
	1/16/2009	Yadkin Valley Financial Corporation	Elkin	NC	Purchase	Preferred Stock w/ Warrants	$36,000,000	Par
3/	1/16/2009	Carver Bancorp, Inc	New York	NY	Purchase	Preferred Stock	$18,980,000	Par
	1/16/2009	Citizens & Northern Corporation	Wellsboro	PA	Purchase	Preferred Stock w/ Warrants	$26,440,000	Par
	1/16/2009	MainSource Financial Group, Inc.	Greensburg	IN	Purchase	Preferred Stock w/ Warrants	$57,000,000	Par
	1/16/2009	MetroCorp Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/ Warrants	$45,000,000	Par
	1/16/2009	United Bancorp, Inc.	Tecumseh	MI	Purchase	Preferred Stock w/ Warrants	$20,600,000	Par
	1/16/2009	Old Second Bancorp, Inc.	Aurora	IL	Purchase	Preferred Stock w/ Warrants	$73,000,000	Par
	1/16/2009	Pulaski Financial Corp	Creve Coeur	MO	Purchase	Preferred Stock w/ Warrants	$32,538,000	Par
	1/16/2009	OceanFirst Financial Corp.	Toms River	NJ	Purchase	Preferred Stock w/ Warrants	$38,263,000	Par
2/	1/16/2009	Community 1st Bank	Roseville	CA	Purchase	Preferred Stock w/ Exercised Warrants	$2,550,000	Par
2/	1/16/2009	TCB Holding Company, Texas Community Bank	The Woodlands	TX	Purchase	Preferred Stock w/ Exercised Warrants	$11,730,000	Par
2/	1/16/2009	Centra Financial Holdings, Inc./Centra Bank, Inc.	Morgantown	WV	Purchase	Preferred Stock w/ Exercised Warrants	$15,000,000	Par
2/	1/16/2009	First Bankers Trustshares, Inc.	Quincy	IL	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
2/	1/16/2009	Pacific Coast National Bancorp	San Clemente	CA	Purchase	Preferred Stock w/ Exercised Warrants	$4,120,000	Par
3/	1/16/2009	Community Bank of the Bay	Oakland	CA	Purchase	Preferred Stock	$1,747,000	Par
2/	1/16/2009	Redwood Capital Bancorp	Eureka	CA	Purchase	Preferred Stock w/ Exercised Warrants	$3,800,000	Par
2/	1/16/2009	Syringa Bancorp	Boise	ID	Purchase	Preferred Stock w/ Exercised Warrants	$8,000,000	Par
2/	1/16/2009	Idaho Bancorp	Boise	ID	Purchase	Preferred Stock w/ Exercised Warrants	$6,900,000	Par
2/	1/16/2009	Puget Sound Bank	Bellevue	WA	Purchase	Preferred Stock w/ Exercised Warrants	$4,500,000	Par
2/	1/16/2009	United Financial Banking Companies, Inc.	Vienna	VA	Purchase	Preferred Stock w/ Exercised Warrants	$5,658,000	Par
2/	1/16/2009	Dickinson Financial Corporation II	Kansas City	MO	Purchase	Preferred Stock w/ Exercised Warrants	$146,053,000	Par
2/	1/16/2009	The Baraboo Bancorporation	Baraboo	WI	Purchase	Preferred Stock w/ Exercised Warrants	$20,749,000	Par
2/	1/16/2009	Bank of Commerce	Charlotte	NC	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/	1/16/2009	State Bankshares, Inc.	Fargo	ND	Purchase	Preferred Stock w/ Exercised Warrants	$50,000,000	Par
2/	1/16/2009	BNCCORP, Inc.	Bismarck	ND	Purchase	Preferred Stock w/ Exercised Warrants	$20,093,000	Par
2/	1/16/2009	First Manitowoc Bancorp, Inc.	Manitowoc	WI	Purchase	Preferred Stock w/ Exercised Warrants	$12,000,000	Par
3/	1/16/2009	Southern Bancorp, Inc.	Arkadelphia	AR	Purchase	Preferred Stock	$11,000,000	Par
2/	1/16/2009	Morrill Bancshares, Inc.	Merriam	KS	Purchase	Preferred Stock w/ Exercised Warrants	$13,000,000	Par

	Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
		Name of Institution	City	State				
2/	1/16/2009	Treaty Oak Bancorp, Inc.	Austin	TX	Purchase	Preferred Stock w/ Exercised Warrants	$3,268,000	Par

TOTAL $193,791,036,000

1/ This transaction was included in previous Transaction Reports with Merrill Lynch & Co., Inc. listed as the qualifying institution and a 10/28/2008 transaction date, footnoted to indicate that settlement was deferred pending merger. The purchase of Merrill Lynch by Bank of America was completed on 1/1/2009, and this transaction under the CPP was funded on 1/9/2009.
2/ Privately-held qualified financial institution; Treasury received a warrant to purchase additional shares of preferred stock, which it exercised immediately.
3/ To promote community development financial institutions (CDFIs), Treasury did not require warrants as part of its investment.

SYSTEMICALLY SIGNIFICANT FAILING INSTITUTIONS

	Seller						
Date	Name of Institution	City	State	Transaction Type	Description	Price Paid	Pricing Mechanism
11/25/2008	AIG	New York	NY	Purchase	Preferred Stock w/ Warrants	$40,000,000,000	Par

AUTOMOTIVE INDUSTRY FINANCING PROGRAM

		Seller						
	Date	Name of Institution	City	State	Transaction Type	Description	Amount	Pricing Mechanism
	12/29/2008	GMAC LLC	Detroit	MI	Purchase	Preferred Stock w/ Exercised Warrants	$5,000,000,000	Liquidation Preference
1/	12/29/2008	General Motors Corporation	Detroit	MI	Purchase	Debt Obligation	$884,024,131	N/A
2/	12/31/2008	General Motors Corporation	Detroit	MI	Purchase	Debt Obligation w/ Warrants and Additional Note	$9,400,000,000	N/A
	1/2/2009	Chrysler Holding LLC	Auburn Hills	MI	Purchase	Debt Obligation w/ Additional Note	$4,000,000,000	N/A
3/	1/16/2009	Chrysler Financial Services Americas LLC	Farmington Hills	MI	Purchase	Debt Obligation w/ Additional Note	$1,500,000,000	N/A
						TOTAL	$20,784,024,131	

1/ Treasury committed to lend General Motors Corporation up to $1,000,000,000. The ultimate level of funding was dependent upon the level of investor participation in GMAC LLC's rights offering. The Amount has been updated to reflect the final level of funding.

2/ The Amount includes $4,000,000,000 funded on December 31, 2008, and $5,400,000,000 funded on January 21, 2009; it does not include an additional loan of $4,000,000,000, which is contingent on Treasury's authority under section 115(a) of EESA.

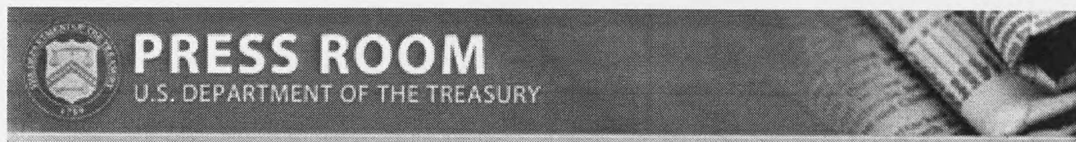
3/ The loan was funded through Chrysler LB Receivables Trust, a special purpose vehicle created by Chrysler Financial. The Amount of $1,500,000,000 represents the maximum loan amount. The loan will be incrementally funded.

TARGETED INVESTMENT PROGRAM

	Seller						
Date	Name of Institution	City	State	Transaction Type	Description	Price Paid	Pricing Mechanism
12/31/2008	Citigroup Inc.	New York	NY	Purchase	Preferred Stock w/ Warrants	$20,000,000,000	Par
1/16/2009	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/ Warrants	$20,000,000,000	Par
					TOTAL	$40,000,000,000	

ASSET GUARANTEE PROGRAM

	Seller						
Date	Name of Institution	City	State	Transaction Type	Description	Guarantee Limit	Premium Received
1/16/2009	Citigroup Inc.	New York	NY	Guarantee	Second-Loss Guarantee on Asset Pool	$5,000,000,000	Preferred Stock and Warrants
					TOTAL	$5,000,000,000	



January 26, 2009
TG-01

Remarks of Secretary Timothy Geithner
Swearing-In Ceremony
January 26, 2009

Thank you Mr. President.

Thank you Mr. Vice President.

And thanks to my many friends and colleagues for being here this evening.

My wife, Carole, stood beside me as I took this oath of office, as she has before in this building. I want to thank her for extraordinary grace and support. She has a remarkable capacity for calm wisdom and empathy. Our children Elise and Benjamin are back at school in New York doing their mid term exams. I miss them and am proud of them.

I am very pleased that my father, Peter Geithner, and my brother David are here, representing my terrific family. My father gave me, among many wonderful things, the important gift of showing me the world as a child. He took us to live in Zambia and Rhodesia, then to India and Thailand, and from those places I saw America through the eyes of others. It was that experience -- seeing first hand the extraordinary influence of American policy on the world -- that led me to work in government.

I first walked into this building about 20 years ago.

I had at Treasury the wonderful experience of working with smart and dedicated people working for their country, with the shared goal of making government more effective, improving the results produced by policy, in an environment where our obligation was to debate the merits, to do what was right not what was expedient, drawing on the best ideas and expertise.

Treasury's tradition is to defend the integrity of policy, to respect the constraints imposed by limited resources, and to limit government intervention to where it is essential to protect our financial system and improve the lives of the American people.

That tradition is important today, but because it is that tradition of credibility that makes it possible for governments to do what is necessary to resolve a crisis. In the world we confront today, Treasury has to be a source of initiative, not just a reminder of the constraints of reality.

We are at a moment of maximum challenge for our economy and our country.

Our agenda is to move quickly to help you do what the country asked you to do.

To launch the programs that will bring economic recovery sooner, to make our economy more productive, to restore trust in our financial system with fundamental reform, to make our tax system better at rewarding work and investment, more fair and more simple.

And to restore confidence in America's economic leadership around the world.

I pledge all of my ability to help you meet that challenge and to restore to all Americans the promise of a better future.

Mr. President, I am deeply grateful for your trust and confidence.

We will work our hearts out for you.

Thank you for giving me this great privilege of working for you.

-30-

January 27, 2009
tg-02

**Treasury Secretary Opens Term Opens With New Rules
To Bolster Transparency, Limit
Lobbyist Influence in Federal investment Decisions**

Washington, DC – In light of President Barack Obama's firm commitment to transparency, accountability and oversight in our government's approach to stabilizing the financial system, U.S. Treasury Secretary Tim Geithner today announced several key reforms to the Emergency Economic Stabilization Act (EESA). As one of his first acts as the 75th Treasury Secretary, Secretary Geithner outlined new, stepped up rules designed to limit the influence of lobbyists and special interests in the EESA process and ensure that investment decisions are guided by objective assessments in the best interest of the health and stability of the financial system.

"American taxpayers deserve to know that their money is spent in the most effective way to stabilize the financial system. Today's actions reaffirm our commitment toward that goal," said Secretary Geithner.

Today's announcement builds on several reforms to the EESA previously outlined by President Obama, including monitoring and tracking lending patterns by financial institutions, limiting executive compensation, and preventing shareholders from being unduly rewarded at taxpayer expense. These new rules go beyond the approach taken under the EESA to date and will help ensure a new level of openness and accountability going forward.

The new rules include:

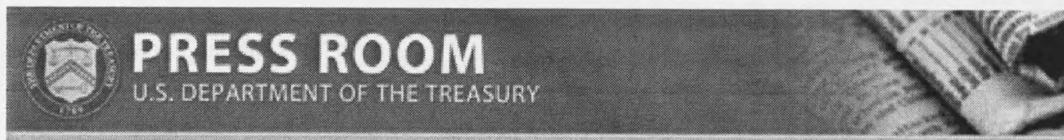
Combating lobbyist influence in the EESA process: The Treasury Department will implement safeguards to prevent lobbyist influence over the program, including restricting contacts with lobbyists in connection with applications for, or disbursements of, EESA funds.

Keeping politics out of funding decisions: The Treasury Department will ensure that political influence does not interfere with EESA decision making, using as a model for these protections the limits on political influence over tax matters.

Certification to Congress on objective decision making: In reporting to Congress, the Office of Financial Stability (OFS) will certify that each investment decision is based only on investment criteria and the facts of the case.

The investment process will be transparent and based on objective criteria:

- Only banks recommended by the primary bank regulator will be eligible for capital investments.
- OFS will publish a detailed description of the investment review process undertaken by the regulators and OFS.
- The Treasury Department will ensure adequate resources exist to process applications as quickly as possible with priority to the date of the application as received by OFS and will formulate procedures to ensure integrity and regularity in the application process.



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January 27, 2009
tg-03

Treasury Provides Funding to Bolster Healthy, Local Banks

Capital Purchase Program Funds 23 Banks to Help Meet Lending Needs of Local Consumers, Businesses

Washington, DC - The U.S. Treasury Department today announced investments of approximately $386 million in 23 banks across the nation as part of its Capital Purchase Program (CPP), a means to directly infuse capital into healthy, viable banks with the goal of increasing the flow of financing available to small businesses and consumers. **With additional capital, banks** are better able to meet the lending needs of their customers, and businesses have greater access to the credit that they need to keep operating and growing.

Since its inception in October 2008, Treasury has strengthened regional, small and large financial institutions as well as Community Development Financial Institutions through total CPP investments of $194.2 billion in 317 institutions in 43 states and Puerto Rico. To date, the largest investment was $25 billion and the smallest investment was approximately $1 million.

Among the most recent banks to receive Treasury funding through the CPP is the United Labor Bank, which provides cash management services to unions, multi-family lending and small commercial real estate loans throughout California.

"With the addition of this capital, we will expand our branch network from five branches to seven or eight in the Pacific Northwest. We also plan to expand our lending platform with the addition of residential loan products. Our lending goals for the 2009 business year will exceed $50 million of new loan growth," said Malcolm Hotchkiss, President and Chief Executive Officer, First ULB Corp and United Labor Bank.

Under the CPP, Treasury is purchasing up to a total of $250 billion of senior preferred shares from viable U.S. financial institutions such as those announced today. Institutions that participate in the CPP must comply with restrictions on executive compensation during the period that Treasury holds equity issued through the CPP and agree to limitations on dividends and stock repurchases. Banks participating in the CPP will pay the Treasury a five percent dividend on senior preferred shares for the first five years following the investment and a rate of nine percent per year thereafter. Banks may repay Treasury under the conditions established in the purchase agreements, and Treasury may sell these shares when market conditions stabilize. Further information about the terms of the program, including weekly transactions, can be found at http://www.treas.gov/initiatives/eesa/.

The following is a complete list of banks receiving funding on January 23, 2009:

Arkansas	
Liberty Bancshares, Inc.	$57,500,000
California	
California Oaks State Bank	$3,300,000
Calwest Bancorp/South County Bank	$4,656,000
Commonwealth Business Bank	$7,701,000

First ULB Corp.	$4,900,000
Fresno First Bank	$1,968,000
Delaware	
WSFS Financial Corporation	$52,625,000
Florida	
Alarion Financial Services, Inc.	$6,514,000
Seaside National Bank & Trust	$5,677,000
Illinois	
Midland States Bancorp, Inc.	$10,189,000
Princeton National Bancorp, Inc.	$25,083,000
Southern Illinois Bancorp, Inc.	$5,000,000
Indiana	
1st Source Corporation	$111,000,000
Louisiana	
FPB Financial Corp	$3,240,000
Minnesota	
Crosstown Holding Company/21st Century Bank	$10,650,000
Missouri	
Calvert Financial Corporation	$1,037,000
Mississippi	
BankFirst Capital Corporation	$15,500,000
North Carolina	
AB&T Financial Corporation	$3,500,000
Ohio	
First Citizens Banc Corp	$23,184,000
Pennsylvania	
Stonebridge Financial Corp.	$10,973,000
Tennessee	
Moscow Bancshares, Inc.	$6,216,000
Virginia	
Farmers Bank	$8,752,000
Washington	
Pierce County Bancorp	$6,800,000

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REPORTS

- Transaction Report (1/27/2009)

U.S. Treasury Department
Office of Financial Stability

Troubled Asset Relief Program

Transactions Report

For Period Ending January 23, 2009

CAPITAL PURCHASE PROGRAM

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
10/28/2008	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/Warrants	$15,000,000,000	Par
10/28/2008	Bank of New York Mellon Corporation	New York	NY	Purchase	Preferred Stock w/Warrants	$3,000,000,000	Par
10/28/2008	Citigroup Inc.	New York	NY	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
10/28/2008	The Goldman Sachs Group, Inc.	New York	NY	Purchase	Preferred Stock w/Warrants	$10,000,000,000	Par
10/28/2008	JPMorgan Chase & Co.	New York	NY	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
10/28/2008	Morgan Stanley	New York	NY	Purchase	Preferred Stock w/Warrants	$10,000,000,000	Par
10/28/2008	State Street Corporation	Boston	MA	Purchase	Preferred Stock w/Warrants	$2,000,000,000	Par
10/28/2008	Wells Fargo & Company	San Francisco	CA	Purchase	Preferred Stock w/Warrants	$25,000,000,000	Par
11/14/2008	Bank of Commerce Holdings	Redding	CA	Purchase	Preferred Stock w/Warrants	$17,000,000	Par
11/14/2008	1st FS Corporation	Hendersonville	NC	Purchase	Preferred Stock w/Warrants	$16,369,000	Par
11/14/2008	UCBH Holdings, Inc.	San Francisco	CA	Purchase	Preferred Stock w/Warrants	$298,737,000	Par
11/14/2008	Northern Trust Corporation	Chicago	IL	Purchase	Preferred Stock w/Warrants	$1,576,000,000	Par
11/14/2008	SunTrust Banks, Inc.	Atlanta	GA	Purchase	Preferred Stock w/Warrants	$3,500,000,000	Par
11/14/2008	Broadway Financial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$9,000,000	Par
11/14/2008	Washington Federal Inc.	Seattle	WA	Purchase	Preferred Stock w/Warrants	$200,000,000	Par
11/14/2008	BB&T Corp.	Winston-Salem	NC	Purchase	Preferred Stock w/Warrants	$3,133,640,000	Par
11/14/2008	Provident Bancshares Corp.	Baltimore	MD	Purchase	Preferred Stock w/Warrants	$151,500,000	Par
11/14/2008	Umpqua Holdings Corp.	Portland	OR	Purchase	Preferred Stock w/Warrants	$214,181,000	Par
11/14/2008	Comerica Inc.	Dallas	TX	Purchase	Preferred Stock w/Warrants	$2,250,000,000	Par
11/14/2008	Regions Financial Corp.	Birmingham	AL	Purchase	Preferred Stock w/Warrants	$3,500,000,000	Par
11/14/2008	Capital One Financial Corporation	McLean	VA	Purchase	Preferred Stock w/Warrants	$3,555,199,000	Par
11/14/2008	First Horizon National Corporation	Memphis	TN	Purchase	Preferred Stock w/Warrants	$866,540,000	Par
11/14/2008	Huntington Bancshares	Columbus	OH	Purchase	Preferred Stock w/Warrants	$1,398,071,000	Par
11/14/2008	KeyCorp	Cleveland	OH	Purchase	Preferred Stock w/Warrants	$2,500,000,000	Par
11/14/2008	Valley National Bancorp	Wayne	NJ	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
11/14/2008	Zions Bancorporation	Salt Lake City	UT	Purchase	Preferred Stock w/Warrants	$1,400,000,000	Par
11/14/2008	Marshall & Ilsley Corporation	Milwaukee	WI	Purchase	Preferred Stock w/Warrants	$1,715,000,000	Par
11/14/2008	U.S. Bancorp	Minneapolis	MN	Purchase	Preferred Stock w/Warrants	$6,599,000,000	Par
11/14/2008	TCF Financial Corporation	Wayzata	MN	Purchase	Preferred Stock w/Warrants	$361,172,000	Par
11/21/2008	First Niagara Financial Group	Lockport	NY	Purchase	Preferred Stock w/Warrants	$184,011,000	Par
11/21/2008	HF Financial Corp.	Sioux Falls	SD	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
11/21/2008	Centerstate Banks of Florida Inc.	Davenport	FL	Purchase	Preferred Stock w/Warrants	$27,875,000	Par
11/21/2008	City National Corporation	Beverly Hills	CA	Purchase	Preferred Stock w/Warrants	$400,000,000	Par
11/21/2008	First Community Bankshares Inc.	Bluefield	VA	Purchase	Preferred Stock w/Warrants	$41,500,000	Par
11/21/2008	Western Alliance Bancorporation	Las Vegas	NV	Purchase	Preferred Stock w/Warrants	$140,000,000	Par
11/21/2008	Webster Financial Corporation	Waterbury	CT	Purchase	Preferred Stock w/Warrants	$400,000,000	Par
11/21/2008	Pacific Capital Bancorp	Santa Barbara	CA	Purchase	Preferred Stock w/Warrants	$180,634,000	Par
11/21/2008	Heritage Commerce Corp.	San Jose	CA	Purchase	Preferred Stock w/Warrants	$40,000,000	Par
11/21/2008	Ameris Bancorp	Moultrie	GA	Purchase	Preferred Stock w/Warrants	$52,000,000	Par
11/21/2008	Porter Bancorp Inc.	Louisville	KY	Purchase	Preferred Stock w/Warrants	$35,000,000	Par

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
11/21/2008	Banner Corporation	Walla Walla	WA	Purchase	Preferred Stock w/Warrants	$124,000,000	Par
11/21/2008	Cascade Financial Corporation	Everett	WA	Purchase	Preferred Stock w/Warrants	$38,970,000	Par
11/21/2008	Columbia Banking System, Inc.	Tacoma	WA	Purchase	Preferred Stock w/Warrants	$76,898,000	Par
11/21/2008	Heritage Financial Corporation	Olympia	WA	Purchase	Preferred Stock w/Warrants	$24,000,000	Par
11/21/2008	First PacTrust Bancorp, Inc.	Chula Vista	CA	Purchase	Preferred Stock w/Warrants	$19,300,000	Par
11/21/2008	Severn Bancorp, Inc.	Annapolis	MD	Purchase	Preferred Stock w/Warrants	$23,393,000	Par
11/21/2008	Boston Private Financial Holdings, Inc.	Boston	MA	Purchase	Preferred Stock w/Warrants	$154,000,000	Par
11/21/2008	Associated Banc-Corp	Green Bay	WI	Purchase	Preferred Stock w/Warrants	$525,000,000	Par
11/21/2008	Trustmark Corporation	Jackson	MS	Purchase	Preferred Stock w/Warrants	$215,000,000	Par
11/21/2008	First Community Corporation	Lexington	SC	Purchase	Preferred Stock w/Warrants	$11,350,000	Par
11/21/2008	Taylor Capital Group	Rosemont	IL	Purchase	Preferred Stock w/Warrants	$104,823,000	Par
11/21/2008	Nara Bancorp, Inc.	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$67,000,000	Par
12/5/2008	Midwest Banc Holdings, Inc.	Melrose Park	IL	Purchase	Preferred Stock w/Warrants	$84,784,000	Par
12/5/2008	MB Financial Inc.	Chicago	IL	Purchase	Preferred Stock w/Warrants	$196,000,000	Par
12/5/2008	First Midwest Bancorp, Inc.	Itasca	IL	Purchase	Preferred Stock w/Warrants	$193,000,000	Par
12/5/2008	United Community Banks, Inc.	Blairsville	GA	Purchase	Preferred Stock w/Warrants	$180,000,000	Par
12/5/2008	Wesbanco Bank Inc.	Wheeling	WV	Purchase	Preferred Stock w/Warrants	$75,000,000	Par
12/5/2008	Encore Bancshares Inc.	Houston	TX	Purchase	Preferred Stock w/Warrants	$34,000,000	Par
12/5/2008	Manhattan Bancorp	El Segundo	CA	Purchase	Preferred Stock w/Warrants	$1,700,000	Par
12/5/2008	Iberiabank Corporation	Lafayette	LA	Purchase	Preferred Stock w/Warrants	$90,000,000	Par
12/5/2008	Eagle Bancorp, Inc.	Bethesda	MD	Purchase	Preferred Stock w/Warrants	$38,235,000	Par
12/5/2008	Sandy Spring Bancorp, Inc.	Olney	MD	Purchase	Preferred Stock w/Warrants	$83,094,000	Par
12/5/2008	Coastal Banking Company, Inc.	Fernandina Beach	FL	Purchase	Preferred Stock w/Warrants	$9,950,000	Par
12/5/2008	East West Bancorp	Pasadena	CA	Purchase	Preferred Stock w/Warrants	$306,546,000	Par
12/5/2008	South Financial Group, Inc.	Greenville	SC	Purchase	Preferred Stock w/Warrants	$347,000,000	Par
12/5/2008	Great Southern Bancorp	Springfield	MO	Purchase	Preferred Stock w/Warrants	$58,000,000	Par
12/5/2008	Cathay General Bancorp	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$258,000,000	Par
12/5/2008	Southern Community Financial Corp.	Winston-Salem	NC	Purchase	Preferred Stock w/Warrants	$42,750,000	Par
12/5/2008	CVB Financial Corp	Ontario	CA	Purchase	Preferred Stock w/Warrants	$130,000,000	Par
12/5/2008	First Defiance Financial Corp.	Defiance	OH	Purchase	Preferred Stock w/Warrants	$37,000,000	Par
12/5/2008	First Financial Holdings Inc.	Charleston	SC	Purchase	Preferred Stock w/Warrants	$65,000,000	Par
12/5/2008	Superior Bancorp Inc.	Birmingham	AL	Purchase	Preferred Stock w/Warrants	$69,000,000	Par
12/5/2008	Southwest Bancorp, Inc.	Stillwater	OK	Purchase	Preferred Stock w/Warrants	$70,000,000	Par
12/5/2008	Popular, Inc.	San Juan	PR	Purchase	Preferred Stock w/Warrants	$935,000,000	Par
12/5/2008	Blue Valley Ban Corp	Overland Park	KS	Purchase	Preferred Stock w/Warrants	$21,750,000	Par
12/5/2008	Central Federal Corporation	Fairlawn	OH	Purchase	Preferred Stock w/Warrants	$7,225,000	Par
12/5/2008	Bank of Marin Bancorp	Novato	CA	Purchase	Preferred Stock w/Warrants	$28,000,000	Par
12/5/2008	Bank of North Carolina	Thomasville	NC	Purchase	Preferred Stock w/Warrants	$31,260,000	Par
12/5/2008	Central Bancorp, Inc.	Somerville	MA	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
12/5/2008	Southern Missouri Bancorp, Inc.	Poplar Bluff	MO	Purchase	Preferred Stock w/Warrants	$9,550,000	Par
12/5/2008	State Bancorp, Inc.	Jericho	NY	Purchase	Preferred Stock w/Warrants	$36,842,000	Par
12/5/2008	TIB Financial Corp	Naples	FL	Purchase	Preferred Stock w/Warrants	$37,000,000	Par
12/5/2008	Unity Bancorp, Inc.	Clinton	NJ	Purchase	Preferred Stock w/Warrants	$20,649,000	Par
12/5/2008	Old Line Bancshares, Inc.	Bowie	MD	Purchase	Preferred Stock w/Warrants	$7,000,000	Par
12/5/2008	FPB Bancorp, Inc.	Port St. Lucie	FL	Purchase	Preferred Stock w/Warrants	$5,800,000	Par
12/5/2008	Sterling Financial Corporation	Spokane	WA	Purchase	Preferred Stock w/Warrants	$303,000,000	Par
12/5/2008	Oak Valley Bancorp	Oakdale	CA	Purchase	Preferred Stock w/Warrants	$13,500,000	Par
12/12/2008	Old National Bancorp	Evansville	IN	Purchase	Preferred Stock w/Warrants	$100,000,000	Par
12/12/2008	Capital Bank Corporation	Raliegh	NC	Purchase	Preferred Stock w/Warrants	$41,279,000	Par
12/12/2008	Pacific International Bancorp	Seattle	WA	Purchase	Preferred Stock w/Warrants	$6,500,000	Par
12/12/2008	SVB Financial Group	Santa Clara	CA	Purchase	Preferred Stock w/Warrants	$235,000,000	Par

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
12/12/2008	LNB Bancorp Inc.	Lorain	OH	Purchase	Preferred Stock w/Warrants	$25,223,000	Par
12/12/2008	Wilmington Trust Corporation	Wilmington	DE	Purchase	Preferred Stock w/Warrants	$330,000,000	Par
12/12/2008	Susquehanna Bancshares, Inc	Lititz	PA	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
12/12/2008	Signature Bank	New York	NY	Purchase	Preferred Stock w/Warrants	$120,000,000	Par
12/12/2008	HopFed Bancorp	Hopkinsville	KY	Purchase	Preferred Stock w/Warrants	$18,400,000	Par
12/12/2008	Citizens Republic Bancorp, Inc.	Flint	MI	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
12/12/2008	Indiana Community Bancorp	Columbus	IN	Purchase	Preferred Stock w/Warrants	$21,500,000	Par
12/12/2008	Bank of the Ozarks, Inc.	Little Rock	AR	Purchase	Preferred Stock w/Warrants	$75,000,000	Par
12/12/2008	Center Financial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$55,000,000	Par
12/12/2008	NewBridge Bancorp	Greensboro	NC	Purchase	Preferred Stock w/Warrants	$52,372,000	Par
12/12/2008	Sterling Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/Warrants	$125,198,000	Par
12/12/2008	The Bancorp, Inc.	Wilmington	DE	Purchase	Preferred Stock w/Warrants	$45,220,000	Par
12/12/2008	TowneBank	Portsmouth	VA	Purchase	Preferred Stock w/Warrants	$76,458,000	Par
12/12/2008	Wilshire Bancorp, Inc.	Los Angeles	CA	Purchase	Preferred Stock w/Warrants	$62,158,000	Par
12/12/2008	Valley Financial Corporation	Roanoke	VA	Purchase	Preferred Stock w/Warrants	$16,019,000	Par
12/12/2008	Independent Bank Corporation	Ionia	MI	Purchase	Preferred Stock w/Warrants	$72,000,000	Par
12/12/2008	Pinnacle Financial Partners, Inc.	Nashville	TN	Purchase	Preferred Stock w/Warrants	$95,000,000	Par
12/12/2008	First Litchfield Financial Corporation	Litchfield	CT	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
12/12/2008	National Penn Bancshares, Inc.	Boyertown	PA	Purchase	Preferred Stock w/Warrants	$150,000,000	Par
12/12/2008	Northeast Bancorp	Lewiston	ME	Purchase	Preferred Stock w/Warrants	$4,227,000	Par
12/12/2008	Citizens South Banking Corporation	Gastonia	NC	Purchase	Preferred Stock w/Warrants	$20,500,000	Par
12/12/2008	Virginia Commerce Bancorp	Arlington	VA	Purchase	Preferred Stock w/Warrants	$71,000,000	Par
12/12/2008	Fidelity Bancorp, Inc.	Pittsburgh	PA	Purchase	Preferred Stock w/Warrants	$7,000,000	Par
12/12/2008	LSB Corporation	North Andover	MA	Purchase	Preferred Stock w/Warrants	$15,000,000	Par
12/19/2008	Intermountain Community Bancorp	Sandpoint	ID	Purchase	Preferred Stock w/Warrants	$27,000,000	Par
12/19/2008	Community West Bancshares	Goleta	CA	Purchase	Preferred Stock w/Warrants	$15,600,000	Par
12/19/2008	Synovus Financial Corp.	Columbus	GA	Purchase	Preferred Stock w/Warrants	$967,870,000	Par
12/19/2008	Tennessee Commerce Bancorp, Inc.	Franklin	TN	Purchase	Preferred Stock w/Warrants	$30,000,000	Par
12/19/2008	Community Bankers Trust Corporation	Glen Allen	VA	Purchase	Preferred Stock w/Warrants	$17,680,000	Par
12/19/2008	BancTrust Financial Group, Inc.	Mobile	AL	Purchase	Preferred Stock w/Warrants	$50,000,000	Par
12/19/2008	Enterprise Financial Services Corp.	St. Louis	MO	Purchase	Preferred Stock w/Warrants	$35,000,000	Par
12/19/2008	Mid Penn Bancorp, Inc.	Millersburg	PA	Purchase	Preferred Stock w/Warrants	$10,000,000	Par
12/19/2008	Summit State Bank	Santa Rosa	CA	Purchase	Preferred Stock w/Warrants	$8,500,000	Par
12/19/2008	VIST Financial Corp.	Wyomissing	PA	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
12/19/2008	Wainwright Bank & Trust Company	Boston	MA	Purchase	Preferred Stock w/Warrants	$22,000,000	Par
12/19/2008	Whitney Holding Corporation	New Orleans	LA	Purchase	Preferred Stock w/Warrants	$300,000,000	Par
12/19/2008	The Connecticut Bank and Trust Company	Hartford	CT	Purchase	Preferred Stock w/Warrants	$5,448,000	Par
12/19/2008	CoBiz Financial Inc.	Denver	CO	Purchase	Preferred Stock w/Warrants	$64,450,000	Par
12/19/2008	Santa Lucia Bancorp	Atascadero	CA	Purchase	Preferred Stock w/Warrants	$4,000,000	Par
12/19/2008	Seacoast Banking Corporation of Florida	Stuart	FL	Purchase	Preferred Stock w/Warrants	$50,000,000	Par
12/19/2008	Horizon Bancorp	Michigan City	IN	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
12/19/2008	Fidelity Southern Corporation	Atlanta	GA	Purchase	Preferred Stock w/Warrants	$48,200,000	Par
12/19/2008	Community Financial Corporation	Staunton	VA	Purchase	Preferred Stock w/Warrants	$12,643,000	Par
12/19/2008	Berkshire Hills Bancorp, Inc.	Pittsfield	MA	Purchase	Preferred Stock w/Warrants	$40,000,000	Par
12/19/2008	First California Financial Group, Inc	Westlake Village	CA	Purchase	Preferred Stock w/Warrants	$25,000,000	Par
12/19/2008	AmeriServ Financial, Inc	Johnstown	PA	Purchase	Preferred Stock w/Warrants	$21,000,000	Par
12/19/2008	Security Federal Corporation	Aiken	SC	Purchase	Preferred Stock w/Warrants	$18,000,000	Par
12/19/2008	Wintrust Financial Corporation	Lake Forest	IL	Purchase	Preferred Stock w/Warrants	$250,000,000	Par
12/19/2008	Flushing Financial Corporation	Lake Success	NY	Purchase	Preferred Stock w/Warrants	$70,000,000	Par
12/19/2008	Monarch Financial Holdings, Inc.	Chesapeake	VA	Purchase	Preferred Stock w/Warrants	$14,700,000	Par
12/19/2008	StellarOne Corporation	Charlottesville	VA	Purchase	Preferred Stock w/Warrants	$30,000,000	Par

	Seller						
Date	Name of Institution	City	State	Transaction Type	Description	Price Paid	Pricing Mechanism
12/19/2008	Union Bankshares Corporation	Bowling Green	VA	Purchase	Preferred Stock w/Warrants	$59,000,000	Par
12/19/2008	Tidelands Bancshares, Inc	Mt. Pleasant	SC	Purchase	Preferred Stock w/Warrants	$14,448,000	Par
12/19/2008	Bancorp Rhode Island, Inc.	Providence	RI	Purchase	Preferred Stock w/Warrants	$30,000,000	Par
12/19/2008	Hawthorn Bancshares, Inc.	Lee's Summit	MO	Purchase	Preferred Stock w/Warrants	$30,255,000	Par
12/19/2008	The Elmira Savings Bank, FSB	Elmira	NY	Purchase	Preferred Stock w/Warrants	$9,090,000	Par
12/19/2008	Alliance Financial Corporation	Syracuse	NY	Purchase	Preferred Stock w/Warrants	$26,918,000	Par
12/19/2008	Heartland Financial USA, Inc.	Dubuque	IA	Purchase	Preferred Stock w/Warrants	$81,698,000	Par
12/19/2008	Citizens First Corporation	Bowling Green	KY	Purchase	Preferred Stock w/Warrants	$8,779,000	Par
2/ 12/19/2008	FFW Corporation	Wabash	IN	Purchase	Preferred Stock w/ Exercised Warrants	$7,289,000	Par
2/ 12/19/2008	Plains Capital Corporation	Dallas	TX	Purchase	Preferred Stock w/ Exercised Warrants	$87,631,000	Par
2/ 12/19/2008	Tri-County Financial Corporation	Waldorf	MD	Purchase	Preferred Stock w/ Exercised Warrants	$15,540,000	Par
3/ 12/19/2008	OneUnited Bank	Boston	MA	Purchase	Preferred Stock	$12,063,000	Par
2/ 12/19/2008	Patriot Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/ Exercised Warrants	$26,038,000	Par
2/ 12/19/2008	Pacific City Finacial Corporation	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$16,200,000	Par
2/ 12/19/2008	Marquette National Corporation	Chicago	IL	Purchase	Preferred Stock w/ Exercised Warrants	$35,500,000	Par
2/ 12/19/2008	Exchange Bank	Santa Rosa	CA	Purchase	Preferred Stock w/ Exercised Warrants	$43,000,000	Par
2/ 12/19/2008	Monadnock Bancorp, Inc.	Peterborough	NH	Purchase	Preferred Stock w/ Exercised Warrants	$1,834,000	Par
2/ 12/19/2008	Bridgeview Bancorp, Inc.	Bridgeview	IL	Purchase	Preferred Stock w/ Exercised Warrants	$38,000,000	Par
2/ 12/19/2008	Fidelity Financial Corporation	Wichita	KS	Purchase	Preferred Stock w/ Exercised Warrants	$36,282,000	Par
2/ 12/19/2008	Patapsco Bancorp, Inc.	Dundalk	MD	Purchase	Preferred Stock w/ Exercised Warrants	$6,000,000	Par
2/ 12/19/2008	NCAL Bancorp	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
2/ 12/19/2008	FCB Bancorp, Inc.	Louisville	KY	Purchase	Preferred Stock w/ Exercised Warrants	$9,294,000	Par
12/23/2008	First Financial Bancorp	Cincinnati	OH	Purchase	Preferred Stock w/ Warrants	$80,000,000	Par
12/23/2008	Bridge Capital Holdings	San Jose	CA	Purchase	Preferred Stock w/ Warrants	$23,864,000	Par
12/23/2008	International Bancshares Corporation	Laredo	TX	Purchase	Preferred Stock w/ Warrants	$216,000,000	Par
12/23/2008	First Sound Bank	Seattle	WA	Purchase	Preferred Stock w/ Warrants	$7,400,000	Par
12/23/2008	M&T Bank Corporation	Buffalo	NY	Purchase	Preferred Stock w/ Warrants	$600,000,000	Par
12/23/2008	Emclaire Financial Corp.	Emlenton	PA	Purchase	Preferred Stock w/ Warrants	$7,500,000	Par
12/23/2008	Park National Corporation	Newark	OH	Purchase	Preferred Stock w/ Warrants	$100,000,000	Par
12/23/2008	Green Bankshares, Inc.	Greeneville	TN	Purchase	Preferred Stock w/ Warrants	$72,278,000	Par
12/23/2008	Cecil Bancorp, Inc.	Elkton	MD	Purchase	Preferred Stock w/ Warrants	$11,560,000	Par
12/23/2008	Financial Institutions, Inc.	Warsaw	NY	Purchase	Preferred Stock w/ Warrants	$37,515,000	Par
12/23/2008	Fulton Financial Corporation	Lancaster	PA	Purchase	Preferred Stock w/ Warrants	$376,500,000	Par
12/23/2008	United Bancorporation of Alabama, Inc.	Atmore	AL	Purchase	Preferred Stock w/ Warrants	$10,300,000	Par
12/23/2008	MutualFirst Financial, Inc.	Muncie	IN	Purchase	Preferred Stock w/ Warrants	$32,382,000	Par
12/23/2008	BCSB Bancorp, Inc.	Baltimore	MD	Purchase	Preferred Stock w/ Warrants	$10,800,000	Par
12/23/2008	HMN Financial, Inc.	Rochester	MN	Purchase	Preferred Stock w/ Warrants	$26,000,000	Par
12/23/2008	First Community Bank Corporation of America	Pinellas Park	FL	Purchase	Preferred Stock w/ Warrants	$10,685,000	Par
12/23/2008	Sterling Bancorp	New York	NY	Purchase	Preferred Stock w/ Warrants	$42,000,000	Par
12/23/2008	Intervest Bancshares Corporation	New York	NY	Purchase	Preferred Stock w/ Warrants	$25,000,000	Par
12/23/2008	Peoples Bancorp of North Carolina, Inc.	Newton	NC	Purchase	Preferred Stock w/ Warrants	$25,054,000	Par
12/23/2008	Parkvale Financial Corporation	Monroeville	PA	Purchase	Preferred Stock w/ Warrants	$31,762,000	Par
12/23/2008	Timberland Bancorp, Inc.	Hoquiam	WA	Purchase	Preferred Stock w/ Warrants	$16,641,000	Par
12/23/2008	1st Constitution Bancorp	Cranbury	NJ	Purchase	Preferred Stock w/ Warrants	$12,000,000	Par
12/23/2008	Central Jersey Bancorp	Oakhurst	NJ	Purchase	Preferred Stock w/ Warrants	$11,300,000	Par
2/ 12/23/2008	Western Illinois Bancshares Inc.	Monmouth	IL	Purchase	Preferred Stock w/ Exercised Warrants	$6,855,000	Par
2/ 12/23/2008	Saigon National Bank	Westminster	CA	Purchase	Preferred Stock w/ Exercised Warrants	$1,549,000	Par
2/ 12/23/2008	Capital Pacific Bancorp	Portland	OR	Purchase	Preferred Stock w/ Exercised Warrants	$4,000,000	Par
2/ 12/23/2008	Uwharrie Capital Corp	Albemarle	NC	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
3/ 12/23/2008	Mission Valley Bancorp	Sun Valley	CA	Purchase	Preferred Stock	$5,500,000	Par
2/ 12/23/2008	The Little Bank, Incorporated	Kinston	NC	Purchase	Preferred Stock w/ Exercised Warrants	$7,500,000	Par

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
2/ 12/23/2008	Pacific Commerce Bank	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$4,060,000	Par
2/ 12/23/2008	Citizens Community Bank	South Hill	VA	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/ 12/23/2008	Seacoast Commerce Bank	Chula Vista	CA	Purchase	Preferred Stock w/ Exercised Warrants	$1,800,000	Par
2/ 12/23/2008	TCNB Financial Corp.	Dayton	OH	Purchase	Preferred Stock w/ Exercised Warrants	$2,000,000	Par
2/ 12/23/2008	Leader Bancorp, Inc.	Arlington	MA	Purchase	Preferred Stock w/ Exercised Warrants	$5,830,000	Par
2/ 12/23/2008	Nicolet Bankshares, Inc.	Green Bay	WI	Purchase	Preferred Stock w/ Exercised Warrants	$14,964,000	Par
2/ 12/23/2008	Magna Bank	Memphis	TN	Purchase	Preferred Stock w/ Exercised Warrants	$13,795,000	Par
2/ 12/23/2008	Western Community Bancshares, Inc.	Palm Desert	CA	Purchase	Preferred Stock w/ Exercised Warrants	$7,290,000	Par
2/ 12/23/2008	Community Investors Bancorp, Inc.	Bucyrus	OH	Purchase	Preferred Stock w/ Exercised Warrants	$2,600,000	Par
2/ 12/23/2008	Capital Bancorp, Inc.	Rockville	MD	Purchase	Preferred Stock w/ Exercised Warrants	$4,700,000	Par
2/ 12/23/2008	Cache Valley Banking Company	Logan	UT	Purchase	Preferred Stock w/ Exercised Warrants	$4,767,000	Par
2/ 12/23/2008	Citizens Bancorp	Nevada City	CA	Purchase	Preferred Stock w/ Exercised Warrants	$10,400,000	Par
2/ 12/23/2008	Tennessee Valley Financial Holdings, Inc.	Oak Ridge	TN	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/ 12/23/2008	Pacific Coast Bankers' Bancshares	San Francisco	CA	Purchase	Preferred Stock w/ Exercised Warrants	$11,600,000	Par
12/31/2008	SunTrust Banks, Inc.	Atlanta	GA	Purchase	Preferred Stock w/ Warrants	$1,350,000,000	Par
12/31/2008	The PNC Financial Services Group Inc.	Pittsburgh	PA	Purchase	Preferred Stock w/ Warrants	$7,579,200,000	Par
12/31/2008	Fifth Third Bancorp	Cincinnati	OH	Purchase	Preferred Stock w/ Warrants	$3,408,000,000	Par
12/31/2008	Hampton Roads Bankshares, Inc.	Norfolk	VA	Purchase	Preferred Stock w/ Warrants	$80,347,000	Par
12/31/2008	CIT Group Inc.	New York	NY	Purchase	Preferred Stock w/ Warrants	$2,330,000,000	Par
12/31/2008	West Bancorporation, Inc.	West Des Moines	IA	Purchase	Preferred Stock w/ Warrants	$36,000,000	Par
2/ 12/31/2008	First Banks, Inc.	Clayton	MO	Purchase	Preferred Stock w/ Exercised Warrants	$295,400,000	Par
1/ 1/9/2009	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/ Warrants	$10,000,000,000	Par
1/9/2009	FirstMerit Corporation	Akron	OH	Purchase	Preferred Stock w/ Warrants	$125,000,000	Par
1/9/2009	Farmers Capital Bank Corporation	Frankfort	KY	Purchase	Preferred Stock w/ Warrants	$30,000,000	Par
1/9/2009	Peapack-Gladstone Financial Corporation	Gladstone	NJ	Purchase	Preferred Stock w/ Warrants	$28,685,000	Par
1/9/2009	Commerce National Bank	Newport Beach	CA	Purchase	Preferred Stock w/ Warrants	$5,000,000	Par
1/9/2009	The First Bancorp, Inc.	Damariscotta	ME	Purchase	Preferred Stock w/ Warrants	$25,000,000	Par
1/9/2009	Sun Bancorp, Inc.	Vineland	NJ	Purchase	Preferred Stock w/ Warrants	$89,310,000	Par
1/9/2009	Crescent Financial Corporation	Cary	NC	Purchase	Preferred Stock w/ Warrants	$24,900,000	Par
1/9/2009	American Express Company	New York	NY	Purchase	Preferred Stock w/ Warrants	$3,388,890,000	Par
1/9/2009	Central Pacific Financial Corp.	Honolulu	HI	Purchase	Preferred Stock w/ Warrants	$135,000,000	Par
1/9/2009	Centrue Financial Corporation	St. Louis	MO	Purchase	Preferred Stock w/ Warrants	$32,668,000	Par
1/9/2009	Eastern Virginia Bankshares, Inc.	Tappahannock	VA	Purchase	Preferred Stock w/ Warrants	$24,000,000	Par
1/9/2009	Colony Bankcorp, Inc.	Fitzgerald	GA	Purchase	Preferred Stock w/ Warrants	$28,000,000	Par
1/9/2009	Independent Bank Corp.	Rockland	MA	Purchase	Preferred Stock w/ Warrants	$78,158,000	Par
1/9/2009	Cadence Financial Corporation	Starkville	MS	Purchase	Preferred Stock w/ Warrants	$44,000,000	Par
1/9/2009	LCNB Corp.	Lebanon	OH	Purchase	Preferred Stock w/ Warrants	$13,400,000	Par
1/9/2009	Center Bancorp, Inc.	Union	NJ	Purchase	Preferred Stock w/ Warrants	$10,000,000	Par
1/9/2009	F.N.B. Corporation	Hermitage	PA	Purchase	Preferred Stock w/ Warrants	$100,000,000	Par
1/9/2009	C&F Financial Corporation	West Point	VA	Purchase	Preferred Stock w/ Warrants	$20,000,000	Par
1/9/2009	North Central Bancshares, Inc.	Fort Dodge	IA	Purchase	Preferred Stock w/ Warrants	$10,200,000	Par
1/9/2009	Carolina Bank Holdings, Inc.	Greensboro	NC	Purchase	Preferred Stock w/ Warrants	$16,000,000	Par
1/9/2009	First Bancorp	Troy	NC	Purchase	Preferred Stock w/ Warrants	$65,000,000	Par
1/9/2009	First Financial Service Corporation	Elizabethtown	KY	Purchase	Preferred Stock w/ Warrants	$20,000,000	Par
1/9/2009	Codorus Valley Bancorp, Inc.	York	PA	Purchase	Preferred Stock w/ Warrants	$16,500,000	Par
1/9/2009	MidSouth Bancorp, Inc.	Lafayette	LA	Purchase	Preferred Stock w/ Warrants	$20,000,000	Par
1/9/2009	First Security Group, Inc.	Chattanooga	TN	Purchase	Preferred Stock w/ Warrants	$33,000,000	Par
1/9/2009	Shore Bancshares, Inc.	Easton	MD	Purchase	Preferred Stock w/ Warrants	$25,000,000	Par
2/ 1/9/2009	The Queensborough Company	Louisville	GA	Purchase	Preferred Stock w/ Exercised Warrants	$12,000,000	Par
2/ 1/9/2009	American State Bancshares, Inc.	Great Bend	KS	Purchase	Preferred Stock w/ Exercised Warrants	$6,000,000	Par
2/ 1/9/2009	Security California Bancorp	Riverside	CA	Purchase	Preferred Stock w/ Exercised Warrants	$6,815,000	Par

	Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
		Name of Institution	City	State				
2/	1/9/2009	Security Business Bancorp	San Diego	CA	Purchase	Preferred Stock w/ Exercised Warrants	$5,803,000	Par
2/	1/9/2009	Sound Banking Company	Morehead City	NC	Purchase	Preferred Stock w/ Exercised Warrants	$3,070,000	Par
3/	1/9/2009	Mission Community Bancorp	San Luis Obispo	CA	Purchase	Preferred Stock	$5,116,000	Par
2/	1/9/2009	Redwood Financial Inc.	Redwood Falls	MN	Purchase	Preferred Stock w/ Exercised Warrants	$2,995,000	Par
2/	1/9/2009	Surrey Bancorp	Mount Airy	NC	Purchase	Preferred Stock w/ Exercised Warrants	$2,000,000	Par
2/	1/9/2009	Independence Bank	East Greenwich	RI	Purchase	Preferred Stock w/ Exercised Warrants	$1,065,000	Par
2/	1/9/2009	Valley Community Bank	Pleasanton	CA	Purchase	Preferred Stock w/ Exercised Warrants	$5,500,000	Par
2/	1/9/2009	Rising Sun Bancorp	Rising Sun	MD	Purchase	Preferred Stock w/ Exercised Warrants	$5,983,000	Par
2/	1/9/2009	Community Trust Financial Corporation	Ruston	LA	Purchase	Preferred Stock w/ Exercised Warrants	$24,000,000	Par
2/	1/9/2009	GrandSouth Bancorporation	Greenville	SC	Purchase	Preferred Stock w/ Exercised Warrants	$9,000,000	Par
2/	1/9/2009	Texas National Bancorporation	Jacksonville	TX	Purchase	Preferred Stock w/ Exercised Warrants	$3,981,000	Par
2/	1/9/2009	Congaree Bancshares, Inc.	Cayce	SC	Purchase	Preferred Stock w/ Exercised Warrants	$3,285,000	Par
2/	1/9/2009	New York Private Bank & Trust Corporation	New York	NY	Purchase	Preferred Stock w/ Exercised Warrants	$267,274,000	Par
	1/16/2009	Home Bancshares, Inc.	Conway	AR	Purchase	Preferred Stock w/ Warrants	$50,000,000	Par
	1/16/2009	Washington Banking Company/ Whidbey Island Bank	Oak Harbor	WA	Purchase	Preferred Stock w/ Warrants	$26,380,000	Par
	1/16/2009	New Hampshire Thrift Bancshares, Inc.	Newport	NH	Purchase	Preferred Stock w/ Warrants	$10,000,000	Par
	1/16/2009	Bar Harbor Bankshares/Bar Harbor Bank & Trust	Bar Harbor	ME	Purchase	Preferred Stock w/ Warrants	$18,751,000	Par
	1/16/2009	Somerset Hills Bancorp	Bernardsville	NJ	Purchase	Preferred Stock w/ Warrants	$7,414,000	Par
	1/16/2009	SCBT Financial Corporation	Columbia	SC	Purchase	Preferred Stock w/ Warrants	$64,779,000	Par
	1/16/2009	S&T Bancorp	Indiana	PA	Purchase	Preferred Stock w/ Warrants	$108,676,000	Par
	1/16/2009	ECB Bancorp, Inc./East Carolina Bank	Engelhard	NC	Purchase	Preferred Stock w/ Warrants	$17,949,000	Par
	1/16/2009	First BanCorp	San Juan	PR	Purchase	Preferred Stock w/ Warrants	$400,000,000	Par
	1/16/2009	Texas Capital Bancshares, Inc.	Dallas	TX	Purchase	Preferred Stock w/ Warrants	$75,000,000	Par
	1/16/2009	Yadkin Valley Financial Corporation	Elkin	NC	Purchase	Preferred Stock w/ Warrants	$36,000,000	Par
3/	1/16/2009	Carver Bancorp, Inc	New York	NY	Purchase	Preferred Stock	$18,980,000	Par
	1/16/2009	Citizens & Northern Corporation	Wellsboro	PA	Purchase	Preferred Stock w/ Warrants	$26,440,000	Par
	1/16/2009	MainSource Financial Group, Inc.	Greensburg	IN	Purchase	Preferred Stock w/ Warrants	$57,000,000	Par
	1/16/2009	MetroCorp Bancshares, Inc.	Houston	TX	Purchase	Preferred Stock w/ Warrants	$45,000,000	Par
	1/16/2009	United Bancorp, Inc.	Tecumseh	MI	Purchase	Preferred Stock w/ Warrants	$20,600,000	Par
	1/16/2009	Old Second Bancorp, Inc.	Aurora	IL	Purchase	Preferred Stock w/ Warrants	$73,000,000	Par
	1/16/2009	Pulaski Financial Corp	Creve Coeur	MO	Purchase	Preferred Stock w/ Warrants	$32,538,000	Par
	1/16/2009	OceanFirst Financial Corp.	Toms River	NJ	Purchase	Preferred Stock w/ Warrants	$38,263,000	Par
2/	1/16/2009	Community 1st Bank	Roseville	CA	Purchase	Preferred Stock w/ Exercised Warrants	$2,550,000	Par
2/	1/16/2009	TCB Holding Company, Texas Community Bank	The Woodlands	TX	Purchase	Preferred Stock w/ Exercised Warrants	$11,730,000	Par
2/	1/16/2009	Centra Financial Holdings, Inc./Centra Bank, Inc.	Morgantown	WV	Purchase	Preferred Stock w/ Exercised Warrants	$15,000,000	Par
2/	1/16/2009	First Bankers Trustshares, Inc.	Quincy	IL	Purchase	Preferred Stock w/ Exercised Warrants	$10,000,000	Par
2/	1/16/2009	Pacific Coast National Bancorp	San Clemente	CA	Purchase	Preferred Stock w/ Exercised Warrants	$4,120,000	Par
3/	1/16/2009	Community Bank of the Bay	Oakland	CA	Purchase	Preferred Stock	$1,747,000	Par
2/	1/16/2009	Redwood Capital Bancorp	Eureka	CA	Purchase	Preferred Stock w/ Exercised Warrants	$3,800,000	Par
2/	1/16/2009	Syringa Bancorp	Boise	ID	Purchase	Preferred Stock w/ Exercised Warrants	$8,000,000	Par
2/	1/16/2009	Idaho Bancorp	Boise	ID	Purchase	Preferred Stock w/ Exercised Warrants	$6,900,000	Par
2/	1/16/2009	Puget Sound Bank	Bellevue	WA	Purchase	Preferred Stock w/ Exercised Warrants	$4,500,000	Par
2/	1/16/2009	United Financial Banking Companies, Inc.	Vienna	VA	Purchase	Preferred Stock w/ Exercised Warrants	$5,658,000	Par
2/	1/16/2009	Dickinson Financial Corporation II	Kansas City	MO	Purchase	Preferred Stock w/ Exercised Warrants	$146,053,000	Par
2/	1/16/2009	The Baraboo Bancorporation	Baraboo	WI	Purchase	Preferred Stock w/ Exercised Warrants	$20,749,000	Par
2/	1/16/2009	Bank of Commerce	Charlotte	NC	Purchase	Preferred Stock w/ Exercised Warrants	$3,000,000	Par
2/	1/16/2009	State Bankshares, Inc.	Fargo	ND	Purchase	Preferred Stock w/ Exercised Warrants	$50,000,000	Par
2/	1/16/2009	BNCCORP, Inc.	Bismarck	ND	Purchase	Preferred Stock w/ Exercised Warrants	$20,093,000	Par
2/	1/16/2009	First Manitowoc Bancorp, Inc.	Manitowoc	WI	Purchase	Preferred Stock w/ Exercised Warrants	$12,000,000	Par
3/	1/16/2009	Southern Bancorp, Inc.	Arkadelphia	AR	Purchase	Preferred Stock	$11,000,000	Par
2/	1/16/2009	Morrill Bancshares, Inc.	Merriam	KS	Purchase	Preferred Stock w/ Exercised Warrants	$13,000,000	Par

	Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
		Name of Institution	City	State				
2/	1/16/2009	Treaty Oak Bancorp, Inc.	Austin	TX	Purchase	Preferred Stock w/ Exercised Warrants	$3,268,000	Par
	1/23/2009	1st Source Corporation	South Bend	IN	Purchase	Preferred Stock w/ Warrants	$111,000,000	Par
	1/23/2009	Princeton National Bancorp, Inc.	Princeton	IL	Purchase	Preferred Stock w/ Warrants	$25,083,000	Par
	1/23/2009	AB&T Financial Corporation	Gastonia	NC	Purchase	Preferred Stock w/ Warrants	$3,500,000	Par
	1/23/2009	First Citizens Banc Corp	Sandusky	OH	Purchase	Preferred Stock w/ Warrants	$23,184,000	Par
	1/23/2009	WSFS Financial Corporation	Wilmington	DE	Purchase	Preferred Stock w/ Warrants	$52,625,000	Par
2/	1/23/2009	Commonwealth Business Bank	Los Angeles	CA	Purchase	Preferred Stock w/ Exercised Warrants	$7,701,000	Par
2/	1/23/2009	Seaside National Bank & Trust	Orlando	FL	Purchase	Preferred Stock w/ Exercised Warrants	$5,677,000	Par
2/	1/23/2009	CalWest Bancorp	Rancho Santa Margarita	CA	Purchase	Preferred Stock w/ Exercised Warrants	$4,656,000	Par
2/	1/23/2009	Fresno First Bank	Fresno	CA	Purchase	Preferred Stock w/ Exercised Warrants	$1,968,000	Par
2/	1/23/2009	First ULB Corp.	Oakland	CA	Purchase	Preferred Stock w/ Exercised Warrants	$4,900,000	Par
2/	1/23/2009	Alarion Financial Services, Inc.	Ocala	FL	Purchase	Preferred Stock w/ Exercised Warrants	$6,514,000	Par
2/	1/23/2009	Midland States Bancorp, Inc.	Effingham	IL	Purchase	Preferred Stock w/ Exercised Warrants	$10,189,000	Par
2/	1/23/2009	Moscow Bancshares, Inc.	Moscow	TN	Purchase	Preferred Stock w/ Exercised Warrants	$6,216,000	Par
2/	1/23/2009	Farmers Bank	Windsor	VA	Purchase	Preferred Stock w/ Exercised Warrants	$8,752,000	Par
2/	1/23/2009	California Oaks State Bank	Thousand Oaks	CA	Purchase	Preferred Stock w/ Exercised Warrants	$3,300,000	Par
2/	1/23/2009	Pierce County Bancorp	Tacoma	WA	Purchase	Preferred Stock w/ Exercised Warrants	$6,800,000	Par
2/	1/23/2009	Calvert Financial Corporation	Ashland	MO	Purchase	Preferred Stock w/ Exercised Warrants	$1,037,000	Par
2/	1/23/2009	Liberty Bancshares, Inc.	Jonesboro	AR	Purchase	Preferred Stock w/ Exercised Warrants	$57,500,000	Par
2/	1/23/2009	Crosstown Holding Company	Blaine	MN	Purchase	Preferred Stock w/ Exercised Warrants	$10,650,000	Par
2/	1/23/2009	BankFirst Capital Corporation	Macon	MS	Purchase	Preferred Stock w/ Exercised Warrants	$15,500,000	Par
2/	1/23/2009	Southern Illinois Bancorp, Inc.	Carmi	IL	Purchase	Preferred Stock w/ Exercised Warrants	$5,000,000	Par
2/	1/23/2009	FPB Financial Corp.	Hammond	LA	Purchase	Preferred Stock w/ Exercised Warrants	$3,240,000	Par
2/	1/23/2009	Stonebridge Financial Corp.	West Chester	PA	Purchase	Preferred Stock w/ Exercised Warrants	$10,973,000	Par

TOTAL $194,177,001,000

1/ This transaction was included in previous Transaction Reports with Merrill Lynch & Co., Inc. listed as the qualifying institution and a 10/28/2008 transaction date, footnoted to indicate that settlement was deferred pending merger. The purchase of Merrill Lynch by Bank of America was completed on 1/1/2009, and this transaction under the CPP was funded on 1/9/2009.
2/ Privately-held qualified financial institution; Treasury received a warrant to purchase additional shares of preferred stock, which it exercised immediately.
3/ To promote community development financial institutions (CDFIs), Treasury does not require warrants as part of its investment in certified CDFIs when the size of the investment is $50 million or less.

SYSTEMICALLY SIGNIFICANT FAILING INSTITUTIONS

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
11/25/2008	AIG	New York	NY	Purchase	Preferred Stock w/ Warrants	$40,000,000,000	Par

AUTOMOTIVE INDUSTRY FINANCING PROGRAM

	Date	Seller			Transaction Type	Description	Amount	Pricing Mechanism
		Name of Institution	City	State				
	12/29/2008	GMAC LLC	Detroit	MI	Purchase	Preferred Stock w/ Exercised Warrants	$5,000,000,000	Liquidation Preference
1/	12/29/2008	General Motors Corporation	Detroit	MI	Purchase	Debt Obligation	$884,024,131	N/A
2/	12/31/2008	General Motors Corporation	Detroit	MI	Purchase	Debt Obligation w/ Warrants and Additional Note	$9,400,000,000	N/A
	1/2/2009	Chrysler Holding LLC	Auburn Hills	MI	Purchase	Debt Obligation w/ Additional Note	$4,000,000,000	N/A
3/	1/16/2009	Chrysler Financial Services Americas LLC	Farmington Hills	MI	Purchase	Debt Obligation w/ Additional Note	$1,500,000,000	N/A
						TOTAL	$20,784,024,131	

1/ Treasury committed to lend General Motors Corporation up to $1,000,000,000. The ultimate level of funding was dependent upon the level of investor participation in GMAC LLC's rights offering. The Amount has been updated to reflect the final level of funding.
2/ The Amount includes $4,000,000,000 funded on December 31, 2008, and $5,400,000,000 funded on January 21, 2009; it does not include an additional loan of $4,000,000,000, which is contingent on Treasury's authority under section 115(a) of EESA.
3/ The loan was funded through Chrysler LB Receivables Trust, a special purpose vehicle created by Chrysler Financial. The Amount of $1,500,000,000 represents the maximum loan amount. The loan will be incrementally funded.

TARGETED INVESTMENT PROGRAM

Date	Seller			Transaction Type	Description	Price Paid	Pricing Mechanism
	Name of Institution	City	State				
12/31/2008	Citigroup Inc.	New York	NY	Purchase	Preferred Stock w/ Warrants	$20,000,000,000	Par
1/16/2009	Bank of America Corporation	Charlotte	NC	Purchase	Preferred Stock w/ Warrants	$20,000,000,000	Par
					TOTAL	$40,000,000,000	

ASSET GUARANTEE PROGRAM

Date	Seller			Transaction Type	Description	Guarantee Limit	Premium Received
	Name of Institution	City	State				
1/16/2009	Citigroup Inc.	New York	NY	Guarantee	Second-Loss Guarantee on Asset Pool	$5,000,000,000	Preferred Stock and Warrants
					TOTAL	$5,000,000,000	

PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

January 28, 2009
TG-04

**Treasury Announces New Policy
To Increase Transparency in Financial Stability
Program**

Secretary Geithner Meets with Outside Experts to Discuss Oversight of Troubled Assets Relief Program and Efforts to Increase Transparency and Accountability

Washington, DC – Building on President Barack Obama and Secretary Tim Geithner's commitment to increase transparency and accountability in the Troubled Assets Relief Program (TARP), the U.S. Department of the Treasury today announced a new policy of posting investment contracts for future completed transactions to the Department's website within five to 10 business days.

For contracts already completed, documents will be posted on a rolling basis, beginning today with the first nine contracts completed under the Capital Purchase Program (CPP), as well as contracts for transactions closed under the Systemically Significant Failing Institutions (SSFI) program, the Targeted Investment Program (TIP) and the Automotive Industry Financing Program (AIFP). Treasury will work in the coming weeks to make public all copies of existing investment agreements.

Confidential and proprietary information will be redacted from the publicly posted documents at the request of the individual institutions.

"In the coming weeks, we will unveil a series of reforms to help stabilize the nation's financial system and get credit flowing again to families and businesses. Included in those reforms will be a commitment to increase transparency and oversight," said Secretary Geithner. "Today, we are taking a step toward increased transparency by committing to place all of our TARP investment agreements on the Internet so that taxpayers can see how their money is being spent and the terms these institutions must agree to before we invest taxpayer money."

As part of his efforts to reform the TARP, Secretary Geithner today met with individuals charged with providing outside oversight of the program to review efforts taken to date to improve transparency and accountability. Participants included Gene Dodaro, Acting Comptroller General of the Government Accountability Office; Neil Barofsky, TARP Special Inspector General; and Congressional Oversight Panel members Elizabeth Warren, Damon Silvers, Richard Neiman, Rep. Jeb Hensarling and Sen. John Sununu.

Treasury posted the following contracts today to http://www.treas.gov/initiatives/eesa/agreements/index.shtml:

Capital Purchase Program
Bank of America
The Goldman Sachs Group
Morgan Stanley
Citigroup
JPMorgan Chase
Wells Fargo & Co.
Bank of New York Mellon
State Street
Merrill Lynch

Targeted Investment Program
Citigroup

Systematically Significant Failing Institutions
AIG

Automotive Industry Financing Program
GM
GMAC
Chrysler

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PRESS ROOM

January 27, 2009
2009-1-27-16-26-46-12812

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $75,857 million as of the end of that week, compared to $76,580 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	January 23, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			75,857
(a) Securities	8,893	14,577	23,470
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,231	7,135	17,366
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,422		
(3) SDRs [2]	9,023		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,536		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,536		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits				

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-465,322	-289,729	-175,593	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	7,687
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	7,687
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	75,857
--currencies in SDR basket	75,857
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

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January 28, 2009
TG-05

Treasury Designates Two Colombian Companies

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) today designated two Colombian companies, *Aquilea S.A.* and *Megaplast S.A.*, as Specially Designated Narcotics Traffickers (SDNTs) pursuant to Executive Order 12978. These two companies are controlled by previously designated family members of drug kingpins Miguel Rodriguez Orejuela and Gilberto Rodriguez Orejuela, who once led the Cali drug cartel.

"Thanks to Colombian and U.S. efforts, the heads of the Cali cartel today sit in jail and their family members have agreed to forfeit over $2 billion in tainted assets to the relevant authorities," said OFAC Director Adam J. Szubin. "Today's designation exposes two additional companies that had been hidden by Rodriguez Orejuela family members and are now subject to sanctions."

Aquilea S.A., which is located in Cali, Colombia, owns pharmaceutical patents and trademarks. This company is controlled by Amparo Rodriguez Orejuela and her daughter, Angela Maria Gil Rodriguez, who were designated in 1995 and 2003, respectively. Amparo Rodriguez Orejuela is the sister of SDNT principals Miguel and Gilberto Rodriguez Orejuela.

Megaplast S.A., which is located in Palmira, Valle, Colombia, is a manufacturer of plastic bags. This company is controlled by Humberto Rodriguez Mondragon and Jaime Rodriguez Mondragon, who were both designated in 1995 and are the sons of SDNT principal Gilberto Rodriguez Orejuela.

In 2006, Miguel and Gilberto Rodriguez Orejuela pleaded guilty to drug trafficking charges in the U.S. District Court for the Southern District of Florida and money laundering charges in the U.S. District Court for the Southern District of New York. These guilty pleas resulted in 30-year prison sentences for each brother.

In connection with Miguel and Gilberto Rodriguez Orejuelas' guilty pleas, 28 of their family members who were previously designated as SDNTs entered into an agreement with the U.S. Department of Justice and the U.S. Department of the Treasury in September 2006. As part of this agreement, the 28 family members were obligated to identify all "forfeitable property" financed in whole or in part with narcotics proceeds and to identify all other assets of any nature whatsoever that are owned or controlled by any family member who is a party to the agreement. In exchange, the U.S. Government agreed to remove the family members from the list of SDNTs after certain conditions, including final forfeiture and/or divestiture of all forfeitable property under the agreement, were met.

Amparo Rodriguez Orejeula, Angela Maria Gil Rodriguez, Humberto Rodriguez Mondragon, and Jaime Rodriguez Mondragon are all parties to this agreement. Although these four individuals controlled *Aquilea S.A.* and *Megaplast S.A.* at the time of the agreement, they did not identify these entities under the agreement. OFAC has notified the four family members of this material omission and will evaluate their response.

This designation is part of the ongoing interagency effort by the Departments of the Treasury, Justice, State and Homeland Security to implement Executive Order

12978 of October 21, 1995, which applies financial sanctions against Colombia's drug cartels. Today's designation action freezes any assets the designated entities may have that are subject to U.S. jurisdiction and prohibits all financial and commercial transactions by any U.S. person with those entities.

A detailed look at the program against Colombian drug organizations is provided in OFAC's March 2007 *Impact Report on Economic Sanctions Against Colombian Drug Cartels.*

http://www.treas.gov/offices/enforcement/ofac/reports/narco_impact_report_05042007.pdf

Chart: *Designation of Rodriguez Orejuela Companies – January 2009*

REPORTS

- Designation of Rodriguez Orejuela Companies

Cali Cartel Companies
January 2009

U.S. Department of the Treasury
Office of Foreign Assets Control

Cali Drug Lords
SDNT* Principals since 1995

Gilberto RODRIGUEZ OREJUELA was extradited to the U.S. in 2004. Miguel RODRIGUEZ OREJUELA was extradited to the U.S. in 2005. Both brothers pleaded guilty to drug trafficking and related charges in September 2006 and were sentenced to 30 years in prison.

Miguel
RODRIGUEZ OREJUELA
Cedula 6095803
(Colombia)

Gilberto
RODRIGUEZ OREJUELA
Cedula 6067015
(Colombia)

SDNT* RODRIGUEZ OREJUELA Family Members, Parties to September 2006 Agreement with the U.S.

Angela Maria
GIL RODRIGUEZ
Cedula 52721666 (Colombia)

Amparo
RODRIGUEZ OREJUELA
Cedula 31218703 (Colombia)

Jaime
RODRIGUEZ MONDRAGON
Cedula 16637592 (Colombia)

Humberto
RODRIGUEZ MONDRAGON
Cedula 16688683 (Colombia)

Concealed Assets
Designated January 28, 2009

AQUILEA S.A.
Cali, Colombia
NIT # 900061351-6
(pharmaceutical company)

MEGAPLAST S.A.
Palmira, Valle, Colombia
NIT # 815002727-1
(plastic bag manufacturer)

* Specially Designated Narcotics Traffickers

February 2, 2009
TG-06

Stuart Levey to Remain at Treasury as Under Secretary for Terrorism and Financial Intelligence

Washington, D.C. – U.S. Treasury Secretary Tim Geithner today announced that Stuart Levey will continue as the first Under Secretary for Terrorism and Financial Intelligence (TFI), a role he has held since his Senate confirmation on July 21, 2004.

"Stuart Levey has served with great distinction for several years as Under Secretary of the Treasury. He has led a global effort to prevent the international banking system from being used to fund terrorists and proliferation. I believe that it is in the national interest for Under Secretary Levey to continue his essential work on a number of the most important policy challenges facing the country and am gratified that he has agreed to serve as a senior member of the Obama administration," said Secretary Geithner.

Prior to Secretary Geithner's swearing-in, Levey was acting Secretary of the Treasury. He returned to his duties as Under Secretary for TFI Monday evening.

As Under Secretary, Levey leads an office that marshals the Treasury Department's policy, enforcement, regulatory and intelligence functions to sever the lines of financial support to international terrorists, WMD proliferators, narcotics traffickers and other threats to our national security. In this capacity he oversees the Office of Terrorist Finance and Financial Crime (TFFC), the Office of Intelligence and Analysis (OIA), the Financial Crimes Enforcement Network (FinCEN), the Office of Foreign Assets Control (OFAC) and the Treasury Executive Office of Asset Forfeiture (TEOAF).

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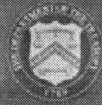

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February 2, 2009
TG-07

Treasury Announces Marketable Borrowing Estimates

Washington, D.C. -- The U.S. Department of the Treasury today announced its current estimates of marketable borrowing for the January – March 2009 and April – June 2009 quarters:

- During the January – March 2009 quarter, Treasury expects to borrow $493 billion of marketable debt, assuming an end-of-March cash balance of $225 billion, which includes $200 billion for the Supplementary Financing Program (SFP). This borrowing estimate is $125 billion higher than announced in November 2008. The increase in borrowing is primarily due to the SFP, lower receipts, and higher outlays.
- During the April – June 2009 quarter, Treasury expects to borrow $165 billion of marketable debt, assuming an end-of-June cash balance of $45 billion.

During the October – December 2008 quarter, Treasury borrowed $569 billion of marketable debt, finishing at the end of December with a cash balance of $367 billion, of which $259 billion was attributable to the SFP. In November, Treasury estimated $550 billion in marketable borrowing, assuming an end-of-December cash balance of $300 billion. The increase in borrowing was related to lower receipts offset by lower outlays and adjustments in the cash balance.

Additional financing details relating to Treasury's Quarterly Refunding will be released at 9:00 a.m. on Wednesday, February 4.

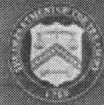
\- 30 -

LINKS

- Sources and Uses Table

Sources and Uses Reconciliation Table

Quarter	*Announcement Date*	Financing Need	Financing			Change in Cash Balance	*Memo End-Of-Quarter Cash Balance*
			Marketable Borrowing	All Other Sources	Total		
		(1)	(2)	(3)	(4) = (2) + (3)	(5) = (4) - (1)	(6)
Oct - Dec 2006	**Actual**	**70**	**46**	**2**	**48**	**(21)**	**31**
Jan - Mar 2007	**Actual**	**159**	**126**	**9**	**134**	**(25)**	**6**
Apr - Jun 2007	**Actual**	**(153)**	**(139)**	**5**	**(133)**	**19**	**25**
Jul - Sep 2007	**Actual**	**35**	**116**	**(31)**	**85**	**50**	**75**
Oct - Dec 2007	**Actual**	**91**	**126**	**(53)**	**73**	**(18)**	**57**
Jan - Mar 2008	**Actual**	**187**	**244**	**(68)**	**176**	**(11)**	**46**
Apr - Jun 2008	**Actual**	**(74)**	**13**	**(80)**	**(66)**	**7**	**53**
Jul - Sep 2008	**Actual**	**179**	**530**	**(33)**	**497**	**318**	**372**
Oct - Dec 2008	**November 3, 2008**	**596**	**550**	**(26)**	**524**	**(72)**	**299**
	Actual	**556**	**569**	**(18)**	**551**	**(5)**	**367**
	Memo: Forecast Revision	**(40)**	**19**	**8**	**28**	**67**	**67**
Jan - Mar 2009	**November 3, 2008**	**561**	**368**	**(31)**	**337**	**(224)**	**75**
	February 2, 2009	**618**	**493**	**(17)**	**476**	**(142)**	**225**
	Memo: Forecast Revision	**56**	**125**	**14**	**139**	**83**	**150**
Apr - Jun 2009	**February 2, 2009**	**324**	**165**	**(21)**	**144**	**(180)**	**45**



February 2, 2009
TG-08

Acting Assistant Secretary for Economic Policy
Ralph M. Monaco
Statement for the Treasury Borrowing Advisory Committee
Of the Securities Industry and Financial Markets Association
February 2, 2009

Economic activity slowed sharply in the final few months of 2008, reflecting the combined effects of the ongoing retrenchment in homebuilding activity and the additional downdraft from the severe tightening in credit markets that began in mid-September. The labor market deteriorated notably, with unemployment hitting a 16-year high at the end of 2008. Headline inflation dropped, led by a rapid decline in crude oil and gasoline prices. Although stock market indexes dropped significantly in the final few months of 2008, credit conditions showed some signs of improvement very late in 2008 and in early 2009. In early December 2008, the National Bureau of Economic Research designated December 2007 as the beginning of the 11th postwar recession.

The economy contracted significantly in the fourth quarter. Real GDP fell by 3.8 percent at an annual rate – the largest quarterly decline since early 1982. Consumer spending plunged for a second straight quarter, falling by 3.5 percent. Business spending on plant and equipment plunged 19 percent as outlays for structures declined for the first time in 3 years and spending on equipment and software posted the largest quarterly drop since 1958. Residential investment tumbled by about 24 percent, subtracting 0.8 percentage point from GDP growth. Exports and imports both fell sharply but net exports declined only slightly and were essentially neutral for real GDP after adding roughly 1-1/2 percentage points on average to growth in the previous six quarters. The economy received modest support from government spending and a much bigger boost from a pickup in inventory investment, which added 1.3 percentage points to the fourth-quarter growth rate. Excluding the change in inventories, real final sales of domestic product fell 5.1 percent on top of a 1.3 percent decline in the third quarter. Private forecasters anticipate another significant decline in real GDP in the first quarter of 2009, but some pickup in the second half of the year.

Job losses accelerated and the unemployment rate jumped higher at the end of the year. December marked the twelfth straight month of job losses with 524,000 workers cut from nonfarm payrolls. That brought the total job loss since December 2007 to 2.6 million with 1.5 million lost since September. The unemployment rate jumped 0.4 percentage point to a 16-year high of 7.2 percent in December. Including workers who are underemployed and those who are only marginally attached to the labor force, the unemployment rate was 13.5 percent – a record high for this measure which dates back to 1994. Private forecasters see the unemployment rate continuing to rise through most of 2009.

Much of the weakness in the overall economy stems from the continued adjustment in the housing market. Homebuilder sentiment reached a record low in early 2009. Housing starts fell 45 percent during 2008, and new and existing home sales fell almost 7 percent during the 12 months of 2008. Inventories of unsold homes are shrinking, but relative to sales remain at very high levels, which continue to put downward pressure on home prices. Measured by the S&P/Case-Shiller 20 city index, home prices were down 18 percent in the year ended in November 2008.

Falling house prices have contributed to the weakness in consumer spending. House price declines have eroded the value of household real estate holdings while equity market declines have reduced the value of many financial assets. Household net worth posted a record decline in the third quarter, bringing the total loss since its peak in the third quarter of 2007 to $7.1 trillion and pulling net worth back to late 2005 levels. Household debt outstanding fell in the third quarter for the first time since the early 1950s, and consumer borrowing declined in October and November. Given declining home prices and the sharp stock market declines, it is clear that household wealth continued to shrink in the fourth quarter. This all contributes to the downdraft in consumer spending. Declining wealth, a pullback in borrowing and the weak job market all suggest that consumer spending will remain sluggish in the first half of 2009.

Falling energy prices have provided some relief to households in recent months. Retail gasoline prices have declined by roughly $2.25 from the all-time high of $4.11 per gallon recorded in July and now stand at $1.84 per gallon – a level not seen since early 1994. The benchmark one-month futures price of West Texas Intermediate crude oil has declined more than 70 percent from a record intraday high of $147 per barrel in mid July to roughly $42 per barrel.

The retreat in energy prices has contributed to a pronounced moderation in headline inflation. Consumer prices rose at a 5.5 percent annual rate in the first half of 2008, and dropped 5.4 percent at an annual rate in the second half of the year. For the entire year, consumer prices rose just 0.1 percent, the smallest annual increase since 1955. Core consumer inflation (excluding food and energy prices) has also eased. Core inflation was just 1.8 percent in 2008, down from 2.4 percent during the twelve months of 2007. The weakening economy helped to hold core inflation in check in the second half of 2008, a trend that appears likely to continue in the first half of 2009.

Financial and credit markets remain fragile, further clouding the economic outlook for early 2009. Equity markets posted steep losses last year, triggered by growing weakness in the U.S. economy and concerns about the performance and viability of a wide range of financial assets, as well as the financial institutions holding or providing contingent guarantees for those assets. The S&P 500 plunged 38 percent during 2008 – the largest annual loss since the 1930s – and was down by an additional 8.6 percent through January 30. The S&P stock market volatility index (VIX), often used as a measure of financial market uncertainty, has retreated from the all-time high of almost 81 percent posted on November 20, 2008 but at roughly 42 percent remains well above readings near 20 percent in late August of 2008.

Credit market conditions have started to improve but have not yet returned to their mid 2007 pre-crisis levels. The LIBOR-OIS spread – a measure of what banks perceive as the credit risk in lending to one another – has eased substantially. It is currently hovering around 95 basis points, down from a high of 365 basis points in early October but still significantly wider than the roughly 9 basis point spread that prevailed prior to mid 2007. Likewise, rates on lower-rated commercial paper have fallen after spiking in late September.

Corporate lending and the flow of credit from banks remains constrained, however. The Baa corporate bond rate is roughly 550 basis points above the 10-year Treasury rate, an improvement compared to the spread of 616 basis points recorded in early December but still very high by historical standards. Surveys of bank officers suggest that banks have become much less willing to make both consumer and business loans.

It will take considerable time to work through the many problems our economy currently faces. A number of measures have already been taken as part of the Emergency Economic Stabilization Act (EESA) of 2008 that was enacted in early October. The Capital Purchase Program has allocated nearly $195 billion in funds from the Troubled Asset Relief Program (TARP) to a broad array of financial institutions. Several additional programs have also been put in place to help normalize credit markets and prevent disruption in financial markets and the broader economy.

The Administration recognizes that more can be done and is now hard at work to enact legislation to jumpstart job creation and put the economy back on a path towards long-term growth.

Measures to support the economy coupled with lower revenues as a consequence of the recession are raising the deficit. In FY2008, the Federal budget deficit widened by $292 billion to $455 billion (3.2 percent of GDP). The budget deficit will continue to grow in FY2009 as expenditures rise sharply and receipts are depressed by falling employment and income and declining asset values. Outlays to support financial markets and stimulate the economy are expected to push the federal deficit to a record level in FY2009, both in absolute terms and as a share of GDP. In early January, the Congressional Budget Office estimated that the deficit in FY2009 will top $1.2 trillion, more than 8 percent of GDP. Despite the considerable budgetary cost of these measures, they are necessary to avoid even far greater losses in jobs and income than have already occurred.

In sum, the economy is currently experiencing one of the longest periods of recession in the post-war period. While it will take time for conditions to improve, efforts already underway to restore stability in financial and credit markets, together with a new injection of fiscal stimulus will put the U.S. economy firmly back on the path towards long-term, sustainable growth.

OFFICE OF DOMESTIC FINANCE

Quarterly Refunding Documents

< Back to Debt Management's Homepage & Historical Documents

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DOCUMENTS RELEASED AT 9:00 AM WEDNESDAY, AUGUST 4, 2010

- **Policy Statement**
- **TBAC Report to the Secretary**
- **TBAC Minutes**
- **TBAC Recommended Financing Tables: Q3**
- **TBAC Recommended Financing Tables: Q4**
- **Discussion Charts with TBAC**
- **Tentative Auction Schedules: PDF Format | XML Format**

(The next Quarterly Refunding release is scheduled for November 3, 2010)

DOCUMENTS RELEASED AT 3:00 PM MONDAY, AUGUST 2, 2010

- Financing Estimates
- Economic Policy Statement to TBAC

(The next release is scheduled for November 1, 2010)

DOCUMENT RELEASED AT 12:00 NOON FRIDAY, JULY 16, 2010

- Primary Dealer Meeting Agendas

(The next release is scheduled for October 15, 2010)

Last Updated: August 2, 2010

Treasury Acting Assistant Secretary for Financial Markets Karthik Ramanathan February 2009 Quarterly Refunding Statement

2/4/2009

TG-09

Washington, DC – Treasury is announcing the following changes to the issuance calendar:

- A new monthly 7-year note, with the first auction occurring in February 2009.
- A regular reopening of the quarterly 30-year bond in the month following the initial new offering, with the first reopening occurring in March 2009.

Details of the February Refunding

We are offering $67 billion of Treasury securities to refund approximately $36.3 billion of privately held securities maturing or called on February 15 and to raise approximately $30.7 billion. The securities are:

- A new 3-year note in the amount of $32 billion, maturing February 15, 2012;
- A new 10-year note in the amount of $21 billion, maturing February 15, 2019;
- A new 30-year bond in the amount of $14 billion, maturing February 15, 2039.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. EST on Tuesday, February 10, 2009. The new 10-year note will be auctioned on a yield basis at 1:00 p.m. EST on Wednesday, February 11, 2009, and the new 30-year bond will be auctioned on a yield basis at 1:00 p.m. EST on Thursday, February 12, 2009.

All of these auctions will settle on Tuesday, February 17, to accommodate the Presidents Day holiday.

The balance of our financing requirements will be met with weekly bills; monthly 52-week bills; monthly 2-year, 3-year, 5-year, and 7-year notes; the March 10-year note and 30-year bond reopenings; the April 10-year note reopening; the April 5-year TIPS; and the April 10-year TIPS reopening.

Treasury also expects to issue cash management bills, some longer dated, during the quarter.

Changes to the Auction Calendar

During the last several months, changes in economic conditions, financial markets, and fiscal policy, as well as a decline in nonmarketable debt issuance have contributed to an increase in Treasury's marketable borrowing needs.

Treasury has responded to the increase in marketable borrowing requirements by raising issuance sizes of regular weekly and monthly bills, increasing the frequency and issuance sizes of cash management bills, increasing the issuance sizes of nominal coupon security offerings, and adjusting the securities offering calendar, including adding monthly 3-year notes, a second reopening of 10-year notes, and introducing newly issued 30-year bonds on a quarterly basis.

In response to the continued large increase in projected financing needs and to better manage the overall debt portfolio, Treasury is instituting the following changes to the auction calendar:

Introduction of a monthly 7-year note: Treasury is announcing the addition of a monthly new-issue 7-year note. The monthly 7-year notes will have an end-of-month settlement along with the 2-year and 5-year notes. The first auction of the 7-year notes will occur on Thursday, February 26, 2009 at 1:00 p.m. EST, for settlement on March 2, 2009.

Note that the 2-year and 5-year note auctions tentatively scheduled to occur at 1:00 p.m. on Wednesday, February 25, 2009 and Thursday, February 26, 2009, respectively, will now take place on Tuesday, February 24, 2009 and Wednesday, February 25, 2009, at 1:00 p.m. EST, respectively. The settlement date for the 2-year and 5-year notes will be March 2, 2009.

Introduction of a regular 30-year bond reopening: Treasury is announcing the addition of a regular reopening of the 30-year bond in the month following the initial quarterly offering. This will result in eight 30-year bond auctions a year. The first auction of the *reopening* of 30-year bonds will occur on Thursday, March 12, 2009 at 1:00 p.m. EDT, for settlement on Monday, March 16, 2009.

See Treasury's complete tentative auction calendar for the next six months at the following link: http://www.treas.gov/offices/domestic-finance/debt-management/auctions/auctions.pdf

Additional Financing Needs and Portfolio Considerations

In managing the debt portfolio to achieve our objective of lowest cost financing over time, Treasury constantly reevaluates the nominal and inflation-indexed securities programs. We will continue to monitor projected financing needs and make adjustments as necessary including, but not limited to, considering a second reopening of the 30-year bond in the month following the first reopening, and the reintroduction or establishment of other benchmark securities.

We will make an announcement at the May 2009 quarterly refunding regarding any changes to the auction calendar, including any decision regarding a second reopening of the 30-year bond.

Debt Subject to the Limit

Based on current projections, Treasury expects to reach the debt ceiling in the first half of 2009 . Given the uncertainty surrounding potential borrowing needs, Treasury will continue to keep Congress and the markets apprised of developments as the debt outstanding approaches the statutory limit.

Please send comments and suggestions on these subjects or others related to Treasury debt management to debt.management@treasury.gov.

The next quarterly refunding announcement will take place on Wednesday, April 29, 2009.

Report to the Secretary of the Treasury from the Treasury Borrowing Advisory Committee of the Securities Industry and Financial Markets Association

2/4/2009

TG-10

February 4, 2009

Dear Mr. Secretary:

Since the Committee last convened in early November, the contraction in economic activity has deepened and broadened, while financial markets have remained under duress. The unprecedented volatility present in capital markets when the Committee last met has diminished somewhat but conditions still are exceptionally challenging. Policy efforts have begun to unlock credit for select high-quality borrowers. But the magnitude of wealth destruction, the still heightened cost of economy-wide capital and the impaired system of financial intermediation continue to cast a dark cloud over the economic outlook.

Monetary and fiscal policy action now being implemented will help to prevent an even more serious downturn than otherwise would be the case. Policymakers' efforts to restore the flow of credit to households and businesses, backstop critical financial intermediaries through capital injections and loan guarantees, and stimulate economic activity via lower interest rates, tax cuts and government spending are positives. Nonetheless, the necessary deleveraging of both the financial and household sector is considerable and has further to run.

Price pressures are receding rapidly. Headline inflation already has collapsed toward zero due in large part to the steep declines in commodity costs. More notably, core inflation also is cooling quickly amid the slump in demand and rising unemployment and remains close to the Federal Reserve's comfort range for this series. Moreover, the speed at which businesses are cutting headcount and reducing compensation is raising the risk of deflation. Given elevated debt levels, such an outcome would be extremely problematic for the financial sector and real economy.

Federal Reserve officials have dropped the funds rate to effectively zero and are focused on using the bank's balance sheet to help to restore the flow of private sector credit. Forthcoming implementation of the TALF program to restart the flow of credit in the asset-backed securities market is one example of the Fed's efforts, as is its ongoing purchases of agency and agency-backed mortgage debt. Additional asset purchases – including the buying of Treasury securities if the FOMC determines that such purchases would be "particularly effective in improving conditions in private credit markets" – also are possible.

Despite the latest steepening in the yield curve, the curve has flattened since the Committee convened in November. The spread between the two- and ten-year and two- and thirty-year Treasury yield, for instance, has narrowed by about 50bp and 25bp, respectively. The flatter curve, despite a lower funds rate, reflects investors' concerns about deflation. The recent steepening led by the rise in longer-dated yields, however, partly may be a by-product of the Treasury's outsized funding needs in 2009-2010. Further substantive increases in Treasury yields may prove counterproductive to policy actions already underway.

Those outsized funding needs reflect the dismal outlook for economic growth and Congress and the Administration's efforts to bolster the economy through policy action. Tax receipts are declining at a brisk pace given the climb in unemployment, reduced wealth and slowing corporate profits. Receipts were down by nearly 10% in the first three months of the new fiscal year and the pace of decline appears to have accelerated in January. Individual nonwithheld tax receipts in the month plunged by almost 15% versus a year ago. Meanwhile, outlays are surging at a breakneck

pace as automatic stabilizers (unemployment compensation, food stamps, etc.) kick in and the government puts in place programs to try and stabilize the financial sector.

The deterioration in the budget outlook, combined with expenditures associated with the TARP, potential FDIC guarantees, and expected additional stimulus spending have increased private forecasts for total funding needs of the U.S. government for fiscal year 2009 to approximately $2 trillion. This is likely to stress the existing auction schedule and consequently warrants tangible adjustments to that schedule.

Faced with an unprecedented increase in net borrowing needs, the Treasury in its first charge to the Committee sought our advice and recommendation on changes to the auction calendar for debt issuance.

In keeping with past practices, the Committee recommended that the Treasury address its needs by reviewing the size, frequency and then the elimination, or in this case addition of debt maturity issues.

Furthermore, the Committee also stressed the importance of maintaining focus on the overall average maturity of the debt to ensure that financing is distributed across the maturity spectrum.

Faced with such extraordinary financing needs, the Committee focused on the optimal potential size of each coupon issue, while not jeopardizing a successful auction process.

It was the Committee's recommendation that existing monthly 2-year and 3-year notes could be increased by $5 billion in size, to $45 billion and $35 billion, respectively.

Furthermore, the Committee recommends that monthly 5-year notes have the greatest room for expansion given their liquidity and focus and should be increased by as much as $10 billion per issue. This would bring the monthly issuance size to as much as $40 billion.

And lastly, the committee recommends that the Treasury increase the size of the newly issued quarterly 10-year notes by $5 billion and by $4 billion when re-opened the two months following the new issue. In other words, the sizes of the 10-year issuances would increase from $20 billion, $16 billion and $16 billion each quarter to $25 billion, $20 billion and $20 billion, respectively.

The Committee also reviewed the frequency of the relevant issues and reiterates its recommendation to Treasury to issue 30-year bonds monthly, following the pattern of 10-year issuance. In other words, to have a new 30-year bond auction each quarter in February, May, August and November followed by re-openings of that issue in the two months following. The Committee recommends that the Treasury size these auctions to $15 billion, $10 billion, and $10 billion, respectively.

Furthermore, the Committee recognized that the changes were not sufficient to meet its borrowing needs and that the Treasury must introduce new coupon issues to its calendar.

While the number of new issues discussed by market participants, and the Committee, were a 4-year, 7-year, 20-year, and super-long (50-year) maturity issue. Among these choices, the Committee believes that a 7-year issue would be best accepted by the marketplace.

Consequently, after much discussion, the committee recommends that the Treasury announce a new 7-year maturity issue monthly. The pattern and size of the issue is recommended to be $15 billion quarterly, with subsequent re-openings of $10 billion over the following two months.

A number of Committee members noted that despite the tremendous growth in proposed coupon issuance, the average maturity of Treasury debt will likely fall further and that additional changes will need to be discussed by market participants in coming months.

The average maturity of the debt has already fallen from a range of 60 to 70 months which existed from the mid 1980's until 2002 to a level of 48 months more recently.

One member of the Committee suggested that the Treasury consider setting a target or guideline for this measure. While few agreed with setting a hard target level, most concurred that the Treasury needs to be focused on distributing its issuance across the maturity spectrum and avoid letting the average maturity fall too low.

In its second charge to the Committee, the Treasury sought our input on factors that might affect the supply and demand for Treasury securities over the next couple of years.

One member presented a deck of charts and exhibits that were prepared prior to the meeting and are attached.

There is near consensus that Treasury's funding needs during the next two years will be the largest in the post-war era in dollar terms, and likely also as a percent of GDP. To date, stepped up issuance has been digested well, owing in part to the rock bottom level of the risk free overnight rate, deflationary concerns, and outsized demand among global investors for safe and liquid financial instruments amid the contraction in global economic activity.

But the ramp up in debt issuance remains in its early stages. As the US government and also foreign governments continue their efforts to stabilize their respective economies, the supply of government and quasi-government paper will grow rapidly. The sheer magnitude of paper set to be issued raises the possibility that investors at some point will demand a concession of some sort, lifting yields in parts of the term structure beyond those justified by macro fundamentals. As a country with a current account deficit and a majority of Treasury debt held abroad, the US is more at risk of such a development than a country such as Japan where the government bond market is primarily domestically held.

To a certain extent, the supply and demand for Treasury securities in the period ahead are intertwined. The more pronounced and longer the recession, the larger the budget deficit, (both for economic and policy reasons) and in turn the greater the supply of debt. At the same time, however, demand for Treasurys would remain elevated, as investors would be wary of fleeing the safety of government securities for higher yielding but riskier asset classes.

The net supply of Treasurys in 2009 and 2010 combined seems likely to total more than $3 trillion and could climb as high as $4 trillion. The Congressional Budget Office (CBO) estimates the 2009 Federal budget deficit to be $1.2 trillion. The consensus of private sector analysts is similar to that figure. Yet, neither the CBO estimate nor the private consensus reflect fully the funding needs associated with the Obama Administration's fiscal stimulus plans, the implementation of TARP (or another TARP-like program), or the rumored creation of a bad/aggregator bank to help deal with the underperforming assets weighing down financial institutions. Some of the funding of these government programs will spill over into 2010, a year in which the "core" budget position also will be weak according to mainstream expectations for economic performance.

Actual and potential funding needs for financial sector stabilization programs already announced are considerable. Guarantees made on select assets of systemically critical financial institutions could require Treasury to raise hundreds of billions of dollars in the event that these assets continue to deteriorate. Similarly, guarantees made by the FDIC on select bank-issued debt could catapult government borrowing needs further should the issuing bank(s) default on its FDIC-insured paper. Any additional guarantees on future losses to assets held by financial institutions

would further increase net borrowing needs by Treasury. The size of any such borrowing would hinge on the type and size of assets backstopped.

The expansion in quasi-government paper contributes to the risk of market saturation. Banks have issued nearly $150 billion in FDIC-backed paper since the programs introduction. Spreads on this paper have been narrowing over time with the latest deal, paper offered by Citi, pricing just 30 basis points over Libor. Real money investors have purchased the bulk of this paper in an attempt to pick up yield over Treasurys while not taking on additional credit risk. In some respects, this paper has replaced GSE debt as the instrument of choice for real money investors looking for modestly higher yielding, quasi-government debt.

Surging sovereign debt (and sovereign-insured private sector debt under programs instituted by some European governments) outside the United States also could compete with Treasury securities but this seems a modest risk at this point. The dollar remains the world's reserve currency and in periods of uncertainty and volatility typically enjoys a safe-haven bid. Indeed, the demand for dollar – including US Treasury debt – has been solid in recent months even though US policymakers have announced their intentions to expand fiscal and monetary policy. Moreover, the ratio of public sector debt in the US – even with the pending surge – will remain below that of many other developed countries, as the ratio will be rising from a relatively low base.

Nonetheless, international developments do pose some risk to the Treasury market, especially as the increase in supply accelerates further. Foreign investors currently hold nearly 55% of the marketable Treasury debt outstanding – a percentage that is only modestly higher than some other G10 economies – and a percentage that has been trending higher since early this decade. For instance, foreigners held about one-third of Treasury debt outstanding in 2000. Japan, China, and the United Kingdom are the three largest holders. Yet, the UK's elevated position reflects London's status as a global financial center and the large concentration of hedge funds in London, and is less relevant for debt management issues than Japan and China.

Japan and China both maintain outsized official holdings of Treasurys. The Japanese Ministry of Finance is not typically a net seller of dollars for anything beyond very minor portfolio rebalancing. In the current environment, Japanese officials may be more inclined to buy dollars (sell yen) in an effort to stem upward pressure on the yen, thereby halting Japan's terms of trade deterioration. Of note, however, the Ministry of Finance has not intervened recently.

China, on the other hand, could slow its accumulation of dollar-denominated debt. Such a trend already has begun to develop with respect to its accumulation of overall dollar assets as the flow of private capital into China has cooled alongside the global downturn, alleviating the need to offset capital inflows.

Emerging economies that have been accumulating dollars in recent years amid growing trade surpluses and the commodity price boom should have a reduced demand for dollars in the period ahead. Yet, foreign exchange reserves in countries such as Brazil, Mexico, Korea and so forth remain sizeable. These funds likely will diminish due to an unwinding of the forces that facilitated their rapid accumulation, and the possibility that policymakers in these countries will tap reserves for domestic initiatives. The net result will be less demand from the emerging world for dollar assets.

And finally, a larger primary dealer community would help to reduce on the margin the possibility of an undersubscribed auction(s). There currently are just 17 primary dealers, down from 30 a decade ago. Government bond trading desks at the dealers also are not immune from sector-wide capital/balance sheet issues and desks at many dealers are being encouraged to minimize risk.

In the final section of the charge, the committee considered the composition of marketable financing for the January-March Quarter to refund the $36.3 billion of privately held notes and bonds maturing February 15, 2009 the

Committee recommends a $35bn 3-year note due February 15, 2012, a $25 billion 10-year note due February 15, 2019 and a $15 billion 30-year bond due February 15, 2039.

For the remainder of the quarter, the Committee recommends a $45 billion 2-year note in February and March, a $35 billion 3 year note in March, a $40 billion 5-year note in February and March, and a $20 billion re-opening of the 10-year note and $10 billion re-opening of the 30-year bond in March.

For the April-June quarter, the Committee recommended financing as found in the attached table. Relevant figures included three 2-year, 3-year and 5-year note issuances monthly, 10-year note and 30-year bond re-openings in April, followed by a 10-year note and a 30-year bonds in May followed by a re-opening of each in June, as well as a 10-year Tips note in April, and a 20-year TIPS re-opening later that same month.

