Congressional Oversight Panel

February 11, 2010

Metrics for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's February 2010 report, "Commercial Real Estate Losses and the Risk to Financial Stability."

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TARP Metrics

Each month, the Panel's report highlights a number of metrics that the Panel and others, including Treasury, the Government Accountability Office (GAO), Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and the Financial Stability Oversight Board, consider useful in assessing the effectiveness of the Administration's efforts to restore financial stability and accomplish the goals of EESA. This section discusses changes that have occurred in several indicators since the release of the Panel's January report.

- **Interest Rate Spreads.** Interest rate spreads have continued to contract since the Panel's January report, further reflecting signs of economic stability. The mortgage rate spread, which measures the difference between the conventional 30-year mortgage rate and 10-year Treasury bills, was 1.3 percent at the end of January.[564] This represents a 45 percent decrease since the enactment of EESA.

Figure 49: Interest Rate Spreads

Indicator	Current Spread (as of 1/29/10)	Percent Change Since Last Report (12/31/09)
TED spread[565] (in basis points)	17	(10.5)%
Conventional mortgage rate spread[566]	1.32	0.76%
Corporate AAA bond spread[567]	1.62	3.8%
Corporate BAA bond spread[568]	2.57	(3.4)%

[564] Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.15: Selected Interest Rates: Historical Data* (Instrument: Conventional Mortgages, Frequency: Weekly) (online at www.federalreserve.gov/releases/h15/data/Weekly_Thursday_/H15_MORTG_NA.txt) (hereinafter "Federal Reserve Statistical Release H.15: Selected Interest Rates: Historical Data") (accessed Jan. 27, 2010); Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.15: Selected Interest Rates: Historical Data* (Instrument: U.S. Government Securities/Treasury Constant Maturities/Nominal 10-Year, Frequency: Weekly) (online at www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y10.txt) (hereinafter "Federal Reserve Release H. 15" (accessed Jan. 27, 2010).

[565] *TED Spread*, SNL Financial.

[566] Federal Reserve Release H.15, *supra* note 564 (accessed Jan. 27, 2010).

[567] Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.15: Selected Interest Rates: Historical Data* (Instrument: Corporate Bonds/Moody's Seasoned AAA, Frequency: Weekly) (online at www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_AAA_NA.txt) (accessed Jan. 27, 2010); Federal Reserve Release H.15, *supra* note 564 (accessed Jan. 27, 2010).

[568] Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.15: Selected Interest Rates: Historical Data* (Instrument: Corporate Bonds/Moody's Seasoned BAA, Frequency: Weekly) (online at www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_BAA_NA.txt) (accessed Jan. 27, 2010); Federal Reserve Release H.15, *supra* note 564 (accessed Jan. 27, 2010).

Overnight AA asset-backed commercial paper interest rate spread[569]	0.13	(0.25)%
Overnight A2/P2 nonfinancial commercial paper interest rate spread[570]	0.13	(0.16)%

- **Commercial Paper Outstanding.** Commercial paper outstanding, a rough measure of short-term business debt, is an indicator of the availability of credit for enterprises. The amount of asset-backed commercial paper outstanding decreased by 11 percent in January. Financial and non-financial commercial paper outstanding both increased in January by 4 and 11 percent, respectively.[571] Total commercial paper outstanding has continued to decrease since the enactment of EESA. Asset-backed commercial paper outstanding has declined nearly 40 percent and nonfinancial commercial paper outstanding has decreased by 43 percent since October 2008.[572]

Figure 50: Commercial Paper Outstanding

Indicator	Current Level (as of 1/27/10) *(billions of dollars)*	Percent Change Since Last Report (12/31/09)
Asset-backed commercial paper outstanding (seasonally adjusted)[573]	$431	(11.3)%
Financial commercial paper outstanding (seasonally adjusted)[574]	601	4.03%
Nonfinancial commercial paper outstanding (seasonally adjusted)[575]	115	11.2%

[569] Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release: Commercial Paper Rates and Outstandings: Data Download Program* (Instrument: AA Asset-Backed Discount Rate, Frequency: Daily) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (hereinafter "Federal Reserve Release: Commercial Paper") (accessed Jan. 27, 2009); Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release: Commercial Paper Rates and Outstandings: Data Download Program* (Instrument: AA Nonfinancial Discount Rate, Frequency: Daily) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (accessed Jan. 27, 2010). In order to provide a more complete comparison, this metric utilizes a five-day average of the interest rate spread for the last five days of the month.

[570] Federal Reserve Release: Commercial Paper, *supra* note 569 (accessed Jan. 27, 2010). In order to provide a more complete comparison, this metric utilizes a five day average of the interest rate spread for the last five days of the month.

[571] Federal Reserve Release: Commercial Paper, *supra* note 569 (accessed Jan. 27, 2010).

[572] Federal Reserve Release: Commercial Paper, *supra* note 569 (accessed Jan. 27, 2010).

