



Congressional Oversight Panel

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May 13,  
2010

# Metrics for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's  
May 2010 report, "The Small Business Credit Crunch  
and the Impact of the TARP."

## 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 April report.

- **Interest Rate Spreads.** Interest rate spreads have risen slightly since the Panel's April report. The conventional mortgage spread, which measures the 30-year mortgage rate over 10-year Treasury bond yields, increased by 8.3 percent during April. The TED Spread, which is used as a proxy for perceived risk in the financial markets, increased by 62 percent in April.<sup>335</sup> The TED Spread has decreased 95 percent since the enactment of EESA. The interest rate spread for AA asset-backed commercial paper, which is considered mid-investment grade, has decreased by 15.2 percent since the Panel's April report. This metric, down 97 percent since the enactment of EESA, has nearly returned to pre-crisis levels. The interest rate spread on A2/P2 nonfinancial commercial paper, a lower-grade investment than AA asset-backed commercial paper, increased by 16 percent during April.

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<sup>335</sup> Measuring Perceived Risk – The TED Spread, *supra* note 40.

**Figure 12: Interest Rate Spreads**

<b>Indicator</b>	<b>Current Spread (as of 5/5/10)</b>	<b>Percent Change Since Last Report (4/14/10)</b>
Conventional mortgage rate spread <sup>336</sup>	1.3	8.3%
Overnight AA asset-backed commercial paper interest rate spread <sup>337</sup>	0.07	(15.2)%
Overnight A2/P2 nonfinancial commercial paper interest rate spread <sup>338</sup>	0.15	16%

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<sup>336</sup> 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](http://www.federalreserve.gov/releases/h15/data/Weekly_Thursday_/H15_MORTG_NA.txt)) (accessed May 5, 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](http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y10.txt)) (accessed May 5, 2010).

<sup>337</sup> 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](http://www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP)) (accessed May 5, 2010); 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](http://www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP)) (accessed May 5, 2010). In order to provide a more complete comparison, this metric utilizes the average of the interest rate spread for the last five days of the month.

<sup>338</sup> Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release: Commercial Paper Rates and Outstandings: Data Download Program* (Instrument: A2/P2 Nonfinancial Discount Rate, Frequency: Daily) (online at [www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP](http://www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP)) (accessed May 5, 2010). In order to provide a more complete comparison, this metric utilizes the average of the interest rate spread for the last five days of the month.

- Housing Indicators.** Both the Case-Shiller Composite 20-City Index as well as the FHFA Housing Price Index decreased slightly in February 2010. The Case-Shiller and FHFA indices remain 6.6 percent and 4.5 percent below the levels at the time EESA was enacted, and remain 6.6 percent below and 4.5 percent below, respectively, the levels at the time EESA was enacted. Foreclosure actions, which include default notices, scheduled auctions, and bank repossessions, increased by 19 percent from March. This metric has increased by 31 percent since the enactment of EESA.

**Figure 13: Housing Indicators**

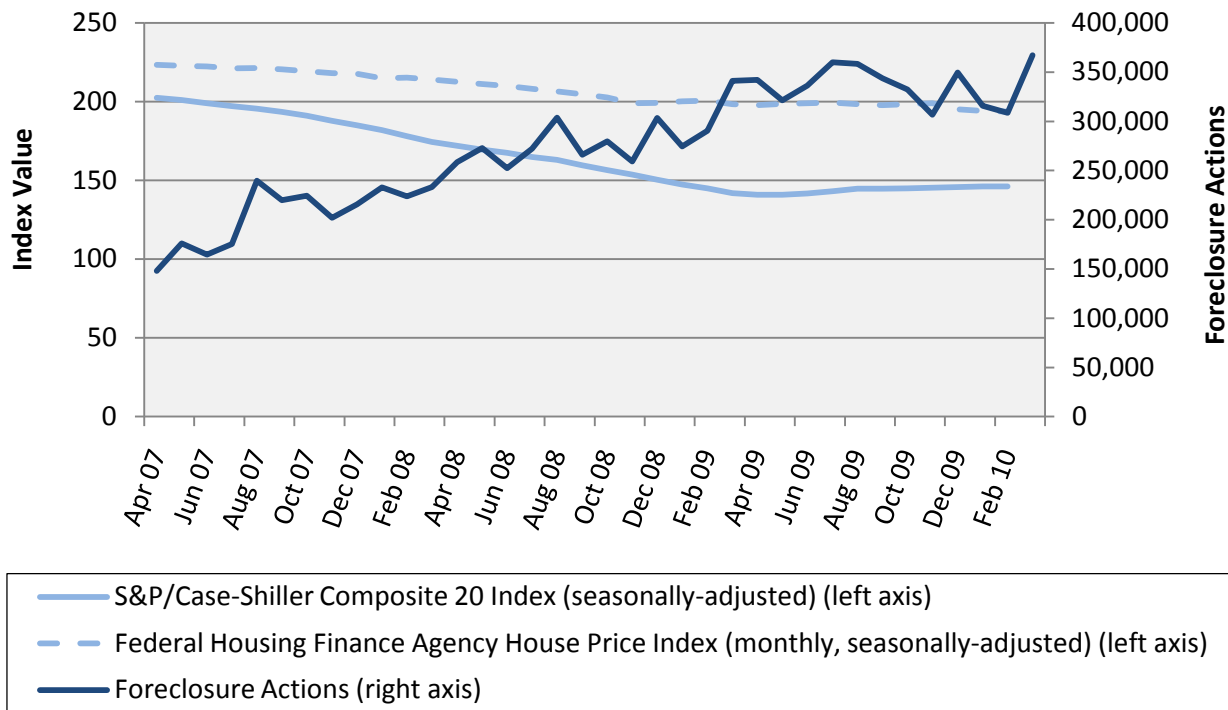
Indicator	Most Recent Monthly Data	Percent Change from Data Available at Time of Last Report	Percent Change since October 2008
Monthly foreclosure actions <sup>339</sup>	367,056	19%	31%
S&P/Case-Shiller Composite 20-City Index <sup>340</sup>	146.1	(.1)%	(6.6)%
FHFA Housing Price Index <sup>341</sup>	194	(.2)%	(4.5)%