Respectfully Submitted

Keith T. Anderson
Chairman

Rick Rieder
Vice Chairman

REPORTS

- Financing Tables: Q1
- Financing Tables: Q2

US TREASURY FINANCING SCHEDULE FOR 1st QUARTER 2009
BILLIONS OF DOLLARS

ISSUE	ANNOUNCEMENT DATE	AUCTION DATE	SETTLEMENT DATE	OFFERED AMOUNT 4-WK	OFFERED AMOUNT 3-MO	OFFERED AMOUNT 6-MO	OFFERED AMOUNT 12-MO	MATURING AMOUNT	NEW MONEY
4-WEEK AND 3&6 MONTH BILLS	12/24	12/29	1/2	22.00	26.00	27.00		84.00	-9.00
	12/31	1/5	1/8	24.00	26.00	27.00		79.00	-2.00
	1/8	1/12	1/15	24.00	26.00	27.00	22.00	73.00	26.00
	1/15	1/20	1/22	30.00	27.00	27.00		70.00	14.00
	1/22	1/26	1/29	34.00	29.00	28.00		70.00	21.00
	1/29	2/2	2/5	*35.00*	*30.00*	*29.00*		*75.00*	*19.00*
	2/5	2/9	2/12	*35.00*	*30.00*	*29.00*		*76.00*	*18.00*
	2/12	2/16	2/19	*35.00*	*30.00*	*29.00*	*25.00*	*84.00*	*35.00*
	2/19	2/24	2/26	*35.00*	*30.00*	*29.00*		*89.00*	*5.00*
	2/26	3/2	3/5	*35.00*	*30.00*	*29.00*		*89.00*	*5.00*
	3/5	3/9	3/12	*25.00*	*30.00*	*29.00*		*87.00*	*-3.00*
	3/12	3/16	3/19	*20.00*	*30.00*	*29.00*	*25.00*	*89.00*	*15.00*
	3/19	3/23	3/26	*20.00*	*30.00*	*29.00*		*89.00*	*-10.00*
					1116.00			*1054.00*	*134.00*
CASH MANAGEMENT BILLS									
70-DAY BILL		1/7	1/8		*35.00*			*35.00*	*0.00*
	Matures 3/19								
56-DAY BILL		1/14	1/15		*30.00*			*30.00*	*0.00*
	Matures 3/12								
70-DAY BILL		1/21	1/22		*35.00*				*35.00*
	Matures 4/2								
70-DAY BILL		1/28	1/29		*35.00*				*35.00*
	Matures 4/9								
49-DAY BILL		2/4	2/5		*30.00*			*30.00*	*0.00*
	Matures 3/26								
63-DAY BILL		2/11	2/12		*40.00*				*40.00*
	Matures 4/17								
56-DAY BILL		2/17	2/18		*40.00*				*40.00*
	Matures 4/15								
18-DAY BILL		2/25	2/26		*25.00*			*25.00*	*0.00*
	Matures 3/16								
14-DAY BILL		3/2	3/3		*20.00*			*20.00*	*0.00*
	Matures 3/17								
							CMB Funds:		*150.00*
COUPONS						CHANGE			
10-Year TIPS	12/31	1/6	1/15		8.00				
3-Year Note	1/5	1/7	1/15		30.00				
10-Year Note ®	1/5	1/8	1/15		16.00			32.40	21.60
20-Year TIPS	1/22	1/26	1/30		8.00			0.00	8.00
2-Year Note	1/22	1/27	2/2		40.00	2.00			
5-Year Note	1/22	1/29	2/2		30.00	2.00		20.00	50.00
3-Year Note	2/4	2/10	2/17		*35.00*	*5.00*			
10-Year Note	2/4	2/11	2/17		*25.00*	*5.00*			
30-Year Bond	2/4	2/12	2/17		*15.00*	*5.00*		*36.30*	*38.70*
2-Year Note	2/23	2/25	3/2		*45.00*	*5.00*			
5-year Note	2/23	2/26	3/2		*40.00*	*10.00*		*18.00*	*67.00*
3-Year Note	3/9	3/10	3/16		*35.00*				
10-Year Note ®	3/9	3/11	3/16		*20.00*				
30-Year Bond ®	3/9	3/12	3/16		*10.00*			*14.90*	*50.10*
2-Year Note	3/23	3/25	3/31		*45.00*				
5-year Note	3/23	3/26	3/31		*40.00*			*18.00*	*67.00*
					442.00			*139.60*	*302.40*

Estimates are italicized. Shaded regions in Cash Management Section denote funds raised for Supplementary Financing Program

SFP funds are not technically marketable Treasury borrowing

NET CASH RAISED THIS QUARTER: 586.40

R = Reopening

US TREASURY FINANCING SCHEDULE FOR 2nd QUARTER 2009
BILLIONS OF DOLLARS

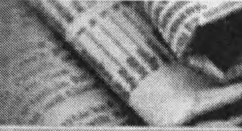
ISSUE	ANNOUNCEMENT DATE	AUCTION DATE	SETTLEMENT DATE	OFFERED AMOUNT 4-WK	3-MO	6-MO	12-MO	MATURING AMOUNT	NEW MONEY
4-WEEK AND 3&6 MONTH BILLS	3/26	3/30	4/2	24.00	30.00	29.00		84.00	-1.00
	4/2	4/6	4/9	24.00	30.00	29.00		79.00	4.00
	4/9	4/13	4/16	20.00	27.00	27.00		73.00	1.00
	4/16	4/20	4/23	10.00	27.00	27.00	22.00	70.00	16.00
	4/23	4/27	4/30	10.00	27.00	27.00		72.00	-8.00
	4/30	5/4	5/7	*20.00*	28.00	27.00		75.00	*0.00*
	5/7	5/11	5/14	*30.00*	28.00	27.00		72.00	*13.00*
	5/14	5/18	5/21	*30.00*	28.00	27.00	*25.00*	64.00	*46.00*
	5/21	5/26	5/28	*30.00*	30.00	28.00		65.00	*23.00*
	5/28	6/1	6/4	*30.00*	30.00	28.00		74.00	*14.00*
	6/4	6/8	6/11	*25.00*	30.00	29.00		82.00	*2.00*
	6/11	6/15	6/18	*20.00*	30.00	29.00	*25.00*	84.00	*20.00*
	6/18	6/22	6/25	*20.00*	30.00	29.00		84.00	*-5.00*
					1031.00			*978.00*	*125.00*
CASH MANAGEMENT BILLS									
	Matures 4/2							*35.00*	*-35.00*
	Matures 4/9							*35.00*	*-35.00*
	Matures 4/15							*40.00*	*-40.00*
	Matures 4/17							*40.00*	*-40.00*
27-DAY BILL	Matures 6/16	5/19	5/20		*35.00*			*35.00*	*0.00*
112-DAY BILL	Matures 9/16	5/27	5/27		*50.00*				*50.00*
13-DAY BILL	Matures 6/15	6/1	6/2		*25.00*			*25.00*	*0.00*
91-DAY BILL	Matures 9/23	6/23	6/24		*40.00*				*40.00*
							CMB Funds:		*-60.00*
COUPONS						CHANGE IN SIZE			
10-Year TIPS	4/2	4/6	4/15		6.00				
3-Year Note	4/6	4/7	4/15		35.00				
10-Year Note ®	4/6	4/8	4/15		20.00				
30-Year Bond ®	4/6	4/9	4/15		10.00			15.10	57.90
5-Year TIPS	4/20	4/23	4/30		8.00				
2-Year Note	4/23	4/27	4/30		45.00				
5-Year Note	4/23	4/28	4/30		40.00			19.00	74.00
3-Year Note	4/29	5/5	5/15		*35.00*				
10-Year Note	4/29	5/6	5/15		*25.00*				
30-Year Bond	4/29	5/7	5/15		*15.00*			*52.20*	*22.80*
2-Year Note	5/21	5/27	6/1		*45.00*				
5-year Note	5/21	5/28	6/1		*40.00*			*19.00*	*66.00*
3-Year Note	6/8	6/9	6/15		*35.00*				
10-Year Note ®	6/8	6/10	6/15		*20.00*				
30-Year Bond ®	6/8	6/11	6/15		*10.00*			*14.90*	*50.10*
2-Year Note	6/22	6/23	6/30		*45.00*				
5-year Note	6/22	6/25	3/31		*35.00*			*18.00*	*62.00*
					469.00			*138.20*	*332.80*

Estimates are italicized. Shaded regions in Cash Management Section denote funds raised for Supplementary Financing Program

SFP funds are not technically marketable Treasury borrowing

NET CASH RAISED THIS QUARTER: 397.80

R = Reopening



PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

February 4, 2009
TG-11

Minutes of the Meeting of the
Treasury Borrowing Advisory Committee
Of the Securities Industry and Financial Markets Association

February 3, 2009

The Committee convened in closed session at the Hay-Adams Hotel at 11:25 a.m. All Committee members were present except for Susan Estes. Acting Assistant Secretary for Financial Markets, Karthik Ramanathan welcomed the Committee and gave them the charge.

The first item on the charge related to Treasury's increasing financing requirements and the potential need to make further changes to the auction calendar in a manner that would provide the greatest flexibility to Treasury while minimizing the impact on markets. Assistant Secretary Ramanathan delivered a presentation to the Committee which highlighted current fiscal conditions and potential factors to consider in addressing this issue.

Assistant Secretary Ramanathan stated that market estimates for the FY 2009 deficit averaged $1.6 trillion (vs. dealer estimates of $988 billion in November 2008), and marketable borrowing needs ranged between $1.5 trillion and $2.5 trillion. Highlighting several charts, Ramanathan stated that the fiscal outlook remained challenging, and potential measures to improve the economy portended sizeable borrowing requirements for at least FY 2009 and FY2010. Given the uncertainty regarding various proposals, many market participants have yet to fully incorporate firm values in their deficit or marketable borrowing estimates. Specifically, market participants were generally uncertain regarding fiscal measures, current legislation, and other credit market actions which may serve to alleviate current conditions.

Ramanathan noted that there has been significant declines are becoming evident in receipts, stemming from sharp declines in both corporate and individual taxes. In the last quarter, receipts were lower by 10 percent, with corporate taxes lower by 46 percent year-over-year. Outlays were 45 percent higher, reflecting nearly $320 billion in expenditures related to the Troubled Assets Relief Program (TARP) and the Housing and Economic Recovery Act of 2008 (Senior Preferred Agreement investments and Agency MBS purchases related to Government Sponsored Enterprises) as well as other financial market stabilization efforts. Current trends in both receipts and outlays, and the lag effects of economic activity, suggest that financing requirements will remain sizable for the remainder of this year and into next year.

Ramanathan noted that the rapid disbursement of funds related to TARP required increases in bill financing and short-dated coupons. As a result, the average maturity of the overall marketable debt portfolio fell to 49 months. While this lowered average maturity, Treasury at the same time introduced a second reopening of the 10 year and moved to quarterly 30-year bonds so that bill issuance could roll into coupon issuance. Bills currently represent about 33 percent of outstanding marketable debt, and while demand remains robust, Treasury recognizes the need to monitor short-term issuance versus longer dated issuance. As a result, Treasury is balancing the borrowing profile to address these large financing needs (in the short to medium term) while also preserving flexibility to address cyclical or structural shifts.

To that end, Ramanathan stated that Treasury will seek to extend the average maturity and duration of the portfolio with the realization that continued large issuance from bills and shorter dated coupons will make this extension a gradual process.

The charts then highlighted constraints to be considered in deciding how to extend the portfolio, including risk appetite by the market, balance sheet constraints, and competition by other less liquid yet guaranteed or "effectively guaranteed" products. Moreover, state and local government securities program has seen redemptions to-date of over $10 billion, coming on top of last year's redemptions of $36 billion and FY 2007 *issuance* of $58 billion.

Ramanathan noted that gross issuance of Treasuries will potentially reach $6.5 trillion dollars in FY2009. Increases in issuance sizes, issuance frequencies, the issuance of larger, longer-dated cash management bills, and the introduction of securities would serve to finance funding needs. Ramanathan stated that issuance sizes of nominal coupons would be increased while TIPS would continue to grow at a slower pace based on several studies which show a higher cost relative to nominal issuance.

Before discussing the first item in the charge the Committee moved on to the second item in the charge concerning factors that Treasury should consider in fiscal years 2009 and 2010. A Committee member gave the presentation.

The presenting member began by noting that the trends in unemployment rate where closely correlated with tax receipts and that the general consensus was that unemployment rates would rise from current levels, suggesting that Treasury funding needs would be sizable for some time. The presenting member noted that FY09 net borrowing could be as high as18 percent of GDP while debt to GDP ratios were projected to rise above 50 percent.

The presenting member noted that the Fed's stance on monetary policy would likely be stable at current low rate levels for at least a year and perhaps longer. The presenting member enumerated several programs that would compete for funding including several Federal Reserve liquidity facilities, FDIC programs and Agency programs. Some of these programs, such as the FDIC insured bank debt program which has issued $147 billion to date, while illiquid and with varied terms, were potential alternatives to Treasury debt.

The Committee member then clearly noted that as a percent of debt to GDP, Treasury was well below other major G7 nations, and its capacity to borrow was large given the size of GDP. Lower financing rates as well as a deep, active market also increase Treasury's ability to borrow.

The presenting member then raised the issue that international investment, particularly from Asia, was an important component to future funding. The member noted that growth world wide was declining and trade flows were being impacted, potentially leading to a more domestically- oriented position on investments.

At that point, a discussion followed regarding the best course of action for Treasury.

A member began by noting that liquidity preference was high for Treasuries and that the ability to fund in bills and shorter-dated coupons remained high. Another member stated that some money funds were closing to new investors and that might impair funding capacity.

One member asked if Treasury was publicizing "Treasury Direct", the online system that allows institutional and retail investors to purchase securities directly from Treasury at the auction. Ramanathan noted that Treasury explicitly lowered the minimum denomination on marketable Treasuries to $100 from $1000 to broaden the scope of potential investors, but also noted that savings bonds investments have declined for the past 20 consecutive quarters.

One Committee member raised the issue of lower liquidity in the Treasury market in the previous quarter, indicating that government trading desks were constrained by balance sheets. Several members stated that liquidity had improved since the fails situation in the fourth quarter of 2008, and that the liquidity in the market prior to 2007 was not sustainable. Another member stated that current conditions, while less liquid, still were attractive to domestic and international capital.

Another member said that if Treasury continued to remain completely transparent and predictable in its issuance pattern and decisions, demand would appear at a market price. Most of the Committee stated that Treasury should continue its transparent decision-making process – despite the high degree of uncertainty – and that its signaling of potential changes in advance as more information becomes available has greatly assisted market participants. Given larger benchmark coupon sizes and the potential need for additional securities, telegraphing these moves as has been done over the past in a broad manner would enable greater risk taking and appetite.

The Committee then turned to a discussion of what specific actions should be taken at this juncture given the uncertainty facing Treasury. There was consensus that Treasury should extend the maturity of the debt portfolio. Committee members were reluctant to suggest that Treasury target an average length because such a target may limit flexibility at some future point.

The Committee stated that benchmark nominal coupon issuance sizes could be increased over the next few months by at least five billion each in most issues out to five years with minimal concession, with even greater flexibility for increases in the 5-year note. Members stated that moving from quarterly to monthly 30-year bond issuance in which the security is reopened twice in the months following the initial quarterly offering was appropriate and would help extend average maturity while addressing borrowing needs in the longer term

There was a general consensus that the market was expecting the reintroduction of a 7- year note. Committee members felt that monthly issuance was appropriate, and suggested an initial monthly offering followed by two reopenings. Members suggested that the 7-year would fit in the auction calendar at the end of the month after the 2-year and 5-year note auctions. The remaining financing could be done in bills, both regular and longer dated cash management bills.

Members also discussed the potential to issue other securities if needed including a reintroduction of a 4-year note, a 20-year bond, and/or longer-dated debt but stated that it was premature to proceed with any of those options at this time since nominal sizes could be increased and the additions to the calendar would assist Treasury in achieving its financing.

Ramanathan noted that calendar issues, including dates for auctions and settlement dates, needed to be considered if additional securities were introduced.

The meeting adjourned at 12:50 PM.

The Committee reconvened at the Department of the Treasury at 6:00 p.m. All of the Committee members were present except for Estes. The Chairman presented the Committee report to Acting Assistant Secretary Ramanathan.

A brief discussion followed the Chairman's presentation but did not raise significant questions regarding the report's content.

The Committee then reviewed the financing for the remainder of the January through March quarter and the April through June quarter (see attached).

The meeting adjourned at 6:15 p.m.

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Karthik Ramanathan, Director

Acting Assistant Secretary for Financial Markets
United States Department of the Treasury
February 3, 2009

Certified by:

____

Keith T. Anderson, Chairman
Treasury Borrowing Advisory Committee
Of The Securities Industry and Financial Markets Association
February 3, 2009

Treasury Borrowing Advisory Committee Quarterly Meeting
Committee Charge – February 3, 2009

Fiscal Outlook

Treasury is expecting to make further changes to the auction calendar as a result of increased financing needs. What adjustments to the current securities offerings should Treasury make at this time that would be easily introduced and provide increased flexibility?

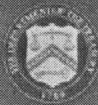
Impacts of Liquidity initiatives on Treasury Borrowing

What factors and/or issues should Treasury be aware of in fiscal years 2009 and 2010? Please discuss the implications for Treasury borrowing of the various government liquidity programs and loan guarantees as well as other exogenous factors.

Financing this Quarter

We would like the Committee's advice on the following:

- The composition of Treasury notes and bonds to refund approximately $36.3 billion of privately held notes maturing on February 15, 2009.
- The composition of Treasury marketable financing for the remainder of the January - March quarter, including cash management bills.
- The composition of Treasury marketable financing for the April - June quarter, including cash management bills.



PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

February 3, 2009
TG-13

Treasury Provides Funding to Bolster 42 Healthy, Local Banks Nationwide
First banks in Arizona and Nebraska receive capital to increase lending;
Banks in 45 states now participating in Treasury program

Washington, DC - The U.S. Treasury Department today announced investments of approximately $1.15 billion in 42 banks across the nation as part of its Capital Purchase Program (CPP), a means to directly infuse capital into healthy, viable banks with the goal of increasing the flow of financing available to small businesses and consumers. **With additional capital, banks** are better able to meet the lending needs of their customers, and businesses have greater access to the credit that they need to keep operating and growing.

Since its inception in October 2008, Treasury has strengthened healthy small and large, regional, and national, financial institutions, as well as Community Development Financial Institutions (CDFIs), through total CPP investments of $195.33 billion in 359 institutions in 45 states and Puerto Rico. To date, the largest investment was $25 billion and the smallest investment was approximately $1 million.

Among the most recent banks to receive Treasury funding was Legacy Bancorp of Milwaukee, Wisconsin, a CDFI founded by African-American women and one of the fastest growing community banks in the nation. CDFIs such as Legacy provide vital credit and financial services to low-income areas that are often unavailable from commercial banks.

Farmers and Merchants Bank, which primarily serves farms and rural businesses, became the first Nebraska bank to receive Treasury investments through CPP.

"We believe this investment will enable our institution to take advantage of opportunities to further strengthen our position in the marketplace. In particular, we believe the investment will increase Farmers & Merchants Bank's lending capacity, thereby enhancing our ability to assist our core customers in meeting the challenges of a recessionary environment while positioning them to take full advantage of an economic recovery," said Gerry Dunlap, President and Chief Executive of Country Bankshares, Inc., the bank holding company of Farmers and Merchants Bank.

Also receiving CPP funding was Firstbank Corporation of Alma, Michigan, which operates 53 banking offices throughout the state's Lower Penninsula.

"This additional capital will facilitate expanded service to our customers and the communities we serve in Michigan," said Chief Executive Officer Thomas R. Sullivan. "We plan to use the additional capital to further increase the capacity of our banks to make prudent loans to customers, while serving customer and community needs for deposit and other banking services. This is a time when economies at all levels – local, state, regional, and national – urgently need supportive, quality oriented, well-run banks. As a community banking company with six affiliate banks, we at Firstbank Corporation are excited about the prospects that this additional capital provides."

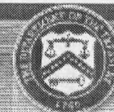
Under the CPP, Treasury is purchasing up to a total of $250 billion of senior preferred shares from healthy U.S. financial institutions such as those announced today. Institutions that participate in the CPP must comply with restrictions on

executive compensation during the period that Treasury holds equity issued through the CPP and agree to limitations on dividends and stock repurchases. Banks participating in the CPP will pay the Treasury a five percent dividend on senior preferred shares for the first five years following the investment and a rate of nine percent per year thereafter. Banks may repay Treasury under the conditions established in the purchase agreements, and Treasury may sell these shares when market conditions stabilize. Further information about the terms of the program, including weekly transactions, can be found at http://www.treas.gov/initiatives/eesa/.

The following is a complete list of banks receiving funding on January 30, 2009:

State / Bank	Amount
Arkansas	
Rogers Bancshares, Inc.	$25,000,000
Arizona	
Goldwater Bank, N.A.	$2,568,000
California	
Beach Business Bank	$6,000,000
Central Valley Community Bancorp	$7,000,000
Ojai Community Bank	$2,080,000
Peninsula Bank Holding Co.	$6,000,000
Plumas Bancorp	$11,949,000
Valley Commerce Bancorp	7,700,000
Colorado	
Bankers' Bank of the West Bancorp, Inc.	$12,639,000
Florida	
First Southern Bancorp, Inc.	$10,900,000
Georgia	
Metro City Bank	$7,700,000
Illinois	
PrivateBancorp, Inc.	$243,815,000
Indiana	
AMB Financial Corp.	$3,674,000
Kansas	
Equity Bancshares, Inc.	$8,750,000
UBT Bancshares, Inc.	$8,950,000
Maryland	
Monument Bank	$4,734,000
Annapolis Bancorp, Inc.	$8,152,000
First United Corporation	$30,000,000
Maine	
Katahdin Bankshares Corp.	$10,449,000
Michigan	
Firstbank Corporation	$33,000,000
Flagstar Bancorp, Inc.	$266,657,000
Missouri	
Guaranty Federal Bancshares, Inc.	$17,000,000
North Carolina	
Oak Ridge Financial Services, Inc.	$7,700,000
Nebraska	
Adbanc, Inc	$12,720,000
Country Bank Shares, Inc.	$7,525,000
New Hampshire	
Northway Financial, Inc.	$10,000,000
New Jersey	
Community Partners Bancorp	$9,000,000
Hilltop Community Bancorp, Inc.	$4,000,000
Parke Bancorp, Inc.	$16,288,000
Stewardship Financial Corporation	$10,000,000
Ohio	
Peoples Bancorp Inc.	$39,000,000
Pennsylvania	

DNB Financial Corporation	$11,750,000
First Resource Bank	$2,600,000
South Carolina	
Greer Bancshares Incorporated	9,993,000
Tennessee	
F & M Bancshares, Inc.	$4,609,000
Texas	
Central Bancshares, Inc.	$5,800,000
Virginia	
Central Virginia Bankshares, Inc.	$11,385,000
Middleburg Financial Corporation	$22,000,000
WashingtonFirst Bank	$6,633,000
Washington	
W.T.B. Financial Corporation	$110,000,000
Wisconsin	
Anchor BanCorp Wisconsin Inc.	$110,000,000
Legacy Bancorp, Inc.	$5,498,000



February 3, 2009
2009-2-3-18-21-6-26195

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $75,524 million as of the end of that week, compared to $75,857 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	January 30, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			75,524
(a) Securities	8,853	14,384	23,237
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,199	7,047	17,246
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,442		
(3) SDRs [2]	9,047		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,511		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,511		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits				

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-387,448	-273,934	-113,514	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	7,666
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	7,666
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	75,524
--currencies in SDR basket	75,524
2--currencies not in SDR basket	
--by individual currencies (optional)	

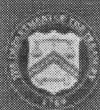
Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."



February 4, 2009
TG-14

Treasury Designates Free Life Party of Kurdistan a Terrorist Organization

Washington, DC – The U.S. Department of the Treasury today designated the Free Life Party of Kurdistan (PJAK), a Kurdish group operating in the border region between Iraq and Iran, under Executive Order 13224 for being controlled by the terrorist group Kongra-Gel (KGK, aka the Kurdistan Workers Party or PKK).

"With today's action, we are exposing PJAK's terrorist ties to the KGK and supporting Turkey's efforts to protect its citizens from attack," said Stuart Levey, Treasury's Under Secretary for Terrorism and Financial Intelligence.

Designated in December 2002 under E.O. 13224, KGK has been involved for more than 20 years in targeting Turkish government security forces, local Turkish officials, and villagers who oppose the KGK in Turkey. Turkish authorities have confirmed or suspect that KGK is also responsible for dozens of bombings since 2004 in western Turkey.

The KGK leadership authorized certain Iranian-Kurdish KGK members to create a KGK splinter group that would portray itself as independent from but allied with KGK. PJAK was created to appeal to Iranian Kurds. KGK formally institutionalized PJAK in 2004 and selected five KGK members to serve as PJAK leaders, including Hajji Ahmadi, a KGK affiliate who became PJAK's General Secretary. KGK leaders also selected the members of PJAK's 40-person central committee. Although certain PJAK members objected to the KGK selecting their leaders, the KGK advised that PJAK had no choice.

As of April 2008, KGK leadership controlled PJAK and allocated personnel to the group. Separately, PJAK members have carried out their activities in accordance with orders received from KGK senior leaders. In one instance, PJAK's armed wing, the East Kurdistan Defense Forces, had been acting independently in Iran. KGK senior leaders immediately intervened, however, and recalled the responsible PJAK officials to northern Iraq.

Under E.O. 13224, any assets PJAK has under U.S. jurisdiction are frozen, and U.S. persons are prohibited from engaging in any transactions with PJAK.

Identifying Information
FREE LIFE PARTY OF KURDISTAN
AKAs:
Kurdistan Free Life Party
Party of Free Life of Kurdistan Partiya Jiyana Azad a Kurdistane
PJAK
PEJAK
PEZHAK

Location:
Qandil Mountain, Irbil Governorate, Iraq

Alt, Location:
Razgah, Iran

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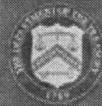

February 4, 2009
TG-15

Treasury Announces New Restrictions On Executive Compensation

Today, the Treasury Department is issuing a new set of guidelines on executive pay for financial institutions that are receiving government assistance to address our current financial crisis. These measures are designed to ensure that public funds are directed only toward the public interest in strengthening our economy by stabilizing our financial system and not toward inappropriate private gain. The measures announced today are designed to ensure that the compensation of top executives in the financial community is closely aligned not only with the interests of shareholders and financial institutions, but with the taxpayers providing assistance to those companies.

The Treasury guidelines on executive pay seek to strike the correct balance between the need for strict monitoring and accountability on executive pay and the need for financial institutions to fully function and attract the talent pool that will maximize the chances of financial recovery and taxpayers being paid back on their investments. The proposals below, such as emphasizing restricted stock that vests as the government is repaid with interest, seek to strike exactly that balance.

The guidelines distinguish between banks participating in any new generally available capital access program and banks needing "exceptional assistance." Generally available programs have the same terms for all recipients, with limits on the amount each institution may receive and specified returns for taxpayers. The goal of these programs is to help ensure the financial system as a whole can provide the credit necessary for recovery, including providing capital to smaller community banks that play a critical role in lending to small businesses, families and others. The previously announced Capital Purchase Program is an example of a generally available capital access program.

If a firm needs more assistance than is allowed under a widely available standard program, then that is exceptional assistance. Banks falling under the "exceptional assistance" standard have bank-specific negotiated agreements with Treasury. Examples include AIG, and the Bank of America and Citi transactions under the Targeted Investment Program.

As part of President Obama's efforts to promote systemic regulatory reform, the standards today mark the beginning of a long-term effort to examine both the degree that executive compensation structures at financial institutions contributed to our current financial crisis and how corporate governance and compensation rules can be reformed to better promote long-term value and growth for shareholders, companies, workers and the economy at large and to prevent such financial crises from occurring again.

I. COMPLIANCE AND CERTIFICATION:

All Companies Receiving Government Assistance Must Ensure Compliance with Executive Compensation Provisions: The chief executive officers of all companies that have to this point received or do receive any form of government assistance must provide certification that the companies have strictly complied with statutory, Treasury, and contractual executive compensation restrictions. Chief executive officers must re-certify compliance with these restrictions on an annual basis. In addition, the compensation committees of all companies receiving government assistance must provide an explanation of how their senior executive compensation arrangements do not encourage excessive and unnecessary risk-

taking.

II. ENHANCED CONDITIONS ON EXECUTIVE COMPENSATION GOING FORWARD:

A. Companies Receiving Exceptional Financial Recovery Assistance:

- **Limit Senior Executives to $500,000 in Total Annual Compensation – Other than Restricted Stock:** Current programs providing exceptional assistance to financial institutions forbid recipients of government funds from taking a tax deduction for senior executive compensation above $500,000. Today's guidance takes this restriction further by limiting the total amount of compensation to no more than $500,000 for these senior executives except for restricted stock awards.
- **Any Additional Pay for Senior Executives Must Be in Restricted Stock that Vests When the Government Has Been Repaid with Interest:** Any pay to a senior executive of a company receiving exceptional assistance beyond $500,000 must be made in restricted stock or other similar long-term incentive arrangements. The senior executive receiving such restricted stock will only be able to cash in either after the government has been repaid – including the contractual dividend payments that ensure taxpayers are compensated for the time value of their money – or after a specified period according to conditions that consider among other factors the degree a company has satisfied repayment obligations, protected taxpayer interests or met lending and stability standards. Such a restricted stock strategy will help assure that senior executives of companies receiving exceptional assistance have incentives aligned with both the long-term interests of shareholders as well as minimizing the costs to taxpayers.
- **Executive Compensation Structure and Strategy Must be Fully Disclosed and Subject to a "Say on Pay" Shareholder Resolution:** The senior executive compensation structure and the rationale for how compensation is tied to sound risk management must be submitted to a non-binding shareholder resolution. There are no "Say on Pay" provisions in the existing programs.
- **Require Provisions to Clawback Bonuses for Top Executives Engaging in Deceptive Practices:** Under the existing programs providing exceptional assistance, only the top five senior executives were subject to a clawback provision. Going forward, a company receiving exceptional assistance must have in place provisions to claw back bonuses and incentive compensation from any of the next twenty senior executives if they are found to have knowingly engaged in providing inaccurate information relating to financial statements or performance metrics used to calculate their own incentive pay.
- **Increase Ban on Golden Parachutes for Senior Executives:** The existing programs providing exceptional assistance to financial institutions prohibited the top five senior executives from receiving any golden parachute payment upon severance from employment, a ban that will be expanded to include the top ten senior executives. In addition, and at a minimum, the next twenty-five executives will be prohibited from receiving any golden parachute payment greater than one year's compensation upon severance from employment.
- **Require Board of Directors' Adoption of Company Policy Relating to Approval of Luxury Expenditures:** The boards of directors of companies receiving exceptional assistance from the government must adopt a company-wide policy on any expenditures related to aviation services, office and facility renovations, entertainment and holiday parties, and conferences and events. This policy is not intended to cover reasonable expenditures for sales conferences, staff development, reasonable performance incentives and other measures tied to a company's normal business operations. These new rules go beyond current guidelines, and would require certification by chief executive officers for expenditures that could be viewed as excessive or luxury items. Companies should also now post the text of the expenditures policy on their web sites.

B. Financial Institutions Participating in Generally Available Capital Access Programs:

The Treasury intends to issue proposed guidance subject to public comment on the following executive compensation requirements relating to future *generally available* capital access programs.

- **Limit Senior Executives to $500,000 in Total Annual Compensation Plus Restricted Stock – U*n*less Waived with Full Public Disclosure and Shareholder Vote:** Companies that participate in generally available capital access programs may waive the $500,000 plus restricted stock rule only by disclosure of their compensation and, if requested, a non-binding "say on pay" shareholder resolution. All firms participating in a future capital access program must review and disclose the reasons that compensation arrangements of both the senior executives and other employees do not encourage excessive and unnecessary risk taking. Under the current Capital Purchase Program, the companies were only required to review and certify that the top five executives' compensation arrangements did not encourage excessive and unnecessary risk-taking.
- **Require Provisions to Clawback Bonuses for Top Executives Engaging in Deceptive Practices:** The same clawback provision that applies to companies receiving exceptional assistance will apply to those in generally available capital access programs. Thus, in addition to the clawback provision applicable to the top five executives as under the Capital Purchase Program, a company receiving assistance must have in place provisions to claw back bonuses and incentive compensation from any of the next twenty senior executives if they are found to have knowingly engaged in providing inaccurate information relating to financial statements or performance metrics used to calculate their own incentive pay.
- **Increase Ban on Golden Parachutes for Senior Executives:** Even under generally available capital access programs, the golden parachute ban will be strengthened: Upon a severance from employment, the top five senior executives will not be allowed a golden parachute payment greater than one year's compensation, as opposed to three years under the current Capital Purchase Program.
- **Require Board of Directors' Adoption of Company Policy Relating to Approval of Luxury Expenditures:** This policy will be the same for companies accessing generally available capital programs as it is for those receiving exceptional assistance. There are no guidelines on luxury expenditures under the current Capital Purchase Program.

[*These new standards will not apply retroactively to existing investments or to programs already announced such as the Capital Purchase Program and the Term Asset-Backed Securities Loan Facility*.]

III. LONG-TERM REGULATORY REFORM: COMPENSATION STRATEGIES ALIGNED WITH PROPER RISK MANAGEMENT AND LONG-TERM VALUE AND GROWTH:

Even as we work to recover from current market events, it is not too early to begin a serious effort to both examine how company-wide compensation strategies at financial institutions – not just those related to top executives – may have encouraged excessive risk-taking that contributed to current market events and to begin developing model compensation policies for the future. Such steps should include:

- ***Requiring all Compensation Committees of Public Financial Institutions to Review and Disclose Strategies for Aligning Compensation with Sound Risk-Management:*** The Secretary of the Treasury and the Chairman of the Securities and Exchange Commission should work together to require compensation committees of all public financial institutions – not just those receiving government assistance – to review and disclose executive and certain employee compensation arrangements and explain how these compensation arrangements are consistent with promoting sound risk management and long-term value creation for their companies and their shareholders.
- C***ompensation of Top Executives Should Include Incentives That Encourage a Long-Term Perspective:*** Over the last decade there has

been an emerging consensus that top executives should receive compensation that encourages more of a long-term perspective on creating economic value for their shareholders and the economy at large. One idea worthy of serious consideration is requiring top executives at financial institutions to hold stock for several years after it is awarded before it can be cashed-out as this would encourage a more long-term focus on the economic interests of the firm.

- ***Pass Say on Pay Shareholder Resolutions on Executive Compensation:*** Even beyond companies receiving financial recovery assistance, owners of financial institutions – the shareholders – should have a non-binding resolution on both the levels of executive compensation as well as how the structure of compensation incentives help promote risk management and long-term value creation for the firm and the economy as a whole.
- ***White House -Treasury Conference on Long-Term Executive Pay Reform:*** The Secretary of the Treasury will host a conference with shareholder advocates, major public pension and institutional investor leaders, policy-makers, executives, academics, and others on executive pay reform at financial institutions. Treasury will seek testimony, comment, and white papers on model executive pay initiatives in the cause of establishing best practices and guidelines on executive compensation arrangements for financial institutions.

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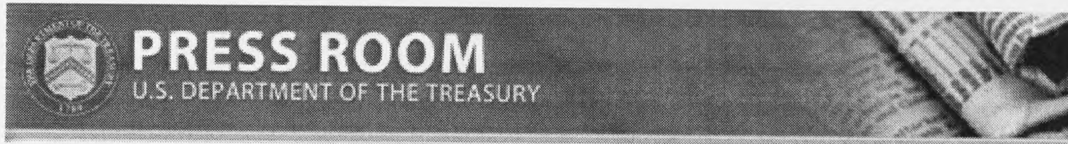

February 8, 2009
tg-16

Statement from Treasury Spokesman Isaac Baker

"With record high job losses and weakening economic forecasts, we're focused on working with Congress to pass an economic recovery bill so we can create the jobs and make the investments necessary to get our economy moving again. The Senate votes on Monday, and economic officials Administration wide will be working and consulting with senators throughout the day. Secretary Geithner will postpone the release of the Administration's Financial Stability and Recovery Plan until Tuesday to allow for that to happen.

"The economic recovery plan is critical to stemming the tide of this economic crisis. But, it alone won't solve all the problems that led us here. We need to stabilize and repair our financial system to maintain the flow of credit that families and businesses depend on to keep our economy strong. The plan that Secretary Geithner lays out on Tuesday will achieve that goal."

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PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

February 10, 2009
tg-17

Treasury Releases Photo from Geithner, Carstens Bilateral Meeting

Washington, DC – Secretary Tim Geithner met with Mexican Finance Minister Agustin Carstens at the U.S. Department of the Treasury Monday to discuss strengthening U.S.-Mexican economic and financial cooperation and to exchange views on the U.S. and Mexican responses to the global financial crisis. Monday's bilateral meeting was the first between the two secretaries in their current capacities.

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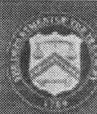
Only call this number if you are a member of the media.



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February 10, 2009
TG-18

Secretary Geithner Introduces Financial Stability Plan

Remarks by Treasury Secretary Timothy Geithner
Introducing the Financial Stability Plan
Tuesday, February 10, 2009

As prepared for delivery

As President Obama said in his inaugural address, our economic strength is derived from "the doers, the makers of things."

The innovators who create and expand enterprises; the workers who provide life to companies; this is what drives economic growth.

The financial system is central to this process. Banks and the credit markets transform the earnings and savings of American workers into the loans that finance a first home, a new car or a college education. And this system provides the capital and credit necessary to build a company around a new idea.

Without credit, economies cannot grow at their potential, and right now, critical parts of our financial system are damaged. The credit markets that are essential for small businesses and consumers are not working. Borrowing costs have risen sharply for state and local governments, for students trying to pay for college, and for businesses large and small. Many banks are reducing lending, and across the country they are tightening the terms of loans.

Last Friday we learned that the economy had lost three million jobs last year, and an additional 600,000 just last month. As demand falls and credit tightens, businesses around the world are cutting back the investments that are essential to future growth. Trade among nations has contracted sharply, as trade finance has dried up. Home prices are still falling, as foreclosures rise and even credit worthy borrowers are finding it harder to finance the purchase of a first home, or refinance their mortgage.

Instead of catalyzing recovery, the financial system is working against recovery. And at the same time, the recession is putting greater pressure on banks. This is a dangerous dynamic, and we need to arrest it. It is essential for every American to understand that the battle for economic recovery must be fought on two fronts. We have to both jumpstart job creation and private investment, and we must get credit flowing again to businesses and families.

Without a powerful Economic Recovery Act, too many Americans will lose their jobs and too many businesses will fail. And unless we restore the flow of credit, the recession will be deeper and longer, causing even more damage to families and businesses across the country.

Today, as Congress moves to pass an economic recovery plan that will help create jobs and lay a foundation for stronger economic future, we are outlining a new

Financial Stability Plan.

Our plan will help restart the flow of credit, clean up and strengthen our banks, and provide critical aid for homeowners and for small businesses. As we do each of these things, we will impose new, higher standards for transparency and accountability.

I am going to outline the key elements of this program today. But before I do that, I want to explain how we got here. The causes of the crisis are many and complex. They accumulated over time, and will take time to resolve.

Governments and central banks around the world pursued policies that, with the benefit of hindsight, caused a huge global boom in credit, pushing up housing prices and financial markets to levels that defied gravity.

Investors and banks took risks they did not understand. Individuals, businesses, and governments borrowed beyond their means. The rewards that went to financial executives departed from any realistic appreciation of risk.

There were systematic failures in the checks and balances in the system, by Boards of Directors, by credit rating agencies, and by government regulators. Our financial system operated with large gaps in meaningful oversight, and without sufficient constraints to limit risk. Even institutions that were overseen by our complicated, overlapping system of multiple regulators put themselves in a position of extreme vulnerability.

These failures helped lay the foundation for the worst economic crisis in generations.

When the crisis began, governments around the world were too slow to act. When action came, it was late and inadequate. Policy was always behind the curve, always chasing the escalating crisis. As the crisis intensified and more dramatic government action was required, the emergency actions meant to provide confidence and reassurance too often added to public anxiety and to investor uncertainty.

The dramatic failure or near-failure of some of the world's largest financial institutions, and the lack of clear criteria and conditions applied to government interventions caused investors to pull back from taking risk. Last fall, as the global crisis intensified, Congress acted quickly and courageously to provide emergency authority to help contain the damage. The government used that authority to pull the financial system back from the edge of catastrophic failure.

The actions your government took were absolutely essential, but they were inadequate.

The force of government support was not comprehensive or quick enough to withstand the deepening pressure brought on by the weakening economy. The spectacle of huge amounts of taxpayer assistance being provided to the same institutions that help caused the crisis, with limited transparency and oversight, added to public distrust. This distrust turned to anger as Boards of Directors at some institutions continued to award rich compensation packages and lavish perks to their senior executives.

Our challenge is much greater today because the American people have lost faith in the leaders of our financial institutions, and are skeptical that their government has – to this point -- used taxpayers' money in ways that will benefit them. This has to change.

To get credit flowing again, to restore confidence in our markets, and restore the faith of the American people, we are fundamentally reshaping the government's program to repair the financial system.

Our work will be guided by the lessons of the last few months and the lessons of financial crisis throughout history. The basic principles that will shape our strategy are the following:

We believe that the policy response has to be comprehensive, and forceful. There is more risk and greater cost in gradualism than in aggressive action.

We believe that action has to be sustained until recovery is firmly established. In the United States in the 30s, Japan in the 90s, and in other cases around the world, previous crises lasted longer and caused greater damage because governments applied the brakes too early. We cannot make that mistake.

We believe that access to public support is a privilege, not a right. When our government provides support to banks, it is not for the benefit of banks, it is for the businesses and families who depend on banks... and for the benefit of the country. Government support must come with strong conditions to protect the tax payer and with transparency that allows the American people to see the impact of those investments.

We believe our policies must be designed to mobilize and leverage private capital, not to supplant or discourage private capital. When government investment is necessary, it should be replaced with private capital as soon as possible.

We believe that the United States has to send a clear and consistent signal that we will act to prevent the catastrophic failure of financial institutions that would damage the broader economy.

Guided by these principles, we will replace the current program with a new Financial Stability Plan to stabilize and repair the financial system, and support the flow of credit necessary for recovery.

This new Financial Stability Plan will take a comprehensive approach. The

Department of the Treasury, the Federal Reserve, the FDIC, and all the financial agencies in our country will bring the full force of the United States Government to bear to strengthen our financial system so that we get the economy back on track.

We have different authorities, instruments and responsibilities, but we are one government serving the American people, and I will do everything in my power to ensure that we act as one.

Our work begins with a new framework of oversight and governance of all aspects of our Financial Stability Plan.

The American people will be able to see where their tax dollars are going and the return on their government's investment, they will be able to see whether the conditions placed on banks and institutions are being met and enforced, they will be able to see whether boards of directors are being responsible with taxpayer dollars and how they're compensating their executives, and they will be able to see how these actions are impacting the overall flow of lending and the cost of borrowing.

These new requirements, which will be available on a new website FinancialStability.gov, will give the American people the transparency they deserve.

These steps build on what we've done already. We've acted to ensure the integrity of the process that provides access to government support, so that it is independent of influence from lobbyists and politics. We've committed to provide the American people with information on how their money is spent and under what conditions by posting contracts on the Internet. And, importantly, we have outlined strong conditions on executive compensation.

Under this framework, we are establishing three new programs to clean up and

strengthen the nation's banks, bring in private capital to restart lending, and to go around the banking system directly to the markets that consumers and businesses depend on.

Let me describe each of these steps:

First, we're going to require banking institutions to go through a carefully designed comprehensive stress test, to use the medical term. We want their balance sheets cleaner, and stronger. And we are going to help this process by providing a new program of capital support for those institutions which need it.

To do this, we are going to bring together the government agencies with authority over our nation's major banks and initiate a more consistent, realistic, and forward looking assessment about the risk on balance sheets, and we're going to introduce new measures to improve disclosure.

Those institutions that need additional capital will be able to access a new funding mechanism that uses funds from the Treasury as a bridge to private capital. The capital will come with conditions to help ensure that every dollar of assistance is used to generate a level of lending greater than what would have been possible in the absence of government support. And this assistance will come with terms that should encourage the institutions to replace public assistance with private capital as soon as that is possible.

The Treasury's investments in these institutions will be placed in a new Financial Stability Trust.

Second, alongside this new Financial Stability Trust, together with the Fed, the FDIC, and the private sector, we will establish a Public-Private Investment Fund. This program will provide government capital and government financing to help leverage private capital to help get private markets working again. This fund will be targeted to the legacy loans and assets that are now burdening many financial institutions.

By providing the financing the private markets cannot now provide, this will help start a market for the real estate related assets that are at the center of this crisis. Our objective is to use private capital and private asset managers to help provide a market mechanism for valuing the assets.

We are exploring a range of different structures for this program, and will seek input from market participants and the public as we design it. We believe this program should ultimately provide up to one trillion in financing capacity, but we plan to start it on a scale of $500 billion, and expand it based on what works.

Third, working jointly with the Federal Reserve, we are prepared to commit up to a trillion dollars to support a Consumer and Business Lending Initiative. This initiative will kickstart the secondary lending markets, to bring down borrowing costs, and to help get credit flowing again.

In our financial system, 40 percent of consumer lending has historically been available because people buy loans, put them together and sell them. Because this vital source of lending has frozen up, no financial recovery plan will be successful unless it helps restart securitization markets for sound loans made to consumers and businesses – large and small.

This lending program will be built on the Federal Reserve's Term Asset Backed Securities Loan Facility, announced last November, with capital from the Treasury and financing from the Federal Reserve.

We have agreed to expand this program to target the markets for small business lending, student loans, consumer and auto finance, and commercial mortgages.

And because small businesses are so important to our economy, we're going to take additional steps to make it easier for them to get credit from community banks and large banks. By increasing the federally guaranteed portion of SBA loans, and giving more power to the SBA to expedite loan approvals, we believe we can turn around the dramatic decline in SBA lending we have seen in recent months.

Finally, we will launch a comprehensive housing program. Millions of Americans have lost their homes, and millions more live with the risk that they will be unable to meet their payments or refinance their mortgages.

Many of these families borrowed beyond their means. But many others fell victim to terrible lending practices that left them exposed, overextended, and with no way to refinance. On top of that, homeowners around the country are seeing the value of their homes fall because of forces they did not create and cannot control. This crisis in housing has had devastating consequences, and our government should have moved more forcefully to limit the damage.

As house prices fall, demand for housing will increase, and conditions will ultimately find a new balance. But now, we risk an intensifying spiral in which lenders foreclose, pushing house prices lower and reducing the value of household savings, and making it harder for all families to refinance.

The President has asked his economic team to come together with a comprehensive plan to address the housing crisis. We will announce the details of this plan in the next few weeks.

Our focus will be on using the full resources of the government to help bring down mortgage payments and to reduce mortgage interest rates. We will do this with a substantial commitment of resources already authorized by the Congress under the Emergency Economic Stabilization Act.

Let me add that as we go forward, President Obama is committed to moving quickly to reform our entire system of financial regulation so that we never again face a crisis of this severity.

We are consulting closely with Chairman Chris Dodd in the Senate, Chairman Barney Frank in the House, and their colleagues on both sides of the aisle on the broad outline of a comprehensive program of reforms. The President's Working Group on Financial Markets is developing detailed recommendations.

And we will begin working closely with the world's leading economies on a set of broader reforms to the international financial system in preparation for the G-20 Summit in London on April 2nd.

The success of our financial stability plan is going to require an unprecedented level of cooperation, here in the United States and around the world. Federal Reserve Chairman Ben Bernanke, FDIC Chair Sheila Bair, John Dugan, the Comptroller of the Currency, and John Reich the head of the Office of Thrift Supervision, are here today. I want to thank them for helping to shape this plan, and their commitment to making it work.

This program will require a substantial and sustained commitment of public resources. Congress has already authorized substantial resources for this effort, and we will use those resources as carefully and effectively as possible. We will consult closely with Congress as we move forward, and work together to make sure we have the resources and the authority to make this program work.

Later this week, I will be traveling to meet with the G7 finance ministers and central bank governors in Italy. There, I'll start the process of working with our international partners to ensure that we're working together to strengthen recovery and to help stabilize and repair the global financial system.

And we will work closely with the leadership of the IMF and World Bank so that they can deploy resources quickly to help those countries around the world that are most at risk from this crisis.

Many of the programs I've just discussed involve large numbers. But it is important to recognize that these programs involve loans, guarantees, and investments with terms and conditions that protect taxpayers and help compensate the government for risk. Because of these terms and conditions, the risk to taxpayers will be less than the headline.

Our obligation is to design the programs so that we are achieving the largest benefit in terms of supporting recovery at least cost to the taxpayer. And we take that obligation extremely seriously.

But I want to be candid: this strategy will cost money, involve risk, and take time. As costly as this effort may be, we know that the cost of a complete collapse of our financial system would be incalculable for families, for businesses and for our nation.

We will have to adapt our program as conditions change. We will have to try things we've never tried before. We will make mistakes. We will go through periods in which things get worse and progress is uneven or interrupted.

We will be guided by the principles of transparency and accountability, dedicated to the goals of restoring credit to families and businesses, and committed to moving our nation towards an economic recovery that is as swift and widespread as possible.

This is a challenge more complex than any our financial system has ever faced, requiring new programs and persistent attention to solve. But the President, the Treasury and the entire Administration are committed to see it through because we know how directly the future of our economy depends on it.

Thank you.

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LINKS

- Financial Stability Plan Fact Sheet

FACT SHEET

FINANCIAL STABILITY PLAN

The Financial Stability Plan: Deploying our Full Arsenal to Attack the Credit Crisis on All Fronts. Today, our nation faces the most severe financial crisis since the Great Depression. It is a crisis of confidence, of capital, of credit, and of consumer and business demand. Rather than providing the credit that allows new ideas to flourish into new jobs, or families to afford homes and autos, we have seen banks and other sources of credit freeze up – contributing to and potentially accelerating what already threatens to be a serious recession. Restarting our economy and job creation requires both jumpstarting economic demand for goods and services through our American Recovery and Reinvestment Act and simultaneously ensuring through our new Financial Stability Plan that businesses with good ideas have the credit to grow and expand, and working families can get the affordable loans they need to meet their economic needs and power an economic recovery.

To address the financial crisis, the Financial Stability Plan is designed to attack our credit crisis on all fronts with our full arsenal of financial tools and the resources commensurate to the depth of the problem. To be successful, we must address the uncertainty, troubled assets and capital constraints of our financial institutions as well as the frozen secondary markets that have been the source of around half of our lending for everything from small business loans to auto loans.

To protect taxpayers and ensure that every dollar is directed toward lending and economic revitalization, the Financial Stability Plan will institute a new era of accountability, transparency and conditions on the financial institutions receiving funds. To ensure that we are responding to this crisis as one government, Secretary Timothy Geithner — working in collaboration and joined by Federal Reserve Chairman Ben Bernanke, FDIC Chair Sheila Bair, Office of Thrift Supervision Director John Reich and Comptroller of the Currency John Dugan – is bringing the full force and full range of financial tools available to cleaning up lingering problems in our banking system, opening up credit and beginning the process of financial recovery.

Financial Stability Plan

1. **Financial Stability Trust**
   - **A Comprehensive Stress Test for Major Banks**
   - **Increased Balance Sheet Transparency and Disclosure**
   - **Capital Assistance Program**
2. **Public-Private Investment Fund ($500 Billion - $1 Trillion)**
3. **Consumer and Business Lending Initiative (Up to $1 trillion)**
4. **Transparency and Accountability Agenda – Including Dividend Limitation**
5. **Affordable Housing Support and Foreclosure Prevention Plan**
6. **A Small Business and Community Lending Initiative**

FINANCIAL STABILITY PLAN

1. **Financial Stability Trust:** A key aspect of the Financial Stability Plan is an effort to strengthen our financial institutions so that they have the ability to support recovery. This Financial Stability Trust includes:

   a. ***A Comprehensive Stress Test: A Forward Looking Assessment of What Banks Need to Keep Lending Even Through a Severe Economic Downturn:*** Today, uncertainty about the real value of distressed assets and the ability of borrowers to repay loans as well as uncertainty as to whether some financial institutions have the capital required to weather a continued decline in the economy have caused both a dramatic slowdown in lending and a decline in the confidence required for the private sector to make much needed equity investments in our major financial institutions. The Financial Stability Plan will seek to respond to these challenges with:

      - *Increased Transparency and Disclosure*: Increased transparency will facilitate a more effective use of market discipline in financial markets. The Treasury Department will work with bank supervisors and the Securities and Exchange Commission and accounting standard setters in their efforts to improve public disclosure by banks. This effort will include measures to improve the disclosure of the exposures on bank balance sheets. In conducting these exercises, supervisors recognize the need not to adopt an overly conservative posture or take steps that could inappropriately constrain lending.

      - *Coordinated, Accurate, and Realistic Assessment:* All relevant financial regulators — the Federal Reserve, FDIC, OCC, and OTS — will work together in a coordinated way to bring more consistent, realistic and forward looking assessment of exposures on the balance sheet of financial institutions..