[573] Federal Reserve Release: Commercial Paper, *supra* note 569 (accessed Jan. 27, 2010).

[574] Federal Reserve Release: Commercial Paper, *supra* note 569 (accessed Jan. 27, 2010).

[575] Federal Reserve Release: Commercial Paper, *supra* note 569 (accessed Jan. 27, 2010).

- **Lending by the Largest TARP-recipient Banks.** Treasury's Monthly Lending and Intermediation Snapshot tracks loan originations and average loan balances for the 22 largest recipients of CPP funds across a variety of categories, ranging from mortgage loans to commercial real estate to credit card lines. The data below exclude lending by two large CPP-recipient banks, PNC Bank and Wells Fargo, because significant acquisitions by those banks since October 2008 make comparisons difficult.[576] In November, these 20 institutions originated $186.5 billion in loans, a decrease of 14 percent compared to October 2008.[577] The total average loan balance for these institutions decreased by 2.5 percent to $3.3 trillion in November.[578]

Figure 51: Lending by the Largest TARP-Recipient Banks (without PNC and Wells Fargo)[579]

Indicator	Most Recent Data (November 2009) *(millions of dollars)*	Percent Change Since October 2009	Percent Change Since October 2008
Total loan originations	$186,556	(0.25)%	(14.5)%
Total mortgage originations	55,227	1.07%	24.7%
Small Business Originations	4,586	(15)%	[580](10.3)%
Mortgage refinancing	32,519	6.9%	73.3%
HELOC originations (new lines & line increases)	1,954	(12.2)%	(58.9)%
C&I renewal of existing accounts	49,614	4.1%	(13.6)%
Total Equity Underwriting	30,600	4.8%	58.3%
Total Debt Underwriting	262,719	(13)%	(27)%

[576] PNC Financial and Wells Fargo purchased large banks at the end of 2008. PNC Financial purchased National City on October 24, 2008 and Wells Fargo completed its merger with Wachovia Corporation on January 1, 2009. The assets of National City and Wachovia are included as part of PNC and Wells Fargo, respectively, in Treasury's January lending report but are not differentiated from the existing assets or the acquiring banks. As such, there were dramatic increases in the total average loan balances of PNC and Wells Fargo in January 2009. For example, PNC's outstanding total average loan balance increased from $75.3 billion in December 2008 to $177.7 billion in January 2009. The same effect can be seen in Wells Fargo's total average loan balance of $407.2 billion in December 2008 which increased to $813.8 billion in January 2009. The Panel excludes PNC and Wells Fargo in order to have a more consistent basis of comparison across all institutions and lending categories.

[577] U.S. Department of the Treasury, Treasury Department Monthly Lending and Intermediation Snapshot: *Summary Analysis for November 2009* (Jan. 27, 2010) (online at www.financialstability.gov/docs/surveys/Snapshot_Data_November_2009.xls) (hereinafter "Treasury Snapshot for November 2009").

[578] Treasury Snapshot for November 2009, *supra* note 577.

[579] Treasury Snapshot for November 2009, *supra* note 577.

[580] Treasury only began reporting data regarding small business originations in its April Lending Survey, this number reflects the percent change since April 2009. Treasury Snapshot for November 2009, *supra* note 577.

- **Housing Indicators**. Foreclosure filings increased by fourteen percent from October to November, and are 25 percent above the October 2008 level. Housing prices, as illustrated by both the S&P/Case-Shiller Composite 20 Index and the FHFA House Price Index, increased slightly in November.