<sup>339</sup> RealtyTrac, *Foreclosure Activity Press Releases* (online at [www.realtytrac.com/ContentManagement/PressRelease.aspx](http://www.realtytrac.com/ContentManagement/PressRelease.aspx)) (hereinafter “Foreclosure Activity Press Releases”) (accessed May 5, 2010). Most recent data available for March 2010.

<sup>340</sup> Standard & Poor’s, *S&P/Case-Shiller Home Price Indices* (Instrument: Seasonally Adjusted Composite 20 Index) (online at [www.standardandpoors.com/spf/docs/case-shiller/SA\\_CSHomePrice\\_History.xls](http://www.standardandpoors.com/spf/docs/case-shiller/SA_CSHomePrice_History.xls)) (hereinafter “S&P/Case-Shiller Home Price Indices”) (accessed May 5, 2010). Most recent data available for February 2010.

<sup>341</sup> Federal Housing Finance Agency, *U.S. and Census Division Monthly Purchase Only Index* (Instrument: USA, Seasonally Adjusted) (online at [www.fhfa.gov/webfiles/15669/MonthlyIndex\\_Jan1991\\_to\\_Latest.xls](http://www.fhfa.gov/webfiles/15669/MonthlyIndex_Jan1991_to_Latest.xls)) (hereinafter “U.S. and Census Division Monthly Purchase Only Index”) (accessed May 5, 2010). Most recent data available for February 2010.

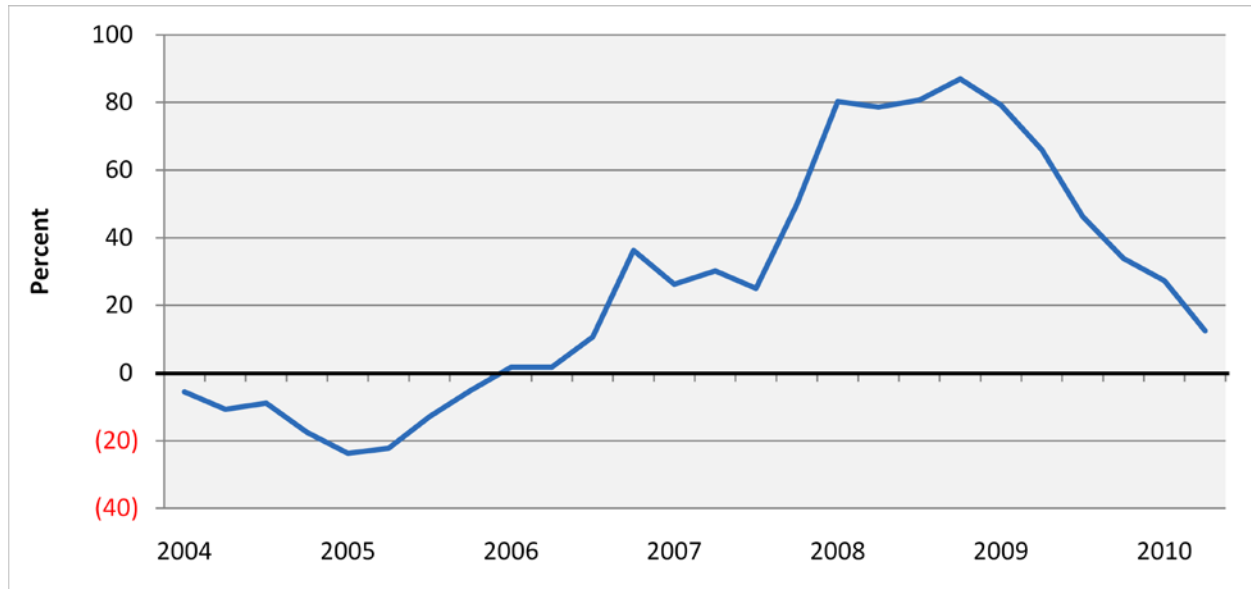
**Figure 14: Foreclosure Actions as Compared to the Housing Indices (as of February 2010)**<sup>342</sup>