      - *Forward Looking Assessment – Stress Test:* A key component of the Capital Assistance Program is a forward looking comprehensive "stress test" that requires an assessment of whether major financial institutions have the capital necessary to continue lending and to absorb the potential losses that could result from a more severe decline in the economy than projected.

      - *Requirement for $100 Billion-Plus Banks*: All banking institutions with assets in excess of $100 billion will be required to participate in the coordinated supervisory review process and comprehensive stress test.

   b. ***Capital Assistance Program:*** While banks will be encouraged to access private markets to raise any additional capital needed to establish this buffer, a financial institution that has undergone a comprehensive "stress test" will have access to a Treasury provided "capital buffer" to help absorb losses and serve as a bridge to receiving increased private capital. While most banks have strong capital positions, the Financial Stability Trust will provide a capital buffer that will: Operate as a form of "contingent equity" to ensure firms the capital strength to preserve or increase

lending in a worse than expected economic downturn. Firms will receive a preferred security investment from Treasury in convertible securities that they can convert into common equity if needed to preserve lending in a worse-than-expected economic environment. This convertible preferred security will carry a dividend to be specified later and a conversion price set at a modest discount from the prevailing level of the institution's stock price as of February 9, 2009. Banking institutions with consolidated assets below $100 billion will also be eligible to obtain capital from the CAP after a supervisory review.

c. ***Financial Stability Trust:*** Any capital investments made by Treasury under the CAP will be placed in a separate entity – the Financial Stability Trust – set up to manage the government's investments in US financial institutions.

2. **Public-Private Investment Fund**: One aspect of a full arsenal approach is the need to provide greater means for financial institutions to cleanse their balance sheets of what are often referred to as "legacy" assets. Many proposals designed to achieve this are complicated both by their sole reliance on public purchasing and the difficulties in pricing assets. Working together in partnership with the FDIC and the Federal Reserve, the Treasury Department will initiate a Public-Private Investment Fund that takes a new approach.

   - ***Public-Private Capital*:** This new program will be designed with a public-private financing component, which could involve putting public or private capital side-by-side and using public financing to leverage private capital on an initial scale of up to $500 billion, with the potential to expand up to $1 trillion.

   - ***Private Sector Pricing of Assets*:** Because the new program is designed to bring private sector equity contributions to make large-scale asset purchases, it not only minimizes public capital and maximizes private capital: it allows private sector buyers to determine the price for current troubled and previously illiquid assets

3. **Consumer & Business Lending Initiative – Up to $1 Trillion**: Addressing our credit crisis on all fronts means going beyond simply dealing with banks. While the intricacies of secondary markets and securitization – the bundling together and selling of loans – may be complex, they account for almost half of the credit going to Main Street as well as Wall Street. When banks making loans for small businesses, commercial real estate or autos are able to bundle and sell those loans into a vibrant and liquid secondary market, it instantly recycles money back to financial institutions to make additional loans to other worthy borrowers. When those markets freeze up, the impact on lending for consumers and businesses – small and large – can be devastating. Unable to sell loans into secondary markets, lenders freeze up, leading those seeking credit like car loans to face exorbitant rates. Between 2006 and 2008, there was a net $1.2 trillion decline in securitized lending (outside of the GSEs) in these markets. That is why a core component of the Financial Stability Plan is:

   - ***A Bold Expansion Up to $1 Trillion:*** This joint initiative with the Federal Reserve builds off, broadens and expands the resources of the previously announced but not yet implemented Term Asset-Backed Securities Loan Facility (TALF). The Consumer & Business Lending

Initiative will support the purchase of loans by providing the financing to private investors to help unfreeze and lower interest rates for auto, small business, credit card and other consumer and business credit. Previously, Treasury was to use $20 billion to leverage $200 billion of lending from the Federal Reserve. The Financial Stability Plan will dramatically increase the size by using $100 billion to leverage up to $1 trillion and kick start lending by focusing on new loans.

- ***Protecting Taxpayer Resources by Limiting Purchases to Newly Packaged AAA Loans:*** Because these are the highest quality portion of any security — the first ones to be paid — we will be able to best protect against taxpayer losses and efficiently leverage taxpayer money to support a large flow of credit to these sectors.

- ***Expand Reach – Including Commercial Real Estate:*** The Consumer & Business Lending Initiative will expand the initial reach of the Term Asset-Backed Securities Loan Facility to now include commercial mortgage-backed securities (CMBS). In addition, the Treasury will continue to consult with the Federal Reserve regarding possible further expansion of the TALF program to include other asset classes, such as non-Agency residential mortgage-backed securities (RMBS) and assets collateralized by corporate debt.

4. **New Era of Transparency, Accountability, Monitoring and Conditions:** A major and legitimate source of public frustration and even anger with the initial deployment of the first $350 billion of EESA funds was a lack of accountability or transparency as to whether assistance was being provided solely for the public interest and a stronger economy, rather than the private gain of shareholders, bondholders or executives. Going forward, the Financial Stability Plan will call for greater transparency, accountability and conditionality with tougher standards for firms receiving exceptional assistance. These will be the new standards going forward and are not retroactive. These stronger monitoring conditions were informed by recommendations made by formal oversight groups – the Congressional Oversight Panel, the Special Inspector General, and the Government Accountability Office — as well as Congressional committees charged with oversight of the banking system.

   a. ***Requiring Firms to Show How Assistance from Financial Stability Plan Will Expand Lending:*** The core of the new monitoring requirement is to require recipients of exceptional assistance or capital buffer assistance to show how every dollar of capital they receive is enabling them to preserve or generate new lending compared to what would have been possible without government capital assistance.

      - *Intended Use of Government Funds:* All recipients of assistance must submit a plan for how they intend to use that capital to preserve and strengthen their lending capacity. This plan will be submitted during the application process, and the Treasury Department will make these reports public upon completion of the capital investment in the firm.

      - *The Impact on Lending Requirement*: Firms must detail in monthly reports submitted to the Treasury Department their lending broken out by category, showing how many new loans they provided to businesses and consumers and how many asset-backed and mortgage-backed securities they purchased, accompanied by a description of the

lending environment in the communities and markets they serve. This report will also include a comparison to their most rigorous estimate of what their lending would have been in the absence of government support. For public companies, similar reports will be filed on an 8K simultaneous with the filing of their 10-Q or 10-K reports. Additionally, the Treasury Department will – in collaboration with banking agencies – publish and regularly update key metrics showing the impact of the Financial Stability Plan on credit markets. These reports will be put on the Treasury ***FinancialStability.gov*** website so that they can be subject to scrutiny by outside and independent experts.

- *Taxpayers' Right to Know*: All information disclosed or reported to Treasury by recipients of capital assistance will be posted on ***FinancialStability.gov*** because taxpayers have the right to know whether these programs are succeeding in creating and preserving lending and financial stability.

b. ***Committing Recipients to Mortgage Foreclosure Mitigation***: All recipients of capital investments under the new initiatives announced today will be required to commit to participate in mortgage foreclosure mitigation programs consistent with guidelines Treasury will release on industry standard best practices.

c. ***Restricting Dividends, Stock Repurchases and Acquisitions:*** Limiting common dividends, stock repurchases and acquisitions provides assurance to taxpayers that all of the capital invested by the government under the Financial Stability Trust will go to improving banks' capital bases and promoting lending. All banks that receive new capital assistance will be:

- *Restricted from Paying Quarterly Common Dividend Payments in Excess Of $0.01 Until the Government Investment Is Repaid:* Banks that receive exceptional assistance can only pay $0.01 quarterly. That presumption will be the same for firms that receive generally available capital unless the Treasury Department and their primary regulator approve more based on their assessment that it is consistent with reaching their capital planning objectives.

- *Restricted from Repurchasing Shares:* All banks that receive funding from the new Capital Assistance Program are restricted from repurchasing any privately-held shares, subject to approval by the Treasury Department and their primary regulator, until the government's investment is repaid.

- *Restricted from Pursuing Acquisitions*: All banks that receive capital assistance are restricted from pursuing cash acquisitions of healthy firms until the government investment is repaid. Exceptions will be made for explicit supervisor-approved restructuring plans.

d. ***Limiting Executive Compensation:*** Firms will be required to comply with the senior executive compensation restrictions announced February 4th, including those pertaining to a $500,000 in total annual compensation cap plus restricted stock payable when the

government is getting paid back, "say on pay" shareholder votes, and new disclosure and accountability requirements applicable to luxury purchases.

e. ***Prohibiting Political Interference in Investment Decisions:*** The Treasury Department has announced measures to ensure that lobbyists do not influence applications for, or disbursements of, Financial Stability Plan funds, and will certify that each investment decision is based only on investment criteria and the facts of the case.

f. ***Posting Contracts and Investment Information on the Web:*** The Treasury Department will post all contracts under the Financial Stability Plan on FinancialStability.gov within five to 10 business days of their completion. Whenever Treasury makes a capital investment under these new initiatives, it will make public the value of the investment, the quantity and strike price of warrants received, the schedule of required payments to the government and when government is being paid back. The terms of pricing of these investments will be compared to terms and pricing of recent market transactions during the period the investment was made, if available.

5. **Housing Support and Foreclosure Prevention:** There is bipartisan agreement today that stemming foreclosures and restructuring troubled mortgages will help slow the downward spiral harming financial institutions and the real American economy. Many Congressional leaders, housing advocates, and ordinary citizens have been disappointed that the Troubled Asset Relief Program was not aimed at ending the foreclosure crisis. We will soon be announcing a comprehensive plan that builds on the work of Congressional leaders and the FDIC. Among other things, our plan will:

- ***Drive Down Overall Mortgage Rates:*** The Treasury Department and the Federal Reserve remain committed to expand as necessary the current effort by the Federal Reserve to help drive down mortgage rates – freeing up funds for working families – through continuation of its efforts to spend as much as $600 billion for purchasing of GSE mortgage-backed securities and GSE debt.

- ***Commit $50 Billion to Prevent Avoidable Foreclosures*** of owner-occupied middle class homes by helping to reduce monthly payments in line with prudent underwriting and long-term loan performance.

- ***Help Bring Order and Consistency*** to the various efforts to address the foreclosure crisis by establishing loan modification guidelines and standards for government and private programs.

- ***Require All Financial Stability Plan Recipients to Participate in Foreclosure Mitigation Plans*** consistent with Treasury guidance.

- ***Build Flexibility into Hope for Homeowners and the FHA*** to enable loan modifications for a greater number of distressed borrowers.

6. **Small Business and Community Lending Initiative:** Few aspects of our current financial crisis have created more justifiable resentment than the specter of hard-working entrepreneurs and small business owners seeing their companies hurt and even bankrupt because of a squeeze on credit they played no role in creating. Currently, the increased capital constraints of banks, the inability to sell

SBA loans on the secondary market and a weakening economy have combined to dramatically reduce SBA lending at the very time our economy cannot afford to deny credit to any entrepreneur with the potential to create jobs and expand markets. Further adding to this frustration is the sense that community banks – which still engage in relationship lending that serves their local communities -- have been overlooked not just during this crisis, but over the last several years.

Over the next several days, President Obama, the Treasury Department and the SBA will announce the launch of a *Small Business and Community Bank Lending Initiative*: This effort will seek to arrest the precipitous decline in SBA lending – down 57 percent last quarter from the same quarter a year earlier for the flagship 7(a) loans through:

- ***Use of the Consumer &Business Lending Initiative*** to finance the purchase of AAA-rated SBA loans to unfreeze secondary markets for small business loans.

- ***Increasing the Guarantee for SBA Loans to 90%:*** The Administration is seeking to pass in the American Recovery and Reinvestment Act an increase in the guarantee of SBA loans from as low as 75% to as high as 90%.

- ***Reducing Fees for SBA 7(a) and 504 Lending and Provide Funds for Both Oversight and Speedier and Less Burdensome Processing of Loan Applications.***

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February 10, 2009
tg-19

Treasury Targets Financial Network of Fernando Zevallos Gonzales

Washington, DC -- The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) today designated 26 companies and 14 individuals tied to Peruvian drug kingpin Fernando Zevallos Gonzales. This financial network, based in Peru, Panama and the British Virgin Islands, is now subject to financial sanctions pursuant to the Foreign Narcotics Kingpin Designation Act ("Kingpin Act").

"Our action demonstrates the importance of following the changing networks of major drug kingpins, like Fernando Zevallos," said OFAC Director Adam J. Szubin. "This designation identifies additional front companies and supports the Peruvian authorities' ongoing efforts to shut down the Fernando Zevallos criminal organization."

Fernando Zevallos Gonzales, currently imprisoned in Peru, has been a major figure in Peruvian narcotics trafficking activities since 1980. On June 1, 2004, President Bush named Fernando Zevallos Gonzales as a significant foreign narcotics trafficker pursuant to the Kingpin Act. At the same time, OFAC blocked, pending investigation, six companies and six individuals, including the Peruvian airline Aerocontinente S.A. On November 10, 2004, OFAC formally designated Aerocontinente S.A., which subsequently changed its name to Nuevo Continente S.A. Finally, on July 27, 2007, Fernando Zevallos Gonzales was indicted on money laundering and multiple violations of the Kingpin Act in the Southern District of Florida.

Despite Fernando Zevallos Gonzales's imprisonment, the OFAC sanctions investigation found that his financial network has continued to function under the leadership of key family members and close business associates. Key Fernando Zevallos family members designated today include his sisters Lupe Maritza Zevallos Gonzales, Sara Marilyn Zevallos Gonzales, Maria del Rosario Zevallos Gonzales, and Milagros Angelina Zevallos Gonzales; his brother Winston Ricardo Zevallos Gonzales; and his mother, Sara Maria Gonzales Garbancho de Zevallos. Key business associates designated today are Maximo Zadi Desme Hurtado, John Ivan Mejia Magnani, Ricardo Hernandez San Martin, Jose Manuel Mejia Regalado, Enrique Canaval Landazuri, Luis Miguel Carrillo Rodriguez, Percy Dangello Aranibar Castellanos, and Jorge Portilla Barraza.

The financial network designated today principally consists of aviation and travel companies in Peru, including four air transportation service companies - *Aviandina S.A.C., Lasa Peru S.A.C., Vuela Peru S.A.C,* and *Transportes Aereos Unidos Selva Amazonica S.A.*; three travel agencies - *Peru Global Tours S.A.C.*, *Oriente Tours S.R.L.*, and *Representaciones Oriente Tours S.R.L.* In addition, two aviation cleaning service companies - *Lucero Import S.A.C.* and *Peru Total Market E.I.R.L.*, and two printing press companies - *Editora Transparencia S.A.* and *Empresa Editora Continente Press S.A.* were designated. Finally, the OFAC investigation targeted key offshore companies in Panama - *Bellosom Enterprise Inc.* and *Blissey Panama Inc.* and the British Virgin Islands - *La Crosse Group Inc.* that supported the Fernando Zevallos financial network.

This action is part of ongoing efforts under the Kingpin Act to apply financial measures against significant foreign narcotics traffickers worldwide. Including today's action, 580 entities and individuals associated with 75 drug kingpins have been designated pursuant to the Kingpin Act since June 2000.

Today's designation would not have been possible without key support from the Drug Enforcement Administration (DEA) Miami Field Division.

Today's action freezes any assets the designated individuals may have under U.S. jurisdiction and prohibits U.S. persons from conducting financial or commercial transactions involving those assets. Penalties for violations of the Kingpin Act range from civil penalties of up to $1,075,000 per violation to more severe criminal penalties. Criminal penalties for corporate officers may include up to 30 years in prison and fines of up to $5 million. Criminal fines for corporations may reach $10 million. Other individuals face up to 10 years in prison for criminal violations of the Kingpin Act and fines pursuant to Title 18 of the United States Code.

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REPORTS

- Zevallos Tier II Designation

FERNANDO ZEVALLOS GONZALES ORGANIZATION

U.S. Department of the Treasury
Office of Foreign Assets Control
Foreign Narcotics Kingpin Designation Act
February 2009

AEROCONTINENTE, S.A.
Designated: November 10, 2004

Fernando ZEVALLOS GONZALES
DOB 08 Jul 1957
Named as a Kingpin: June 1, 2004

2007 U.S. Indictment
Southern District of Florida

Key Family Members

Sara Maria GONZALES GARBANCHO DE ZEVALLOS
DOB 02 Aug 1936

Lupe Maritza ZEVALLOS GONZALES*
DOB 17 Sep 1961

Winston Ricardo ZEVALLOS GONZALES*
DOB 11 May 1959

Milagros Angelina ZEVALLOS GONZALES*
DOB 12 Aug 1968

Maria Del Rosario ZEVALLOS GONZALES DE ARREDONDO
DOB 26 Jun 1956

Sara Marilyn ZEVALLOS GONZALES
DOB 01 Jan 1963

Key Business Associates

John Yvan MEJIA MAGNANI*
DOB 20 Apr 1966

Maximo Zadi DESME HURTADO*
DOB 21 Aug 1958

Enrique Antonio CANAVAL LANDAZURI
DOB 06 Jan 1953

Ricardo Arturo HERNANDEZ SAN MARTIN
DOB 04 Jul 1955

Jose Manuel MEJIA REGALADO
DOB 18 May 1948

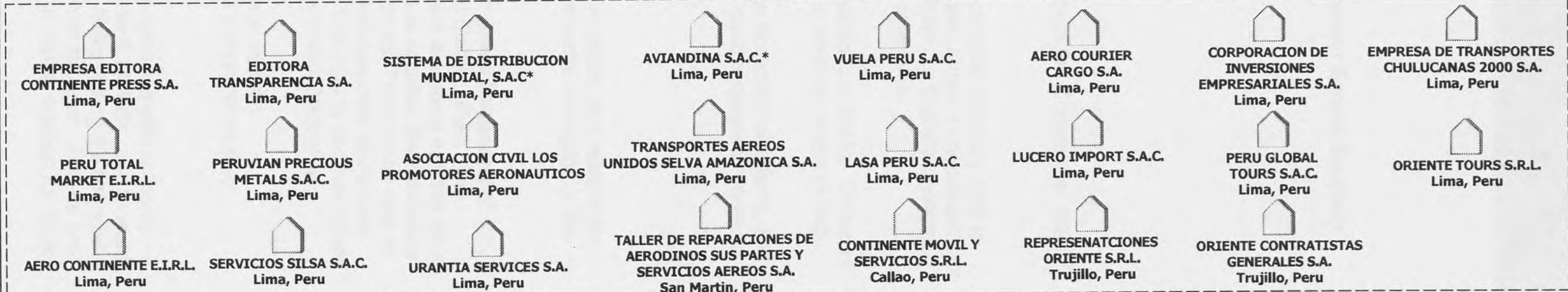
Luis Miguel CARRILLO RODRIGUEZ
DOB 01 Dec 1961

Percy Dangello ARANIBAR CASTELLANOS
DOB 27 May 1971

Jorge PORTILLA BARRAZA
DOB 26 Feb 1948

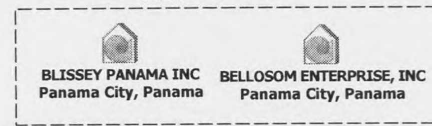
Network of Companies

Peru



British Virgin Islands

Panama



* - Previous blocked pending investigation (BPI) on June 1, 2004

February 10, 2009
tg-20

Treasury Secretary Tim Geithner Opening Statement Senate Banking Committee Hearing

Treasury Secretary Tim Geithner
Opening Statement
Senate Banking Committee Hearing
February 10, 2009

As prepared for delivery

Chairman Dodd, Ranking Member Shelby, and Members of the Committee: thank you for inviting me to be here today.

This morning, as the Senate continues its work on an economic recovery plan to help create jobs and lay a foundation for stronger economic future, I announced our Administration's plan to restart the flow of credit, strengthen our financial system, and provide critical aid for homeowners and for small businesses.

Right now, job losses are accelerating and credit has slowed to a trickle. On top of the financial and economic challenges we face… there is another; a lack of faith.

The American people have lost faith in the leaders of our financial institutions, and are skeptical that their government has – to this point -- used taxpayers' money in ways that will benefit them.

Together we can change this.

To get credit flowing again, to restore confidence in our markets, and restore the faith of the American people, we have proposed a fundamental reshaping of the government's program to repair the financial system.

It all begins with transparency. We propose to establish a new framework of oversight and governance of all aspects of our Financial Stability Plan. The American people will be able to see where their tax dollars are going and the return on their government's investment. They will be able to see whether the conditions placed on banks and institutions are being met and enforced. They will be able to see whether boards of directors are being responsible with taxpayer dollars and how they're compensating their executives. And they will be able to see how these actions are impacting the overall flow of lending and the cost of borrowing.

These new requirements, which will be available on a new website FinancialStability.gov, will give the American people the transparency they deserve.

Second, we are going to bring together the government agencies with authority over our nation's major banks and initiate a more consistent, realistic, and forward looking assessment about the risk on balance sheets. We're calling it a financial "stress test." We want banks' balance sheets cleaner, and stronger. And we are going to help this process by providing a new program of capital support for those institutions that need it.

Institutions that need additional capital will be able to access a new funding

mechanism that uses money from the Treasury as a bridge to private capital. The capital will come with conditions to help ensure that every dollar of assistance is used to generate a level of lending greater than what would have been possible in the absence of government support.

Third, together with the Fed, the FDIC, and the private sector, we propose the establishment of a Public-Private Investment Fund. This program will provide government capital and government financing to help leverage private capital and get private markets working again. This fund will be targeted to the legacy loans and assets that are now burdening many financial institutions.

By providing the financing the private markets cannot now provide, this will help start a market for the real estate-related assets that are at the center of this crisis. Our objective is to use private capital and private asset managers to help provide a market mechanism for valuing the assets.

We are exploring a range of different structures for this program, and will seek input from this Committee as we design it.

Fourth, working jointly with the Federal Reserve, we are prepared to commit up to a trillion dollars to support a Consumer and Business Lending Initiative. This initiative will kick start the secondary lending markets, to bring down borrowing costs, and to help get credit flowing again.

In our financial system, 40 percent of consumer lending has historically been available because people buy loans, put them together and sell them. Because this vital source of lending has frozen up, no financial recovery plan will be successful unless it helps restart securitization markets for sound loans made to consumers and businesses – large and small.

This lending program will be built on the Federal Reserve's Term Asset Backed Securities Loan Facility, announced last November, with capital from the Treasury and financing from the Federal Reserve.

And because small businesses are so important to our economy, we're going to take additional steps to make it easier for them to get credit from community banks and large banks.

Fifth, we will launch a comprehensive housing program. Just as the name of this Committee makes a link between banking and housing, so must our efforts to strengthen the financial system.

The President has asked his economic team to come together with a comprehensive plan to address the housing crisis. We will announce the details of this plan in the next few weeks.

Our focus will be on using the full resources of the government to help prevent avoidable foreclosures and to reduce mortgage interest rates. We will do this with a substantial commitment of resources already authorized by the Congress under the Emergency Economic Stabilization Act. We welcome the ideas and input of this Committee in this important effort.

And finally, President Obama is committed to moving quickly to reform our entire system of financial regulation so that we never again face a crisis of this severity. And, again, that effort can only succeed with the collaboration and support of this Committee and other Members of Congress.

Let me close by saying that our challenges in this financial crisis are more complex than any our financial system has ever faced, requiring new programs and persistent attention to solve. But the President, the Treasury, and the entire Administration are committed to working with you to see it through because we know how directly the future of our economy depends on it.

Thank you, and with that, I'd be happy to take your questions.

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February 10, 2009
TG-21

Joint Statement
BY Secretary of the Treasury Timothy F. Geithner, Chairman of the Board of Governors of the Federal Reserve System Ben S. Bernanke, Chairman of the Federal Deposit Insurance Corporation Sheila Bair, Comptroller of the Currency John C. Dugan, and Director Of The Office Of Thrift Supervision John M. Reich -
Financial Stability Plan
February 10, 2009

Today, the Department of the Treasury, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision are announcing a comprehensive set of measures to restore confidence in the strength of U.S. financial institutions and restart the critical flow of credit to households and businesses. This program will help lay the groundwork for restoring the flows of credit necessary to support recovery.

The core program elements include:

- A new Capital Assistance Program to help ensure that our banking institutions have sufficient capital to withstand the challenges ahead, paired with a supervisory process to produce a more consistent and forward-looking assessment of the risks on banks' balance sheets and their potential capital needs.
- A new Public-Private Investment Fund on an initial scale of up to $500 billion, with the potential to expand up to $1 trillion, to catalyze the removal of legacy assets from the balance sheets of financial institutions. This fund will combine public and private capital with government financing to help free up capital to support new lending.
- A new Treasury and Federal Reserve initiative to dramatically expand – up to $1 trillion – the existing Term Asset-Backed Securities Lending Facility (TALF) in order to reduce credit spreads and restart the securitized credit markets that in recent years supported a substantial portion of lending to households, students, small businesses, and others.
- An extension of the FDIC's Temporary Liquidity Guarantee Program to October 31, 2009.
- A new framework of governance and oversight to help ensure that banks receiving funds are held responsible for appropriate use of those funds through stronger conditions on lending, dividends and executive compensation along with enhanced reporting to the public.

Alongside this program, the Administration will launch a comprehensive program to help address the housing crisis.

We will begin immediately a process of consultation designed to solicit further input from key public and private stakeholders. Details on all programs will be posted on ***FinancialStability.gov*** over the course of the next several weeks.

Congress has already allocated substantial resources and authority for this program through the Emergency Economic Stabilization Act (EESA). We will move ahead quickly and carefully to use the authorities provided. As we do so, we will continue to consult closely with Congress to ensure we have the resources to make this program work effectively over time. We anticipate adapting the program as we move forward.

New Financial Stability Trust

The program will consist of three elements: (1) a forward-looking assessment of the risks on bank balance sheets and their capital needs, (2) a capital program to help banks establish an additional buffer that strengthens both the amount and quality of the capital and (3) efforts to improve the disclosure of exposures on bank balance sheets. In conducting these exercises, supervisors recognize the need not to adopt an overly conservative posture or take steps that could inappropriately constrain lending.

Capital Assistance Program (CAP)

While the vast majority of U.S. banking institutions continue to exceed regulatory requirements for being well-capitalized, the highly uncertain economic environment has eroded confidence in the amount and quality of capital held by some banks.

As an essential part of restoring confidence in U.S. banking institutions, the supervisory agencies will undertake a coordinated and consistent capital planning exercise with each of the major U.S. banking institutions. As part of this process, supervisors will conduct a special forward-looking "stress" assessment of the losses that could occur across a range of economic scenarios, including conditions more severe than currently anticipated or than are typically used in the capital planning process.

This stress testing exercise will allow supervisors to determine whether an additional buffer, particularly one that strengthens the composition of capital, is needed for the bank to comfortably absorb losses and continue lending, even in a more adverse environment. Banks will be encouraged to access private markets to raise any additional capital needed to establish this buffer. However, in light of the current challenging market environment, the Treasury will make a new capital facility generally available to eligible banking institutions as a bridge to private capital until market conditions normalize.

This additional capital buffer is designed to help absorb larger than expected future losses and to support lending to creditworthy borrowers during an economic downturn.

Our expectation is that the capital provided under the CAP will be in the form of a preferred security that is convertible into common equity, with a dividend rate to be specified and a conversion price set at a modest discount from the prevailing level of the institution's stock price up to February 9th, 2009. This security would serve as a source of "contingent" common equity, convertible solely at the issuer's option for an extended period of time.

The instrument will be designed to give banks the incentive to replace USG-provided capital with private capital or to redeem the USG capital when conditions permit. In addition, with supervisory approval, banks will be allowed to apply to exchange the existing CPP preferred stock for the new CAP instrument.

By reassuring investors, creditors, and counterparties of financial institutions--as well as the institutions themselves--that there is a sufficient amount and quality of capital to withstand even a considerably weaker-than-expected economic environment, the CAP instrument should improve confidence and increase the willingness of financial institutions to lend.

Any capital investments made by Treasury under the CAP will be placed in a separate entity set up to manage the government's investments in US financial institutions.

Eligible U.S. banking institutions with assets in excess of $100 billion on a consolidated basis will be required to participate in the coordinated supervisory review process, and may access the CAP as a means to establish any necessary additional buffer. Eligible US banking institutions with consolidated assets below

$100 billion may also obtain capital from the CAP. Eligibility will be consistent with the criteria and deliberative process established for identifying Qualifying Financial Institutions (QFIs) in the existing Capital Purchase Program (CPP).

The U.S. government has a range of other tools available for use in extraordinary circumstances to help mitigate the strains facing banks and restore confidence during this period of significant uncertainty. These tools include the provision of credit loss protection for specified asset pools held on the balance sheets of institutions as well as the guaranteeing of liabilities.

In pursuit of its commitment to restore and maintain the strength and stability of the U.S. financial system, the U.S. government remains committed to preventing the failure of any financial institution where that failure would pose a systemic risk to the economy.

Enhancing public disclosure

Increased transparency will facilitate more effective market discipline in financial markets. We will work with bank regulatory agencies and the Securities and Exchange Commission and accounting standard setters in their efforts to improve public disclosure by banks. This process will aim to increase the publicly available information about the range of exposures on bank balance sheets.

New Public-Private Investment Fund (PPIF)

As a complement to the CAP, the Treasury, working with the Federal Reserve, FDIC, and private investors, will create a new Public-Private Investment Fund to acquire real-estate related "legacy" assets. By selling to PPIF, financial institutions will be able to reduce balance sheet risk, support new lending and help improve overall market functioning. The PPIF facility will be sized up to $500 billion and we envision expanding the program to up to $1 trillion over time.

This PPIF will combine a mix of government and private capital with financing supported by the Federal Reserve and the FDIC. Designing this structure in an efficient manner will require a careful balance between the interests of taxpayers, investors, and the financial institutions, and we will continue to consult with market participants to design the best structure. The participation of private investors will help promote competitive prices that will sufficiently compensate and protect taxpayers, while providing additional risk capital to support the purchase program.

Temporary Financing and Direct Purchase Facilities

Full restoration of credit flows to households and businesses will require restarting critical segments of our financial markets, particularly securitization markets. The facilities described below are designed to improve the functioning of markets where dislocation is most acute and most detrimental to economic activity.

Expansion of the Term Asset-Backed Securities Lending Facility (TALF)

The Term Asset-Backed Securities Lending Facility (TALF) combines capital provided by the TARP with funding from the Federal Reserve in order to promote lending by increasing investor demand for securitized loans. The TALF will significantly expand the availability and reduce the cost of term financing for investors in asset-backed securities (ABS), which will stimulate demand for ABS and thereby allow originators of securitized loans to lower the cost and increase the availability of credit to consumers and businesses.

The Treasury and Federal Reserve have agreed to dramatically increase the size of the TALF from $200 billion to as much as $1 trillion and to expand the eligible asset classes from the current newly issued `AAA' rated ABS collateralized by credit card, auto, student, and Small Business Administration loans to include newly issued `AAA' commercial mortgage-backed securities (CMBS). In addition, the Treasury will continue to consult with the Federal Reserve regarding possible further

expansion of the TALF program to include other asset classes, such as non-Agency residential mortgage-backed securities (RMBS) and assets collateralized by corporate debt.

This facility is designed in a way that gradually reduces its attractiveness and scale as the economy and financial conditions recover.

Ongoing mortgage-backed securities (MBS) and Agency Debt Purchases

The Federal Reserve will continue its current purchase program of Agency debt and mortgage-backed securities (MBS) on a total scale of at least $600 billion. The Federal Reserve and the Treasury stand ready to expand their MBS purchase programs as conditions warrant. These purchase programs should help to stimulate economic activity by reducing mortgage rates, thereby improving housing affordability and the demand for houses, as well as reducing interest payments and freeing up funds for households that refinance.

Additional tools for the Federal Reserve

In order for the Federal Reserve to manage monetary policy over time in a way consistent with maximum sustainable employment and price stability, it must be able to manage its balance sheet, and in particular, to control the amount of reserves that the Fed provides to the banking system. The amount of reserves is the key determinant of the interest rate that the Federal Reserve uses to pursue its monetary policy objectives. Treasury and the Federal Reserve will seek legislation to give the Federal Reserve the additional tools to enable it to manage more effectively the level of reserves.

Extension of Temporary Liquidity Guarantee Program (TLGP)

The FDIC's Temporary Liquidity Guarantee Program has contributed importantly to the gradual easing of liquidity strains on our financial institutions. Though funding conditions have eased somewhat, this temporary program will be extended for an additional four months to provide liquidity to our banks as part of this overall strategy to move our economy forward.

With that in mind, for an additional premium, the FDIC will extend the TLGP program through October 2009.

Stronger Conditions on Lending, Executive Compensation, and Reporting

Going forward, the Financial Stability Plan will call for a new level of transparency, accountability and conditionality with tougher standards for firms receiving exceptional assistance. These stronger conditions were informed by recommendations made by formal oversight groups – the Congressional Oversight Panel, the Special Inspector General, and the Government Accountability Office -- as well as Congressional banking oversight leaders.

Use of government-provided capital and impact on lending

Recipients of capital provided under the CAP will be required to submit a plan for how they intend to use this capital to preserve and strengthen their lending capacity – specifically, they will commit to increase lending activities above levels relative to what would have been possible without government support. This plan will be submitted during the application process, and the Treasury Department will make these plans public upon distribution of the capital investment to the firm.

These firms must submit to Treasury monthly or quarterly reports on their lending by category. This report will also include a comparison to estimates of what their lending would have been in the absence of government support. For public companies, similar reports will be filed on an 8K simultaneous with the filing of their 10Q and 10K reports. All these reports will be put on the Treasury website

FinancialStability.gov.

Taxpayers' Right to Know

Information disclosed or reported to Treasury by recipients pursuant to the conditions and requirements announced today will be posted on ***FinancialStability.gov***.

Committing recipients to mortgage foreclosure mitigation

All recipients of Capital Assistance Program (CAP) funds shall commit to participate in mortgage foreclosure mitigation programs consistent with guidelines we will release on industry standard best practices.

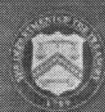
Restricting dividends, stock repurchases and acquisitions

Limiting dividends, stock repurchases and acquisitions provides assurance to taxpayers that all of the capital invested by the government under the CAP goes to improving banks' capital bases and promoting lending. Until an institution repays all funds provided to it under the CAP, it shall be:

- Restricted from paying quarterly common stock dividend payments in excess of $0.01 per share unless approved by Treasury and the primary regulator as consistent with the firm reaching its capital planning objectives.
- Restricted from repurchasing shares. Special approval for share repurchases may be granted by the Treasury Department and the banking institution's primary regulator.
- Restricted from pursuing acquisitions. Banking institutions that receive CAP funds are restricted from pursuing cash acquisitions of healthy firms until the government investment is repaid. Exceptions will be made for regulator-approved restructuring plans.

Limiting executive compensation

Firms receiving CAP funds will be required to comply with final version of the executive compensation restrictions announced February 4th.



February 10, 2009
TG-02102009

Secretary Tim Geithner Opening Statement - Delivery Senate Banking Committee Hearing

Treasury Secretary Tim Geithner
Opening Statement - *As Prepared for Delivery*
Senate Banking Committee Hearing

February 10, 2009

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By providing the financing the private markets cannot now provide, this will help start a market for the real estate-related assets that are at the center of this crisis. Our objective is to use private capital and private asset managers to help provide a market mechanism for valuing the assets.

We are exploring a range of different structures for this program, and will seek input from this Committee as we design it.

Fourth, working jointly with the Federal Reserve, we are prepared to commit up to a trillion dollars to support a Consumer and Business Lending Initiative. This initiative will kick start the secondary lending markets, to bring down borrowing costs, and to help get credit flowing again.

In our financial system, 40 percent of consumer lending has historically been available because people buy loans, put them together and sell them. Because this vital source of lending has frozen up, no financial recovery plan will be successful unless it helps restart securitization markets for sound loans made to consumers and businesses – large and small.

This lending program will be built on the Federal Reserve's Term Asset Backed Securities Loan Facility, announced last November, with capital from the Treasury and financing from the Federal Reserve.

And because small businesses are so important to our economy, we're going to take additional steps to make it easier for them to get credit from community banks and large banks.

Fifth, we will launch a comprehensive housing program. Just as the name of this Committee makes a link between banking and housing, so must our efforts to strengthen the financial system.

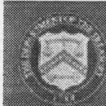
The President has asked his economic team to come together with a comprehensive plan to address the housing crisis. We will announce the details of this plan in the next few weeks.

Our focus will be on using the full resources of the government to help prevent avoidable foreclosures and to reduce mortgage interest rates. We will do this with a substantial commitment of resources already authorized by the Congress under the Emergency Economic Stabilization Act. We welcome the ideas and input of this Committee in this important effort.

And finally, President Obama is committed to moving quickly to reform our entire system of financial regulation so that we never again face a crisis of this severity. And, again, that effort can only succeed with the collaboration and support of this Committee and other Members of Congress.

Let me close by saying that our challenges in this financial crisis are more complex than any our financial system has ever faced, requiring new programs and persistent attention to solve. But the President, the Treasury, and the entire Administration are committed to working with you to see it through because we know how directly the future of our economy depends on it.

Thank you, and with that, I'd be happy to take your questions.



February 11, 2009
TG-22

Treasury Targets U.S. Front for Sri Lankan Terrorist Organization

Washington, DC - The U.S. Department of the Treasury today targeted the support network of the Sri Lanka-based designated terrorist group Liberation Tigers of Tamil Eelam (LTTE) by designating the U.S.-based Tamil Foundation under Executive Order 13224. Executive Order 13224 targets terrorists and those providing support to terrorists or acts of terrorism.

"The LTTE, like other terrorist groups, has relied on so-called charities to raise funds and advance its violent aims," said Adam J. Szubin, Director of the Treasury's Office of Foreign Assets Control. "We will continue to aggressively target attempts by any terrorist group to hide behind charities, front companies, or name changes to propagate terror against innocents around the world."

The head of the Tamil Foundation is also president of the Tamils Rehabilitation Organization (TRO) in the United States. The TRO was named a Specially Designated Global Terrorist (SDGT) under Executive Order 13224 on November 15, 2007. Over the course of many years, the Tamil Foundation and the TRO have co-mingled funds and carried out coordinated financial actions. Additional information links the Tamil Foundation to the TRO through a matching gift program. The common leadership of the TRO and the Tamil Foundation has facilitated these activities.

The TRO is a charitable organization that acts as a front to facilitate fundraising and procurement for the LTTE. Prior to its designation, Sri Lanka-based TRO operated offices in seventeen other countries worldwide, including the United States. In the U.S., TRO has raised funds for the LTTE through a network of individual representatives. According to sources within the organization, TRO is the preferred means for sending funds from the United States to the LTTE in Sri Lanka.

The LTTE is a terrorist group that seeks an independent state in northeastern Sri Lanka, where most of Sri Lanka's minority ethnic Tamil population lives. For over two decades, the LTTE has employed conventional, guerrilla, and terror tactics in a civil war that has claimed over 60,000 lives. The U.S. Department of State designated the LTTE a Foreign Terrorist Organization (FTO) on October 8, 1997. On November 2, 2001, the U.S. Department of State named the LTTE an SDGT under E.O. 13224.

Under E.O. 13224, any assets the Tamil Foundation has under U.S. jurisdiction are frozen, and U.S. persons are prohibited from engaging in any transactions with the Tamil Foundation.

Identifying Information

TAMIL FOUNDATION
Address:
517 E. Oldtown Road, Cumberland, MD 21502
Tax ID number:
52-1699409

February 11, 2009
2009-2-11-12-53-13-24689

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $75,436 million as of the end of that week, compared to $75,524 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	February 6, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			75,436
(a) Securities	8,931	14,051	22,982
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,258	6,885	17,143
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,675		
(3) SDRs [2]	9,041		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,554		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,554		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits				

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-390,079	-279,565	-110,514	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	7,705
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	7,705
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	75,436
--currencies in SDR basket	75,436
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

February 11, 2009
TG-02112009

Secretary Tim Geithner Opening Statement - Senate Budget Committee Hearing Policies to Address the Crises in Financial and Housing Markets

Treasury Secretary Tim Geithner
Opening Statement – As Prepared for Delivery
Senate Budget Committee Hearing
Policies to Address the Crises in Financial and Housing Markets

February 11, 2009

Chairman Conrad, Ranking Member Gregg, and Members of the Committee: thank you for inviting me to be here today, as Congress continues its work on an economic recovery plan to help create jobs and lay a foundation for a stronger economic future.

Right now, job losses are accelerating and credit has slowed to a trickle. On top of the financial and economic challenges we face… there is another: a lack of faith.

The American people have lost faith in the leaders of our financial institutions, and are skeptical that their government has – to this point – used taxpayers' money in ways that will benefit them.

Together we can change this.

Yesterday, I announced our Administration's plan to restart the flow of credit, strengthen our financial system, and provide critical aid for homeowners and for small businesses: the Financial Stability Plan.

To get credit flowing again, to restore confidence in our markets, and to restore the faith of the American people, we have proposed a fundamental reshaping of the government's program to repair the financial system.

It all begins with transparency. We propose to establish a new framework of oversight and governance of all aspects of our Financial Stability Plan. The American people will be able to see where their tax dollars are going and the return on their government's investment. They will be able to see whether the conditions placed on banks and institutions are being met and enforced. They will be able to see whether boards of directors are being responsible with taxpayer dollars and how they are compensating their executives. And they will be able to see how these actions are impacting the overall flow of lending and the cost of borrowing.

These new requirements, which will be available on a new website FinancialStability.gov, will give the American people the transparency they deserve.

Second, we are going to bring together the government agencies with authority over our nation's major banks and initiate a more consistent, realistic, and forward looking assessment about the risk on balance sheets. We are calling it a financial "stress test." We want banks' balance sheets cleaner and stronger. And we are going to help this process by providing a new program of capital support for those institutions that need it.

Institutions that need additional capital will be able to access a new funding

mechanism that uses money from the Treasury as a bridge to private capital. The capital will come with conditions to help ensure that every dollar of assistance is used to generate a level of lending greater than what would have been possible in the absence of government support.

Third, together with the Fed, the FDIC, and the private sector, we propose the establishment of a Public-Private Investment Fund. This program will provide government capital and government financing to help leverage private capital and get private markets working again. This fund will be targeted to the legacy loans and assets that are now burdening many financial institutions.

By providing the financing that the private markets cannot now provide, this will help start a market for the real estate-related assets that are at the center of this crisis. Our objective is to use private capital and private asset managers to help provide a market mechanism for valuing the assets.

We are exploring a range of different structures for this program, and will seek input from this Committee as we design it.

Fourth, working jointly with the Federal Reserve, we are prepared to commit up to a trillion dollars to support a Consumer and Business Lending Initiative. This initiative will kick start the secondary lending markets, to bring down borrowing costs, and to help get credit flowing again.

In our financial system, 40 percent of consumer lending has historically been available because people buy loans, put them together and sell them. Because this vital source of lending has frozen up, no financial recovery plan will be successful unless it helps restart securitization markets for sound loans made to consumers and businesses – large and small.

This lending program will be built on the Federal Reserve's Term Asset Backed Securities Loan Facility, announced last November, with capital from the Treasury and financing from the Federal Reserve.

And because small businesses are so important to our economy, we are going to take additional steps to make it easier for them to get credit from community banks and large banks.

Fifth, we will launch a comprehensive housing program. Millions of Americans have lost their homes, and millions more live with the risk that they will be unable to meet their payments or refinance their mortgages.

The President has asked his economic team to come together with a comprehensive plan to address the housing crisis. We will announce the details of this plan in the next few weeks.

Our focus will be on using the full resources of the government to help prevent avoidable foreclosures and to reduce mortgage interest rates. We will do this with a substantial commitment of resources already authorized by Congress under the Emergency Economic Stabilization Act. We welcome the ideas and input of this Committee in this important effort.

And finally, President Obama is committed to moving quickly to reform our entire system of financial regulation so that we never again face a crisis of this severity. And, again, that effort can only succeed with the collaboration and support of this Committee and other Members of Congress.

Chairman Conrad, I would like to applaud you for your longstanding leadership on fiscal responsibility matters. As you know, it is Treasury's tradition is to defend the integrity of policy, to respect the constraints imposed by limited resources, and to limit government intervention to where it is essential to protect our financial system and improve the lives of the American people. As Treasury Secretary, I take that charge very seriously and look forward to working with you and this Committee to

address our fiscal challenges, both short-term and long-term.

Let me close by saying that our challenges in this financial crisis are more complex than any our financial system has ever faced, requiring new programs and persistent attention to solve. But the President, the Treasury, and the entire Administration are committed to working with you to see it through because we know how directly the future of our economy depends on it.

Thank you, and with that, I'd be happy to take your questions.

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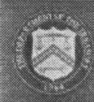

February 13, 2009
TG23

Treasury Releases Photo from Geithner, Steinbruck G-7 Finance Ministers and Central Bank Governors Bilateral Meeting

Washington, DC – U.S. Treasury Secretary Tim Geithner met today with German Finance Minister Peer Steinbruck in Rome, Italy, the site of the G-7 Finance Ministers and Central Bank Governors meeting.

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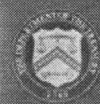
All media queries should be directed to
The Press Office at (202) 622-2960.
Only call this number if you are a member of the media.



February 13, 2009
TG24

Treasury Releases Photo from Geithner, Darling G-7 Finance Ministers and Central Bank Governors Bilateral Meeting

Washington, DC – U.S. Treasury Secretary Tim Geithner met today with British Chancellor Alistair Darling in Rome, Italy, the site of the G-7 Finance Ministers and Central Bank Governors meeting.

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The Press Office at (202) 622-2960.
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PRESS ROOM
U.S. DEPARTMENT OF THE TREASURY

February 13, 2009
td25

Treasury Releases Photo from Geithner, Kudrin G-7 Finance Ministers and Central Bank Governors Bilateral Meeting

Washington, DC – U.S. Treasury Secretary Tim Geithner met today with Russian Finance Minister Alexei Kudrin in Rome, Italy, the site of the G-7 Finance Ministers and Central Bank Governors meeting.

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The Press Office at (202) 622-2960.
Only call this number if you are a member of the media.

February 13, 2009
TG26

Treasury Releases Photo from Geithner, Nakagawa G-7 Finance Ministers and Central Bank Governors Bilateral Meeting

Washington, DC – U.S. Treasury Secretary Tim Geithner met today with Japanese Finance Minister Shoichi Nakagawa in Rome, Italy, the site of the G-7 Finance Ministers and Central Bank Governors meeting.

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All media queries should be directed to
The Press Office at (202) 622-2960.
Only call this number if you are a member of the media.

February 14, 2009
tg27

Statement by Secretary Tim Geithner Following Meeting of the G7 Finance Ministers and Central Bank Governors

Statement by Secretary Tim Geithner – As Prepared for Delivery
Following Meeting of the G7 Finance Ministers and Central Bank Governors
Rome, Italy

I am very pleased to be in Rome for the G7 Finance Ministers and Central Bank Governors meeting. I want to compliment Minister Tremonti for his hospitality in this beautiful city in these challenging times.

We meet at a time when growth has slowed sharply around the world. We are confronted with a broader, deeper slowdown in global growth than has been experienced in decades. Although the current crisis began in the major economies, emerging markets are also experiencing a sharp deceleration in growth. Global trade has declined significantly. While conditions in financial markets have improved modestly, the financial system remains under stress, and financial pressures are working against recovery.

These are global challenges and it is imperative that we work together to address them. Effective global response will require sustained action by governments working with the international financial institutions.

- Governments and central banks are already acting throughout the world to provide substantial support for global economic recovery. Given the severity of the current economic and financial environment, these actions must be forceful and sustained for a period that matches the likely duration of the crisis.
- Alongside these actions, governments need to continue to act to stabilize and strengthen financial systems and restart the flow of credit. Although the precise mix of measures must be tailored to each country's situation, there is a common recognition of the need for more capital and temporary financing to help restart credit markets.
- The international financial institutions should deploy their resources to help mitigate the effects of the crisis on their most vulnerable members. These institutions should be developing creative approaches and adapting their lending mechanisms to meet the needs of the crisis.
- All countries need to sustain a commitment to open trade and investment policies which are essential to economic growth and prosperity.

The countries around the table today recognize this common imperative. President Obama will soon sign into law the American Economic Recovery and Reinvestment Plan, which will lay a foundation for economic recovery with a powerful mix of investments and tax cuts to create jobs and strengthen our long term growth potential.

Earlier this week we outlined a broad framework for financial recovery and stability. This framework is designed to provide greater transparency to the financial system, to bring in new capital, new financing to restart the flow of credit to consumers and businesses, and create a new investment fund to finance and leverage private sector capital to facilitate the clean up of bank balance sheets. In the coming days we will announce a comprehensive plan to address the housing crisis.

As we act together to build a strong foundation for recovery, we need to begin the process of comprehensive reform of our financial system and the international financial system, so the world never again faces a crisis this severe. While this is a responsibility of national governments, our markets are global and therefore national efforts cannot be fully effective without stronger international cooperation to implement higher standards. In this regard, we will continue to support the important work underway in the Financial Stability Forum and the G20. We will work closely with our colleagues in the G7 and the G20 to build consensus on reforms that match the scope of the problems revealed by this crisis.

I want to emphasize that an important part of this effort is to protect the international financial system from illicit finance. We must continue to work together to reduce the vulnerability of the system to those who would seek to abuse it for criminal or terrorist purposes.

The world is facing enormous challenges. Governments around the globe are acting with greater force and urgency to address these challenges. These actions are critical to laying the foundation for recovery and reform, and need to be sustained on a scale commensurate with the severity of the crisis.

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February 14, 2009
tg28

Statement of G7 Finance Ministers and Central Bank Governors

Statement of G7 Finance Ministers and Central Bank Governors

ROME -- We, the G7 Finance Ministers and Central Bank Governors, met today amid an ongoing and severe global economic downturn and financial turmoil. The stabilization of the global economy and financial markets remains our highest priority. We have collectively taken exceptional measures to address these challenges and we reaffirm our commitment to act together using the full range of policy tools to support growth and employment and strengthen the financial sector.

The financial measures taken by each of us are helping to stabilize extremely volatile financial markets. These actions aimed at restoring normal credit flows to the economy follow three approaches as needed: i) enhance liquidity and funding through traditional and newly-created instruments and facilities; ii) strengthen the capital base according to the competent authority's assessment of individual financial institutions; and iii) facilitate the orderly resolution of impaired assets. The G7 commit to take any further action that may prove necessary to reestablish full confidence in the global financial system. We will continue to work together and to cooperate to avoid undesirable spillovers and distortions.

What started as financial turmoil has now gripped the real economy and spread throughout the world. The severe downturn has already resulted in significant job losses and is expected to persist through most of 2009. The policy response by the G7 has been prompt and vigorous; its full effects will build over time. Policy interest rates have been reduced to very low levels and unconventional monetary policy actions are being taken as appropriate. Budgetary action has been resolute. In addition to the full functioning of automatic stabilizers, substantial further fiscal stimulus packages are being implemented. By taking action together the effects of our individual action will be boosted. Our fiscal policy measures adhere to principles that will increase their effectiveness:

- be frontloaded and quickly executed;
- include the appropriate mix of spending and tax measures to stimulate domestic demand and job creation and support the most vulnerable;
- increase longer-term growth prospects, addressing structural weaknesses through targeted investments;
- be consistent with medium-term fiscal sustainability and mostly rely on temporary measures.

We also welcome and appreciate the prompt macroeconomic response from others throughout the world. In particular, we welcome China's fiscal measures and continued commitment to move to a more flexible exchange rate, which should lead to continued appreciation of the Renminbi in effective terms and help promote more balanced growth in China and in the world economy.