Figure 52: Housing Indicators

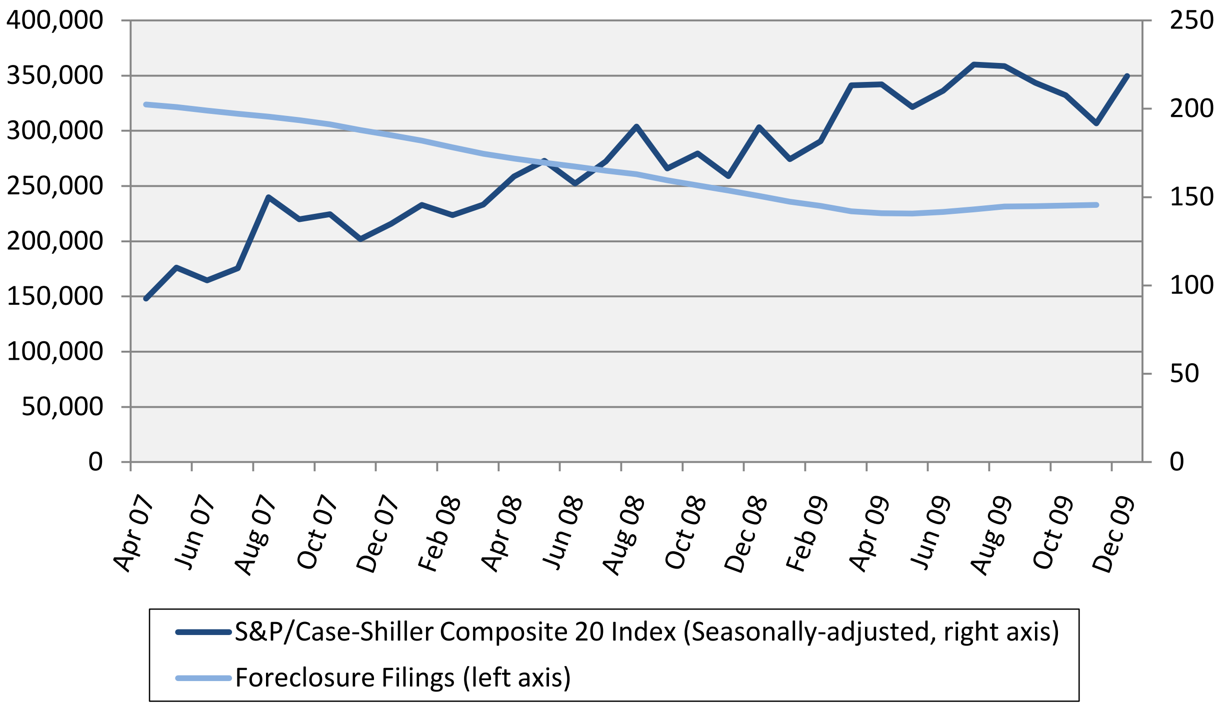
Indicator	Most Recent Monthly Data	Percent Change From Data Available at Time of Last Report	Percent Change Since October 2008
Monthly foreclosure filings[581]	349,519	14%	25%
Housing prices – S&P/Case-Shiller Composite 20 Index[582]	145.5	0.24%	(7.1)%
FHFA Housing Price Index[583]	200.4	0.07	(1.3)%

581 RealtyTrac, *Foreclosure Activity Press Releases* (online at www.realtytrac.com//ContentManagement/PressRelease.aspx) (hereinafter " Foreclosure Activity Press Releases") (accessed Jan. 27, 2010). Most recent data available for December 2009.

582 Standard & Poor's, *S&P/Case-Shiller Home Price Indices* (Instrument: Seasonally Adjusted Composite 20 Index) (online at www.standardandpoors.com/prot/servlet/BlobServer?blobheadername3=MDT-Type&blobcol=urldata&blobtable=MungoBlobs&blobheadervalue2=inline%3B+filename%3DSA_CSHomePrice_History_012659.xls&blobheadername2=Content-Disposition&blobheadervalue1=application%2Fexcel&blobkey=id&blobheadername1=content-type&blobwhere=1243643617751&blobheadervalue3=UTF-8) (hereinafter "S&P/Case-Shiller Home Price Indices") (accessed Jan. 27, 2010). Most recent data available for November 2009.

583 Federal Housing Finance Agency, *U.S. and Census Division Monthly Purchase Only Index* (Instrument: USA, Seasonally Adjusted) (online at www.fhfa.gov/webfiles/15368/MonthlyIndex_Jan1991_to_Latest.xls) (accessed Jan. 27, 2010). Most recent data available for November 2009.

Figure 53: Foreclosure Filings as Compared to the Case-Shiller 20 City Home Price Index (as of November 2009)[584]



- **Small Business Lending**. On February 5, 2010, federal and state financial agencies, including the Federal Reserve and FDIC, issued a statement highlighting the importance of prudent and productive small business lending. This statement urged institutions to focus their decision on a small business owner's business plan rather than basing the decision solely on economic and portfolio manager models. Furthermore, it stated that regulators will not adversely classify loans solely due to a borrower's specific industry or geographic location.[585] As figure 54 illustrates, new small business lending by the largest TARP participants has decreased more than 10 percent since Treasury began tracking this metric in April 2009.

[584] Foreclosure Activity Press Release, *supra* note 581 (accessed Jan. 27, 2010); S&P/Case-Shiller Home Price Indices, *supra* note 582 (accessed Jan. 27, 2010). Most recent data available for November 2009.

[585] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, Conference of State Bank Supervisors, *Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers* (Feb. 5, 2010) (online at www.fdic.gov/news/news/press/2010/pr10029a.pdf) ("As a general principle, examiners will not adversely classify loans solely due to a decline in the collateral value below the loan balance, provided the borrower has the willingness and ability to repay the loan according to reasonable terms. In addition, examiners will not classify loans due solely to the borrower's association with a particular industry or geographic location that is experiencing financial difficulties").

Figure 54: Small Business Lending by Largest TARP-Recipient Banks (without PNC and Wells Fargo)[586]

Indicator	Most Recent Monthly Data (November 2009) *(millions of dollars)*	Percent Change from Data Available at Time of Last Report	Percent Change Since April 2009
Small Business Lending Origination	$4,586	(15)%	(10.3)%
Small Business Lending Average Loan Balance	179,131	(0.4)%	(4.1)%

[586] Treasury Snapshot for November 2009, *supra* note 577.