We reaffirm our shared interest in a strong and stable international financial system. Excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability. We continue to monitor exchange markets closely, and cooperate as appropriate.

An open system of global trade and investment is indispensable for global prosperity. The G7 remains committed to avoiding protectionist measures, which would only exacerbate the downturn, to refraining from raising new barriers and to working towards a quick and ambitious conclusion of the Doha Round. The G7 also stresses the need to support emerging and developing countries' access to credit and trade financing and resume private capital flows, and is committed to explore urgently ways, including through multilateral development banks, to enhance this support.

This crisis has highlighted fundamental weaknesses in the international financial system and that urgent reforms are needed. We agree that a reformed IMF, endowed with additional resources, is crucial to respond effectively and flexibly to the current crisis. In this respect, we welcome the Japanese government's lending agreement with the IMF. Increased collaboration between the IMF and the expanded Financial Stability Forum (FSF) will be particularly important to develop a timely and reliable assessment of macro-financial risks. We also welcome the contribution of the World Bank and regional Development Banks to providing finance to emerging and developing countries affected by the crisis, using their resources effectively.

The G7 Finance Ministers have asked their Deputies to prepare, in consultation with other partners, a progress report in four months on developing an agreed set of common principles and standards on propriety, integrity and transparency of international economic and financial activity.

The G7 is committed to continue working with partners in international fora to accelerate reforms of the regulatory framework, including limiting procyclicality, the scope of regulation, compensation practices, market integrity and risk management.

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FROM THE OFFICE OF PUBLIC AFFAIRS

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February 17, 2009
TG-29

Treasury International Capital (TIC) Data for December

Washington — The U.S. Department of the Treasury today released Treasury International Capital (TIC) data for December 2008. The next release, which will report on data for January 2009, is scheduled for March 16, 2009.

Net foreign purchases of long-term securities were $34.8 billion.

- Net foreign purchases of long-term U.S. securities were $22.4 billion. Of this, net purchases by private foreign investors were $25.2 billion, and net purchases by foreign official institutions were negative $2.8 billion.
- U.S. residents sold a net $12.4 billion of long-term foreign securities.

Net foreign acquisition of long-term securities, taking into account adjustments, is estimated to have been $24.4 billion.

Foreign holdings of dollar-denominated short-term U.S. securities, including Treasury bills, and other custody liabilities increased $2.1 billion. Foreign holdings of Treasury bills increased $25.3 billion.

Banks' own net dollar-denominated liabilities to foreign residents increased $47.5 billion.

Monthly net TIC flows were $74.0 billion. Of this, net foreign private flows were $65.7 billion, and net foreign official flows were $8.2 billion.

Complete data is available on the Treasury website at www.treas.gov/tic.

-30-

TIC Monthly Reports on Cross-Border Financial Flows

(Billions of dollars, not seasonally adjusted)

				12 Months Through					
		2006	2007	Dec-07	Dec-08	Sep-08	Oct-08	Nov-08	Dec-08
	Foreigners' Acquisitions of Long-term Securities								
1	Gross Purchases of Domestic U.S. Securities	21077.1	29730.6	29730.6	30674.1	3081.9	2492.1	1546.6	1480.5
2	Gross Sales of Domestic U.S. Securities	19933.9	28724.8	28724.8	30261.6	3051.9	2528.7	1606.7	1458.1
3	**Domestic Securities Purchased, net** (line 1 less line 2) /1	**1143.2**	**1005.8**	**1005.8**	**412.5**	**30.0**	**-36.6**	**-60.1**	**22.4**
4	**Private, net /2**	**946.6**	**818.1**	**818.1**	**309.1**	**34.8**	**-19.4**	**-22.9**	**25.2**
5	Treasury Bonds & Notes, net	125.9	195.0	195.0	239.4	15.8	34.0	0.4	11.1
6	Gov't Agency Bonds, net	193.8	99.9	99.9	-6.2	14.8	-33.5	-10.9	-24.6
7	Corporate Bonds, net	482.2	342.8	342.8	58.6	-7.3	-13.8	-15.3	37.5
8	Equities, net	144.6	180.4	180.4	17.4	11.5	-6.1	2.8	1.2
9	**Official, net /3**	**196.6**	**187.7**	**187.7**	**103.4**	**-4.8**	**-17.2**	**-37.1**	**-2.8**
10	Treasury Bonds & Notes, net	69.6	3.0	3.0	76.6	4.9	-1.1	-26.2	3.9
11	Gov't Agency Bonds, net	92.6	119.1	119.1	-31.5	-8.7	-16.7	-11.6	-12.9
12	Corporate Bonds, net	28.6	50.6	50.6	34.9	-1.2	0.7	-0.9	3.5
13	Equities, net	5.8	15.1	15.1	23.4	0.0	-0.1	1.6	2.6
14	Gross Purchases of Foreign Securities from U.S. Residents	5515.9	8187.6	8187.6	7694.6	710.0	645.3	411.6	352.1
15	Gross Sales of Foreign Securities to U.S. Residents	5766.8	8416.8	8416.8	7592.6	674.7	609.0	377.2	339.7
16	**Foreign Securities Purchased, net** (line 14 less line 15) /4	**-250.9**	**-229.2**	**-229.2**	**102.1**	**35.3**	**36.3**	**34.5**	**12.4**
17	Foreign Bonds Purchased, net	-144.5	-133.9	-133.9	82.0	37.8	14.6	13.2	12.3
18	Foreign Equities Purchased, net	-106.5	-95.3	-95.3	20.1	-2.5	21.7	21.3	0.1
19	**Net Long-Term Securities Transactions** (line 3 plus line	**892.3**	**776.6**	**776.6**	**514.6**	**65.3**	**-0.4**	**-25.6**	**34.8**
20	**Other Acquisitions of Long-term Securities, net /5**	**-174.6**	**-235.1**	**-235.1**	**-196.8**	**-13.5**	**-14.8**	**-12.0**	**-10.4**
21	**Net Foreign Acquisition of Long-Term Securities** (lines 19 and 20):	**717.7**	**541.5**	**541.5**	**317.8**	**51.8**	**-15.2**	**-37.6**	**24.4**

22	**Increase in Foreign Holdings of Dollar-denominated Short-U.S. Securities and Other Custody Liabilities: /6**	**146.2**	**198.0**	**198.0**	**240.8**	**13.0**	**92.0**	**51.1**	**2.1**
23	**U.S. Treasury Bills**	**-9.0**	**49.7**	**49.7**	**456.0**	**90.9**	**147.4**	**82.1**	**25.3**
24	Private, net	16.1	28.1	28.1	196.5	59.7	63.6	15.5	-5.4
25	Official, net	-25.0	21.5	21.5	259.5	31.2	83.8	66.6	30.7
26	**Other Negotiable Instruments and Selected Other Liabilities: /7**	**155.1**	**148.4**	**148.4**	**-215.2**	**-77.9**	**-55.4**	**-31.0**	**-23.2**
27	Private, net	174.9	72.2	72.2	-95.8	-69.5	-17.5	-6.9	-5.1
28	Official, net	-19.8	76.2	76.2	-119.4	-8.4	-37.9	-24.1	-18.1
29	**Change in Banks' Own Net Dollar-Denominated Liabilities**	**198.0**	**-122.9**	**-122.9**	**39.1**	**91.1**	**196.3**	**47.7**	**47.5**
30	**Monthly Net TIC Flows** (lines 21,22,29) /8 **of which**	**1061.8**	**616.7**	**616.7**	**597.8**	**155.9**	**273.1**	**61.3**	**74.0**
31	Private, net	923.0	327.5	327.5	422.1	138.7	261.3	70.2	65.7
32	Official, net	138.9	289.2	289.2	175.6	17.3	11.9	-9.0	8.2

/1 Net foreign purchases of U.S. securities (+)

/2 Includes international and regional organizations

/3 The reported division of net purchases of long-term securities between net purchases by foreign official institutions and net purchases of other foreign investors is subject to a "transaction bias" described in Frequently Asked Questions 7 and 10.a.4 on the TIC web site.

/4 Net transactions in foreign securities by U.S. residents. Foreign purchases of foreign securities = U.S. sales of foreign securities to foreigners. Thus negative entries indicate net U.S. purchases of foreign securities, or an outflow of capital from the United States; positive entries indicate net U.S. sales of foreign securities.

/5 Minus estimated unrecorded principal repayments to foreigners on domestic corporate and agency asset-backed securities +
estimated foreign acquisitions of U.S. equity through stock swaps -
estimated U.S. acquisitions of foreign equity through stock swaps +
increase in nonmarketable Treasury Bonds and Notes Issued to Official Institutions and Other Residents of Foreign Countries.

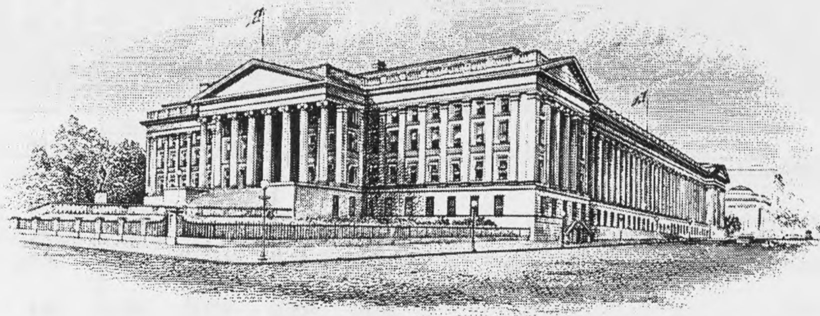
/6 These are primarily data on monthly changes in banks' and broker/dealers' custody liabilities. Data on custody claims are collected quarterly and published in the Treasury Bulletin and the TIC web site.

/7 "Selected Other Liabilities" are primarily the foreign liabilities of U.S. customers that are managed by U.S. banks or broker/dealers.

/8 TIC data cover most components of international financial flows, but do not include data on direct investment flows, which are collected and published by the Department of Commerce's Bureau of Economic Analysis. In addition to the monthly data summarized here, the TIC collects quarterly data on some banking and nonbanking assets and liabilities. Frequently Asked Question 1 on the TIC web site describes the scope of TIC data collection.

REPORTS

- (PDF) TIC Monthly Reports on Cross-Border Financial Flows (Billions of dollars, not seasonally adjusted)



DEPARTMENT OF THE TREASURY
OFFICE OF PUBLIC AFFAIRS

February 17, 2009
EMBARGOED UNTIL 9:00 AM

Contact: Treasury Public Affairs
(202) 622-2960

TREASURY INTERNATIONAL CAPITAL DATA FOR DECEMBER

Washington – The U.S. Department of the Treasury today released Treasury International Capital (TIC) data for December 2008. The next release, which will report on data for January 2009, is scheduled for March 16, 2009.

Net foreign purchases of long-term securities were $34.8 billion.

- Net foreign purchases of long-term U.S. securities were $22.4 billion. Of this, net purchases by private foreign investors were $25.2 billion, and net purchases by foreign official institutions were negative $2.8 billion.

- U.S. residents sold a net $12.4 billion of long-term foreign securities.

Net foreign acquisition of long-term securities, taking into account adjustments, is estimated to have been $24.4 billion.

Foreign holdings of dollar-denominated short-term U.S. securities, including Treasury bills, and other custody liabilities increased $2.1 billion. Foreign holdings of Treasury bills increased $25.3 billion.

Banks' own net dollar-denominated liabilities to foreign residents increased $47.5 billion.

Monthly net TIC flows were $74.0 billion. Of this, net foreign private flows were $65.7 billion, and net foreign official flows were $8.2 billion.

Complete data is available on the Treasury website at www.treas.gov/tic.

TIC Monthly Reports on Cross-Border Financial Flows

(Billions of dollars, not seasonally adjusted)

				12 Months Through					
		2006	2007	Dec-07	Dec-08	Sep-08	Oct-08	Nov-08	Dec-08
	Foreigners' Acquisitions of Long-term Securities								
1	Gross Purchases of Domestic U.S. Securities	21077.1	29730.6	29730.6	30674.1	3081.9	2492.1	1546.6	1480.5
2	Gross Sales of Domestic U.S. Securities	19933.9	28724.8	28724.8	30261.6	3051.9	2528.7	1606.7	1458.1
3	**Domestic Securities Purchased, net** (line 1 less line 2) /1	**1143.2**	**1005.8**	**1005.8**	**412.5**	**30.0**	**-36.6**	**-60.1**	**22.4**
4	**Private, net /2**	**946.6**	**818.1**	**818.1**	**309.1**	**34.8**	**-19.4**	**-22.9**	**25.2**
5	Treasury Bonds & Notes, net	125.9	195.0	195.0	239.4	15.8	34.0	0.4	11.1
6	Gov't Agency Bonds, net	193.8	99.9	99.9	-6.2	14.8	-33.5	-10.9	-24.6
7	Corporate Bonds, net	482.2	342.8	342.8	58.6	-7.3	-13.8	-15.3	37.5
8	Equities, net	144.6	180.4	180.4	17.4	11.5	-6.1	2.8	1.2
9	**Official, net /3**	**196.6**	**187.7**	**187.7**	**103.4**	**-4.8**	**-17.2**	**-37.1**	**-2.8**
10	Treasury Bonds & Notes, net	69.6	3.0	3.0	76.6	4.9	-1.1	-26.2	3.9
11	Gov't Agency Bonds, net	92.6	119.1	119.1	-31.5	-8.7	-16.7	-11.6	-12.9
12	Corporate Bonds, net	28.6	50.6	50.6	34.9	-1.2	0.7	-0.9	3.5
13	Equities, net	5.8	15.1	15.1	23.4	0.0	-0.1	1.6	2.6
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18	Foreign Equities Purchased, net	-106.5	-95.3	-95.3	20.1	-2.5	21.7	21.3	0.1
19	**Net Long-Term Securities Transactions** (line 3 plus line 16):	**892.3**	**776.6**	**776.6**	**514.6**	**65.3**	**-0.4**	**-25.6**	**34.8**
20	**Other Acquisitions of Long-term Securities, net /5**	**-174.6**	**-235.1**	**-235.1**	**-196.8**	**-13.5**	**-14.8**	**-12.0**	**-10.4**
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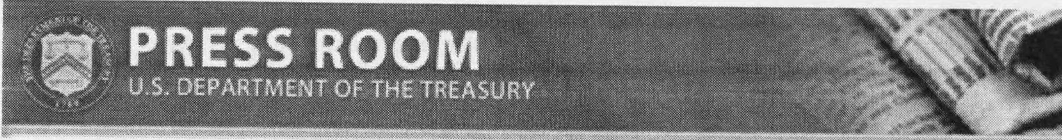

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February 17, 2009
TG-30

Treasury Releases First Monthly Bank Lending Survey

Despite Economic Downturn, Top 20 Banks Receiving Government Funds Continued Lending Activities; Survey Reflects Administration's Commitment to Greater Transparency, Communication Around Financial Stability Programs

WASHINGTON-- The U.S. Department of the Treasury released today its first monthly bank lending survey designed to provide new, more frequent and more accessible information on banks' lending activities to help taxpayers easily assess the lending and other activities of banks receiving government investments. Despite the negative effects of the economic downturn and unprecedented financial markets crisis, the first survey of the top 20 recipients of government investment through the Capital Purchase Program (CPP) found that banks continued to originate, refinance and renew loans from the beginning of the program in October through December 2008.

In the face of severe economic deterioration during this period--unemployment rose from 6.5 to 7.2 percent and more than 1.5 million jobs were lost as real GDP decreased by 3.8 percent--lending levels largely held steady and would have likely been lower absent capital provided to banks through CPP. The CPP directly infuses capital into viable banks, stabilizing the financial system and enabling banks to continue to play their vital roles as providers of credit to businesses and consumers. Some 400 banks in 47 states have participated since the program began.

As part of its commitment to greater transparency, Treasury will release a monthly survey summarizing the lending and other activities of the top 20 CPP recipients and post the findings on its web site. Today's survey tracks lending activity through the first three months of the CPP program, and subsequent reports will reflect data from the previous month.

Overall, loan origination and underwriting activities were weak from October to November 2008 but picked up from November through December, fueled by falling mortgage interest rates and the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program.

Over the period, the median change in residential mortgage loan balances was a decrease of 1 percent, while the median change in corporate loan balances was a decrease of 1 percent. Meanwhile, the median percent change in loan balances for U.S. credit cards was an increase of 2 percent, reflecting greater reliance on existing credit lines by consumers.

In commercial real estate, renewals of existing accounts increased significantly, while new commitments decreased. The median percent change in renewals of existing accounts was an increase of 55 percent, and the median percent change in new commitments was a decrease of 19 percent.

In sum, loan activity was resilient in the face of the worst economic downturn in decades.

Treasury launched the monthly bank lending survey as part of its commitment to Congress and the public to greater communication and transparency about its programs to stabilize the financial system. The Financial Stability Plan announced by Secretary Tim Geithner last week will further enhance the public's understanding of banks' lending, requiring companies receiving future government funds to report to Treasury how the money they receive preserves or generates new lending and to explain how they intend to use government assistance to strengthen their lending capacity.

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To read the Monthly Lending and Intermediation Snapshot click here

To view individual banks' reports click here

TREASURY DEPARTMENT MONTHLY LENDING AND INTERMEDIATION SNAPSHOT

Summary Analysis for October - December 2008

I. Purpose of the Snapshot

The purpose of the monthly snapshot is to provide the Treasury Department (Treasury) and the public with regular insight into the lending trends and intermediation activities -- including underwriting, buying and selling of securities, and other activities in capital markets -- of the banks that received the most funding via the Capital Purchase Program (CPP).

This snapshot seeks to gather information to help answer the question posed by many during this crisis: "Are banks doing what they are supposed to do, providing credit to borrowers in a safe and sound manner?"

Answering this question is difficult because we are in an economic downturn, during which it is common for lending levels to contract. During the past nine recessions, inflation-adjusted total private sector lending per quarter has contracted on average 30 percent from peak to trough, while real GDP has contracted 2.0 percent.[1] During the last quarter of 2008, unemployment rose from 6.5 to 7.2 percent and more than 1.5 million jobs were lost as real GDP decreased by 3.8 percent. The demand for credit by consumers and businesses typically falls during an economic downturn, reflecting caution by both lenders and borrowers to take on new risk during uncertain economic times. This snapshot cannot, by itself, answer what lending levels would have been without the CPP, but levels would likely have been lower had Treasury not taken actions to stabilize the financial system and provided additional capital to banks through the CPP, enabling banks to continue lending during the financial crisis. These surveys will help Treasury and the public better understand lending activity in our system during this crisis by looking at some key metrics, such as levels, volumes, and drivers of credit.

Why lending? Lending is clearly one of the most important ways CPP recipients can deploy this additional capital, as it affects Americans directly. The CPP was created to stabilize the financial system by directly and quickly infusing capital into viable banks, enabling them to continue to extend credit to businesses and consumers during this unprecedented financial market crisis and economic downturn. The snapshot is designed to complement a separate but related Treasury initiative, whereby Treasury, in collaboration with the four banking agencies, is coordinating a more robust statistical research initiative to analyze quarterly regulatory reporting data to measure the impact of the Capital Purchase Program on the banking sector.

Why monthly? Banks report a significant amount of data to bank regulators every quarter. This information is typically released to the public six weeks after quarter end. The Treasury Department believes it is worthwhile to obtain more frequent and more real-time information in order to assess the impact of the CPP on bank lending and to inform policymaking as market conditions change.

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[1] Data derived from the Federal Reserve flow of funding data and from data released by the Commerce Department.

Why only the top banks? The largest recipients of CPP funds represent a significant proportion of the banking system, or roughly 75 percent of bank holding company assets. These banks are diverse in terms of size, business focus, customer base, geographic coverage and product and service offerings. Treasury wanted to quickly but effectively provide an objective analysis to the public on this important topic and this targeted survey allows us to do that faster than otherwise possible. In addition, Treasury is in the process of developing a more streamlined snapshot for smaller institutions.

II. Snapshot Design

The snapshot contains quantitative information on three major categories of lending – consumer, commercial, and other activities – based on banks' internal reporting, as well as commentary to explain changes in lending levels for each category. In addition, the snapshot contains a qualitative section that provides market color on lending demand and credit standards generally to help Treasury and the public meaningfully and accurately interpret the quantitative data.

Why base the quantitative data on internal reporting? Treasury believes that it is critical to provide the public and Congress with as much information as possible about the programs we are implementing to stabilize the financial system. In this spirit, the snapshot has been designed to collect new information on a more frequent basis from banks. In order to do this, Treasury must utilize banks' internal reporting. This snapshot complements the detailed quarterly reports provided by banks on activities and financial condition to regulators, which is also publicly available. The Treasury snapshot is focused on lending activities and will be issued on a monthly basis. This information will also help guide policy making going forward as Treasury and the federal regulators continue to coordinate to develop a comprehensive response to the unprecedented financial markets crisis.

Why include both commentary and a qualitative section? Lending levels are a function of credit availability, which is in banks' control, as well as a host of factors outside of banks' control: loan demand, borrower creditworthiness, capital markets liquidity, the macroeconomic environment, etc. The purpose of the commentary and qualitative section is to allow banks to provide color on the interaction of these variables so that readers can put the banks' information in context and draw meaningful conclusions from the quantitative data.

What are the limits of the snapshot? The snapshot's reliance on internal reporting means that aggregation by loan category and comparisons of asset and origination levels across firms may be imperfect. Snapshot readers should focus on trends within a firm across time, particularly in percentage change terms, a fact that is reflected in Treasury's summary analysis.

III. Summary analysis

1 Despite significant headwinds posed by unprecedented financial market crisis and economic turn, banks continued to originate, refinance and renew loans. Significant challenges facing both banks and consumers that impact demand for and extension of credit include the shut down of various credit markets and the process of loan

securitization. In addition, during the last quarter of 2008, unemployment rose from 6.5 to 7.2 percent and more than 1.5 million jobs were lost as real GDP decreased by 3.8 percent, all of which increase the caution of consumers in taking on new loans and typically reduce demand for loans during a downturn. In addition, the crisis has negatively impacted confidence in our financial system, limiting banks' ability to raise private capital that enables them to increase consumer and business lending.

Please see the attached table detailing each bank's loan originations over the period of the survey.

2 Due to decreasing loan demand and tighter underwriting standards, as well as other factors such as charge-offs, or losses written off on loans, banks reported a general trend of modestly declining total loan balances.
   a. *From October to December, total residential mortgage balances across the twenty banks was essentially flat.* The median percent change in total residential mortgage balances was a decrease of 1 percent.
   b. *For the same period, corporate loan balances decreased slightly.* The median percent change in total loan balances across banks was a decrease of 1 percent. Ten banks experienced increases in total loan balances. The driver of the decrease was softening loan demand, particularly by smaller businesses, as noted by several banks.
   c. *Credit card borrowing increased, while available credit decreased.* The median percent change in average total loan balance for U.S. credit cards was an increase of 2 percent. The median percent change in total used and unused commitments for U.S. credit cards was essentially flat. For banks with the largest credit card loan balances, the decrease was more marked.
   d. *In commercial real estate, renewals of existing accounts increased significantly, while new commitments decreased significantly.* The median percent change in renewals of existing accounts was an increase of 55 percent. The median percent change in new commitments was a decrease of 19 percent. Many banks noted challenges in this space, including "negligible" residential home builder loan demand and weaker construction and development activity, softening with regards to retailers, an uncertain outlook with regards to office space, and the continued dislocation of the commercial mortgage backed securities (CMBS) market.

3 Outside factors played a big role in driving month-on-month changes. In general, lending activity decreased from October to November and then picked back up from November to December. Drivers of this phenomenon varied by loan type.
   a. A substantial increase in residential mortgage demand/applications from November to December was largely attributed to falling rates, driven by initiatives by Treasury, the Federal Reserve and other federal regulators.
   b. A similar trend was observed in the area of corporate lending, where the December increase in loan demand was attributed by several banks to diminished borrower access to other debt markets such as the commercial paper market, which effectively shut down in October 2008 due to the credit crisis. This market funds both financial and non-financial companies across the U.S. and its

breakdown forced corporate borrowers to increase their relative use of bank debt as a source of replacement funding.

c. Similarly, the FDIC's Temporary Liquidity Guarantee Program (TLGP) provided a significant boost to debt underwriting which had been quiet for some time. The TLFP was launched in conjunction with the CPP in October 2008 as another measure by the federal government to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt by banks and other institutions. The median percent change across firms from October to November was an increase of 39 percent, and from November to December the median percent change was an increase of was 74 percent.

IV. Process going forward

The Treasury Department will continue to refine this monthly analysis, including potentially other formats for presenting the data. While this initial snapshot included survey data from a three month period extending back to the launch of the CPP, monthly snapshots going forward will reflect data from the prior month only.

In addition, as noted above, Treasury is working with the federal banking agencies (Federal Reserve, FDIC, OCC and OTS) to conduct research on the impact that the Troubled Assets Relief Program and other federal programs have had on banks' health, lending and financial intermediation. Treasury anticipates publishing this analysis as it becomes available.

Loan Originations (Sum of October, November and December)

Name	First Mortgage	HELOC (Lines and Increases)	US Card (Managed): Initial Line Amount	Other Consumer Lending	C & I: Renewal of Existing Accounts	C & I: New Commitments	CRE: Renewal of Existing Accounts	CRE: New Commitments
Bank of America	$44,611	$5,326	$6,753	$6,986	$52,852	$49,004	$7,985	$7,343
BB&T	$3,682	$694	$401	$1,108	$1,779	$4,399	$3,271	$1,693
Bank of New York Mellon	$212	$34	$0	$17	$802	$1,055	$213	$195
Capital One	$7	$72	$3,671	$2,131	$576	$1,930	$183	$759
CIT	$0	$0	$0	$3	$10,387	$3,341	$0	$0
Citigroup	$16,274	$1,122	$27,121	$4,219	$3,553	$6,470	$955	$378
Comerica	$83	$102	$65	$129	$6,439	$1,255	$1,015	$284
Fifth Third	$2,551	$445	$541	$1,186	$843	$11,833	$1,322	$1,838
Goldman Sachs	$1,086	$150	$0	$203	$571	$3,686	$10	$0
JPMorgan Chase	$28,271	$1,606	$17,900	$6,037	$57,127	$48,533	$2,693	$2,560
KeyCorp	$315	$467	$0	$237	$3,439	$2,375	$2,575	$1,020
Marshall & Ilsley	$411	$130	$16	$155	$1,318	$777	$366	$545
Morgan Stanley	$0	$0	$0	$657	$1,098	$9,504	$0	$0
Northern Trust	$240	$319	$0	$421	$1,082	$2,709	$71	$317
PNC	$20	$766	$200	$551	$15,354	$5,546	$1,309	$1,915
Regions	$1,022	$487	$0	$310	$4,586	$2,627	$5,468	$1,990
State Street	$0	$0	$0	$0	$2,045	$890	$0	$800
SunTrust	$7,205	$440	$53	$1,151	$4,075	$3,628	$1,099	$1,303
U.S. Bancorp	$8,390	$1,427	$2,886	$2,692	$11,513	$9,062	$3,455	$2,452
Wells Fargo	$48,189	$1,736	$3,715	$2,571	$10,915	$17,623	$4,041	$4,415

Loan Category Key*	
First Mortgages	Loans secured by first liens on residential real estate
HELOC	Home equity lines of credit
US Card (Managed)	US credit cards (managed)
C & I	Commercial and industrial
CRE	Commercial real estate

NOTE: Reliance on internal reporting means that aggregation by loan category varies for each reporting bank. Because of the differences in loan category definitions, comparisons of origination levels across firms may be imperfect.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Bank of America | **Submission date: January 30, 2009** | **Person to be contacted regarding this report: Craig Rosato**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	OCT (2008)	NOV (2008)	DEC (2008)	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$255,343	$253,344	$251,712	Average balance consists of (1-4 family) residential loans held on the balance sheet, whether originated by BAC or purchased from others, but does not include discontinued products (pay option and sub prime).	Average balance decline was due primarily to sales and the conversion of loans to securities that were subsequently retained within the Investment Portfolio. First Mortgage rates to consumers have dropped substantially in December leading to increased application volume. Origination activity during the month of December was 33% higher than November activity. The increase in volume is primarily due to refinancings into conventional products. The level of FHA and VA product activity has remained relatively flat. No changes in credit standards occurred during December that would have impacted originations.
b. Total Originations	$17,606	$11,595	$15,410	Originations include both loans originated for the balance sheet as well as loans originated for sale.	
(1) Refinancings	$7,805	$4,951	$7,732		
(2) New Home Purchases	$9,801	$6,645	$7,678		
2. Home Equity					
a. Average Total Loan Balance	$152,434	$152,904	$150,794	Average balances represent HELOC, HELOAN and Reverse Mortgage, but do not include discontinued products (sub prime).	Average balances declined in December due to additional principal writedowns on loans acquired from Countrywide. October and November average balances were not restated
b. Originations (New Lines+Line Increases)	$1,821	$1,686	$1,819	Originations represent HELOC, HELOAN and Reverse Mortgage, but do not include discontinued products (sub prime).	
c. Total Used and Unused Commitments	$263,418	$260,063	$258,986	Total commitments exclude Reverse Mortgage.	
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$161,122	$161,119	$163,348	Average balances represent US Domestic Card and US Small Business Card.	Total commitments decreased during the quarter due to fewer line increases and reducing lines on riskier accounts and inactive accounts. As of December 31, 2008, US Card total commitments included $189.5B of inactive customer accounts.
b. New Account Originations (Initial Line Amt)	$2,290	$2,022	$2,440	Originations represent US Domestic Card and US Small Business Card.	
c. Total Used and Unused Commitments	$911,276	$907,970	$903,025	Commitments represent US Domestic Card and US Small Business Card.	
4. Other Consumer					
a. Average Total Loan Balance	$75,623	$76,363	$76,355	Average balances and Originations represent Dealer Financial Services (organically originated and bulk purchases), Consumer Lending and Student Lending.	October and December originations are higher due to bulk auto purchases of $2B in October and $1.1B in December. Auto activity has been robust in December and into January 2009. Inconsistent market participation from the captive finance companies is driving increased volume. Marine & RV volume and bookings slowed signifcantly throughout 2008 and into 2009.
b. Originations	$3,544	$1,083	$2,359	Average balances and Originations exclude Foreign Consumer, Banking Center loans, Small Business Lines & Loans and Global Wealth Investment Management non-real estate loans and other discontinued businesses.	

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$263,551	$262,398	$259,474	C&I is non-real estate commercial loans and leases, includes domestic and foreign loans and leases and excludes U S Small Business Card (which is included in Schedule A above).	**Increased bank borrowings occurred in September '08, particularly after the dislocation in the funding markets post Lehman's bankruptcy filing, when companies also increased borrowings as a result of concern around participant lenders' funding capabilities.** **As the corporate bond and commercial paper markets recovered in 4Q08, our customers were able to return to their traditional funding sources. As a result, corporate clients retired bank borrowings and draws on credit facilities due to market disruptions were down compared to 3Q08.**
b. Renewal of Existing Accounts	$19,519	$15,310	$18,023	Renewals represent credit facilities that expired/matured and were renewed during the period; includes funded and unfunded exposure; includes all instrument types (loans held for investment, loans held for sale, LCs, bankers acceptances and derivatives.	
c. New Commitments	$20,036	$13,472	$15,496	New commitments represent new credit facilities booked during the period; includes funded and unfunded exposure and includes all instrument types (see 1.b above). October 2008 new commitments are estimates due to legacy LaSalle system conversions.	
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$64,092	$64,917	$64,693	Commercial Real Estate includes domestic and foreign loans primarily secured by non owner-occupied real estate which are dependent on the sale or lease of the real estate as the primary source of repayment.	**The shut down of the CMBS securitization market during the second half of 2008, coupled with the commercial real estate market has resulted in a reduction in CRE lending activity.**
b. Renewal of Existing Accounts	$2,563	$1,964	$3,457	Renewals represent credit facilities that expired/matured and were renewed during the period; includes funded and unfunded exposure; includes all instrument types (see 1.b above).	
c. New Commitments	$3,190	$1,730	$2,423	New commitments represent new credit facilities booked during the period; includes funded and unfunded exposure and includes all instrument types (see 1.b above). October 2008 new commitments are estimates due to legacy LaSalle system conversions.	
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$40,606	-$12,012	-$8,764	Mortgage-backed securities net purchases include only activity related to our Asset/liability management process, and excludes those securities related to internally originated loans which have been securitized externally and re-sold to BAC.	**Gross purchases for October, November and December were $43,043, $13,679 and $9,080, respectively, while gross sales were $2,437, $25,691 and $17,844, respectively.**
b. Asset Backed Securities	$0	$0	$0	Same as 1.a above.	
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	$49,770	$66,191	$34,975	Matched Book Balances represent customer driven ReverseRepo activity. Monthly fluctuations driven by customer demand, ability to apply FIN41 netting and balance sheet capacity.	
b. Average Total Debit Balances[2]	$220	$296	$340	Margin Loan balances are minimal following sale of prime brokerage on 9/30/08.	
3. Underwriting					
a. Total Equity Underwriting	$1,674	$3,760	$230	Underwriting represents BAC commitment on deals closed in current periods.	
b. Total Debt Underwriting	$9,227	$7,018	$7,474	Same as 3a.	

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

Notes:
* Average Total Loan and Lease Balances exclude loans held for sale.
* Q408 data excludes Merrill Lynch as the acquisition was effective January 1, 2009.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Bank of America**
Reporting Month(s): Oct-Nov-Dec 2008
Submission Date: January 30, 2009
Person to be contacted regarding this report: Craig Rosato

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Bank of America, headquartered in Charlotte, North Carolina, operates in 32 states, the District of Columbia and more than 30 foreign countries. The company provides a diversified range of banking and non-banking financial services and products domestically and internationally through three business segments: Global Consumer and Small Business Banking (GCSBB), Global Corporate and Investment Banking (GCIB), and Global Wealth and Investment Management (GWIM).

At December 31, 2008, Bank of America had $1.8 trillion in assets, nearly $911 billion in loans and $831 billion in deposits.

Economic Environment

2008 was a year in which the U.S. economy moved into an economic recession that deepened severely in the fourth quarter, triggered in part by the intensifying financial crisis. Housing activity and prices declined sharply throughout the year. Consumer spending in inflation-adjusted terms softened in the first half of 2008, and then declined in the second half, weighed down by the spike in energy prices that reduced real purchasing power, weaker trends in employment and personal income and the loss of household wealth resulting from sharp declines in home prices and stock market valuations. Sales of automobiles, household durables and consumer discretionary items were hit the hardest.

The stress consumers experienced from depreciating home prices, rising unemployment and tighter credit conditions resulted in a higher level of bankruptcy filings during the year as well as higher levels of delinquencies and losses in our consumer and small business portfolios. Housing value declines, a slowdown in consumer spending and the turmoil in the global financial markets also impacted our commercial portfolios where we experienced higher levels of losses, particularly in the homebuilder sector of our commercial real estate portfolio.

Credit Markets

First mortgage rates to consumers dropped substantially in December leading to increased application volume. Origination activity during the month of December was 33% higher than November activity. The increase in volume is primarily due to refinancing into conventional products. The level of FHA and VA product activity has remained relatively flat. No changes in credit standards occurred during December that would have impacted originations. The majority of the recent application volume has

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Bank of America**
Reporting Month(s): Oct-Nov-Dec 2008
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Person to be contacted regarding this report: Craig Rosato

been refinance activity. Just over 20% of the volume is related to new purchases. Home equity demand remains sluggish. Auto activity was up in December and into January 2009. Inconsistent market participation from the captive finance companies is driving increased volume. Marine and RV volume and bookings slowed significantly in 2008 and into 2009.

Overall new loan demand for commercial real estate is down due to the lack of new construction activity and the overall condition of the real estate market. The CMBS market remains closed and the lack of permanent financing continues to put pressure on bank deals. Large corporate demand is stable; however there is limited demand for acquisition financing and capital expenditure activity. Middle market demand remains stable.

Bank of America's Response

In response to these changing conditions, Bank of America did the following to help stabilize the U.S. economy:

Bank of America extended more than $115 billion in new credit during the fourth quarter of 2008, of which about $49 billion was in commercial non-real estate; $45 billion was in mortgages; nearly $8 billion was in domestic card and unsecured consumer loans; nearly $7 billion was in commercial real estate; more than $5 billion was in home equity products; and approximately $2 billion was in consumer Dealer Financial Services.

Bank of America lent $45 billion through its mortgage unit ($11.3 billion of that to low- and moderate-income borrowers), helping more than 200,000 Americans purchase a home or save money on the home they already own in the fourth quarter alone.

Bank of America committed to assist as many as 630,000 customers to help them stay in their homes, representing more than $100 billion in mortgage financing. In 2008, the company modified approximately 230,000 home loans - representing more than $44 billion in mortgage financing. Bank of America also modified nearly 700,000 credit card loans for borrowers experiencing financial hardship last year.

In 2008, Bank of America extended almost $4.8 billion in new credit to nearly 250,000 small business customers (defined as businesses with less than $2.5 million in revenues and less than $250,000 in credit exposure). During the fourth quarter alone, nearly $1 billion in new credit was extended to more than 47,000 new small business customers.

Bank of America extended about $49 billion in commercial non-real estate lending credit and nearly $7 billion in real estate lending during the fourth quarter to middle market and large corporate clients as

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Bank of America**
Reporting Month(s): Oct-Nov-Dec 2008
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well as not-for-profit organizations and governments. In 2008, the company also invested $1 billion in affordable housing development financing by using Low Income Housing Tax Credits.

The secondary market created through mortgage-backed securities provides liquidity in the housing market, enabling lenders to provide credit to homebuyers. In the fourth quarter, Bank of America had net purchases of $20 billion in mortgage-backed securities.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Bank of New York Mellon Corporation				Submission date: January 30, 2009	Person to be contacted regarding this report: Jeffrey D Landau
PART I. QUANTITATIVE OVERVIEW					
		2008			
SCHEDULE A: CONSUMER LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$4,637	$4,672	$4,694	Secured by 1st liens on closed-end loans for 1-4 family residential properties. Includes jumbo mortgages.	
b. Total Originations	$89	$54	$69		
(1) Refinancings	$37	$17	$25		
(2) New Home Purchases	$52	$37	$44		
2. Home Equity					
a. Average Total Loan Balance	$331	$335	$341	Secured by revolving, open-end loans for 1-4 family residential properties extended under lines of credit.	
b. Originations (New Lines+Line Increases)	$12	$12	$10		
c. Total Used and Unused Commitments	$769	$772	$781	Period end balances plus unused home equity lines of credit.	
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$0	$0	$0		**The company does not make credit card loans.**
b. New Account Originations (Initial Line Amt)	$0	$0	$0		
c. Total Used and Unused Commitments	$0	$0	$0		
4. Other Consumer					
a. Average Total Loan Balance	$769	$765	$757	Other consumer loans, excluding other revolving credit plans. These loans include single payment loans and loans for household and other personal expenditures.	
b. Originations	$8	$5	$4		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$10,445	$10,709	$10,809	Domestic and foreign loans and leases to manufacturers and other commercial businesses, excluding loans made to finance commercial real estate.	**These loans and leases are primarily to investment grade companies. The volume of credit requests declined in the fourth quarter 2008 compared to the third quarter 2008.**
b. Renewal of Existing Accounts	$163	$135	$504		
c. New Commitments	$490	$449	$116		
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$3,086	$3,100	$3,074	Loans to finance commercial real estate, construction and land development. Includes real estate loans both secured and unsecured.	**Loans are secured by residential buildings, office buildings, retail properties and other properties. The unsecured portfolio is primarily allocated to REITs under revolving credit agreements. The volume of credit requests declined in the fourth quarter 2008 compared to the third quarter 2008.**
b. Renewal of Existing Accounts	$102	$45	$66		
c. New Commitments	$15	$100	$80		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$202	$1,451	$7	Reported amounts are amounts paid for the securities. Includes $178 million in Oct and $988 million in Nov of Agency Debentures.	**These purchases were made to increase the amount of money available to qualified borrowers in the residential housing market.**
b. Asset Backed Securities	$0	$0	$0		
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	N/A	N/A	N/A	Activity less than $50 billion.	
b. Average Total Debit Balances[2]	$5,344	$4,721	$4,573		**Average total debit balances reflects margin loans recorded by our broker/dealer subsidiary.**
3. Underwriting					
a. Total Equity Underwriting	$0	$0	$0	No equity deals in the 4th quarter.	**Amounts reported represent our portion of the transactions.**
b. Total Debt Underwriting	$129	$305	$336	Represents our portion of the transactions.	

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Bank of New York Mellon Corporation**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Jeffrey D Landau

PART II. QUALITATIVE OVERVIEW

The Bank of New York Mellon, a global leader in asset management and securities servicing, also has a significant presence in the areas of wealth management, issuer services, clearing services and treasury services. The company's global client base includes financial institutions, corporations, government agencies, pension funds, endowments and foundations. The company does not have a consumer banking franchise.

With regard to our lending activity, it is paramount to point out that the business model of The Bank of New York Mellon is very different from traditional retail, commercial or investment banks. In contrast to most of the other companies that have received a TARP investment, our business model does not focus on the broad retail market or products such as mortgages, credit cards or auto loans, or on typical lending to corporate businesses.

Our business is dedicated to helping other financial institutions around the world. We help monitor and administer their complex "back-office" processes. The Bank also provides critical infrastructure for the global financial markets by facilitating the movement of money and securities through the markets.

The majority of The Bank of New York Mellon's lending activity relates to extending credit (i.e., overdrafts, loans to broker/dealers, etc.) to its institutional client base. Following the Lehman bankruptcy, we experienced a significant increase in (i) demand for loans from our broker/dealer clients and (ii) overdrafts relating to the clearing and securities processing services we provide to clients. Our willingness and ability to extend credit in this manner provided liquidity to the market and our core financial institution client base at the time it was needed most. During the latter part of the fourth quarter 2008, and into January 2009, client demand for these extensions of credit returned to more normal levels. Loans to broker/dealers and overdrafts are included in the aggregate amount of loans that we publicly report, but are not classified as C&I loans.

In keeping with its role as an institutional provider, The Bank of New York Mellon has used the TARP investment to help address the need to improve liquidity in the U.S. financial system. This has been done through the purchase of securities issued by U.S. government-sponsored agencies. The company has also provided liquidity to other financial institutions in order to increase the amount of funds available in the credit markets.

Specifically, we have purchased mortgage-backed securities and debentures issued by U.S. government-sponsored agencies to support efforts to increase the amount of money available to lend to qualified borrowers in the residential housing market. The company has also purchased debt securities of other financial institutions, which helps increase the amount of funds available to lend to consumers and businesses. In addition, we have used the funds for interbank placements, federal funds sold and other interbank lending. All of these efforts address the need to improve liquidity in the financial system and are consistent with our business model which is focused on institutional clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: BB&T Corporation | **Submission date: January 30, 2009** | **Person to be contacted about this report: Daryl N. Bible, Chief Financial Officer**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	2008 OCT	 NOV	 DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$18,477	$18,362	$18,219	Consists of 1-4 family residential loans originated primarily through BB&T's branch network.	Mortgage originations in the fourth quarter of 2008 were down slightly from the third quarter; however, lower interest rates late in the quarter drove a 42% increase in mortgage application volume compared to the third quarter of 2008. Approximately 86% of fourth quarter originations were conforming loans sold to Freddie Mac and Fannie Mae and FHA / VA loans.
b. Total Originations	$1,426	$1,008	$1,248		
(1) Refinancings	$672	$461	$666	Includes loans originated for sale and to be included in the mortgage portfolio.	
(2) New Home Purchases	$754	$547	$582		
2. Home Equity					
a. Average Total Loan Balance	$5,645	$5,718	$5,809	Item 2 includes only home equity lines. All are originated through BB&T's branch network.	Growth in home equity lines continues to be challenged by soft demand.
b. Originations (New Lines+Line Increases)	$232	$217	$245		
c. Total Used and Unused Commitments	$15,765	$15,777	$15,788		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$1,930	$1,934	$1,966	Item 3 balances include bank cards and demand deposit protection lines. Bank cards are primarily originated through the banking network and are positioned as a relationship product.	Revolving credit balances are experiencing strong growth with annualized linked quarter growth of 12% in the fourth quarter of 2008.
b. New Account Originations (Initial Line Amt)	$159	$122	$120		
c. Total Used and Unused Commitments	$9,498	$9,565	$9,629		
4. Other Consumer					
a. Average Total Loan Balance	$18,877	$18,766	$18,653	Item 4 includes non-revolving home equity loans, sales finance and other consumer loans.	Weak economy and increasing unemployment have contributed to soft consumer markets.
b. Originations	$462	$352	$294		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$32,470	$32,947	$33,531	Item 1.a. includes leveraged leases.	C&I lending is experiencing very strong annual growth of 15.3%, accelerating to 17% annualized in the fourth quarter on average. BB&T is focused on diversifying our commercial portfolio via increased C&I lending and continues to capitalize on credit market disruptions and in-market mergers.
b. Renewal of Existing Accounts	$455	$503	$821		
c. New Commitments	$1,473	$1,372	$1,554		
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$19,366	$19,383	$19,614		Construction starts have remained at low levels and the inability to sell homes in other parts of the country is having a negative impact on housing sales in the Southeastern U.S. as in-migration of population has slowed. BB&T has seen growth in CRE, primarily due to the collapse of the CMBS market. Point-to-point annualized growth for the fourth quarter was approximately 25%.
b. Renewal of Existing Accounts	$1,142	$911	$1,218		
c. New Commitments	$580	$416	$697		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$5,313	-$3,723	$10,928	Item 1.a. represents gross purchases, net of gross sales on a trade date basis. Principal paydowns are excluded. All these securities purchases are GSE mortgage-backed securities.	
b. Asset Backed Securities	$0	$0	$0		
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	N/A	N/A	N/A		
b. Average Total Debit Balances[2]	$127	$117	$110		
3. Underwriting					
a. Total Equity Underwriting	$0	$0	$0		
b. Total Debt Underwriting	$850	$430	$1,304		

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **BB&T Corporation**
Reporting month(s): Oct, Nov, Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Daryl N. Bible, Chief Financial Officer

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Company Description

BB&T Corporation ("BB&T") is a regional financial holding company headquartered in Winston-Salem, North Carolina. BB&T conducts its business operations primarily through its commercial bank subsidiary, Branch Banking and Trust Company, which has banking offices in North Carolina, South Carolina, Virginia, Maryland, Georgia, West Virginia, Tennessee, Kentucky, Alabama, Florida, Indiana and Washington, D.C. In addition, BB&T's operations consist of several nonbank subsidiaries, which offer financial services products. Substantially all of BB&T's loans are made to businesses and individuals in these market areas.

Overall Loan Growth

In the fourth quarter of 2008, BB&T's average loans and leases increased $1.3 billion, or 5.3% on an annualized link basis, and BB&T's end of period loans increased $2.0 billion, or 8.2% on an annualized link basis, compared to the third quarter of 2008. This growth rate includes runoff in home equity lines, which results as many clients are rolling home equity lines into mortgage refinancing, and lower mortgage balances as BB&T is selling a large percentage of loans originated to Fannie Mae and Freddie Mac. Average commercial loans and leases increased 10.7% on an annualized link quarter basis during the fourth quarter, sales finance increased 3.8%, revolving credit increased 11.5% and loans originated by our specialized lending subsidiaries increased 7.0%, all on the same basis. BB&T originated approximately 54,000 commercial loans during the fourth quarter and 161,000 consumer loans. Total loan originations for the fourth quarter of 2008 were approximately $15 billion.

Commercial Loans and Leases

The commercial loan and lease portfolio represents the largest category of BB&T's loans. It is traditionally targeted to serve small to middle market businesses. BB&T is focusing on diversifying the commercial portfolio by growing commercial and industrial loans at a faster rate than commercial real estate loans. We continue to capitalize on in-market mergers, challenged competitors and credit market disruption and have grown end of period C&I loans by approximately 20% on an annualized link quarter basis. We are gaining market share by picking up good credits at reasonable spreads, while guarding against adverse selection. While we have seen recent growth in lending to our Small Commercial and lower Middle Market clients, much of the growth has also come from our larger client segments.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **BB&T Corporation**
Reporting month(s): Oct, Nov, Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Daryl N. Bible, Chief Financial Officer

Commercial real estate

Overall new loan demand for commercial real estate is slower; however, due to the collapse of the CMBS market, BB&T's other CRE portfolio has experienced growth in 2008, particularly in the multifamily, warehouse / light industrial and hotel / motel segments. End of period growth for the fourth quarter was approximately 25%. This growth is in spite of tighter lending standards imposed mid-year 2008 and was primarily a result of bank and non-bank financial institutions curtailing income property lending. BB&T's other CRE portfolio is very granular, with an average loan size of $515,000.

Consumer

New production continues to decline in most consumer portfolios as these markets continue to reflect recession related weakness.

Our Sales Finance portfolio includes the origination of loans for the purchase of new and used automobiles, boats and recreational vehicles through approved dealers within the 11 state BB&T footprint. New loan volume is highly seasonal. The total Sales Finance portfolio grew slightly in the fourth quarter fueled by growth in recreational lending and floor plan portfolios. Auto loans were down in accordance with seasonal trends coupled with a downturn in new car sales. However, the decrease was not as great as expected because we are gaining market share as other lenders withdraw from our footprint.

Our Bankcard product line is positioned as a relationship product offered to prime credit BB&T clients and business loan clients. We continue to see growth in this portfolio, and are maintaining a consistent conservative posture with respect to risk at account origination. Line utilization has remained relatively consistent for both retail and commercial clients.

Mortgage

Mortgage originations totaled $3.7 billion in the fourth quarter, down slightly compared to the third quarter of 2008. However, application volume was up 42% from the third quarter as mortgage rates declined considerably. Many of these applications were received in the month of December. While mortgage balances were down on average 2.9% on an annualized link quarter basis compared to the third quarter, this decrease reflects loan sales to Freddie Mac and Fannie Mae as approximately 86% of originations were sold in the secondary markets. The vast majority of current origination volume is conforming or FHA / VA.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **BB&T Corporation**
Reporting month(s): Oct, Nov, Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Daryl N. Bible, Chief Financial Officer

Capital Purchase Plan Deployment

The U.S. Treasury invested $3.1 billion in BB&T on November 14, 2008. BB&T pursued quality loans and investments throughout 2008, as evidenced by average loan growth of 8.6% through the first nine months of 2008. Following receipt of the CPP funds and in the spirit of the program, BB&T developed an initial deployment strategy, including a number of initiatives, to aggressively make loans across all lending strata. We have made additional loans in areas that have been negatively affected by liquidity and funding challenges, particularly through initiatives in corporate lending, equipment leasing, insurance premium finance and consumer lending. In addition to our normal lending activities, these special lending initiatives have resulted in an additional $1.6 billion in loans and commitments to lend that were made in the six weeks following receipt of the CPP funds through the end of 2008.

BB&T also invested over $10 billion in GSE mortgage-backed securities following receipt of the CPP funds in the fourth quarter to provide liquidity to mortgage markets. Through these lending and investment initiatives, BB&T increased the balance sheet by the maximum amount possible in the fourth quarter consistent with meeting our minimum capital guidelines in an effort to minimize the dilutive impact of the CPP investment. BB&T's current strategy is to re-deploy the cash flow from our securities portfolio into lending over the course of the year, thereby changing the mix of our balance sheet, but holding total asset levels fairly stable throughout the year to maintain our capital levels.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Capital One Financial Corp | **Submission date: January 30, 2009** | **Person to be contacted regarding this report: Kevin Murray**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	2008 OCT	2008 NOV	2008 DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$7,339	$7,255	$7,204	Mortgage and Home Equity numbers are end of month figures rather than averages and include run-off portfolio inherited from GreenPoint Mortgage	Capital One has through most of its history not been an originator of, or investor in, residential mortgage loans. GreenPoint Mortgage - a subsidiary of NorthFork Bancorp - was acquired along with NorthFork in December 2006 but its origination business was closed in August 2007. Mortgage loan balances largely reflect assets acquired from NorthFork which are currently in run-off mode
b. Total Originations	$3	$0	$4		
(1) Refinancings	$1	$0	$0		
(2) New Home Purchases	$2	$0	$4		
2. Home Equity					
a. Average Total Loan Balance	$3,476	$3,449	$3,466	Mortgage and Home Equity numbers are end of month figures rather than averages and include run-off portfolio inherited from GreenPoint Mortgage	Fluctuations in volume in the measured time period reflect idiosyncratic factors; there have been no changes in credit standards. We continue to originate home equity loans to our customers in our footprint.
b. Originations (New Lines+Line Increases)	$29	$21	$22		
c. Total Used and Unused Commitments	$4,549	$4,510	$4,456		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$51,883	$52,327	$53,568	US Card reflects only consumer card volumes; All numbers reflect managed portfolio	We tightened credit standards in the fall to reflect continued worsening in the economic outlook triggered by the events in September. The relatively high origination volume in October reflects the last bookings from earlier campaigns prior to the new standards going into effect. The increase in outstandings in December reflects holiday sales. Overall, fourth quarter loan growth in the US Card business was weaker than usual, on the heels of weak holiday spending. Despite weak economic growth, we opened 1 million new consumer credit card accounts in the quarter. We continue to originate new credit card accounts through our direct mail and internet channels.
b. New Account Originations (Initial Line Amt)	$1,728	$983	$960		
c. Total Used and Unused Commitments	$178,170	$178,157	$178,091		
4. Other Consumer					
a. Average Total Loan Balance	$33,781	$33,363	$32,850	Other consumer non-revolving include auto loans, unsecured installment loans and other non-revolving loans secured by boats, RVs, money-market accounts, etc and $200 million of unsecured other consumer revolving lines	We've observed greater increases in the risk of closed-end loan customers in "Boom and Bust" housing markets as compared to the risk of credit card customers in those housing markets. In response to adverse credit trends, we've had to be very disciplined in originating most closed-end loans. Auto Finance trends continue to show the impacts of broad economic worsening, falling auto sales and the impact of sharply falling used card auction prices.
b. Originations	$794	$673	$664	For the small volume of revolving loans, the line extended is included in originations.	

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$23,516	$23,722	$23,921	Small Business credit cards are included in C&I avg balance and new commitments numbers.	Growth in the fourth quarter was moderated by weakening demand which has continued into the first quarter of 2009. Loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable. Not withstanding deteriorating economic conditions, we continue to make new loans across a variety of industry segments.
b. Renewal of Existing Accounts	$220	$189	$167		
c. New Commitments	$514	$716	$699	Unutilized capacity of both small business cards and more broadly C&I lending is not captured anywhere on the "Snapshot."	
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$17,355	$17,421	$17,439		Despite deteriorating economic conditions, we increased our CRE portfolio modestly. The Retail asset class has softened overall as many retailers have cut back expansion plans or gone into bankruptcy. Office space is not yet showing significant deterioration in our markets, although dramatic job losses could impact this segment in '09. We see softness in construction and development activity due to limited demand and excess supply in some markets. We are watching rents and vacancies in retail and office space closely and factoring trends into new lending decisions. In all sectors, we are maintaining strong covenants and coverage ratios. This has translated into significant declines in new construction projects in all of our markets and cautious growth in other segments.
b. Renewal of Existing Accounts	$58	$23	$102		
c. New Commitments	$132	$220	$406		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$1,832	$1,212	$1,548		Asset Backed Securities are predominantly made up of securities backed by credit card and auto loan receivables
b. Asset Backed Securities	$414	$285	$568		
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	n/a	n/a	n/a	Secured Lending and Underwriting not applicable	
b. Average Total Debit Balances[2]	n/a	n/a	n/a	Secured Lending and Underwriting not applicable	
3. Underwriting					
a. Total Equity Underwriting	n/a	n/a	n/a	Secured Lending and Underwriting not applicable	
b. Total Debt Underwriting	n/a	n/a	n/a	Secured Lending and Underwriting not applicable	

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Capital One Financial Corporation**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Kevin Murray

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Capital One is a "main street" bank that serves consumers and small-to-medium sized businesses locally in New York, Louisiana and Texas and that serves credit card and auto loan customers nationally, in Canada and in the UK. Capital One and its subsidiaries collectively had $109 billion in deposits and $147 billion in managed loans outstanding as of December 31, 2008. Headquartered in McLean, VA, Capital One has 738 locations, primarily in New York, New Jersey, Texas and Louisiana. Capital One offers a broad spectrum of financial products and services to consumers, small business and commercial clients.

Consumer Lending

In the fourth quarter, we extended billions of dollars in new credit to both new and existing customers across our lending businesses. For example, our consumer credit card customers have access to more than $170 billion in credit lines on their cards to use to make transactions and to finance those purchases as they choose. We continue to originate new credit card accounts through our direct mail and internet channels and opened 1 million new credit card accounts in the fourth quarter. We extended those new customers more than $3 billion in new credit line in the fourth quarter.

While we originated billions of dollars of new loans in the fourth quarter, ending loan balances for the total company did not grow in the quarter, and declined modestly from the prior year. Several factors had a negative impact on ending loan balances in the fourth quarter of 2008. These factors include: rising charge-offs; normal amortization and attrition; declining purchase volumes; and tightened underwriting in the midst of the economic downturn. Together, these factors offset loan originations in the fourth quarter. Of particular note is that total purchase volume on our US Consumer Credit Cards dropped 11% in the Fourth Quarter of 2008 and purchases per active account dropped 6%, which was roughly in-line with the decline in national retail sales figures. In general, the mix of purchases on our cards has mirrored what we're seeing in the broader economy, with consumers reining in discretionary purchases.

As is well documented, economic deterioration accelerated during the fourth quarter and economic worsening is widely projected to continue. We must maintain prudent risk management standards in the face of a worsening economy in order to protect the U.S. taxpayers' investment in us and ensure an

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Capital One Financial Corporation**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Kevin Murray

appropriate return. Also, we must adapt to an environment in which consumers with strong credit are borrowing less while consumers with weak credit are becoming riskier. Under these conditions, we expect that loan balances will decline going forward even though we remain an active lender across our businesses. For example, auto sales declined significantly in 2008 compared to last year due to weakened consumer confidence, tight credit and rising unemployment. New car sales dropped approximately 18% from 16.2 million in 2007 to 13.3 million in 2008. In Q4 2008, car sales dropped by over 30% compared to the previous year. Despite these headwinds, Capital One originated more than $1.4 billion in auto loans in the Fourth Quarter of 2008.

Commercial and Small Business Lending and Commercial Real Estate Lending

Growth in commercial and Industrial lending in the fourth quarter was moderated by weakening demand which has continued into the first quarter of 2009. C&I loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable.

Notwithstanding deteriorating economic conditions, we continue to make new loans across a variety of industry segments as evidenced by our more than $2.5 billion in new loan commitments and renewals of existing accounts in the fourth quarter.

Despite deteriorating economic conditions, we increased our CRE portfolio modestly. The Retail asset class has softened overall as many retailers have cut back expansion plans or gone into bankruptcy. Office space is not yet showing significant deterioration in our markets, although dramatic job losses could impact this segment in 2009. We see softness in construction and development activity due to limited demand and excess supply in some markets. We are watching rents and vacancies in retail and office space closely and factoring trends into new lending decisions. In all sectors, we are maintaining strong covenants and coverage ratios. This has translated into significant declines in new construction projects in all of our markets and cautious growth in other segments.

We continue to make new loans across a variety of industry segments, as well as lending in new markets, which contributed to the more than $900 million dollars in new commitments and renewals of existing accounts in the fourth quarter.

Finally, we would note that consistent with our strong commitment to support all sectors of our local communities, Capital One originated more than $440 million in loans and investments in Q4 2008 to support activities such as community development and affordable housing.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Capital One Financial Corporation**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Kevin Murray

Investment Activity in Support of Consumer Lending

To the extent that falling loan demand limits the extension of new credit directly to our customers, we put our funds to work by purchasing high quality securities backed by consumer loans. Most often, these loans were originated to help consumers to buy homes, autos and a range of discretionary items. In the fourth quarter, we purchased $6 billion of high quality investment securities backed by mortgage and consumer loans. In the current economic and market environment, investing in high-quality, short-duration securities provides appropriate risk-adjusted returns for our shareholders, and supports the recovery and stabilization of secondary markets that are critical to consumer lending and the economy.

Capital One believes that this disciplined stance is in the best interests of both our customers and investors, including the U.S. taxpayer. Although growth in loan balances has slowed in response to rising charge-offs, run-offs in businesses we've exited and reduced consumer spending, we are actively originating billions of dollars of good loans on good terms with our consumer, commercial and small business customers.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: CIT Group Inc. | **Submission date: 01/30/2009**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	OCT (2008)	NOV (2008)	DEC (2008)	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)					We closed the home lending origination platform in August 2007 and sold the remaining assets in July, 2008.
b. Total Originations					
(1) Refinancings					
(2) New Home Purchases					
2. Home Equity					
a. Average Total Loan Balance					We are currently not engaged in any of these activities.
b. Originations (New Lines+Line Increases)					
c. Total Used and Unused Commitments					
3. US Card - Managed					
a. Average Total Loan Balance - Managed					We are currently not engaged in any of these activities.
b. New Account Originations (Initial Line Amt)					
c. Total Used and Unused Commitments					
4. Other Consumer					
a. Average Total Loan Balance	$ 12,776	$ 12,692	$ 12,604	Consumer Lending assets consist primarily of our Student Lending business, which is approximately 95% government guaranteed.	CIT ceased underwriting new student lending business in the second quarter of 2008.
b. Originations	$ 1	$ 1	$ 1		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$ 57,085	$ 56,224	$ 55,075	Included in the C & I asset balances is approximately $13 Billion of operating leases.	**Our commercial and industrial business consists of Corporate Finance, Transportation Finance, Trade Finance and Vendor Finance segments.**
b. Renewal of Existing Accounts	$ 4,083	$ 3,344	$ 2,960	The Renewal of Existing Accounts is predominately from our Trade Finance business.	
c. New Commitments	$ 1,233	$ 887	$ 1,221		
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$ 882	$ 880	$ 866	Some of our other businesses, such as our Small Business Administration lending, and Energy financing, may also have some of their loans secured by real estate. Those businesses are included in the reported C&I numbers.	**CIT's Commercial Real Estate business ceased underwriting new business in the first half of 2008.**
b. Renewal of Existing Accounts					
c. New Commitments					
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities					**We are currently not engaged in any of these activities.**
b. Asset Backed Securities					
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]					**We are currently not engaged in any of these activities.**
b. Average Total Debit Balances[2]					
3. Underwriting					
a. Total Equity Underwriting					**We are currently not engaged in any of these activities.**
b. Total Debt Underwriting					

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **CIT Group Inc.**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 01/30/2009
Person to be contacted regarding this report: Ken Reynolds

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Founded in 1908, CIT Group Inc. provides financing and leasing products and services to clients in over 30 industries and 50 countries. The majority of our business focuses on commercial clients with a particular focus on middle-market companies. Our largest industries include transportation, particularly aerospace and rail, and a broad range of manufacturing and retailing. We also serve the wholesaling, healthcare, communications, media and entertainment and various service-related industries.

The TARP money was received by CIT on December 31, 2008. The reporting information is based on CIT's internal reporting on the related lending activity. Overall, commercial financing demand has declined due to current economic conditions. Origination volume in our commercial businesses, excluding factoring, was $3.3 billion for the fourth quarter 2008, down from $3.9 billion in the prior quarter, due primarily to economic conditions and balancing of liquidity with customer needs. Fourth quarter business activity by segment is discussed below:

Corporate Finance – Fourth quarter volume was $834 million. Fourth quarter origination was down 44% from the prior quarter and was across each of our industry groups, most notably in the Syndicated Loan, Commercial and Industrial, Energy and Infrastructure and Healthcare units. This trend reflected the continuation of the Company's liquidity management and tighter underwriting in light of the soft market conditions

Transportation Finance – Fourth quarter volume was $722 million. Fourth quarter origination increased 21% from the prior quarter, with the increase largely in the commercial aerospace unit, as we accepted delivery of additional aircraft and leased them to customers.

Trade Finance – Fourth quarter volume was $10.3 billion. Renewal volume declined 6% from prior quarter consistent with seasonal trends as volume generally peaks in advance of the holiday season. Volume declined 14% from the prior year, reflecting the weak retail environment.

Vendor Finance – Fourth quarter volume was $1.8 billion. Fourth quarter origination was essentially flat with prior quarter as a modest increase in U.S. volume offset reductions in international units. Volume was down 33% from prior year, reflecting continued focus on strategic vendor relationships and tighter underwriting standards.

Consumer – We ceased origination of student loans in the second quarter of 2008 and sold our home lending business in the third quarter of 2008.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Citigroup | **Submission date: January 30, 2009** | **Person to be contacted regarding this report: Carol Hayles or Peter Bieszard**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	OCT	2008 NOV	DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$158,562	$155,438	$152,369		First mortgage balances declined from October through December, reflecting increased sales of mortgages and higher repayments, due to refinancing as mortgage interest rates declined. Origination volume was significantly lower than in the prior year, reflecting a decline in mortgage applications, tightened credit standards, declines in purchases from third party originators, and a focus on origination for sale to government-sponsored enterprises. Quantitative data do not include modifications to existing mortgage loans and other mitigation efforts which usually involve a restructuring of terms rather than a new extension of credit.
b. Total Originations	$6,942	$3,788	$5,545	Originations includes new loans whether for refinance of an existing home or the purchase of a home. It does not include troubled debt restructurings which usually includes a restructuring of terms and not additional extensions of credit.	
(1) Refinancings	$1,695	$764	$858	If on a refinancing, amounts were added to the existing loan balance, the total amount of the new loan is reported.	
(2) New Home Purchases	$1,136	$551	$489		
2. Home Equity					
a. Average Total Loan Balance	$68,986	$68,829	$68,717	Includes HELOC and 2nd mortgages.	Home Equity balances have remained fairly constant during the period despite significantly declines in new home equity originations during the period. While new home equity originations are down significantly year over year, existing customers continue to draw on their home equity on a regular basis. However, lower housing prices have curbed the consumers ability to take out new home equity loans for debt consolidation or home improvement. Citi no longer purchases home equity loans from third party originators or Wall Street firms.
b. Originations (New Lines+Line Increases)	$369	$362	$391	If a line is increased, the total amount of the new line was included not just the increase. If the line was increased without a simultaneous draw, then you would see an origination amount for the total increase in the line, but no change in the balances.	
c. Total Used and Unused Commitments	$87,496	$86,111	$85,454	If the customer both increased a line and simultaneously drew on the line, then you would see an origination amount for the total increase in the line, and a change in the balances for the drawn amount.	
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$148,344	$147,449	$149,138	Balances do not include commercial card activity.	Increasing balances during the quarter reflect seasonal spending and slower payment rates, however year-over-year sales declined 15% reflecting the current economic environment. In addition, the managed portfolio is experiencing higher loss rates of 8.04% in Q408 vs. 5.1% in the same quarter of the prior year.
b. New Account Originations (Initial Line Amt)	$7,828	$8,913	$10,379		
c. Total Used and Unused Commitments	$1,044,764	$1,023,560	$1,008,069		
4. Other Consumer					
a. Average Total Loan Balance	$62,515	$62,243	$61,863	Includes Auto, student and personal loans. Student loans includes related deferred fees and lines of credit with schools (which are secured by student loans).	Minimal auto lending activity relative to prior year with originations down approximately 80% reflecting business consolidation and tighter credit standards; 4th quarter Student Loan originations declined 13% reflecting the Company's temporary withdrawal from the Federal Loan Consolidation market, partially offset by increases in new FFELP volume reflecting increased loan limits and higher penetration at the educational institutions.
b. Originations	$1,562	$1,344	$1,313		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$41,740	$42,820	$42,104	Renewals and new commitments are on a facility basis. Facilities include L/Cs. If a loan is rolled over at a higher amount, the total amount of the rollover is reported.	C&I balances were relatively flat in the quarter, the market evidenced a decline in business investment, M&A activity and investment property purchases in response to the economic outlook for 2009. Small business credit balances remained relatively strong on previously approved credit facilities, although demand for new facilities was low.
b. Renewal of Existing Accounts	$1,180	$1,344	$1,030		
c. New Commitments	$1,232	$1,892	$3,345		
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$25,162	$21,329	$21,169	Renewals and new commitments are on a facility basis. Facilities include L/Cs. If a loan is rolled over at a higher amount, the total amount of the rollover is reported.	Overall, new loan demand and origination for commercial real estate were down, due to the economic environment and uncertainties in the market, which have resulted in a significant slowdown in transaction activity. Our investor portfolio in Citi's Global Wealth Management business has historically focused on short- to medium- term lending on existing commercial real estate assets, and many clients sought short-term bridge financing of completed projects in the absence of a permanent or commercial mortgage-backed securities market. Our Institutional Client Group is rolling over and extending loans in its existing customer base where it is comfortable with the counterparty and the underlying assets.
b. Renewal of Existing Accounts	$134	$55	$766		
c. New Commitments	$126	$156	$96		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$10,931	$5,180	$3,421	Does not include maturities and pay downs. Net Purchased Volume is reported using cost basis.	MBS purchases and sales activity was higher in Dec due primarily to increased agency pass-through pool settlements with both customers and dealers, however sales activity was slightly higher than purchases, resulting in a lower net balance in the month. In addition, $6B of MBS purchases were made to manage liquidity and maintain targeted levels of secured funding. ABS activity was primarily customer trading and purchases of collateralized financing notes issued by the big three auto financing companies.
b. Asset Backed Securities	$4,502	$284	$3,651		
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	$134,252	$123,197	$122,415	Average Total Matched Book (Repo/Reverse Repo) is before FIN 41 netting. Includes security lending activity.	Matchbook Secured lending declined from October to December due to reduced customer collateralized financing activity.
b. Average Total Debit Balances[2]	$23,457	$22,069	$20,839		
3. Underwriting					
a. Total Equity Underwriting	$91	$6	$15	Equity Underwriting represents Citi's portion of underwritten issue.	Spreads on corporate bonds rose substantially in October and November and new issuance declined markedly. Credit markets recovered somewhat in December increasing debt market activity after a number of the Federal Reserve initiatives started to take effect and improve the day-to-day functioning of the capital markets.
b. Total Debt Underwriting	$4,935	$4,708	$11,357	Debt underwriting represents Citi's portion of underwritten issue and extensions of credit to finance specific individual CRE projects that are in bond form.	

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Citigroup Inc.**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Carol Hayles or Peter Bieszard

PART II. QUALITATIVE OVERVIEW

Company description: Citigroup Inc. ("Citi") does business in the United States through Citibank, Citi Institutional Clients Group, The Citi Private Bank, Smith Barney, Primerica, Diners Club, CitiFinancial, CitiMortgage and Citi Cards. Average loans in North America in the fourth quarter of 2008 were $532.6 billion. Average deposits and other customer liability balances were $279.9 billion.

Consumer Lending: New U.S. consumer lending in the fourth quarter totaled approximately $48.7 billion despite a decline in consumer spending, tighter underwriting standards across the U.S. banking industry in light of the deteriorating credit environment and capital considerations.

First mortgage balances declined from October through December, reflecting increased sales of mortgages and higher repayments, due to refinancing as mortgage interest rates declined. Origination volume was significantly lower than in the prior year, reflecting a decline in mortgage applications, tightened credit standards, declines in purchases from third party originators, and a focus on origination for sale to government-sponsored enterprises. Quantitative data do not include modifications to existing mortgage loans and other mitigation efforts which usually involve a restructuring of terms rather than a new extension of credit.

Average consumer credit card total loan balances increased during the quarter, reflecting seasonal spending and slower payment rates; however, year-over-year sales declined consistent with the current economic environment. Citi's managed net credit loss rate was 8.04 percent in the quarter against 5.1 percent in the prior year, a further sign of the financial strains on U.S. consumers. More than 360,000 card members entered Citi's forbearance programs in the fourth quarter as the Company introduced new programs with broadened eligibility criteria that benefit accounts in earlier stages of delinquency.

Average total balances on other consumer loans, which include auto, student and personal loans, were largely stable over the quarter, while originations declined, reflecting, among other things, a significant decline in personal loan applications. Minimal auto lending activity reflected business consolidation and tighter credit standards, again consistent with the economic environment. Fourth quarter student loans declined over the prior year, reflecting Citi's temporary withdrawal from the Federal Loan Consolidation market. This was partially offset by increases in new Federal Family Loan Education Program (FFLEP) volume. Higher FFELP volume reflected increased loan limits and higher penetration at educational institutions.

Commercial Lending: New U.S. commercial lending (including Commercial Real Estate) of approximately $11.4 billion during the quarter reflects new transactions in support of corporate acquisitions, as well as general corporate financing. While C&I balances were relatively flat in the quarter, the market evidenced a decline in business investment, M&A activity and investment property purchases in response to the economic outlook for 2009. We expect increased renewal activity in 2009, as existing facilities are refinanced and/or restructured.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Citigroup Inc.**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Carol Hayles or Peter Bieszard

Demand for small business credit remained relatively strong on previously approved credit facilities, although demand for new facilities was low.

Overall, new loan demand and origination for commercial real estate were down, due to the economic environment and uncertainties in the market, which have resulted in a significant slowdown in transaction activity. Our investor portfolio in Citi's Global Wealth Management business has historically focused on short- to medium- term lending on existing commercial real estate assets, and many clients sought short-term bridge financing of completed projects in the absence of a permanent or commercial mortgage-backed securities market. Our Institutional Client Group is rolling over and extending loans in its existing customer base where it is comfortable with the counterparty and the underlying assets.

Other Intermediation Activities: Citi effected net purchases of approximately $28.0 billion of mortgage- and asset-backed securities (MBS/ABS) during the quarter, in a market that was characterized by sharp sell-offs and weak investor demand.

Gross MBS purchases and sales activity jumped in December, due primarily to increased agency pass-through pool settlements with both customers and dealers, however sales activity was slightly higher than purchases, resulting in a lower net balance in the month. In addition, Citi made $6 billion of MBS purchases to maintain targeted levels of secured funding. ABS activity was primarily customer trading and purchases of collateralized financing notes issued by the "Big Three" auto financing companies

Matched Book secured lending declined from October to December, due to reduced customer collateralized financing activity.

Spreads on corporate bonds rose substantially in October and November, and new issuance declined markedly. Credit markets recovered somewhat in December, increasing debt market activity after a number of the Federal Reserve initiatives started to take effect and improve the day-to-day functioning of the capital markets.

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TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: COMERICA INCORPORATED | **Submission date: 1/30/2009** | **Person to be contacted regarding this report: Darlene Persons**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	2008 OCT	NOV	DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$1,858	$1,853	$1,843	Consists of 1st lien 1-4 family residential mortgage and construction loans originated by Comerica Bank.	First mortgage originations include loans originated and sold to our mortgage partner ($11 million Oct/$9 million Nov/$9 million Dec). Total 4th quarter refinancings by market were $20 million, $23 million and $1 million in Midwest, Western and Texas, respectively. Total 4th quarter new home purchases by market were $21 million, $13 million and $5 million in Midwest, Western and Texas, respectively.
b. Total Originations	$36	$26	$21	Consists of loans funded during the period, including those originated for sale.	
(1) Refinancings	$16	$13	$15		
(2) New Home Purchases	$20	$13	$6		
2. Home Equity					
a. Average Total Loan Balance	$1,710	$1,749	$1,774	Consists of both fixed and revolving home equity (2nd lien) loans.	Total 4th quarter Home Equity originations by market were $46 million, $39 million, $15 million and $2 million in Midwest, Western, Texas and Florida, respectively.
b. Originations (New Lines+Line Increases)	$39	$32	$31	Excludes commitments/originations where home equity collateral is provided for multiple purposes (personal and business), which are included in Commercial Lending commitments (Schedule B).	
c. Total Used and Unused Commitments	$3,330	$3,344	$3,358		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$61	$59	$52	Consists primarily of commercial bankcard loans.	New account originations include referrals to our consumer card partner ($19 million Oct/$13 million Nov/$23 million Dec).
b. New Account Originations (Initial Line Amt)	$24	$14	$27	Includes new card loans funded during the period and new referrals to our consumer card partner.	
c. Total Used and Unused Commitments	$460	$459	$418		
4. Other Consumer					
a. Average Total Loan Balance	$878	$830	$805	Consists of consumer installment loans (both secured and unsecured) and student loans.	Total 4th quarter Other Consumer originations by market were $104 million, $8 million, $2 million, $14 million and $1 million in Midwest, Western, Texas, Florida and National, respectively.
b. Originations	$49	$23	$57		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$32,028	$31,697	$31,373	Consists of loans for commercial and industrial purposes to both domestic and international borrowers, lease financing and other non-consumer, non-real estate loans.	**New 4th quarter C & I commitments by market were $354 million, $381 million, $233 million, $25 million and $262 million in Midwest, Western, Texas, Florida and National/International, respectively.**
b. Renewal of Existing Accounts	$2,706	$1,517	$2,216	Includes renewals of and increases to lines with existing customers.	
c. New Commitments	$476	$394	$385	Consists of binding commitments to new customers and new lines to existing customers, net of participations sold. Includes commitments/originations where home equity collateral is provided for multiple purposes (personal and business).	
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$15,202	$15,160	$15,085	Consists of loans made to businesses where 50% or more of the collateral is real estate (primarily owner-occupied) and loans made to businesses or developers for building construction.	**New 4th quarter Commercial Real Estate commitments by market were $76 million, $82 million, $86 million, $21 million and $19 million in Midwest, Western, Texas, Florida and National, respectively.**
b. Renewal of Existing Accounts	$393	$250	$372	Includes renewals of and increases to lines with existing customers.	
c. New Commitments	$107	$44	$133	Consists of binding commitments to new customers and new lines to existing customers, net of participations sold.	
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$0	$0	$0	Represents purchases (net of sales, if any) of mortgage-backed securities (AAA-rated agency securities) for investment portfolio available-for-sale on a trade date basis. Excludes principal paydowns.	**Does not include commitments to purchase $2 billion of mortgage-backed securities to be delivered between Jan-Mar of 2009.**
b. Asset Backed Securities	$432	$664	$17	Represents purchases (net of sales) of asset-backed auction-rate securities purchased as an accomodation to customers from October through December 2008 for investment portfolio available-for-sale, on a trade date basis.	**Asset-backed net purchases represent purchases of student loan auction-rate securities and auction-rate preferred stocks.**
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	n/a	n/a	n/a		
b. Average Total Debit Balances[2]	n/a	n/a	n/a		
3. Underwriting					
a. Total Equity Underwriting	$0	$0	$0	Amount of equity securities underwritten where the Corporation in manager or co-manager of the issue. All done on "best efforts" basis.	
b. Total Debt Underwriting	$5,000	$20	$2,020	Amount of debt securities underwritten where the Corporation in manager or co-manager of the issue. All done on "best efforts" basis.	

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **COMERICA INCORPORATED**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Darlene Persons

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Comerica Incorporated is a financial services company headquartered in Dallas, Texas; strategically aligned into three major business segments: the Business Bank, the Retail Bank and Wealth & Institutional Management, and operates in four primary markets: Texas, the Midwest (primarily Michigan), Western (primarily California and Arizona) and Florida.

The principal focus of Comerica Incorporated is to meet the needs of small and medium-sized businesses, multinational corporations and governmental entities through various products and services including loans and lines of credit, letters of credit, deposits, international trade finance and other services. The Business Bank, which includes all business customers except for small business, traditionally accounts for at least two-thirds of net interest income. In addition to serving the needs of businesses, Comerica Incorporated also offers a variety of consumer products, including deposit accounts, installment loans, credit cards, home equity lines of credit and residential mortgage loans. Fiduciary services, private banking, retirement services and other wealth management services are also provided.

National growth has been hampered by turmoil in the financial markets, declining home values and rising unemployment rates. California lagged national growth primarily due to continued problems in the state's real estate sector. Michigan continued to contract for a fifth consecutive year. The sharp decline in car sales nationally, the restructuring in the auto sector and the recession nationally were major factors holding back the Michigan economy. A wide variety of economic reports consistently showed that Texas continued to outperform the nation in 2008, though growth clearly slowed from the rapid pace seen in 2007. Texas continued to benefit from its energy sector and a much more modest retrenchment in homebuilding than in most other states.

Due to the above economic conditions in our markets in the spring of 2008, especially in California and Michigan, Management began a process intended to reduce business loans and commitments to preserve capital and generate appropriate loan pricing for current risks. This was done as loans were renewed. The process took a few months to implement and was in full effect beginning in the summer of 2008. As a result, loans were expected to decline $2-3 billion from June 2008 to June 2009. In the fourth quarter 2008, with the receipt of TARP proceeds, Management's focus moved toward establishing new and expanding existing relationships, particularly in Small Business, Middle Market and Wealth Management in Texas and California, with appropriate pricing and credit standards. The change in Management focus is evidenced by a fourth quarter 2008 annualized decline in average loans of 1 percent, significantly lower than the third quarter annualized decline of 7 percent.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **COMERICA INCORPORATED**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Darlene Persons

Overall, loan demand declined in the fourth quarter 2008, as business customers continued to be cautious due to the deteriorating economic conditions in our markets. Commercial lending renewals and new commitments were $7.5 billion and $1.5 billion, respectively, both lower than the third quarter 2008. New commitments and renewals were lower in the three largest markets (Midwest, Western and Texas), although new commitments declined the least in Texas, a less weak economy. There were $380 million of new commitments in consumer lending in the fourth quarter.

Residential mortgage lending was facilitated through purchases of mortgage-backed securities and through lending to customers in our Mortgage Banker (part of Commercial Real Estate) and Financial Services Divisions. Since receiving TARP proceeds, $2 billion of mortgage-backed securities were purchased for delivery in the first quarter of 2009. In addition, during October through December, 2008, $808 million of renewals were booked in the Mortgage Banker and Financial Services Divisions.

Debt underwriting through our broker/dealer subsidiary during the fourth quarter of 2008 of $7.0 billion provided access to liquidity for corporate customers.

During the fourth quarter 2008, $1.3 billion of auction-rate securities were purchased from customers, assisting with customer liquidity.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Fifth Third Bancorp | Submission date: 1/30/09 | Person to be contacted regarding this report: Blane Scarberry

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	OCT (2008)	NOV (2008)	DEC (2008)	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$12,448	$12,347	$12,332	Average loan balances are based upon classifications consistent with the Y9C Report, Call Report and FR 2416 Report.	In the fourth quarter of 2008, Fifth Third's average consumer loans and leases were flat from the third quarter. This result was primarily driven by the first mortgage portfolio where the majority of originations are sold in to the secondary market. Mortgage applications increased sequentially driven by attractive interest rates within the agency conforming categories. During the fourth quarter, Fifth Third continued to make prudent adjustments to consumer lending standards, consistent with peer institutions as reported by the Federal Reserve and as observed in the market. Fifth Third focused on tightening loan to value requirements within real estate backed products, given an outlook for further U.S. home price depreciation.
b. Total Originations	$975	$622	$954		
(1) Refinancings	$518	$326	$600		
(2) New Home Purchases	$457	$295	$354		
2. Home Equity					
a. Average Total Loan Balance	$12,001	$12,034	$12,067	Average loan balances are based upon classifications consistent with the Y9C Report, Call Report and FR 2416 Report.	Fourth quarter overall loan demand for non-mortgage consumer credit (home equity, credit card, auto) compared to third quarter was slightly weaker, as expected, particularly given seasonality trends. During the fourth quarter, Fifth Third continued to make prudent adjustments to consumer lending standards, consistent with peer institutions as reported by the Federal Reserve and as observed in the market. Fifth Third focused on tightening loan to value requirements within real estate backed products, given an outlook for further U.S. home price depreciation.
b. Originations (New Lines+Line Increases)	$178	$117	$150		
c. Total Used and Unused Commitments	$21,194	$21,159	$21,137		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$1,999	$2,041	$2,081	Average loan balances are based upon classifications consistent with the Y9C Report, Call Report and FR 2416 Report.	Fourth quarter overall loan demand for non-mortgage consumer credit (home equity, credit card, auto) compared to third quarter was slightly weaker, as expected, particularly given seasonality trends.
b. New Account Originations (Initial Line Amt)	$155	$139	$247		
c. Total Used and Unused Commitments	$14,190	$14,380	$14,578		
4. Other Consumer					
a. Average Total Loan Balance	$9,966	$9,364	$9,487	Average loan balances are based upon classifications consistent with the Y9C Report, Call Report and FR 2416 Report.	Fourth quarter overall loan demand for non-mortgage consumer credit (home equity, credit card, auto) compared to third quarter was slightly weaker, as expected, particularly given seasonality trends.
b. Originations	$344	$328	$514		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$31,345	$31,312	$30,906	Average loan balances are based upon classifications consistent with the Y9C Report, Call Report and FR 2416 Report.	Lending in the Commercial, Business Banking and Private Banking segments continues to qualified borrowers exhibiting average risk or better. Continued emphasis is placed on prudent underwriting and demonstrated ability to repay as we are seeing certain borrowers' sales weaken, profit margins narrow and the number of business bankruptcies rise. Overall, loan demand is down as we are seeing reduced confidence in the economy from our C&I borrowers, which varies by geography. Customers are deleveraging and increasing liquidity through asset sales and reduced inventories versus expanding operations and purchasing equipment.
b. Renewal of Existing Accounts	$330	$213	$300	The renewal of existing accounts (b) only includes the renewal of loans. The renewal of existing commitments is captured in the New Commitments (c) for C&I and Commercial Real Estate.	
c. New Commitments	$3,870	$4,500	$3,463		
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$20,542	$20,372	$19,883	Average loan balances are based upon classifications consistent with the Y9C Report, Call Report and FR 2416 Report.	Average CRE balances decreased slightly, down $200 million in the fourth quarter compared with the third quarter. Fifth Third continues to engage in lending on owner occupied properties. Fifth Third continues to suspend lending to new non-owner occupied properties and non new homebuilders and developer projects in order to manage existing portfolio positions. We believe this is prudent given that we do not believe added exposure in those sectors is warranted and given our expectations for continued negative trends in the performance of those portfolios. Existing construction borrowers are taking advantage of mini-perm options as their options for longer term financing in the market has diminished.
b. Renewal of Existing Accounts	$311	$220	$791		
c. New Commitments	$862	$275	$701		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	-$185	-$211	-$709	The amounts reported are the net securities purchased less securities sold for the reporting period.	MBS volume in the 4th quarter was largely a function of managing the hedge for the Mortgage Servicing Rights (MSR) asset. We, from time to time, use MBS to hedge the basis exposure we have in the MSR asset. We were fairly active in selling MBS and buying Agency debt for the hedge during the 4th quarter as rates declined. The ABS decline in the 4th quarter was due to a reduction in the amount of asset backed commercial paper (ABCP) held in the investment portfolio. During the 4th quarter, $300 million of the CP was placed into the Federal Reserves' new financing program (CPFF).
b. Asset Backed Securities	-$563	-$83	-$264		
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	$0	$0	$0		
b. Average Total Debit Balances[2]	$0	$0	$0		
3. Underwriting					
a. Total Equity Underwriting	$0	$0	$0		
b. Total Debt Underwriting	$786	$203	$483		

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Fifth Third Bancorp**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Blane Scarberry

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Company description: Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio. As of December 31, 2008, the Company had $120 billion in assets, operated 18 affiliates with 1,307 full-service Banking Centers, including 92 Bank Mart locations open seven days a week inside select grocery stores and 2,341 ATM's in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Pennsylvania, Missouri, Georgia and North Carolina. Fifth Third operates five main businesses: Commercial Banking, Branch Banking, Consumer Lending, Investment Advisors and Fifth Third Processing Solutions. Fifth Third is among the largest money managers in the Midwest and, as of December 31, 2008, had $179 billion in assets under care, of which it managed $25 billion for individuals, corporations and not-for-profit organizations.

The Treasury's preferred stock investment in Fifth Third was made on December 31, 2008. As a result, fourth quarter results discussed below did not include the effect or benefit of the presence of those funds or capital.

Consumer: Fourth quarter overall loan demand for non-mortgage consumer credit (home equity, credit card and auto) compared to third quarter was slightly weaker, as expected, particularly given seasonality trends. Mortgage applications increased sequentially driven by attractive interest rates within the agency conforming product categories.

During the fourth quarter, Fifth Third continued to make prudent adjustments to consumer lending standards, consistent with peer institutions as reported by the Federal Reserve and as observed in the market. Fifth Third focused on tightening loan to value requirements within real estate backed products, given an outlook for further U.S. home price depreciation. Fifth Third also enhanced our credit requirements for non real estate lending due to projected further stress within the U.S. economy.

Fifth Third continues to lend to qualified borrowers. In the month of December 2008, we originated more than 4,400 mortgages, nearly 3,500 equity loans and over 23,200 auto loans.

In the fourth quarter of 2008, Fifth Third's average consumer loans and leases were flat from the third quarter. This result was primarily driven by the first mortgage portfolio where the majority of originations are sold into the secondary market.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Fifth Third Bancorp**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Blane Scarberry

CRE: Average CRE balances decreased slightly, down $200 million in the fourth quarter compared with the third quarter. Fifth Third continues to engage in lending on owner occupied properties. Fifth Third continues to suspend lending on new non-owner occupied properties and on new homebuilders and developer projects in order to manage existing portfolio positions. We believe this is prudent given that we do not believe added exposure in those sectors is warranted and given our expectations for continued negative trends in the performance of those portfolios. Existing construction borrowers are taking advantage of mini-perm options as their options for longer term financing in the market has diminished.

C&I: Lending in the Commercial, Business Banking and Private Banking segments continues to qualified borrowers exhibiting average risk or better. Continued emphasis is placed on prudent underwriting and demonstrated ability to repay as we are seeing certain borrowers' sales weaken, profit margins narrow and the number of business bankruptcies rise. Overall, loan demand is down as we are seeing reduced confidence in the economy from our C&I borrowers, which varies by geography. Customers are deleveraging and increasing liquidity through asset sales and reduced inventories versus expanding operations and purchasing equipment.

Demand for Small Business credit is still relatively stable but showing signs of weakening as application volume is starting to slow. Business Banking loan originations continue to be made using prudent underwriting standards. In the fourth quarter of 2008, we originated or renewed over $800 million of loan balances representing over 3,000 loans. Nearly half of those balances were originated or renewed in the month of December.

The primary market for syndicated credit and large corporate deals has slowed in the fourth quarter as demand has decreased. Given the outlook for the economy, many companies have scaled back plans for capital expenditures and inventory build, which in turn has reduced the need for financing. Merger and acquisition activity has also slowed significantly. Terms and covenants have tightened somewhat and spreads have widened, which has also served to reduce demand.

Average total commercial loan and lease balances grew 3 percent for the fourth quarter compared with the third quarter. During the fourth quarter, commercial loan and lease average loans grew by approximately $1.7 billion primarily due to the use of contingent liquidity facilities related to certain off-balance sheet programs. Excluding these items, commercial loan balances in the fourth quarter were consistent with third quarter balances. During the fourth quarter, $1.3 billion in commercial loans were either sold or transferred to held-for-sale, but there was minimal impact to average loan balances due to the timing of these actions.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: The Goldman Sachs Group, Inc. | **Submission date: January 30, 2009** | **Person to be contacted regarding this report: David A. Viniar**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	2008 OCT	2008 NOV	2008 DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$4,445	$4,631	$5,040	Amounts, reflected as principal balances, include whole loans secured by 1-4 family residential properties originated or purchased by Goldman Sachs and purchased portfolios of distressed loans.	The residential mortgage market remains challenging as mortgage spreads continue to widen, liquidity continues to decline and investors de-lever. There was no new issuance in the non-agency mortgage securitization market as banks extending jumbo loans are holding the loans on their books. In November, Goldman Sachs closed on the $1.2 billion purchase of loans and mortgage servicing assets from Popular, Inc., helping to provide additional liquidity to the mortgage market.
b. Total Originations	$214	$782	$90	Primarily reflects loans purchased.	
(1) Refinancings	$113	$719	$46		
(2) New Home Purchases	$101	$63	$44		
2. Home Equity					
a. Average Total Loan Balance	$0	$75	$151	Amounts, reflected as principal balances, include purchased home equity lines of credit.	Goldman Sachs is largely a wholesale institution with no meaningful business lines engaged in direct consumer lending through retail channels (including home equity, credit card and other consumer).
b. Originations (New Lines+Line Increases)	$0	$150	$0		
c. Total Used and Unused Commitments	$0	$37	$39		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$0	$0	$0		Goldman Sachs is largely a wholesale institution with no meaningful business lines engaged in direct consumer lending through retail channels (including home equity, credit card and other consumer).
b. New Account Originations (Initial Line Amt)	$0	$0	$0		
c. Total Used and Unused Commitments	$0	$0	$0		
4. Other Consumer					
a. Average Total Loan Balance	$1,438	$1,531	$1,584	Amounts, reflected as principal balances, include secured mixed use consumer loans.	Goldman Sachs is largely a wholesale institution with no meaningful business lines engaged in direct consumer lending through retail channels (including home equity, credit card and other consumer).
b. Originations	$0	$203	$0		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$98,861	$91,618	$86,907	Amounts reflect principal balances and include purchased and originated loans, purchased portfolios of distressed loans and the aggregate carrying value of investments in certain merchant banking funds that invest in corporate mezzanine debt.	For most of the calendar fourth quarter, constrained credit markets caused a difficult operating environment, including declining asset prices, wider corporate credit spreads, higher levels of volatility and reduced levels of liquidity. However, in the middle of December, the lending environment in some markets eased to a degree, though conditions remain in flux. Investment grade credit spreads tightened in early December with a dramatic increase toward the end of the year. The primary market for high yield issuance gradually reopened for seasoned names in defensive sectors. There were no primary issues in the high yield market in November 2008, the first month without new issuance since March 1991. In December 2008, there were two high yield transactions that came to market.
b. Renewal of Existing Accounts	$268	$153	$150		
c. New Commitments	$1,009	$367	$2,310		
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$29,359	$28,735	$29,271	Amounts reflect principal balances and include purchased and originated loans, purchased portfolios of distressed loans and the aggregate carrying value of investments in certain merchant banking funds that invest in real estate debt.	Commercial real estate assets were under particular pressure with virtually no new issuance during the end of 2008 due to limited syndicated financing opportunities. Over the calendar fourth quarter, the IYR (US Real Estate ETF) declined 42 percent and CMBX AA index widened by nearly 60 percent. Higher cap rates, weaker cash flows and continued weakening in the gaming and lodging sectors due to decreased consumer spending further impacted this market. Also, the continuing weakness in residential home prices negatively impacted the land development sector.
b. Renewal of Existing Accounts	$0	$10	$0		
c. New Commitments	$0	$0	$0		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$5,277	$2,985	$163,691	Volumes reflect net settled proceeds on purchases and sales.	Despite world-wide government programs which have started to improve credit markets, uncertainty over the potential for bankruptcy cram-downs resulted in deterioration of liquidity in the non-agency secondary market. In December, however, pricing began to stabilize, volumes began to marginally increase, and agency debenture spreads tightened with the implementation of the Fed's purchase program. The large increase in volumes reflected in December is driven by agency mortgage dollar roll short term financing trades.
b. Asset Backed Securities	-$14	-$355	-$266	Volumes reflect net settled proceeds on purchases and sales.	
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	$234,854	$205,294	$221,720	Balances are presented prior to netting by counterparty under FIN 41 and FIN 39. In addition to resale and repurchase agreements, balances include securities borrowed of $121B, $109B and $108B for Oct, Nov and Dec respectively.	Securities lending and financing, including match book, stock borrow, and margin debits experienced declines consistent with broader global markets and client de-leveraging trends, Overall, balances tended to stabilize in December.
b. Average Total Debit Balances[2]	$111,641	$76,754	$70,637	Debit balances are reflected on a gross basis prior to any FIN 39 netting.	
3. Underwriting					
a. Total Equity Underwriting	$1,813	$5,089	$2,389	Total equity underwriting volumes were sourced from Thomson Reuters.	Although, Goldman Sachs has participated in several noteworthy transactions including GE's $12.2B common share offering and Ecolab's $1.9B common share offering, weak new issuance and significant credit market dislocation have resulted in a decrease in debt and equity underwriting issuances.
b. Total Debt Underwriting	$326,000	$198,162	$234,198	Debt issuances include commercial paper, agency debt issuances, and corporate debt underwriting. Total debt underwriting volumes (excluding commercial paper and tax exempt municipals) were sourced from Thomson Reuters.	

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **The Goldman Sachs Group, Inc.**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: David A. Viniar

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Goldman Sachs serves a number of important roles for our clients, including that of advisor, financier, market maker, risk manager and co-investor. Our business is institutionally dominated, with the vast majority of our capital commitments made on behalf of corporations, governments, institutional investors, like mutual funds and pension funds and investing clients like hedge funds and private equity firms. We do not have significant exposure to consumer lending and retail commercial banking.

The investment-grade new issue market remained essentially closed through early October and only reopened at mid month when IBM came to market. Conditions continued to be fragile, however, with the market only open to bellwether names. November was not a strong month for issuance though Altria's transaction marked the first BBB issue since the summer. Credit spreads began to tighten in early December with a dramatic increase toward the end of the year and into the first half of January.

While the primary market for high yield issuance has gradually reopened thus far in 2009 for seasoned names in defensive sectors, looking back to late 2008, issuance was minimal. In October, there was only one primary issue – a $750mm notional senior secured offering for MGM Mirage. There were no primary issues in the high yield market in November 2008, the first month without new issuance since March 1991. Two high yield transactions came to market in December 2008.

The high-yield CDX index reached an all-time wide level at the end of November, as the secondary market continued to trade off amidst continued credit and macroeconomic concerns. Secondary market levels improved into the end of December. Demand for defensive names improved, however all other names continued to remain under pressure.

The primary market for corporate bank loans was essentially closed during the calendar fourth quarter of 2008. The non-agency mortgage securitization market remains essentially closed to new issuance. To the extent banks are making jumbo loans, they are keeping these loans on their books. Non-agency secondary market liquidity has deteriorated due to uncertainty over the potential for bankruptcy cram-downs, though liquidity is better than it was at its worst. Agency debenture spreads have tightened with the implementation of the Fed's purchase program.

Municipal new issuance activity in the fourth quarter was impacted by the turmoil in the broader credit markets. In particular, institutional demand for municipal securities was crimped by deleveraging and credit-related losses sustained by institutional investors. The primary source of

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **The Goldman Sachs Group, Inc.**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: David A. Viniar

demand for municipal credits was retail related. There was negligible issuance in October though activity picked up somewhat toward the end of the quarter. Municipalities were hesitant to raise fresh funds due to higher borrowing costs.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: JPMorgan Chase & Co | **Submission date: 1/30/09** | **Person to be contacted regarding this report: Adam Gilbert**

PART I. QUANTITATIVE OVERVIEW[1,2]

SCHEDULE A: CONSUMER LENDING (Millions $)	OCT	2008 NOV	DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$55,257	$54,669	$54,163	Consists of residential whole loans. Excludes assets classified as trading assets and other warehouse loan balances that are not part of the core mortgage portfolio.	Originations were down in the quarter reflecting significant overall decline in real estate market activity. More recently refinancing applications increased due to lower rates as a result of Federal Reserve actions. Approval rates for mortgages remained fairly consistent throughout the fourth quarter 2008.
b. Total Originations	$10,736	$8,939	$8,596	Includes both loans originated for the balance sheet as well as loans originated for sale.	
(1) Refinancings	$5,346	$4,570	$4,336		
(2) New Home Purchases	$5,391	$4,369	$4,260		
2. Home Equity					
a. Average Total Loan Balance	$94,713	$94,553	$94,434	First and second lien home equity loan and line balances.	Home equity applications declined in the fourth quarter as a result of macroeconomic factors such as home price depreciation.
b. Originations (New Lines+Line Increases)	$724	$455	$427	Home equity loans funded, new lines committed, and increases to existing lines committed.	
c. Total Used and Unused Commitments	$153,520	$152,016	$150,569	Outstanding balances plus undrawn home equity line commitments.	
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$156,454	$156,419	$158,989	Credit card includes consumer and small business credit cards. Excludes international balances.	Credit card balances were up slightly (2% higher in December vs. October). Overall approval rates remained flat. Total commitments decreased 2% during the quarter (October to December).
b. New Account Originations (Initial Line Amt)	$6,800	$5,900	$5,200	Originations include initial line amounts for new cards but not line increases for existing customers.	
c. Total Used and Unused Commitments	$733,696	$736,759	$716,357	Ending balance for Total Used and ending unfunded for Unused Commitments. Excludes accounts with zero balances that were closed during the quarter, the vast majority of which had been inactive for 24 months or more.[3]	
4. Other Consumer					
a. Average Total Loan Balance	$78,497	$78,299	$78,426	Consists of small business loans and lines; auto loans, leases, and lines; student loans; and other consumer loans and lines.	Applications declined in the fourth quarter.
b. Originations	$2,235	$1,602	$2,200	Includes small business loans funded, lines committed, increases to existing lines committed, and renewals of existing commitments; auto loans originated, leases and lines funded or committed, and increases to existing lines; student loans funded; and other consumer loans funded and new lines committed.	

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$173,465	$171,019	$167,795	Loans and Leases comprise of retained loans, which primarily exclude Loans Held For Sale (HFS) and are calculated using the simple monthly average of the spot balances. Loans and Leases also exclude $52B in interbank lending balances.	Wholesale balances declined 3% between October and December. Originations volume trended lower during the quarter, affected by the decline of wholesale business activity. For Large and Mid corporates, the decrease was primarily driven by lower demand in the secondary markets for loan products in the syndication and trade finance businesses. In addition, customer de-leveraging in line with higher market pricing of credit risk has contributed to lower balances. For middle market companies, loan demand slowed, as evidenced by the declining number of proposals submitted (credit applications among middle market customers dropped by more than 50% in the last two months of the year) and low utilization in the fourth quarter. Companies across the spectrum are borrowing less due to lower working capital and fixed asset spending requirements. Lower mergers and acquisition activity also dampened bank loan demand. Fourth quarter seasonal loan demand was driven down further by weak retail sales and reduced consumer spending.
b. Renewal of Existing Accounts	$18,606	$17,203	$21,318	Renewals consist of any increases to existing facilities and extensions of maturities. Renewals and New Commitments include funded and unfunded exposure.	
c. New Commitments	$20,013	$15,797	$12,723		
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$23,145	$22,955	$22,534	Commercial Real Estate is defined by the NAICS Industry Code for Commercial Real Estate. All Other exposures roll into C&I.	
b. Renewal of Existing Accounts	$481	$787	$1,425		
c. New Commitments	$1,597	$519	$444		
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$15,648	$2,987	$35,945	Only includes securities in the firm's investment portfolio. Balances are mostly agency MBS. Represents gross purchases, net of gross sales on a trade date basis. Principal paydowns are excluded.	During the fourth quarter, JPMC purchased $60 billion of mortgage-backed and asset-backed securities.
b. Asset Backed Securities	$3,202	$1,175	$1,108	Only includes securities in the firm's investment portfolio.	
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	$164,350	$118,950	$118,500	Includes Reverse Repo/Sec Borrowing (after Fin41 netting) less related short bond and equity liabilities	The Matched Book business saw a broad-based decline as clients deleveraged and required less secured financing.
b. Average Total Debit Balances[2]	$21,772	$19,846	$15,891	Reflects Net Debit Balances of margin loans included in customer receivables.	
3. Underwriting					
a. Total Equity Underwriting	$12,927	$14,786	$1,251	Includes Bookrunner and Co-manager transactions.	Activity in the equity markets was limited in the fourth quarter due to market volatility and lack of investor confidence, causing both the IPO and convertibles markets to effectively close and limiting volume in follow-on issues for the quarter. On the debt side, the High Yield origination market was also effectively closed due to continued market volatility. Many High Grade new issues remained on hold until late in the quarter. Commercial debt issuances under the FDIC Temporary Liquidity Guarantee Program contributed significant volumes in December.
b. Total Debt Underwriting	$7,350	$23,550	$62,410	Represents issue size where JPM was a lead, co-lead or joint books.	

Notes:
1. All numbers exclude acquired Washington Mutual balances.
2. Excludes overdraft activity and balances.
3. Commitments were restated to exclude zero balance inactive accounts that were closed during the quarter. Zero balance inactive accounts that were closed totaled $80 billion in November and $46 billion in December.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **JPMorgan Chase & Co**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Adam Gilbert

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

A. Consumer lending

Overall consumer balances were little changed during the 4th quarter. In general, consumer and small business applications for credit decreased. Approval rates for consumer loans remained fairly constant throughout the quarter (slightly declining).

- First mortgage originations were down in the quarter reflecting significant overall decline in real estate market activity. More recently, refinancing applications increased due to lower rates as a result of Federal Reserve actions. Home equity applications declined in the fourth quarter as a result of macroeconomic factors including home price depreciation. Approval rates for mortgages remained fairly constant throughout the fourth quarter. During the quarter JPMC approved more than 60,000 mortgages and home equity loans and lines.

- Credit card balances were up slightly (2% higher in December vs. October). Overall approval rates remained flat. Total commitments decreased 2% from October to December. During the quarter JPMC approved more than 3.5 million new credit card applications and more than 1 million credit card line increases.

- Applications for other consumer loans (small business, auto loans and education) declined in the fourth quarter. During the quarter, JPMC approved 470,000 auto loans and 5,000 small business loans and lines.

- Approval rates declined slightly during the quarter for most products. Consumer underwriting standards are regularly adjusted based on changes in consumer behavior, portfolio performance and the external environment, including home prices and unemployment. Thus, over the last 18 months, continuing into the fourth quarter, lending standards were generally tightened across most consumer products.

B. Commercial Lending (C&I and CRE)

Wholesale balances declined 3% between October and December. Including interbank lending, wholesale balances were 20% *higher* in December compared to October.

While there were no material changes in underwriting standards during the 4th quarter, pricing and structure were adjusted somewhat to reflect the changing environment.

Wholesale balances and originations volume trended lower during the quarter, affected by the decline of wholesale business activity.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **JPMorgan Chase & Co**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: January 30, 2009
Person to be contacted regarding this report: Adam Gilbert

- For Large and Mid corporates, the decrease was primarily driven by lower demand in the secondary markets for loan products in the syndication and trade finance businesses. In addition, customer de-leveraging in line with higher market pricing of credit risk has contributed to lower balances.

- For middle market companies, loan demand slowed, as evidenced by the declining number of proposals submitted (credit applications among middle market customers dropped by more than 50% in the last two months of the year) and low utilization in the fourth quarter (i.e., clients were generally not drawing additional credit on lines that were available to them).

- Companies across the spectrum are borrowing less due to lower working capital and fixed asset spending requirements. Lower mergers and acquisition activity also dampened bank loan demand. Fourth quarter seasonal loan demand was driven down further by weak retail sales and reduced consumer spending.

Declines in wholesale balances are typical in a recession. For example, during the 2001-2002 recession, JPMC wholesale balances decreased by more than 10% between 3Q and 4Q01.

C. Other intermediation activities

The Matched Book business saw a broad-based decline as clients deleveraged and required less secured financing.

Activity in the equity markets was limited in the fourth quarter due to market volatility and lack of investor confidence, causing both the IPO and convertibles markets to effectively close and limiting volume in follow-on issues for the quarter.

On the debt side, the High Yield origination market was also effectively closed due to continued market volatility. Many High Grade new issues remained on hold until late in the quarter. Commercial debt issuances under the FDIC Temporary Liquidity Guarantee Program contributed significant volumes in December.

E. Overall lending summary

Given this background, JPMC maintained a significant level of lending activity in the 4th quarter, extending over $150 billion in new loans and lines to retail and wholesale clients, including:

- More than $50 billion in new consumer originations, in the form of credit cards, mortgages, home equity loans and lines, student loans and auto loans – representing over 5 million new loans and lines[1] to consumers.

- More than $20 billion in new credit extended to 5,000 small businesses[2] and 3,000 mid-sized businesses,

[1] Includes ~1 million credit card line increases extended during the time period
[2] Small business originations include new and renewed loans and lines and are included as part of "Consumer Lending Other" (Schedule A, 4b)

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **JPMorgan Chase & Co**
Reporting month(s): Oct-Nov-Dec 2008
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Person to be contacted regarding this report: Adam Gilbert

governments and non-profits[3].

- Approximately $90 billion in new and renewed commitments to Large Corporates and JPMC's full range of Treasury and Security Services and Asset Management clients.

JPMC also lent an average of $50 billion to other banks through the interbank market – providing additional liquidity to the system. Finally, during the 4th quarter, JPMC purchased almost $60 billion of mortgage-backed and asset-backed securities.

In addition, during the 4th quarter, JPMC:

- Took a number of significant steps to help more homeowners stay in their homes.
    - On October 31st, Chase announced significant enhancements to its mortgage modification program, including: a systematic review of its entire portfolio to identify homeowners most likely to require help; proactive modification offers in writing; 24 new Chase Homeownership Centers in areas with high mortgage delinquencies; and the addition of new loan counselors to provide better help to troubled borrowers, bringing the total number of counselors to more than 2,500. This effort is expected to help 400,000 homeowners with a total of $70 billion worth of Chase-owned mortgages.
    - More recently, Chase announced that it would extend its mortgage modification efforts to include $1.1 trillion of investor-owned mortgages it services (including those in securitizations).
- Committed to extend an incremental $5 billion in lending to the state and local government and non-profit sector in the U.S. over the next year
- Purchased the entire amount of a $1.4 billion bond offering to help the state of Illinois after it previously failed to clear the markets.

[3] New commitments and renewal of existing accounts. Included as part of Commercial Lending (Schedule B)

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: KeyCorp | Submission date: 1/30/09 | Person to be contacted regarding this report: Robert L. Morris

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	OCT	2008 NOV	DEC	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$3,663	$3,667	$3,630	First Mortgage includes loans secured by 1-4 family residential properties including home equity loans secured by first liens.	Residential mortgage demand was comparable to third quarter levels with a spike in refinance applications beginning in December. Prime residential mortgage credit standards remained unchanged during fourth quarter, after considerable tightening in previous quarters.
b. Total Originations	$109	$114	$92	Total Originations include both portfolio and held-for-sale loan originations.	
(1) Refinancings	$54	$51	$44		
(2) New Home Purchases	$55	$63	$48		
2. Home Equity					
a. Average Total Loan Balance	$7,773	$7,852	$7,941	Home Equity includes home equity lines of credit only (Home equity loans secured by first liens are included with First Mortgages above).	Application volume decreased throughout the fourth quarter as consumer confidence appears to have impacted demand.
b. Originations (New Lines+Line Increases)	$165	$151	$151		
c. Total Used and Unused Commitments	$16,294	$16,359	$16,411		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$6	$6	$6	US Card - Managed includes Credit Card loans.	Key does not originate new credit card receivables for its own portfolio. The existing portfolio was acquired through a bank acquisition.
b. New Account Originations (Initial Line Amt)	$0	$0	$0		
c. Total Used and Unused Commitments	$48	$48	$49		
4. Other Consumer					
a. Average Total Loan Balance	$8,396	$8,354	$8,313	Other Consumer includes all other non-revolving consumer loans.	Key discontinued several higher risk, nonrelationship loan programs in 2008 including Indirect Marine, RV and non-guaranteed student loans. The volatility of originations during the fourth quarter is typically heavily impacted by guaranteed student loan funding schedules.
b. Originations	$73	$54	$110		

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$37,491	$37,100	$36,506	C & I includes lease financing receivables, commercial and industrial loans, agricultural loans, loans to depository institutions and other nonconsumer loans.	**Borrower credit inquiries decreased moderately during the fourth quarter. Loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable.**
b. Renewal of Existing Accounts	$906	$853	$1,679	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	
c. New Commitments	$745	$636	$994	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$19,332	$19,359	$19,224	Commercial Real Estate includes construction and land loans, loans secured by multi-family residential properties and by other nonresidential properties.	**CRE loan demand, already very weak, was even weaker during the fourth quarter. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and Commercial Real Estate market outlook, contributed to a considerable reduction in CRE lending activities. Refinancing activity was up in the fourth quarter as alternative and permanent financing markets, such as CMBS and Life Companies, have been weak. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac, and FHA agencies.**
b. Renewal of Existing Accounts	$723	$589	$1,263	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	
c. New Commitments	$517	$273	$229	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	-$27	-$120	$146	Oct. MBS includes $82.8 MM in purchases offset by $109.3 MM in paydowns, calls and maturities. Nov. MBS includes $119.5 million in paydowns, calls and maturities. Dec. MBS includes $246.5 MM in purchases offset by $100.5 MM in paydowns, calls and maturities.	**Purchases of GSE-guaranteed MBS and CMO security types are targeted to replace maturing or prepaying volumes.**
b. Asset Backed Securities	$0	$0	$0		
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]	N/A	N/A	N/A		
b. Average Total Debit Balances[2]	N/A	N/A	N/A		
3. Underwriting					
a. Total Equity Underwriting	$3	$4	$0		**Equity underwriting activity was low industry-wide during the quarter due to extreme market volatility and pressure on valuations. Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program.**
b. Total Debt Underwriting	$176	$362	$519		

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Robert L. Morris

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Cleveland-based KeyCorp is one of the nation's largest bank-based financial services companies with assets of approximately $105 billion at December 31, 2008. Through KeyBank and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients through two major business groups, Community Banking and National Banking. Community Banking includes the consumer and business banking organizations associated with the company's 14-state branch network. The branch network is organized into four geographic regions: Northwest, Rocky Mountains, Great Lakes and Northeast. National Banking includes those corporate and consumer business units that operate from offices within and outside Key's 14-state branch network. Its reach extends across the U.S. and to 26 countries.

General

Overall, loan balances trended lower at year-end 2008. The fourth quarter of 2008 was characterized by the continued general weakening of credit demand across all client segments. Key tightened some additional credit standards during the fourth quarter, subsequent to the tightening of credit standards during the third quarter.

Key's lending strategies focus on serving the needs of existing and new relationship clients while being mindful of risk-reward and strategic capital allocation.

Consumer

Overall loan demand for consumer credit (excluding residential first mortgage and credit card) was weaker as is typically the case for Consumer in the fourth quarter compared to the third quarter, since the fourth quarter generally marks a seasonal low point for the year. Based on the number of applications received by Key, the demand for consumer credit during the fourth quarter of 2008 was moderately weaker than that experienced during the fourth quarter of 2007.

During the fourth quarter there was modest tightening of Key's consumer credit standards, especially pricing-related changes as performance-based pricing necessitated increases in practically all products. This tightening of credit also reflects the elevated cost of funds that Key and others in the banking industry continued to experience as the availability of long-term funding remained restricted.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Robert L. Morris

Residential mortgage demand was comparable to third quarter levels with a spike in refinance applications beginning in December. Prime residential mortgage credit standards remained unchanged during fourth quarter, after considerable tightening in previous quarters.

C & I

Borrower credit inquiries decreased moderately during the fourth quarter. Loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable. Also contributing to the decrease in Key's average C & I loans during the fourth quarter were client paydowns made on previous draws as a result of improved liquidity conditions in the commercial paper markets. Loan demand declined with all borrowers including those with desirable risk profiles.

Key had previously taken action to limit and/or manage its exposure to higher risk industries. During the fourth quarter, an even more cautious approach was taken to lending to these industries. These changes were prompted by the unfavorable economic outlook, worsening of industry-specific problems, decreased liquidity in the secondary market, and business decisions regarding the strategic use of capital.

Considerable focus was placed on pricing for risk during the third quarter. Continuing into the fourth quarter, credit line costs increased and premiums were charged on riskier deals. The use of interest rate floors in commercial credit agreements also became much more prevalent during the fourth quarter given trends in overnight and 30-day LIBOR, and the increased cost associated with term liquidity, including customer deposits.

Commercial Real Estate

CRE loan demand, already very weak, was even weaker during the fourth quarter. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and Commercial Real Estate market outlook, contributed to a considerable reduction in CRE lending activities.

During the fourth quarter, Key continued to tighten CRE credit standards and price for risk. Refinancing activity was up in the fourth quarter as alternative and permanent financing markets, such as CMBS and Life Companies, have been weak. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac, and FHA agencies.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Robert L. Morris

Underwriting

Equity underwriting activity was low industry-wide during the quarter due to extreme market volatility and pressure on valuations. Overall, only 32 transactions came to market during the quarter, with Key being involved in two, versus the 177 transactions per quarter pace seen between 2000 and 2008.

Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program. The modest rally in credit spreads opened the window for large, well-known, issuers of investment grade bonds, however poor economic data and expectations for weak fourth quarter earnings left some potential issuers of debt, including high yield, unable to attract investors.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: Marshall & Ilsley Corporation | **Submission date: 1/30/09** | **Person to be contacted regarding this report: Gregory A. Smith**

PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions $)	OCT 2008	NOV 2008	DEC 2008	Key	Comments
1. First Mortgage					
a. Average Loan Balance (Daily Average Total Outstanding)	$8,111	$8,089	$8,092	Includes all closed end residential RE; First Mortgages and Home Equity Loans (Approximately 80% of Home Equity Loans are held in first position). This excludes construction and vacant land loans which are included in the Commercial Real Estate section as average loan balances.	**• November unemployment rates for all M&I Bank regions increased or remained the same month over month. While most M&I regions remain below the U.S. national average, three M&I regions, St. Louis, Orlando and Tampa have unemployment rates exceeding the U.S. national average** **• 1-4 family residential real estate applications have experienced a significant increase in refinance activity at the end of the 4Q'08 which is expected to impact closings in 1Q'09.**
b. Total Originations	$141	$88	$183	1-4 Family Residential Mortgage Originations - includes loans held by M&I Portfolio and loans originated to be sold into the secondary market. This excludes construction and vacant land loans which are included in the Commercial Real Estate section as new commitments.	
(1) Refinancings	$76	$39	$124		
(2) New Home Purchases	$65	$48	$59		
2. Home Equity					
a. Average Total Loan Balance	$2,616	$2,648	$2,682	Includes Home Equity Lines only	**• Macroeconomic factors continue to create headwinds in Home Equity lending as depreciating home prices negatively impact loan levels and decreased consumer sentiment has impacted demand.**
b. Originations (New Lines+Line Increases)	$56	$38	$36		
c. Total Used and Unused Commitments	$5,153	$5,166	$5,172		
3. US Card - Managed					
a. Average Total Loan Balance - Managed	$266	$266	$275	Includes Consumer Card only	
b. New Account Originations (Initial Line Amt)	$6	$5	$5		
c. Total Used and Unused Commitments	$1,359	$1,367	$1,377		
4. Other Consumer					
a. Average Total Loan Balance	$1,794	$1,819	$1,847	Includes consumer PRA & LOCs. Subcategories include Auto Leases, Dealer Finance, Personal, Securities Loans, and Student Loans	**• Auto Lending has experienced growth despite macroeconomic conditions and decrease in overall automobile sales due to decreased lending by the captives.**
b. Originations	$41	$45	$63	Includes Additional Notes and Refinances to existing customers and notes to new customers	

SCHEDULE B: COMMERCIAL LENDING (Millions $)	OCT	NOV	DEC	Key	Comments
1. C & I					
a. Average Total Loan and Lease Balance	$15,656	$15,358	$15,251	Includes A/R and Inventory, Dealer Commercial, Agricultural, IRB's and Muni, and Commercial Leases.	• The aggregate decline in commercial loans during the 4th Quarter was largely a result of customer seasonal borrowing patterns. Large pay downs from customers in the retail and agriculture sectors offset the increases from new borrowers and growth in existing customers. • Declining economic conditions have resulted in borrowers reducing expenses and paying down debt, delaying capital expenditure programs, experiencing declines in working capital assets, and not engaging in acquisition activity, all of which reduces customer borrowing activity. Competition for credit business from other financial institutions still exists, particularly for traditional commercial & industrial companies.
b. Renewal of Existing Accounts	$362	$525	$431		
c. New Commitments	$364	$215	$199	Includes New Loans to New Customers and Unused Commitments to C&I (Also includes Unused Commitments to: Finance Agricultural Production and Other)	
2. Commercial Real Estate					
a. Average Total Loan and Lease Balance	$21,938	$22,009	$22,020	Includes Business Purpose 1-4 and Construction, Development, & Vacant Land (Commercial and Residential)	• Commercial Real Estate average loan balances have remained flat during the past three months. Retail space has softened as many retailers have cut back expansion plans or gone into bankruptcy. Office space is in "relative" balance in most of our markets, although dramatic job losses could impact this segment in '09. • Multi-family, medical office building, and warehousing segments continue to offer opportunities, but we do see softness in construction and development activity. This has translated into significant declines in new construction in all of our markets, with our Arizona and Florida markets impacted the most.
b. Renewal of Existing Accounts	$110	$130	$127		
c. New Commitments	$252	$135	$157	Includes New Loans to New Customers and Unused Commitments for CRE (Also includes Unused Commitments to: New Construction, Land Development and Other Land; Farmland; 1-4 Family Residential Properties; Multi-Family (5 or more) Residential Properties)	
SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions $)					
1. MBS/ABS Net Purchased Volume					
a. Mortgage Backed Securities	$3	$0	$384		• Acquisition activity for investment portfolio. December volumes were mostly comprised of agency mortgage backed securities.
b. Asset Backed Securities	$0	$0	$0		
2. Secured Lending (Repo, PB, Margin Lending)					
a. Average Total Matched Book (Repo/Reverse Repo)[1]					N/A
b. Average Total Debit Balances[2]					
3. Underwriting					
a. Total Equity Underwriting					N/A
b. Total Debt Underwriting					

Notes:
1. Not applicable if matched book activity does not exceed $50 billion.
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **Marshall & Ilsley Corporation**
Reporting month(s): Oct-Nov-Dec 2008
Submission date: 1/30/09
Person to be contacted regarding this report: Gregory A. Smith

PART II. QUALITATIVE OVERVIEW

Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.

Marshall & Ilsley Corporation is a diversified financial services corporation headquartered in Milwaukee, Wis., with $63.8 billion in assets, $50.2 billion in loans and leases, and $7.7 B in shareholder equity. M&I Marshall & Ilsley Bank is the largest Wisconsin-based bank, with 193 offices throughout the state. In addition, M&I has 53 locations throughout Arizona; 32 offices in Indianapolis and nearby communities; 34 offices along Florida's west coast and in central Florida; 15 offices in Kansas City and nearby communities; 25 offices in metropolitan Minneapolis/St. Paul, and one in Duluth, Minn.; and one office in Las Vegas, Nev. M&I's Southwest Bank subsidiary has 17 offices in the greater St. Louis area.

The communities and customers M&I serves continue to face impacts from current recessionary conditions of the economy. Nonetheless, M&I has increased lending in the markets we serve and has effectively grown the balance sheet gross of 4th quarter chargeoffs and loan sales for a net gain of $437 million in the 4th quarter of 2008.

We are aggressively addressing our housing-related construction issues in Florida and Arizona; and during 2008 we sold approximately $780 million in problem loans. We expect that the bulk of our Florida challenges are now behind us, and we continue to devote extraordinary resources to address our Arizona construction challenges.

In Commercial Real Estate, we continue to see less investor activity in new construction projects, with multi-family and medical office being least impacted. Long term fixed rate non recourse loans reflect the lack of liquidity in the CMBS/Conduit market. As a result, some maturing Bank CRE financing which would have paid off upon completion of construction and lease-up will have to be extended to provide an interim solution.

We expect softness to continue throughout 2009 in C&I lending. Declining economic conditions have resulted in borrowers reducing expenses and paying down debt, delaying capital expenditure programs, experiencing declines in working capital assets, and not engaging in acquisition activities. All of these factors reduce customer borrowing activity. Additionally, existing customers that have historically been large seasonal borrowers, such as contractors, agriculture based companies, and retailers have reduced borrowing levels as a result of softness in their own markets. Competition for credit business from other financial institution still exists, particularly for traditional commercial & industrial companies.

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February 17, 2009
tg31

Statement From Treasury Secretary Geithner on GM, Chrysler Restructuring Reports

Washington – The U.S. Department of the Treasury today released the following statement from Secretary Tim Geithner upon receipt of restructuring reports from Chrysler LLC and General Motors Corporation. The reports were required under the terms of the loans made available to these companies in December to assist the domestic auto industry in becoming financially viable.

"I have received restructuring reports from both General Motors and Chrysler, and they have been posted on the Treasury website. NEC Director Summers and I will be convening the President's Task Force on Autos later this week to analyze the companies' plans and to solicit the full range of input from across the Administration on the restructuring necessary for these companies to achieve viability."

General Motors Corporation restructuring plan:
http://www.treas.gov/initiatives/eesa/agreements/auto-reports/GMRestructuringPlan.pdf

Chrysler LLC restructuring plan:
http://www.treas.gov/initiatives/eesa/agreements/auto-reports/ChryslerRestructuringPlan.pdf

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February 18, 2009
tg32

Statement by Secretary Tim Geithner on Treasury's Commitment to Fannie Mae and Freddie Mac

Washington, DC -- Today, the Treasury Department is increasing its funding commitment to Fannie Mae and Freddie Mac to ensure the strength and security of the mortgage market, to help maintain mortgage affordability, and to help keep interest rates low.

Fannie Mae and Freddie Mac are critical to the functioning of the housing finance system in this country and play a key role in making mortgage rates affordable and maintaining the stability and liquidity of our mortgage market. In 2008, almost three-quarters of new home loans were financed or guaranteed by Fannie Mae and Freddie Mac.

Using funds already authorized by Congress for this purpose, Treasury is amending the Preferred Stock Purchase Agreements, contractual agreements between the Treasury and the conserved entities designed to ensure that each company maintains a positive net worth, to $200 billion each from their original level of $100 billion each. The increased funding will provide forward-looking confidence in the mortgage market and enable Fannie Mae and Freddie Mac to carry out ambitious efforts to ensure mortgage affordability for responsible homeowners.

In addition, the Treasury Department will continue to purchase Fannie Mae and Freddie Mac mortgage-backed securities to promote stability and liquidity in the marketplace. Treasury will also increase the size of the GSEs' retained mortgage portfolios allowed under the agreements – by $50 billion to $900 billion – along with corresponding increases in the allowable debt outstanding.

The increase announced today is not intended to indicate any estimate of possible losses with respect to the companies, but to provide assurance to market participants that Congress gave these companies a special purpose to support housing finance. Given the difficulties in the housing market today, we stand firmly behind their ability to provide that support.

Background:

Fannie Mae and Freddie Mac are government-sponsored enterprises (GSEs) that were created to provide stability in the secondary mortgage market and promote access to mortgage credit throughout the United States. In 2008, Fannie Mae and Freddie Mac purchased or guaranteed almost three-quarters of all mortgages being originated in the United States. By purchasing some mortgages and guaranteeing others, Fannie Mae and Freddie Mac help bring the liquidity of global capital markets to local banks and other financial institutions, which lowers mortgage costs for borrowers in communities across the United States. These savings can be achieved because Fannie Mae and Freddie Mac are able to access a broader array of investors resulting in lower cost of funds than typical local banks.

Last July, Congress granted Treasury new authorities to provide financial support to Fannie Mae and Freddie Mac in order to provide stability to financial markets, support the availability of mortgage finance, and protect taxpayers.

Even though neither institution is near its current $100 billion limit for funding from Treasury under the Preferred Stock Purchase Agreements – based on preliminary

disclosures from the last quarter of 2008, total funding provided to Freddie Mac could approach $50 billion and total funding for Fannie Mae could approach $16 billion – it is crucial to maintain confidence in both of these institutions even under worse-than-expected economic conditions.

Finally, it is important to note that these funding commitments are made under authority provided by the Housing and Economic Recovery Act and do not use any money allocated under the Emergency Economic Stabilization Act (EESA) or the Financial Stability Plan.

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February 18, 2009
tg-33

Homeowner Affordability and Stability Plan

Executive Summary

Read the Homeowner Affordability and Stability Plan Fact Sheet HERE
Read Support Under the Homeowner Affordability and Stability Plan: Three Cases HERE

The deep contraction in the economy and in the housing market has created devastating consequences for homeowners and communities throughout the country.

- Millions of responsible families who make their monthly payments and fulfill their obligations have seen their property values fall, and are **now unable to refinance at lower mortgage rates.**
- Millions of workers have lost their jobs or had their hours cut back, are **now struggling to stay current on their mortgage payments** – with nearly 6 million households facing possible foreclosure.
- Neighborhoods are struggling, **as each foreclosed home reduces nearby property values** by as much as 9 percent.

1. ***Refinancing for Up to 4 to 5 Million Responsible Homeowners to Make Their Mortgages More Affordable***
2. ***A $75 Billion Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners***
3. ***Supporting Low Mortgage Rates By Strengthening Confidence in Fannie Mae and Freddie Mac***

The Homeowner Affordability and Stability Plan is part of the President's broad, comprehensive strategy to get the economy back on track. The plan will ***help up to 7 to 9 million families restructure or refinance their mortgages to avoid foreclosure.*** In doing so, the plan not only helps responsible homeowners on the verge of defaulting, but prevents neighborhoods and communities from being pulled over the edge too, as defaults and foreclosures contribute to falling home values, failing local businesses, and lost jobs. The key components of the Homeowner Affordability and Stability Plan are:

1. Affordability: Provide Access to Low-Cost Refinancing for Responsible Homeowners Suffering From Falling Home Prices

· ***Enabling Up to 4 to 5 Million Responsible Homeowners to Refinance:*** Mortgage rates are currently at historically low levels, providing homeowners with the opportunity to reduce their monthly payments by refinancing. But under current rules, most families who owe more than 80 percent of the value of their homes have a difficult time refinancing. Yet millions of responsible homeowners who put money down and made their mortgage payments on time have – through no fault of their own – seen the value of their homes drop low enough to make them unable to

access these lower rates. As a result, the Obama Administration is announcing a new program that will help as many as 4 to 5 million responsible homeowners who took out conforming loans owned or guaranteed by Fannie Mae or Freddie Mac to refinance through those two institutions.

- ***Reducing Monthly Payments:*** For many families, a low-cost refinancing could reduce mortgage payments by thousands of dollars per year:

o Consider a family that took out a 30-year fixed rate mortgage of $207,000 with an interest rate of 6.50% on a house worth $260,000 at the time. Today, that family has about $200,000 remaining on their mortgage, but the value of that home has fallen 15 percent to $221,000 – making them ineligible for today's low interest rates that now generally require the borrower to have 20 percent home equity. Under this refinancing plan, that family could refinance to a rate near 5.16% – reducing their annual payments by over $2,300.

2. <u>Stability: Create A $75 Billion Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners</u>

- ***Helping Hard-Pressed Homeowners Stay in their Homes:*** This initiative is intended to reach millions of responsible homeowners who are struggling to afford their mortgage payments because of the current recession, yet cannot sell their homes because prices have fallen so significantly. Millions of hard-working families have seen their mortgage payments rise to 40 or even 50 percent of their monthly income – particularly those who received subprime and exotic loans with exploding terms and hidden fees. The Homeowner Stability Initiative helps those who commit to make reasonable monthly mortgage payments to stay in their homes – providing families with security and neighborhoods with stability.

- ***No Aid for Speculators:*** This initiative will go solely to helping homeowners who commit to make payments to stay in their home – it will not aid speculators or house flippers.

- ***Protecting Neighborhoods:*** This plan will also help to stabilize home prices for all homeowners in a neighborhood. When a home goes into foreclosure, the entire neighborhood is hurt. **The average homeowner could see his or her home value stabilized against declines in price by as much as $6,000** relative to what it would otherwise be absent the Homeowner Stability Initiative.

- ***Providing Support for Responsible Homeowners:*** Because loan modifications are more likely to succeed if they are made before a borrower misses a payment, the plan will include households at risk of imminent default despite being current on their mortgage payments.

- ***Providing Loan Modifications to Bring Monthly Payments to Sustainable Levels:*** The Homeowner Stability Initiative has a simple goal: reduce the amount homeowners owe per month to sustainable levels. Using money allocated under the Financial Stability Plan and the full strength of Fannie Mae and Freddie Mac, this program has several key components:

    - <u>A Shared Effort to Reduce Monthly Payments:</u> For a sample household with payments adding up to 43 percent of his monthly income, the lender would first be responsible for bringing down interest rates so that the borrower's monthly mortgage payment is no more than 38 percent of his or her income. Next, the initiative would match further reductions in interest payments dollar-for-dollar with the lender to bring that ratio down to 31 percent. If that borrower had a $220,000 mortgage, that could mean a reduction in monthly payments by over $400. That lower interest rate must be kept in place for five years, after which it could gradually be stepped up to the conforming loan rate in place at the time of the modification. Lenders will also be able to bring down monthly payments by reducing the principal owed on the

mortgage, with Treasury sharing in the costs.

- *"Pay for Success" Incentives to Servicers:* Servicers will receive an up-front fee of $1,000 for each eligible modification meeting guidelines established under this initiative. They will also receive "pay for success" fees – awarded monthly as long as the borrower stays current on the loan – of up to $1,000 each year for three years.
- *Incentives to Help Borrowers Stay Current*: To provide an extra incentive for borrowers to keep paying on time, the initiative will provide a monthly balance reduction payment that goes straight towards reducing the principal balance of the mortgage loan. As long as a borrower stays current on his or her loan, he or she can get up to $1,000 each year for five years.
- *Reaching Borrowers Early:* To keep lenders focused on reaching borrowers who are trying their best to stay current on their mortgages, an incentive payment of $500 will be paid to servicers, and an incentive payment of $1,500 will be paid to mortgage holders, if they modify at-risk loans before the borrower falls behind.
- *Home Price Decline Reserve Payments:* To encourage lenders to modify more mortgages and enable more families to keep their homes, the Administration -- together with the FDIC -- has developed an innovative partial guarantee initiative. The insurance fund – to be created by the Treasury Department at a size of up to $10 billion – will be designed to discourage lenders from opting to foreclose on mortgages that could be viable now out of fear that home prices will fall even further later on. Holders of mortgages modified under the program would be provided with an additional insurance payment on each modified loan, linked to declines in the home price index.

- ***Institute Clear and Consistent Guidelines for Loan Modifications:*** Treasury will develop uniform guidance for loan modifications across the mortgage industry, working closely with the bank agencies and building on the FDIC's pioneering work. The Guidelines will be used for the Administration's new foreclosure prevention plan. Moreover, all financial institutions receiving Financial Stability Plan financial assistance going forward will be required to implement loan modification plans consistent with Treasury Guidance. Fannie Mae and Freddie Mac will use these guidelines for loans that they own or guarantee, and the Administration will work with regulators and other federal and state agencies to implement these guidelines across the entire mortgage market. The agencies will seek to apply these guidelines when permissible and appropriate to all loans owned or guaranteed by the federal government, including those owned or guaranteed by Ginnie Mae, the Federal Housing Administration, Treasury, the Federal Reserve, the FDIC, Veterans' Affairs and the Department of Agriculture.

- ***Other Comprehensive Measures to Reduce Foreclosure and Strengthen Communities***

  - *Require Strong Oversight, Reporting and Quarterly Meetings with Treasury, the FDIC, the Federal Reserve and HUD to Monitor Performance*
  - *Allow Judicial Modifications of Home Mortgages During Bankruptcy for Borrowers Who Have Run Out of Options*
  - *Provide $1.5 Billion in Relocation and Other Forms of Assistance to Renters Displaced by Foreclosure and $2 Billion in Neighborhood Stabilization Funds*

- *Improve the Flexibility of Hope for Homeowners and Other FHA Programs to Modify and Refinance At-Risk Borrowers*

3. Supporting Low Mortgage Rates By Strengthening Confidence in Fannie Mae and Freddie Mac:

- ***Ensuring Strength and Security of the Mortgage Market:*** Today, using funds already authorized in 2008 by Congress for this purpose, the Treasury Department is increasing its funding commitment to Fannie Mae and Freddie Mac to ensure the strength and security of the mortgage market and to help maintain mortgage affordability.
    - ***Provide Forward-Looking Confidence:*** The increased funding will enable Fannie Mae and Freddie Mac to carry out ambitious efforts to ensure mortgage affordability for responsible homeowners, and provide forward-looking confidence in the mortgage market.
    - Treasury is increasing its Preferred Stock Purchase Agreements to $200 billion each from their original level of $100 billion each.
- ***Promoting Stability and Liquidity:*** In addition, the Treasury Department will continue to purchase Fannie Mae and Freddie Mac mortgage-backed securities to promote stability and liquidity in the marketplace.
- ***Increasing The Size of Mortgage Portfolios:*** To ensure that Fannie Mae and Freddie Mac can continue to provide assistance in addressing problems in the housing market, Treasury will also be increasing the size of the GSEs' retained mortgage portfolios allowed under the agreements – by $50 billion to $900 billion – along with corresponding increases in the allowable debt outstanding.
- ***Support State Housing Finance Agencies:*** The Administration will work with Fannie Mae and Freddie Mac to support state housing finance agencies in serving homebuyers.
- ***No EESA or Financial Stability Plan Money:*** The $200 billion in funding commitments are being made under the Housing and Economic Recovery Act and **do not use any money from the Financial Stability Plan or Emergency Economic Stabilization Act/TARP.**

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PRESS ROOM

February 18, 2009
2009-2-18-14-43-18-11089

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $75,511 million as of the end of that week, compared to $75,436 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	February 13, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			75,511
(a) Securities	8,960	14,074	23,034
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,265	6,893	17,158
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,677		
(3) SDRs [2]	9,043		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,558		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,558		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

			Maturity breakdown (residual maturity)		
		Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits					

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-380,230	-266,819	-113,411	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	7,710
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	7,710
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	75,511
--currencies in SDR basket	75,511
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

Treasury Secretary Paulson to Deliver First Speech in NYC

7/28/2006

hp-34

-UPDATED-

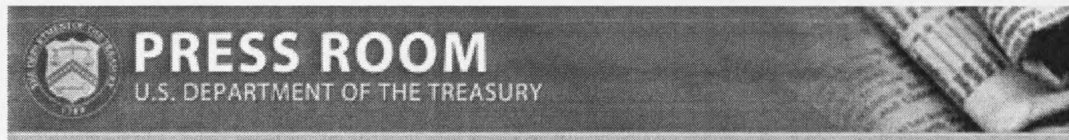
Washington, D.C.--Treasury Secretary Henry M. Paulson will deliver his first speech as Secretary in New York next week, on Tuesday, August 1, at the Columbia Business School. The speech will focus on the outlook and challenges for the U.S. and global economies.

While in New York, the Secretary will also visit the New York Stock Exchange and NASDAQ's Stock Market. He will meet with business leaders at both stops to discuss current economic conditions.

What NYSE Floor Tour
When::9:30 a.m. (EDT)
Where 11 Wall Street, New York, NY
Contact Allison Circle, 212-656-5717 or 646-938-6533, acircle@nyse.com

What Remarks at the Columbia Business School
When 11:30 a.m. (EDT)
Where 535 W 116th Street, 101 Low Library, The Library Rotunda, New York, NY
Contact Jane Trombley or Keshia Mark at (212) 854-2747
Note Space is limited - media should RSVP by July 28.

What NASDAQ Closing Bell
When 4 p.m. (EDT)
Where 43rd Street and Broadway, Times Square, New York, NY
Contact Silvia Davi, 646-441-5014, silvia.davi@nasdaq.com
Note Media should RSVP.

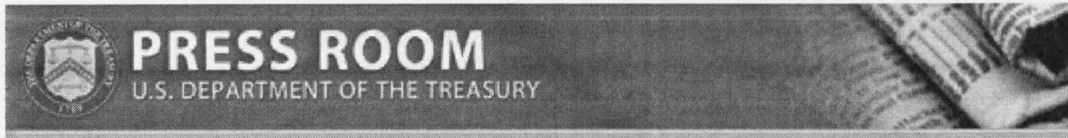


February 19, 2009
tg-35

Treasury Releases Photo of Geithner, Lagarde Bilateral Meeting

U.S. Treasury Secretary Tim Geithner met today with French Minister of Economy, Industry and Employment Christine Lagarde at the Treasury Department in Washington, DC

All media queries should be directed to
The Press Office at (202) 622-2960.
Only call this number if you are a member of the media.



February 20, 2009
tg36

Geithner, Summers Convene Official Designees to Presidential Task Force on the Auto Industry

WASHINGTON – Today, Treasury Secretary Tim Geithner and National Economic Council (NEC) Director Larry Summers convened official designees to the Presidential Task Force on the Auto Industry to discuss recently submitted restructuring plans from Chrysler LLC and General Motors Corporation.

The Task Force will be a cabinet-level group that includes the secretaries of Transportation, Commerce, Labor, and Energy. It will also include the Chair of the President's Council of Economic Advisers, the Director of the Office of Management and Budget, the EPA Administrator, and the Director of the White House Office of Energy and Climate Change. The Task Force will be led by Treasury Secretary Geithner and NEC Director Summers.

The designees attending today's meeting presented their initial analyses on the auto companies' restructuring plans. Participants discussed issues including financial and operational restructuring, improving competitiveness of wage and benefit structures, and progress toward creating clean, competitive cars of the future. Secretary Geithner and Director Summers emphasized the urgency of the issues affecting the American auto industry and the need for fundamental restructuring to achieve long-term viability. They tasked the designees to conduct additional analysis and form initial recommendations in their areas of expertise to be presented at the next cabinet-level meeting of the Task Force.

Presidential Task Force on the Auto Industry
Members:

- **Treasury Secretary Tim Geithner**
- **National Economic Council Director Larry Summers**
- **Secretary of Transportation**
- **Secretary of Commerce**
- **Secretary of Labor**
- **Secretary of Energy**
- **Chair of the President's Council of Economic Advisers**
- **Director of the Office of Management and Budget**
- **Environmental Protection Agency Administrator**
- **Director of the White House Office of Energy and Climate Change**

Senior Advisor on Auto Issues at the Treasury Department
Ron Bloom, Senior Advisor on the Auto Industry, Department of Treasury

Official Designees of the Members of the Presidential Task Force:

- **Diana Farrell,** Deputy Director, National Economic Council
- **Gene Sperling,** Counselor to the Secretary of Treasury
- **Jared Bernstein,** Chief Economist to Vice President Biden
- **Edward Montgomery**, Senior Advisor, Department of Labor
- **Lisa Heinzerling,** Senior Climate Policy Counsel to the EPA Administrator
- **Austan Goolsbee,** Staff Director and Chief Economist of the Economic Recovery Advisory Board
- **Dan Utech,** Senior Advisor to the Secretary of Energy
- **Heather Zichal,** Deputy Director, White House Office of Energy and Climate

Change

- **Joan DeBoer,** Chief of Staff, Department of Transportation
- **Rick Wade,** Senior Advisor, Department of Commerce

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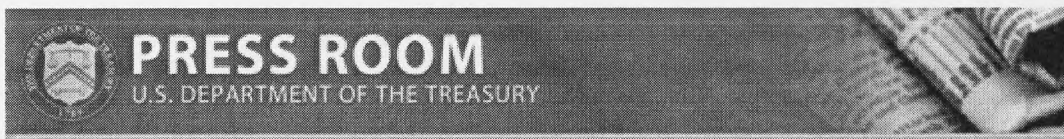

February 21, 2009
tg37

Treasury Department Directs Employers to Boost Paychecks of Working Americans

Secretary Geithner Praises IRS, Treasury Staff for Quick Action to Implement President's Recovery Agenda

Washington, DC – Four days after President Barack Obama signed the American Recovery and Reinvestment Act into law, the U.S. Department of the Treasury today began directing employers to reduce the amount of taxes withheld from the paychecks of millions of American workers – a step unprecedented in its speed and scope.

Under the law signed Tuesday by President Obama, 95 percent of all working families will realize a tax cut. By April 1st, the Making Work Pay credit, a key provision of the new law, will send the typical family home with at least $65 more every month.

Treasury and the Internal Revenue Service (IRS) worked to develop withholding tables released today by the IRS to incorporate this credit and provide expedited guidance to employers on the new provision.

"Just days after the President signed this landmark legislation into law, we have the wheels turning to deliver much needed boosts to the paychecks of working Americans," said Treasury Secretary Tim Geithner. "I commend Commissioner Shulman and the IRS and Treasury staff for moving with exceptional speed to implement this key provision of the President's recovery agenda. The Treasury Department and its bureaus will continue to push to implement the Obama Administration's economic recovery plans."

The IRS posted the new withholding tables today on IRS.gov and will publish additional instructions related to the new tax law online next week. This publication will also be mailed to more than 9 million employers in mid-March. Employers are asked to start using the new tables as soon as possible but no later than April 1.

To view the tables and additional guidance on the Making Work Pay credit, please see IRS.gov.

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February 23, 2009
tg38

Joint Statement by the Treasury, FDIC, OCC, OTS and the Federal Reserve

Washington, DC – The U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Reserve Board today issued the following joint statement:

"A strong, resilient financial system is necessary to facilitate a broad and sustainable economic recovery. The U.S. government stands firmly behind the banking system during this period of financial strain to ensure it will be able to perform its key function of providing credit to households and businesses. The government will ensure that banks have the capital and liquidity they need to provide the credit necessary to restore economic growth. Moreover, we reiterate our determination to preserve the viability of systemically important financial institutions so that they are able to meet their commitments.

"We announced on February 10, 2009, a Capital Assistance Program to ensure that our banking institutions are appropriately capitalized, with high-quality capital. Under this program, which will be initiated on February 25, the capital needs of the major U.S. banking institutions will be evaluated under a more challenging economic environment. Should that assessment indicate that an additional capital buffer is warranted, institutions will have an opportunity to turn first to private sources of capital. Otherwise, the temporary capital buffer will be made available from the government. This additional capital does not imply a new capital standard and it is not expected to be maintained on an ongoing basis. Instead, it is available to provide a cushion against larger than expected future losses, should they occur due to a more severe economic environment, and to support lending to creditworthy borrowers. Any government capital will be in the form of mandatory convertible preferred shares, which would be converted into common equity shares only as needed over time to keep banks in a well-capitalized position and can be retired under improved financial conditions before the conversion becomes mandatory. Previous capital injections under the Troubled Asset Relief Program will also be eligible to be exchanged for the mandatory convertible preferred shares. The conversion feature will enable institutions to maintain or enhance the quality of their capital.

"Currently, the major U.S. banking institutions have capital in excess of the amounts required to be considered well capitalized. This program is designed to ensure that these major banking institutions have sufficient capital to perform their critical role in our financial system on an ongoing basis and can support economic recovery, even under an economic environment that is more challenging than is currently anticipated. The customers and the providers of capital and funding can be assured that as a result of this program participating banks will be able to move forward to provide the credit necessary for the stabilization and recovery of the U.S. economy. Because our economy functions better when financial institutions are well managed in the private sector, the strong presumption of the Capital Assistance Program is that banks should remain in private hands."

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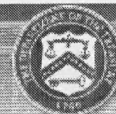
PRESS ROOM



February 24, 2009
2009-2-24-11-8-32-4881

U.S. International Reserve Position

The Treasury Department today released U.S. reserve assets data for the latest week. As indicated in this table, U.S. reserve assets totaled $74,500 million as of the end of that week, compared to $75,511 million as of the end of the prior week.

I. Official reserve assets and other foreign currency assets (approximate market value, in US millions)

	February 20, 2009		
A. Official reserve assets (in US millions unless otherwise specified) [1]	Euro	Yen	Total
(1) Foreign currency reserves (in convertible foreign currencies)			74,500
(a) Securities	8,835	13,778	22,613
of which: issuer headquartered in reporting country but located abroad			0
(b) total currency and deposits with:			
(i) other national central banks, BIS and IMF	10,118	6,739	16,857
ii) banks headquartered in the reporting country			0
of which: located abroad			0
(iii) banks headquartered outside the reporting country			0
of which: located in the reporting country			0
(2) IMF reserve position [2]	7,594		
(3) SDRs [2]	8,946		
(4) gold (including gold deposits and, if appropriate, gold swapped) [3]	11,041		
--volume in millions of fine troy ounces	261.499		
(5) other reserve assets (specify)	7,449		
--financial derivatives			
--loans to nonbank nonresidents			
--other (foreign currency assets invested through reverse repurchase agreements)	7,449		
B. Other foreign currency assets (specify)			
--securities not included in official reserve assets			
--deposits not included in official reserve assets			
--loans not included in official reserve assets			
--financial derivatives not included in official reserve assets			
--gold not included in official reserve assets			
--other			

II. Predetermined short-term net drains on foreign currency assets (nominal value)

			Maturity breakdown (residual maturity)		
		Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Foreign currency loans, securities, and deposits					

--outflows (-)	Principal				
	Interest				
--inflows (+)	Principal				
	Interest				
2. Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)					
(a) Short positions (-) [4]		-375,447	-255,387	-120,061	
(b) Long positions (+)					
3. Other (specify)					
--outflows related to repos (-)					
--inflows related to reverse repos (+)					
--trade credit (-)					
--trade credit (+)					
--other accounts payable (-)					
--other accounts receivable (+)					

III. Contingent short-term net drains on foreign currency assets (nominal value)

		Maturity breakdown (residual maturity, where applicable)		
	Total	Up to 1 month	More than 1 and up to 3 months	More than 3 months and up to 1 year
1. Contingent liabilities in foreign currency				
(a) Collateral guarantees on debt falling due within 1 year				
(b) Other contingent liabilities				
2. Foreign currency securities issued with embedded options (puttable bonds)				
3. Undrawn, unconditional credit lines provided by:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (+)				
--BIS (+)				
--IMF (+)				
(b) with banks and other financial institutions headquartered in the reporting country (+)				
(c) with banks and other financial institutions headquartered outside the reporting country (+)				
Undrawn, unconditional credit lines provided to:				
(a) other national monetary authorities, BIS, IMF, and other international organizations				
--other national monetary authorities (-)				
--BIS (-)				
--IMF (-)				
(b) banks and other financial institutions headquartered in reporting country (-)				
(c) banks and other financial institutions headquartered outside the reporting country (-)				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency				
(a) Short positions				
(i) Bought puts				
(ii) Written calls				
(b) Long positions				

(i) Bought calls				
(ii) Written puts				
PRO MEMORIA: In-the-money options [11]				
(1) At current exchange rate				
(a) Short position				
(b) Long position				
(2) + 5 % (depreciation of 5%)				
(a) Short position				
(b) Long position				
(3) - 5 % (appreciation of 5%)				
(a) Short position				
(b) Long position				
(4) +10 % (depreciation of 10%)				
(a) Short position				
(b) Long position				
(5) - 10 % (appreciation of 10%)				
(a) Short position				
(b) Long position				
(6) Other (specify)				
(a) Short position				
(b) Long position				

IV. Memo items

(1) To be reported with standard periodicity and timeliness:	
(a) short-term domestic currency debt indexed to the exchange rate	
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	
--nondeliverable forwards	
--short positions	
--long positions	
--other instruments	
(c) pledged assets	
--included in reserve assets	
--included in other foreign currency assets	
(d) securities lent and on repo	7,597
--lent or repoed and included in Section I	
--lent or repoed but not included in Section I	
--borrowed or acquired and included in Section I	
--borrowed or acquired but not included in Section I	7,597
(e) financial derivative assets (net, marked to market)	
--forwards	
--futures	
--swaps	
--options	
--other	
(f) derivatives (forward, futures, or options contracts) that have a residual maturity greater than one year, which are subject to margin calls.	
--aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	
(a) short positions (–)	
(b) long positions (+)	
--aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	

(a) short positions	
(i) bought puts	
(ii) written calls	
(b) long positions	
(i) bought calls	
(ii) written puts	
(2) To be disclosed less frequently:	
(a) currency composition of reserves (by groups of currencies)	74,500
--currencies in SDR basket	74,500
2--currencies not in SDR basket	
--by individual currencies (optional)	

Notes:

1/ Includes holdings of the Treasury's Exchange Stabilization Fund (ESF) and the Federal Reserve's System Open Market Account (SOMA), valued at current market exchange rates. Foreign currency holdings listed as securities reflect marked-to-market values, and deposits reflect carrying values.

2/ The items, "2. IMF Reserve Position" and "3. Special Drawing Rights (SDRs)," are based on data provided by the IMF and are valued in dollar terms at the official SDR/dollar exchange rate for the reporting date. The entries for the latest week reflect any necessary adjustments, including revaluation, by the U.S. Treasury to IMF data for the prior month end.

3/ Gold stock is valued monthly at $42.2222 per fine troy ounce.

4/ The short positions reflect foreign exchange acquired under reciprocal currency arrangements with certain foreign central banks. The foreign exchange acquired is not included in Section I, "official reserve assets and other foreign currency assets," of the template for reporting international reserves. However, it is included in the broader balance of payments presentation as "U.S. Government assets, other than official reserve assets/U.S. foreign currency holdings and U.S. short-term assets."

February 25, 2009
tg-39

Treasury Department Touts Expanded Tax Credit for First-Time Homebuyers

Credit Offers Up to $8,000 to Qualifying Taxpayers Now

Latest Move in Swift Implementation of Administration's Recovery, Stability, Affordability Plans

Washington, DC – In an ongoing effort to deliver on swift implementation of the Obama Administration's recovery, stability and affordability plans, the U.S. Department of the Treasury touted today the availability of an expanded tax break for first-time homebuyers – a provision under the American Recovery and Reinvestment Act of 2009 that will make up to $8,000 available now to qualifying taxpayers who buy homes this year.

First-time home buyers represent a significant portion of existing single-family home sales. In 2008, nearly one out of every two homebuyers were buying for the first time, and the expansion in the first-time homebuyer credit will make it easier for first-time home buyers to enter the housing market this year.

"The expansion of the first-time home buyer tax break as part of the President's recovery agenda gives money to taxpayers when they need it most, while also targeting an important group of buyers," said Treasury Secretary Tim Geithner. "We view our economic recovery plan, our financial stability plan and now this homeowner affordability plan as three legs of the same stool – an integrated whole that represents our immediate response to the current crisis. We remain committed to swift, efficient and effective implementation of all of these components."

The announcement comes on the heels of the first Recovery Plan Implementation meeting led by Vice President Joe Biden at the White House this morning; Secretary Geithner was among several Cabinet secretaries to attend and offer updates on implementation efforts in progress at Treasury and its bureaus. Vice President Biden is overseeing the Administration's implementation of the Recovery Act's provisions.

The Internal Revenue Service (IRS) has posted on IRS.gov a revised version of Form 5405, First-Time Homebuyer Credit to incorporate provisions from the American Recovery and Reinvestment Act. Under the new law, qualifying taxpayers who buy a home this year before December 1 can claim up to $8,000, or $4,000 for married individuals filing separately, on either their 2008 or 2009 tax returns. Unlike the prior first-time homebuyer credit, this is money individuals do not need to pay back.

To view the form and additional information on who can and cannot claim the credit, income limitations and repayment of the credit, please visit IRS.gov.

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February 25, 2009
tg-40

U.S. Treasury Releases Terms of Capital Assistance Program

To view the White Paper, Term Sheet and FAQ, visit www.FinancialStability.gov.

Alongside the forward-looking economic assessments now being conducted by the Federal banking agencies, the U.S. Department of the Treasury today announced the terms and conditions for the Capital Assistance Program (CAP). The CAP is a core element of the Administration's Financial Stability Plan.

The purpose of the CAP is to restore confidence throughout the financial system that the nation's largest banking institutions have a sufficient capital cushion against larger than expected future losses, should they occur due to a more severe economic environment, and to support lending to creditworthy borrowers.

Under CAP, federal banking supervisors will conduct forward-looking assessments to evaluate the capital needs of the major U.S. banking institutions under a more challenging economic environment. Should that assessment indicate that an additional capital buffer is warranted, banks will have an opportunity to turn first to private sources of capital. In light of the current challenging market environment, the Treasury is making government capital available immediately through the CAP to eligible banking institutions to provide this buffer. Details of the forward looking capital assessments can be found at www.FinancialStability.gov.

Eligible U.S. banking institutions with assets in excess of $100 billion on a consolidated basis are required to participate in the coordinated supervisory assessments, and may access the CAP immediately as a means to establish any necessary additional buffer. Eligible U.S. banking institutions with consolidated assets below $100 billion may also obtain capital from the CAP.
To clarify the broader context and objectives for the Capital Assistance Program, and its role in the Financial Stability Plan, the U.S. Treasury also released a white paper on the program, as well as a set of frequently asked questions. Both can be found at www.FinancialStability.gov.

As detailed in the CAP's Terms and Conditions:

Terms

- Capital provided under the CAP will be in the form of a preferred security that is convertible into common equity at a 10 percent discount to the price prevailing prior to February 9th.
- CAP securities will carry a 9 percent dividend yield and would be convertible at the issuer's option (subject to the approval of their regulator).
- After 7 years, the security would automatically convert into common equity if not redeemed or converted before that date.
- The instrument is designed to give banks the incentive to replace USG-provided capital with private capital or to redeem the USG capital when conditions permit.
- With supervisory approval, banks will be able to request capital under the CAP in addition to their existing CPP preferred stock.
- With supervisory approval, banks will also be allowed to apply to exchange

the existing CPP preferred stock for the new CAP instrument.

Conditions

- Recipients of capital under the CAP will be subject to the executive compensation requirements in line with the Emergency Economic Stabilization Act of 2008, as recently amended. The Treasury will shortly be releasing rules to implement these amendments.
- As part of the application process, banks must submit a plan for how they intend to use this capital to preserve and strengthen their lending capacity – specifically, to increase lending above levels relative to what would have been possible without government support. The Treasury Department will make these plans public when the bank receives the capital under the CAP.
- Taxpayers will be able to monitor the performance of banks receiving capital under the CAP. Banks receiving capital will be required to submit to Treasury monthly reports on their lending broken out by category. These will be posted on www.FinancialStability.gov.
- Recipients will also be subject to restrictions on paying quarterly common stock dividends, repurchasing shares, and pursuing cash acquisitions.

By reassuring investors, creditors, and counterparties of banking institutions--as well as the institutions themselves--that banks have capital in a sufficient amount and quality to withstand even a considerably weaker-than-expected economic environment, the CAP instrument should improve confidence and increase the willingness of banking institutions to lend.

The Capital Assistance Program is a core element of the Financial Stability Plan announced on February 10, 2009. Additional components of the plan include: a Consumer Business Lending Initiative to unfreeze secondary credit markets, a Public Private Investment Fund to raise private capital to purchase legacy assets, and a Homeowner Affordability and Stability Plan to restructure or refinance mortgages to help as many as 7-9 million families stay in their homes.

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REPORTS

- Capital Assistance Program (CAP) White Paper
- Capital Assistance Program (CAP) Term Sheet
- Capital Assistance Program (CAP) FAQs

TREASURY WHITE PAPER

THE CAPITAL ASSISTANCE PROGRAM AND ITS ROLE IN THE FINANCIAL STABILITY PLAN

Program Motivation and Objectives

The financial system plays the critical role of channeling funds from savers in the economy to the investors with the ideas and ability to turn those funds into productive economic resources; no modern economy can thrive—can grow and improve the welfare of its citizens over time—without a healthy and dynamic financial system. And no financial system can thrive—can have strong institutions and deep and liquid capital markets—without the trust and confidence of those who save knowing that their funds will be protected and grow in value over time.

With the recent deterioration in the U.S. and global economic outlook, there has been a marked increase in the already considerable uncertainty around the ability of financial institutions to absorb potentially large future losses and continue to perform their vital role of lending to creditworthy households and businesses throughout the economy. If the current uncertainty around the health and viability of our financial institutions continues unchecked, this uncertainty itself could spark a self-reinforcing dynamic that further erodes the capacity of our financial system to perform its critical function and further weakens economic growth.

Regulators and market participants recognize the critical role that the capital held by financial institutions plays in supporting confidence in the health of those institutions and of the system as a whole. While the vast majority of U.S. banking organizations have capital in excess of the amounts required to be considered well capitalized, the uncertain economic environment has eroded confidence in the amount and quality of capital held by some. In turn, market participants' concerns over the capital positions of some institutions is impairing the ability of the system overall to perform its critical role of credit origination and intermediation.

In normal times, market forces would be expected to address a capital shortfall as private capital flowed to where it was in greatest demand and would yield the highest return. But in the current strained environment where the normal functioning of financial markets has been impaired, there is a concern that private capital inflows, at least over the near-term, may not be sufficiently large to break the dynamic between the perceived shortage of capital in the system and the loss of confidence that shortage engenders in the health of individual institutions.

Recognizing that until confidence in the strength and viability of our financial institutions is restored, our institutions will not be able to play their critical role as intermediaries, the Capital Assistance Program (CAP) seeks to ensure the continued ability of U.S. financial institutions to lend to creditworthy borrowers in the face of a weaker than expected economic environment and larger than expected potential losses.

The CAP consists of two core elements. The first, which is a supervisory exercise, is forward-looking capital assessment to determine whether any of the major U.S. banking organizations need to establish an additional capital buffer during this period of heightened uncertainty. The second is access for qualifying financial institutions to contingent common equity provided by the U.S. government as a bridge to private capital in the future.

Forward-Looking Capital Assessment

Supervisors have long worked with the major banking organizations to ensure that their capital planning processes incorporate the implications of adverse economic developments. As an essential part of restoring confidence in the condition of the U.S. banking system during this period of heighted uncertainty, federal banking and thrift supervisors will undertake a coordinated supervisory capital planning exercise with each of 19 major U.S. banking organizations[1].

This special forward-looking capital assessment exercise involves evaluating expected losses and the resources to absorb those losses if economic conditions were to be more adverse than generally expected. This exercise will allow supervisors to determine whether an additional capital buffer today, particularly one that strengthens the composition of capital, is needed for the banking organization to comfortably absorb losses and continue lending even in a more adverse environment. Should this assessment indicate the need for a bank to establish an additional capital buffer to withstand more stressful conditions, the bank will have a six month window to raise that capital privately or to access the capital made available by the Treasury under the CAP.

The additional capital acquired by a banking organization in conjunction with the special supervisory assessment exercise—whether that capital is raised on the private market or through the CAP—does not represent a new capital standard and it is not expected to be maintained on an ongoing basis. Instead, it is available to help banking institutions absorb larger than expected future losses, should they occur, and to support lending to creditworthy borrowers during the economic downturn.

CAP Contingent Common Capital

The capital provided to eligible banking organizations under this program will be in the form of a preferred security that is convertible into common equity[2]. Market participants pay particular attention to common equity as a measure of health in stressed environments, and regulators have long believed that common equity should be the dominant component of a banking organization's highest quality forms of capital. The

[1] Examinations will be conducted across the 19 banking organization with assets in excess of $100 billion, as measured according to the data reported for 2008Q4 in the Board of Governors of the Federal Reserve System Consolidated Financial Statements for Bank Holding Companies (FR Y-9C).

[2] Eligibility for capital under the CAP is consistent with the criteria and process established for identifying Qualifying Financial Institutions (QFIs) in the TARP Capital Purchase Program (CPP). As indicated above, eligible U.S. banking organization with assets in excess of $100B will participate in the special supervisory forward-looking capital assessment process whether or not they access the capital provided under the CAP. Eligible U.S. banking organizations with assets less than $100B will also have the opportunity to access the CAP to increase capital buffers as necessary.

convertible preferred security provided through the CAP will serve as a source of contingent common capital for the firm, convertible into common equity when and if needed to retain the confidence of investors or to meet supervisory expectations regarding the amount and composition of capital.

The CAP instrument will be designed to give banks the incentive to redeem or replace the government-provided capital with private capital when feasible. Finally, with supervisory approval, banking organizations will be allowed to exchange their existing TARP preferred stock for the new preferred instrument. The CAP is open immediately. Eligibility will be consistent with the criteria and deliberative process established for identifying Qualifying Financial Institutions (QFIs) in the TARP Capital Purchase Program (CPP).

The economy functions better when banking organizations are well managed in the private sector. U.S. government ownership is not an objective of CAP. However, to the extent that significant government stake in a financial institution is an outcome of the program, our goal will be to keep the period of government ownership as temporary as possible and encourage the return of private capital to replace government investment. In addition, any capital investments made by Treasury under this plan will be placed in a separate trust set up to manage the government's investments in US financial institutions. The objective of the trustees will be to protect and create value for the taxpayer as a shareholder over time.

Program Design Elements

A key component of the CAP is a one-time forward looking supervisory assessment of the 19 largest bank holding companies (BHCs) (those with risk weighted assets of $100 billion or more). Supervisors will use the results of this exercise, along with their considerable specific knowledge of the financial institutions' portfolios and management strategies, to assess whether the BHCs have the capital necessary to continue lending and to absorb the potential losses that could result from a more severe decline in the economy than projected.

To conduct this exercise, supervisors have constructed two economic scenarios for BHCs to use to estimate expected losses over the next two years. The "baseline" economic scenario represents a consensus outlook and is based on the most recent forecasts available from professional forecasters. In particular, the baseline assumptions for real GDP growth and the unemployment rate for 2009 and 2010 are assumed to be equal to the average of the projections published in February by Consensus Forecasts, the Blue Chip survey, and the Survey of Professional Forecasters. The alternative "more adverse" scenario for the path of the U.S. economy, by design, reflects a deeper and longer recession than in the consensus baseline.

The agencies will provide real GDP growth, the civilian unemployment rate, and changes in residential house prices for 2009 and 2010 for the baseline and more adverse economic scenarios. BHCs will be asked to analyze their loan and securities portfolios, as well as off-balance sheet commitments and contingencies, to determine expected

future losses under each of the scenarios. The BHCs will also forecast internal resources available to absorb losses, including pre-provision net revenue and reserves. The BHCs will report their estimates using a standardized template provided by the agencies, and will provide firm-level information to support their estimates.

An important part of the process is that the agencies will meet with each financial institution to review their loss and revenue forecasts. Based on those discussions, the agencies will determine the amount of a regulatory capital necessary for each institution to hold today in order to remain well-capitalized under the more adverse scenario as capital is drawn down.

BHCs will be given a six month period to raise any additional capital needed to establish this buffer from private sources. BHCs can apply to the CAP immediately at the conclusion of the assessment exercise to provide certainty of access to the program, but delay funding for six months in order to have the opportunity to raise as much private capital as possible. BHCs that have undergone this forward-looking capital test will have access to Treasury capital in the form of mandatory convertible preferred shares. These shares can convert at the firm's discretion (with the approval of their regulator) into common equity if needed to preserve lending in worse-than-expected economic environment at a conversion price set at a 10% discount from the prevailing level of the institution's stock price as of February 9, 2009.

A program that emphasizes the forward-looking nature of the capital planning process and pre-positions an additional capital buffer has important advantages relative to capital provided only on a when-needed basis. Market participants will gain confidence from the major U.S. banking organizations having undergone a systematic disciplined exercise designed to prepare them for a more severe and protracted recession than is currently generally expected to occur. A capital buffer today may be especially valuable given the uncertainty about the economic outlook and about whether capital would be available as needed if an unexpectedly adverse scenario unfolds.

A capital buffer also reduces the risk that problems at a very small number of counterparties, through the many linkages across institutions, lead to the failure of otherwise viable institutions. While some firms may be asked to hold more capital than they might otherwise, the beneficial effects on confidence in the stability of the financial system and the creditworthiness of borrowers should lead to more lending, not less.

By reassuring investors, creditors, and counterparties of financial institutions—as well as the institutions themselves—that there is a sufficient amount and quality of capital to withstand even a considerably weaker-than-expected economic environment--the Capital Assistance Program should improve confidence and increase the willingness of financial institutions to lend. This increase in lending, in turn, will help to stimulate economic activity and restore to U.S. economy to a path of robust economic growth.

Capital Assistance Program

Mandatorily Convertible Preferred Stock and Warrants

Summary of Mandatorily Convertible Preferred Stock ("Convertible Preferred") Terms

Issuer:	Qualifying Financial Institution ("QFI") means (i) any U.S. bank or U.S savings association not controlled by a Bank Holding Company ("BHC") or Savings and Loan Company ("SLHC"), (ii) any top-tier U.S. BHC, and (iii) any top-tier U.S. SLHC which engages solely or predominately in activities that are permitted for financial holding companies under relevant law. QFI shall not mean any BHC, SLHC, bank or savings association controlled by a foreign bank or company. For purposes of this program, "U.S. bank", "U.S. savings association", "U.S. BHC" and "U.S. SLHC" means a bank, savings association, BHC or SLHC organized under the laws of the United States or any State of the United States, the District of Columbia, any territory or possession of the United States, Puerto Rico, Northern Mariana Islands, Guam, American Samoa, or the Virgin Islands. **The United States Department of the Treasury will determine eligibility and allocation for QFIs after consultation with the appropriate Federal banking agency.**
Application Process:	The Capital Assistance Program is available only to publicly traded[1] QFIs that meet eligibility requirements, which will be substantially similar to those used for the Capital Purchase Program. QFIs must apply to their appropriate Federal banking agency for participation in the Capital Assistance Program. The appropriate Federal banking agency will make a recommendation to the Department of the Treasury regarding an applicant's viability. Separate term sheets are expected to be made available for participation in the Capital Assistance Program for QFIs

[1] For the purposes of this term sheet "publicly traded" means a company (1) whose securities are traded on a national securities exchange and (2) required to file, under the federal securities laws, periodic reports such as the annual (Form 10-K) and quarterly (Form 10-Q) reports with either the Securities and Exchange Commission or its appropriate Federal banking agency.

which are not publicly traded or are organized as subchapter S corporations or in mutual form.

Qualified Equity Offering for Capital Purchase Program Preferred Stock: The issuance by the QFI of the Convertible Preferred to the UST will be a "Qualified Equity Offering" under the Capital Purchase Program to the extent the proceeds from the sale of the Convertible Preferred are used to redeem the Preferred Shares sold to the UST under the Capital Purchase Program in whole or in part in accordance with their terms (thus effecting an "exchange" of the Convertible Preferred for the Preferred Shares sold under the Capital Purchase Program). Proceeds that are used to redeem the Preferred Shares sold to the UST under the Capital Purchase Program will count towards the Qualified Equity Offering proceeds that are required to be raised in order to reduce the number of shares of common stock underlying the warrant issued to the UST under the Capital Purchase Program. If applicable, the proceeds from the sale of the Convertible Preferred may also be used to redeem the Preferred Shares sold to the UST under the Targeted Investment Program in whole or in part in accordance with their terms.

Initial Holder: United States Department of the Treasury (the "UST").

Size: QFIs may sell Convertible Preferred to the UST subject to the limits and terms described below.

Each QFI may issue an amount of Convertible Preferred equal to not less than 1% of its risk-weighted assets and not more than 2% of its risk-weighted assets plus any amount of Convertible Preferred to the extent the proceeds of such additional Convertible Preferred are used to redeem Preferred Shares sold under the Capital Purchase Program and, if applicable, the Targeted Investment Program.

A QFI must receive the approval of the appropriate Federal banking agency to issue Convertible Preferred in excess of the amount set forth in the paragraph above and will be deemed as needing "exceptional assistance." The determination to provide such exceptional assistance will be solely in the discretion of the UST in consultation with the appropriate Federal banking agency and will be made

on a case by case basis in order to ensure or promote financial market stability. QFIs receiving exceptional assistance may be subject to additional terms and conditions.

Security:	Mandatorily Convertible Preferred, liquidation preference \$1,000 per share. (Depending upon the QFI's available authorized preferred shares, the UST may agree to purchase Convertible Preferred with a higher liquidation preference per share, in which case the UST may require the QFI to appoint a depositary to hold the Convertible Preferred and issue depositary receipts.)
Term/Mandatory Conversion:	Mandatorily converts to common stock after 7 years at the Conversion Price.
Optional Conversion:	Convertible in whole or from time to time in part at the Conversion Price at the option of the QFI at any time, subject to the approval of the QFI's primary Federal banking agency. Convertible at the Conversion Price at the option of the holder upon specified corporate events, including certain sales, mergers or changes of control of the QFI.
Conversion Price:	Conversion price is 90% of the average closing price for the common stock for the 20 trading day period ending February 9, 2009, subject to customary anti-dilution adjustments. If applicable, the conversion price shall be reduced by 15% of the original conversion price on each six-month anniversary of the issue date of the Convertible Preferred if the consent of the QFI stockholders described below has not been received, subject to a maximum reduction of 45% of the original conversion price. Upon any conversion, the QFI shall also pay any accrued and unpaid dividends at its option in either cash or shares of common stock, which shares shall be valued for this purpose at the closing price on the second preceding trading day.
Ranking:	Senior to common stock and pari passu with existing preferred shares other than preferred shares which by their terms rank junior to any existing preferred shares.
Regulatory Capital Status:	Tier 1, for holding companies.

Dividend: The Convertible Preferred will pay cumulative dividends at a rate of 9% per annum, compounding quarterly. Notwithstanding the foregoing, if applicable, the dividend rate on the Convertible Preferred shall increase to 20% per annum on the sixth month anniversary of the issue date of the Convertible Preferred if the consent of the QFI stockholders described below has not been received by such date, and shall remain at such level until the date on which such stockholder approval is received.

Redemption of Convertible Preferred: Convertible Preferred may be redeemed, subject to the approval of the QFI's primary Federal banking agency, in whole or in part at any time solely with the proceeds of one or more issuances of common stock for cash which results in aggregate gross proceeds to the QFI of not less than 25% of the issue price of the Convertible Preferred, or additions to retained earnings.

Convertible Preferred redeemed within the first two years of issuance will be redeemable at par, plus any accrued and unpaid dividends. After the first two years of issuance, Convertible Preferred will be redeemable at the greater of par plus accrued and unpaid dividends and the as-converted value.

Following the redemption in whole of the Convertible Preferred held by the UST, the QFI shall have the right to repurchase the Warrant and any common stock then held by the UST under the Capital Assistance Program at fair market value.

Dividend Stopper: For as long as any Convertible Preferred is outstanding, no dividends may be declared or paid on junior preferred shares, preferred shares ranking pari passu with the Convertible Preferred, or common shares (other than in the case of pari passu preferred shares, dividends on a pro rata basis with the Convertible Preferred), nor may the QFI repurchase or redeem any junior preferred shares, preferred shares ranking pari passu with the Convertible Preferred or common shares, unless all accrued and unpaid dividends for all past dividend periods on the Convertible Preferred are fully paid.

Common Dividends: For so long as any Convertible Preferred is outstanding and owned by the UST or the UST owns any common stock of the QFI issued under the Capital Assistance Program, dividends declared and paid on the common

stock must be no greater than $0.01 per share per quarter unless the UST consents to a higher amount.

Restrictions on Repurchases:

For so long as any Convertible Preferred is outstanding and owned by the UST or the UST owns any common stock of the QFI, the UST's consent shall be required for any repurchases of equity securities or trust preferred securities, subject to certain exceptions similar to those in Section 4.8 of the Securities Purchase Agreement -- Standard Terms of the UST's Capital Purchase Program. In addition, there shall be no share repurchases of junior preferred shares, preferred shares ranking pari passu with the Convertible Preferred, or common shares, if prohibited as described above under "Dividend Stopper".

Voting rights:

The Convertible Preferred shall have no voting rights prior to conversion to common stock, other than class voting rights on (i) any authorization or issuance of shares ranking senior to the Convertible Preferred, (ii) any amendment to the rights of the Convertible Preferred, or (iii) any merger, exchange or similar transaction which would adversely affect the rights of the Convertible Preferred.

If dividends on the Convertible Preferred are not paid in full for six dividend periods, whether or not consecutive, the Convertible Preferred will have the right to elect 2 directors. The right to elect directors will end when full dividends have been paid for four consecutive dividend periods.

Upon conversion of the Convertible Preferred, the UST will have the voting rights associated with the QFI's common stock. UST will publish a set of principles governing its use of these rights prior to closing any transactions.

Transferability:

The Convertible Preferred and the underlying shares of common stock will not be subject to any contractual restrictions on transfer. The QFI will file a shelf registration statement covering the Convertible Preferred and the underlying shares of common stock as promptly as practicable after the date of this investment and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. The QFI will also grant to the UST piggyback registration rights for the Convertible Preferred and the

underlying shares of common stock and will take such other steps as may be reasonably requested to facilitate the transfer of the Convertible Preferred and the underlying shares of common stock including, if requested by the UST, using reasonable efforts to list the Convertible Preferred on a national securities exchange. The QFI will apply for the listing on the national exchange on which the QFI's common stock is traded of the common stock underlying the Convertible Preferred. If requested by the UST, the QFI will appoint a depositary to hold the Convertible Preferred and issue depositary receipts.

Mandatory Sale:

After the mandatory conversion date, the UST shall make reasonable efforts to sell on an annual basis an amount of common stock equal to at least 20% of the total common stock owned by the UST on the mandatory conversion date until the UST owns 0% of the QFI's common stock.

Following the conversion of the Convertible Preferred into the QFI's common stock, the QFI will have the right, subject to the approval of the QFI's primary Federal banking agency, to repurchase any of such shares of common stock held by the UST at a price equal to the greater of the Conversion Price and the market price of the common stock on the date of repurchase (calculated based on the average closing price during the 20 trading day period beginning on the day after notice of repurchase is given). Any such repurchases must be made with the proceeds of an issuance of common stock for cash or additions to retained earnings.

Following the repurchase in whole of the common stock held by the UST as provided above, the QFI shall have the right to repurchase the Warrant issued to the UST under the Capital Assistance Program (and any common stock issued upon its exercise) and then held by the UST at fair market value.

Executive Compensation, Transparency, Accountability, Monitoring:

The QFI and its covered officers and employees shall agree to comply with the rules, regulations and guidance of the UST with respect to executive compensation, transparency, accountability and monitoring, as published and in effect at the time of the investment closing.

<u>Summary of Warrant Terms</u>

Warrant:	The UST will receive warrants to purchase a number of shares of common stock of the QFI having an aggregate market value (based on the Conversion Price) equal to 20% of the Convertible Preferred amount on the date of investment. The initial exercise price for the warrants, and the market price for determining the number of shares of common stock subject to the warrants, shall be the Conversion Price, subject to customary anti-dilution adjustments. If applicable, the exercise price shall be reduced by 15% of the original exercise price on each six-month anniversary of the issue date of the warrants if the consent of the QFI stockholders described below has not been received, subject to a maximum reduction of 45% of the original exercise price.
Term:	10 years
Exercisability:	Immediately exercisable, in whole or in part
Transferability:	The warrants will not be subject to any contractual restrictions on transfer. The QFI will file a shelf registration statement covering the warrants and the common stock underlying the warrants as promptly as practicable after the date of this investment and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. The QFI will also grant to the UST piggyback registration rights for the warrants and the common stock underlying the warrants and will take such other steps as may be reasonably requested to facilitate the transfer of the warrants and the common stock underlying the warrants. The QFI will apply for the listing on the national exchange on which the QFI's common stock is traded of the common stock underlying the warrants and will take such other steps as may be reasonably requested to facilitate the transfer of the warrants or the common stock.
Voting:	The UST will agree not to exercise voting power with respect to any shares of common stock of the QFI issued to it upon exercise of the warrants.
Substitution:	In the event the common stock of the QFI is no longer listed or traded on a national securities exchange or securities association, or the consent of the QFI stockholders described below has not been received within

18 months after the issuance date of the warrants, the warrants will be exchangeable, at the option of the UST, for senior term debt or another economic instrument or security of the QFI such that the UST is appropriately compensated for the value of the warrant, as determined by the UST.

Stockholder Consent

In the event that the QFI does not have sufficient available authorized shares of common stock to reserve for issuance upon conversion of the Convertible Preferred and exercise of the warrants and/or stockholder approval is required for such issuance under applicable stock exchange rules, the QFI will call a meeting of its stockholders as soon as practicable after the date of this investment to increase the number of authorized shares of common stock and/or comply with such exchange rules, and to take any other measures deemed by the UST to be necessary to allow the conversion of the Convertible Preferred and exercise of warrants into common stock.

CAPITAL ASSISTANCE PROGRAM FAQS

Will the Capital Assistance Program (CAP) replace the Capital Purchase Program (CPP)?
No. The CAP is a new capital program that will not replace the CPP and is open to qualifying institutions regardless of whether they participated in the CPP.

How does a Qualifying Financial Institution (QFI) know if it is eligible to participate in the Treasury Department's CAP?
A QFI should review the eligibility requirements as described in the term sheet and related documents (which are available at http://www.treas.gov/initiatives/eesa/ and http://financialstability.gov/). In addition, a QFI should contact its appropriate Federal banking agency.

Which financial institutions are eligible QFIs under the CAP?
Generally speaking, any bank holding company, financial holding company, insured depository institution and savings and loan holding company that engages solely or predominately in activities that are permissible for financial holding companies under relevant law and that is organized and operating in the United States qualifies as a QFI if it is deemed viable by the appropriate Federal banking agency. Financial institutions controlled by a foreign entity will not be eligible. For purposes of CAP eligibility, the deadline for approval of any holding company application is January 15, 2009, i.e. the same as the deadline for CPP eligibility.

Specifically, a QFI is defined as:
(i) Any U.S. bank or U.S savings institution not controlled by a Bank Holding Company ("BHC") or Savings and Loan Company ("SLHC"); (ii) any top-tier U.S. BHC; and (iii) any top-tier U.S. SLHC which engages solely or predominately in activities that are permitted for financial holding companies under relevant law; except that "QFI" shall not mean any BHC, SLHC, bank or savings association controlled by a foreign bank or company.

Must a financial institution have participated in the CPP to be eligible for the CAP?
No.

May an institution terminate its status as a bank holding company or a savings and loan holding company and continue to participate in the CAP?
No. Any QFI that is a bank holding company or a savings and loan holding company that participates in the CAP must maintain its status as a bank or savings and loan holding company for as long as Treasury holds stock and/or warrants in the company. A bank or savings and loan holding company seeking to terminate its status as such must fully redeem all stock and warrants held by Treasury prior to terminating its status.

What is the investment limit under the CAP?

QFIs may issue an amount of CAP convertible preferred stock between 1 and 2% of total risk-weighted assets (RWA) plus any amount of CAP convertible preferred stock to the extent the proceeds are used to redeem preferred shares sold under the CPP and, if applicable, the Targeted Investment Program.

What if a QFI needs capital in excess of the investment limit referred to above?
An institution that needs capital in excess of the investment limit referred to above is deemed as needing "exceptional assistance." In consultation with the appropriate Federal banking agency, Treasury will determine whether an institution qualifies for "exceptional assistance" on a case-by-case basis.

What will be the terms of transactions involving QFIs in need of exceptional assistance?
QFIs falling under the "exceptional assistance" standard may have bank-specific negotiated agreements with the Treasury Department.

How does a QFI apply for the CAP?
A QFI must submit an application to the appropriate Federal banking agency. If the applicant is a bank holding company, the application should be submitted to both the applicant's holding company supervisor and the supervisor of the largest insured depository institution controlled by the applicant. Each Federal banking agency will provide information on its public web site regarding where an application for participation in the CAP should be directed. This information will be available at:

1. For the Federal Deposit Insurance Corporation: www.fdic.gov
2. For the Federal Reserve: www.federalreserve.gov
3. For the Office of the Comptroller of the Currency: www.occ.treas.gov
4. For the Office of Thrift Supervision: www.ots.treas.gov

Is the application form for CAP the same as the CPP application?
No. Although similar, there is a separate application for the CAP. Institutions should make sure they are filling out the proper application for CAP.

What information will a QFI have to provide on the application?
The application form requires the QFI to submit basic information about the institution, the amount of the investment that the financial institution is requesting from Treasury, as well as information regarding the amount of authorized but unissued preferred stock and common stock that the institution currently has available for purchase.

What is the deadline to apply to the CAP?
The deadline is May 25, 2009. Institutions will have up to six months after receiving preliminary approval to close the transaction. QFIs taking part in the special forward-looking economic assessments in conjunction with their supervisors (those with assets in excess of $100B) need not wait for the conclusion of those assessments to apply.

How will Treasury determine which institutions qualify for investments under CAP?
Institutions must submit their application to the appropriate Federal banking regulator. That regulator will submit a recommendation to Treasury. Treasury will review both the application and the recommendation from the regulator.

How will you define "publicly traded" for purposes of institutions applying for the program with the May 25, 2009 deadline?
A "publicly traded" bank holding company, financial holding company, insured depository institution or savings and loan holding company is a company (1) whose securities are traded on a national securities exchange and (2) required to file, under the federal securities laws, periodic reports such as the annual (Form 10-K) and quarterly (Form 10-Q) reports with either the Securities and Exchange Commission or their appropriate Federal banking agency.

Will applications filed by QFIs or the names of applying QFIs be released publicly?
No. Treasury will not release the names of QFIs who apply for the CAP or those which are not approved. Treasury will publish electronic reports detailing any completed transactions, including the name of the QFI and the amount of the investment, as required by the Emergency Economic Stabilization Act of 2008, within 48 hours of the investment.

Any applicant desiring confidential treatment of specific portions of the application must submit a request in writing with the application. The request must discuss the justification for the requested treatment. The applicant's reasons for requesting confidentiality should specifically demonstrate the harm (for example, loss of competitive position, invasion of privacy) that would result from public release of information (5 U.S.C. 552). Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) labeled "Confidential."

The applicant should follow the same procedure when requesting confidential treatment for the subsequent filing of supplemental information to the application. The applicant should contact the appropriate regulatory agency for specific instructions regarding requests for confidential treatment. The appropriate regulatory agency will determine whether the information will be treated as confidential and will advise the applicant of any decision to make available to the public information labeled as "Confidential."

How long will it take for an application to be processed?
Treasury, working in consultation with the Federal banking agencies, will process and preliminarily accept applications submitted under the CAP as expeditiously as possible. However, because of the diversity of institutions that are expected to apply, response times may vary.

How will a QFI that has filed a timely application be notified when a preliminary decision on the application has been made by Treasury?

Preliminary decisions on applications will be communicated by Treasury to the representative of the institution identified on the application form.

When does a QFI submit the final documentation to complete the Preferred Share purchase?

Final documentation may be submitted up to six months after a QFI has been notified that it has received preliminary acceptance into the program. Instructions for submitting final documentation will be available on Treasury's website at http://www.treas.gov/initiatives/eesa/ and http://financialstability.gov/.

Please check back regularly for postings of additional Q&As.

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February 27, 2009
tg41

Treasury Announces Participation in Citigroup's Exchange Offering

Citigroup is planning to strengthen its capital structure through conversion of a significant portion of its preferred securities to common equity in a series of exchange offers. Citigroup requested that the Treasury participate in this exchange offer by converting a portion of its preferred security to common equity alongside the other preferred holders.

Treasury is willing to participate in this arrangement to the extent Citigroup is able to reach agreement with its other preferred holders, under the following conditions:

- Treasury would convert its security to match dollar for dollar the private preferred exchanges.
- Treasury would convert up to the $25 billion of preferred stock issued under the Capital Purchase Program. Remaining Treasury and FDIC preferred issued under the Targeted Investment Program and Asset Guarantee Program would be converted into a trust preferred security of greater structural seniority that would carry the same 8% cash dividend rate as the existing issue.
- Treasury will receive the most favorable terms and price offered to any other preferred holder through this exchange.

This transaction does not increase the amount of Treasury's investment in Citigroup.

Separately, the Chairman of the Board of Citigroup has informed us that the Company will be altering the Board of Directors so that a majority of the Board will be comprised of new independent directors as soon as feasible.

Citigroup will be taking part, alongside other banks with over $100 billion in assets, in the forward-looking supervisory assessment process announced on February 25, 2009 as part of the Treasury Capital Assistance Program. In connection with this program, Citigroup will be allowed to apply for additional Mandatory Convertible Preferred securities or request conversion of the remaining preferred held by Treasury into these securities, consistent with the terms of the program.

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REPORTS

- Term Sheet

Transaction Outline

Overview of Transaction

Citi will effect public and private offers to exchange each series of outstanding preferred stock and trust preferred securities (TruPS) for the Citi securities described below.

The objective of these transactions is to increase Citi's tangible common equity through the exchange offers described below.

Sequence of Exchange Offers

Citi will conduct separate exchange offers to the USG, the Private Holders and the Public Holders.

The exchange offer to USG and the Private Holders will be consummated as promptly as practicable after the announcement of the transaction.

The exchange offers to the Public Holders will be launched as soon as practicable in compliance with federal securities laws.

Conditions to USG Participation

USG's participation in the exchange offer is conditioned on the following conditions:

- USG will only convert an amount of preferred stock equal to the amount of preferred stock of the Private Holders and the preferred stock/TruPs of the Public Holders participating in the exchange offers; provided that USG will only participate if at least $11.5 billion of preferred stock held by Private Holders is exchanged;
- USG will only convert up to the $25 billion of preferred stock issued under the Capital Purchase Program;
- the preferred stock issued under the Targeted Investment Program and the Asset Guarantee Program will be exchanged for a new series of trust preferred securities with the same 8% cash dividend rate as the existing preferred stock; and
- USG will receive the most favorable terms and price offered to any holder of preferred stock through the exchange offers.

Exchange Offer to USG

USG will exchange a portion of its preferred stock into the Securities and Warrants.

"Securities" means a new series of stock (the "Securities"), created from Citi's blank check preferred stock authority, that is a common stock analog (non-voting with respect to any holder until all necessary government approvals are received for such holder). Pursuant to their terms, the Securities will be mandatorily convertible into common stock on a one-for-one basis based on the number of common stock equivalents represented by the Securities upon effectiveness of the charter amendment described below.

"Warrants" means a warrant to acquire shares of Citi common stock for each $1,000 of liquidation preference of exchanged preferred stock, at an exercise price of $0.01 per share. Such Warrant will become exercisable only if the stockholder vote referred to below is not received within 6 months after issuance of the Securities. One Warrant will be issued with

respect to each Security issued. The number of shares of common stock underlying each such Warrant shall be equal to (x) 790 million *divided by* (y) the aggregate number of Securities received in the exchange offers by USG and the Private Holders.

The common stock and the Securities will be listed for trading, subject to applicable listing requirements. The Securities will all be of the same class.

The exchange price to USG will be $3.25 per share (relative to liquidation preference of preferred shares), which is based on an agreed upon trailing average.

USG preferred stock to be so exchanged (in connection with the exchange at the closing for the Private Holders, and in connection with the exchange at the subsequent closing for the Public Holders) will be such amount as is equal to the aggregate liquidation preference of the preferred stock of the Private Holders and aggregate liquidation preference/face value of the preferred stock/TruPS of the Public Holders exchanged for Securities/Warrants or common stock, after giving effect to the exchanges described below, provided that the aggregate amount exchanged by USG will not exceed $25 billion.

All of the outstanding preferred stock held by USG that is not exchanged for Securities in the program will be exchanged for a new series of trust preferred securities with a coupon of 8% (the "USG Trust Preferred Security"). The other material terms of the USG Trust Preferred Securities will be substantially similar to those of Citi's traditional TruPS.

Stockholder Vote

No stockholder vote will be required to permit Citi to issue the new Securities or Warrants in the exchange offers (assuming a NYSE waiver of the 20% vote rule).

Citi will seek to obtain the requisite stockholder vote for a charter amendment to increase its authorized common stock to permit the conversion of all Securities into common stock and certain other matters ("Stockholder Approval"). If stockholders do not authorize such charter amendment within 6 months after issuance of the Securities, the outstanding Securities will then have a dividend coupon equal to the greater of (x) a cumulative dividend of 9% (increasing by 2% each quarter up to a cap of 19%) or (y) the dividend actually paid per share of common stock. Prior to such time, the Securities will have the same dividend as the common stock. In the event such Stockholder Approval is obtained, such Warrants will automatically expire.

The Private Holders participating in the exchange offer will agree to vote any common shares held by them in favor of the charter amendment.

Exchange Offer to Private Holders

Citi will seek to procure the exchange (structured as an exempt exchange offer pursuant to Section 3(a)(9) of the Securities Act) of the preferred stock issued to certain investors (the "Private Holders") in private placements, for Securities and Warrants.

The exchange price to the Private Holders will be $3.25 per share (relative

to the liquidation preference of their exchanged preferred stock). In addition, Private Holders will receive Warrants.

Citi has undertakings from Private Holders of approximately $12 billion of aggregate liquidation preference of such preferred stock that they will exchange their preferred stock into Securities and Warrants.

All Private Holders will be given the opportunity to participate in the exchange offer on the basis of the terms applicable to Private Holders as set forth in this Outline.

Exchange Offer to Public Holders

Citi will launch an exchange offer to procure the exchange of the various series of convertible and straight preferred stock and TruPS sold to investors (the "Public Holders") in multiple offerings up to a maximum of $27.5 billion (liquidation preference/face value) *minus* the aggregate liquidation preference of all preferred securities exchanged by the Private Holders. If tendered securities exceed the cap, securities will be accepted in the following priorities: (i) *first*, the convertible and non-convertible preferred securities held by the Public Holders; (ii) *second*, the enhanced trust preferred securities held by the Public Holders; and (iii) *third*, the trust preferred securities held by the Public Holders.

The exchange price to the Public Holders per share will be based on a percentage of their face value and a per share price of $3.25.

In connection with such exchange offers, Citi will announce its current intention not to pay any dividend payments on any such series of preferred stock (other than trust preferred).

Rights Offering to Existing Holders

Citi will explore the possibility of a rights offering to existing shareholders.

Rights Offering to Employees

Citi will explore the possibility of a rights offering to employees providing the right to acquire common stock at $3.25 per share, the terms of which will include four-year vesting and a five-year exercise period, and subject to compliance with applicable federal rules on executive compensation.

Certain Other Agreements

With respect to the Securities and common stock owned by USG, subject to EESA and applicable law, it is anticipated that USG will hold such securities in a trust.

Each of USG and the Private Holders that participate in the applicable exchange offer will receive the most favorable terms and price offered to any other preferred holder through these exchange offers or to any common equity holder through any capital raises or rights offerings occurring within the following year.

Foreign Investor Tax Matters

Citi shall not withhold on an exchange of convertible preferred stock for Securities and Warrants pursuant to the exchange offer by a Private Holder that is a foreign person entitled to an exemption from U.S. dividend withholding (an "Exempt Holder"). Other than with respect to amounts attributable to dividend arrearages, if any, Citi shall not withhold in connection with the exchange of convertible preferred stock for Securities and Warrants by a Private Holder that is not an Exempt Holder.

Preliminary Report on Foreign Holdings of U.S. Securities at End-June 2008

February 27, 2009
tg-42

Washington, DC – The U.S. Department of Treasury today released preliminary data from a survey of foreign portfolio holdings of U.S. securities at end-June 2008 on the U.S. Treasury web site at http://www.treas.gov/tic/fpis.html. A revised table on Major Foreign Holders of Treasury Securities, where estimates through end-December 2008 are based in part on survey data, is also released at http://www.treas.gov/tic/ticsec2.html (on line 1 of Part A). Final survey results, which will include additional detail as well as possible revisions to the preliminary data, will be reported on April 30, 2009. The survey was undertaken jointly by the U.S. Treasury, the Federal Reserve Bank of New York, and the Board of Governors of the Federal Reserve System. The next survey will be for end-June 2009, and preliminary data are expected to be released by February 26, 2010.

Complementary surveys measuring U.S. holdings of foreign securities are also carried out annually. Data from the most recent survey, reporting on securities held on year-end 2008, are currently being processed. Preliminary results are expected to be reported by August 31, 2009.

Overall Preliminary Results

The survey measured foreign holdings of U.S. securities as of June 30, 2008, to be $10,324 billion, with $2,969 billion held in U.S. equities, $6,494 billion in U.S. long-term debt securities1 (of which $1,532 billion are holdings of asset-backed securities (ABS) 2 and $4,962 billion are holdings of non-ABS securities), and $861 billion held in U.S. short-term debt securities. The previous survey, conducted as of June 30, 2007, measured total foreign holdings of U.S. securities at $9,772 billion, with holdings of $3,130 billion in U.S. equities, $6,007 billion in U.S. long-term debt securities, and $635 billion in short-term U.S. debt securities (see Table 1).

1. Long-term debt securities have an *original* term-to-maturity of more than one year.
2. Asset-backed securities are backed by pools of assets, such as pools of residential home mortgages or credit card receivables, which give the security owners claims against the cash flows generated by the underlying assets. Unlike most other debt securities, these securities generally repay both principal and interest on a regular basis, reducing the principal outstanding with each payment cycle.

Table 1. Foreign holdings of U.S. securities, by type of security, as of recent survey dates
(Billions of dollars)

Type of Security	June 30, 2007	June 30, 2008
Long-term Securities	9,136	9,463
Equity	3,130	2,969

Long-term debt	6,007	6,494
Asset-backed	1,472	1,532
Other	4,535	4,962
Short-term debt securities	635	861
Total	9,772	10,324
Of which: Official	2,823	3,493

Table 2. Foreign holdings of U.S. securities, by country and type of security, for the major investing countries into the U.S., as of June 30, 2008

(Billions of dollars)

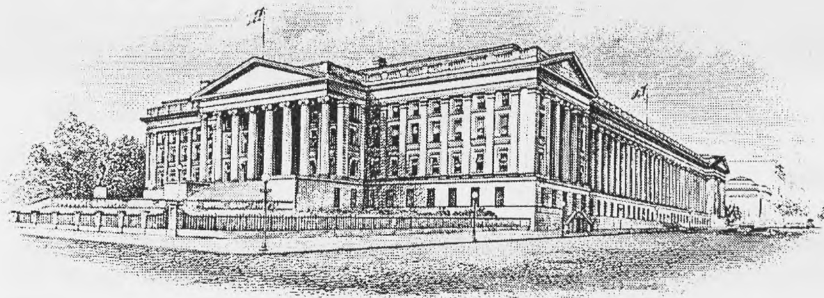
	Country or category	Total	Equities	Long-term debt		Short-term
				ABS	Other	debt
1	Japan	1,250	199	163	823	66
2	China (Mainland)1	1,205	100	376	700	30
3	United Kingdom	864	376	90	375	24
4	Cayman Islands	832	317	230	227	58
5	Luxembourg	657	191	81	315	71
6	Canada	456	20	74	357	5
7	Belgium	441	321	17	86	17
8	Ireland	401	75	76	113	136
9	Switzerland	391	141	30	143	77
10	Netherlands	314	162	25	107	21
11	Middle East Oil Exporters2	312	188	45	70	9
12	Germany	247	71	49	117	10
13	Bermuda	223	*	*	139	84
14	France	222	133	28	47	14
15	Singapore	210	52	59	77	21
16	Australia	162	2	*	159	1
17	Russia	160	94	13	49	5
18	Korea, South	150	11	37	100	2

19	Hong Kong	147	29	19	83	17
20	Taiwan	137	81	9	41	7
21	Norway	133	18	2	96	17
22	British Virgin Islands	131	8	24	89	10
23	Mexico	127	76	25	24	1
24	Brazil	107	53	3	34	17
25	Sweden	88	53	1	32	3
	Country Unknown	185	1	*	183	1
	Rest of the World	772	200	59	378	135
	Total	**10,324**	**2,969**	**1,532**	**4,962**	**861**
	of which: Official	3,493	363	475	2,281	373

1. Excludes Hong Kong, Macau, and Taiwan, which are reported separately.
2. Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.

REPORTS

- Preliminary Report on Foreign Holdings of U.S. Securities at End-June 2008



U.S. TREASURY DEPARTMENT
OFFICE OF PUBLIC AFFAIRS

EMBARGOED UNTIL 4 p.m. (EDT), February 27, 2009
CONTACT: Treasury Public Affairs, (202) 622-2960

PRELIMINARY REPORT ON FOREIGN HOLDINGS OF U.S. SECURITIES AT END-JUNE 2008

Washington, DC – The U.S. Department of Treasury today released preliminary data from a survey of foreign portfolio holdings of U.S. securities at end-June 2008 on the U.S. Treasury web site at http://www.treas.gov/tic/fpis.html. A revised table on Major Foreign Holders of Treasury Securities, where estimates through end-December 2008 are based in part on survey data, is also released at http://www.treas.gov/tic/ticsec2.html (on line 1 of Part A). Final survey results, which will include additional detail as well as possible revisions to the preliminary data, will be reported on April 30, 2009. The survey was undertaken jointly by the U.S. Treasury, the Federal Reserve Bank of New York, and the Board of Governors of the Federal Reserve System. The next survey will be for end-June 2009, and preliminary data are expected to be released by February 26, 2010.

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The survey measured foreign holdings of U.S. securities as of June 30, 2008, to be $10,324 billion, with $2,969 billion held in U.S. equities, $6,494 billion in U.S. long-term debt securities[1] (of which $1,532 billion are holdings of asset-backed securities (ABS)[2] and $4,962 billion are holdings of non-ABS securities), and $861 billion held in U.S. short-term debt securities. The previous survey, conducted as of June 30, 2007, measured total foreign holdings of U.S. securities at $9,772 billion, with holdings of $3,130 billion in U.S. equities, $6,007 billion in U.S. long-term debt securities, and $635 billion in short-term U.S. debt securities (see Table 1).

1. Long-term debt securities have an *original* term-to-maturity of more than one year.
2. Asset-backed securities are backed by pools of assets, such as pools of residential home mortgages or credit card receivables, which give the security owners claims against the cash flows generated by the underlying assets. Unlike most other debt securities, these securities generally repay both principal and interest on a regular basis, reducing the principal outstanding with each payment cycle.

Table 1. Foreign holdings of U.S. securities, by type of security, as of recent survey dates

(Billions of dollars)

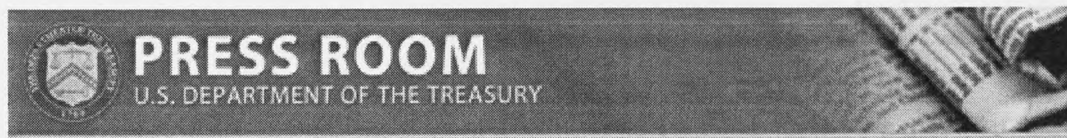
Type of Security	June 30, 2007		June 30, 2008	
Long-term Securities	9,136		9,463	
Equity	3,130		2,969	
Long-term debt	6,007		6,494	
Asset-backed		1,472		1,532
Other		4,535		4,962
Short-term debt securities	635		861	
Total	9,772		10,324	
Of which: Official		2,823		3,493

Table 2. Foreign holdings of U.S. securities, by country and type of security, for the major investing countries into the U.S., as of June 30, 2008

(Billions of dollars)

	Country or category	Total	Equities	Long-term debt ABS	Long-term debt Other	Short-term debt
1	Japan	1,250	199	163	823	66
2	China (Mainland)[1]	1,205	100	376	700	30
3	United Kingdom	864	376	90	375	24
4	Cayman Islands	832	317	230	227	58
5	Luxembourg	657	191	81	315	71
6	Canada	456	20	74	357	5
7	Belgium	441	321	17	86	17
8	Ireland	401	75	76	113	136
9	Switzerland	391	141	30	143	77
10	Netherlands	314	162	25	107	21
11	Middle East Oil Exporters[2]	312	188	45	70	9
12	Germany	247	71	49	117	10
13	Bermuda	223	*	*	139	84
14	France	222	133	28	47	14
15	Singapore	210	52	59	77	21
16	Australia	162	2	*	159	1
17	Russia	160	94	13	49	5
18	Korea, South	150	11	37	100	2
19	Hong Kong	147	29	19	83	17
20	Taiwan	137	81	9	41	7
21	Norway	133	18	2	96	17
22	British Virgin Islands	131	8	24	89	10
23	Mexico	127	76	25	24	1
24	Brazil	107	53	3	34	17
25	Sweden	88	53	1	32	3
	Country Unknown	185	1	*	183	1
	Rest of the World	772	200	59	378	135
	Total	**10,324**	**2,969**	**1,532**	**4,962**	**861**
	of which: Official	3,493	363	475	2,281	373

1. Excludes Hong Kong, Macau, and Taiwan, which are reported separately.
2. Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.



February 27, 2009
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Treasury Secretary Tim Geithner to Attend G20 Finance Ministers and Central Bank Governors Meeting in Horsham, United Kingdom, March 13-14

Washington, DC – The U.S. Department of Treasury today announced that Secretary Tim Geithner will travel to Horsham, UK to attend the G20 Finance Ministers and Central Bank Governors Meeting, March 13-14, 2009. Additional details regarding Secretary Geithner's schedule will be available in the coming days.

Media requesting to travel with Secretary Geithner must send the following information to Frances Anderson in the Office of Public Affairs at Frances.Anderson@do.treas.gov: full name, news organization, passport number and country of issue. All requests must be submitted by email. **Requests to travel with the Secretary must be received by NOON EST on Tuesday, March 3, 2009. Space is limited, and we cannot guarantee that all requests will be granted.**

Travel arrangements will be the responsibility of each media organization. Suggested date of departure is Thursday, March 12, 2009 with a return of Sunday, March 15, 2009. Currently, limited press opportunities are scheduled for both days of the G20 meeting, including pooled media opportunities for the arrival of the Finance Ministers and Central Bank Governors to their welcome dinners on Friday, March 13 and at the top of the Ministers' and Central Bank Governors' meeting on Saturday, March 14. Secretary Geithner will hold a press conference following the meeting on March 14. Any additional media opportunities will be announced as they arise.

Hotel accommodations for Treasury press travelers will be made through the Office of Public Affairs in conjunction with the U.S. Embassy in London; costs will be incurred by each media organization. Please note that due to very limited availability of lodging accommodations for both staff and press at the site of the G20 meeting in Horsham, reservations for media will be made in Gatwick. This location was chosen based on recommendation by the G20 organizers who intend to offer shuttle service for the media from this location to the G20 meeting site in Horsham. **Please include credit card information and anticipated dates of arrival and departure in your request.**

Media credentials: There are a limited number of credentials available and members of the media are encouraged to register as soon as possible. **Each member of the media must individually register for credentials** at: http://www.livegroup.co.uk/g20press/. Please note the application deadline is **FRIDAY, MARCH 6, 2009.**

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