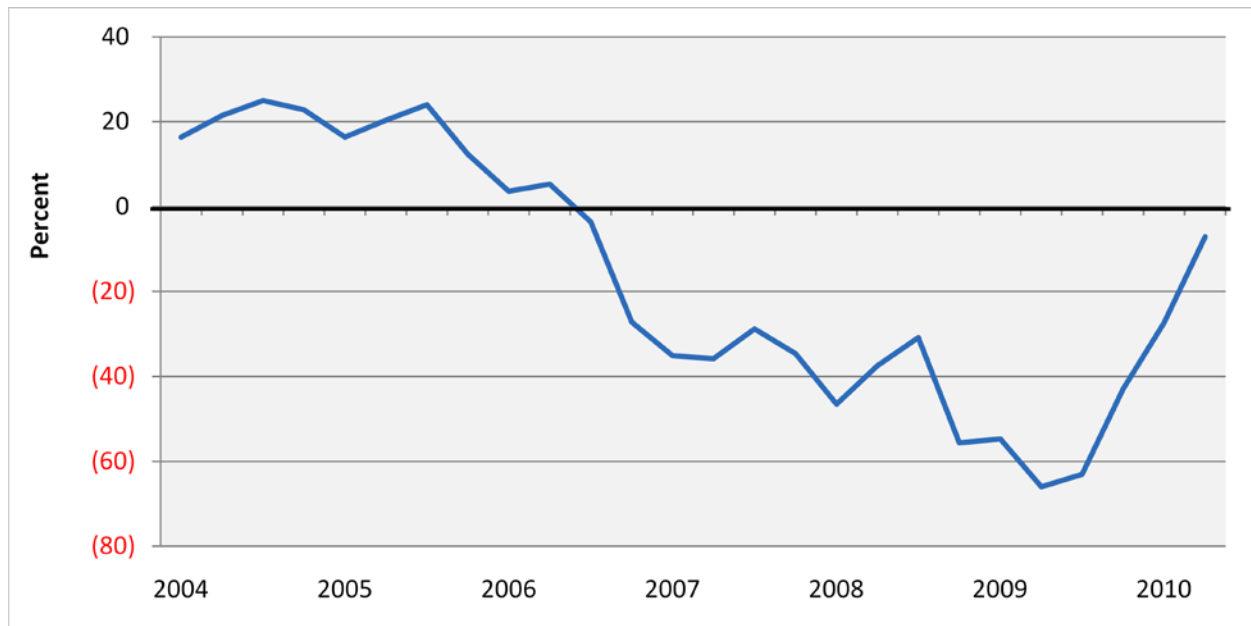
- Senior Loan Officer Survey.** On May 3, 2010, the Board of Governors of the Federal Reserve System released the results of its “Senior Loan Officer Opinion Survey on Bank Lending Practices.” While the survey results continued to reflect banks’ concerns regarding the current status of the commercial real estate (CRE) market, there was marked improvement in the respondents’ sentiments. Figure 15 shows the net percentage of survey respondents who reported tightening standards for CRE loans. While this metric was 12.5 percent during the Q2 2010 reporting period, signaling relatively tight standards for CRE lending, it is now at its lowest level since the Q3 2006 reporting period. Figure 16 further illustrates both the remaining apprehension in the CRE market as well as the relative improvement compared to the height of the crisis. Although the net percentage of respondents who reported stronger demand for CRE loans remains negative, the negative 7.1 percent figure for the Q2 2010 reporting period is the highest level that this measure has been since the Q3 2006 reporting period.

<sup>342</sup> Foreclosure Activity Press Releases, *supra* note 339 (accessed May 5, 2010); S&P/Case-Shiller Home Price Indices, *supra* note 340 (accessed May 5, 2010); U.S. and Census Division Monthly Purchase Only Index, *supra* note 341 (accessed May 5, 2010). The most recent data available for the housing indices is as of February 2010.

**Figure 15: Net Percentage of Domestic Respondents Tightening Standards for Commercial Real Estate Loans (as of Q2 2010)<sup>343</sup>**



**Figure 16: Net Percentage of Domestic Respondents Reporting Stronger Demand for Commercial Real Estate Loans (as of Q2 2010)<sup>344</sup>**

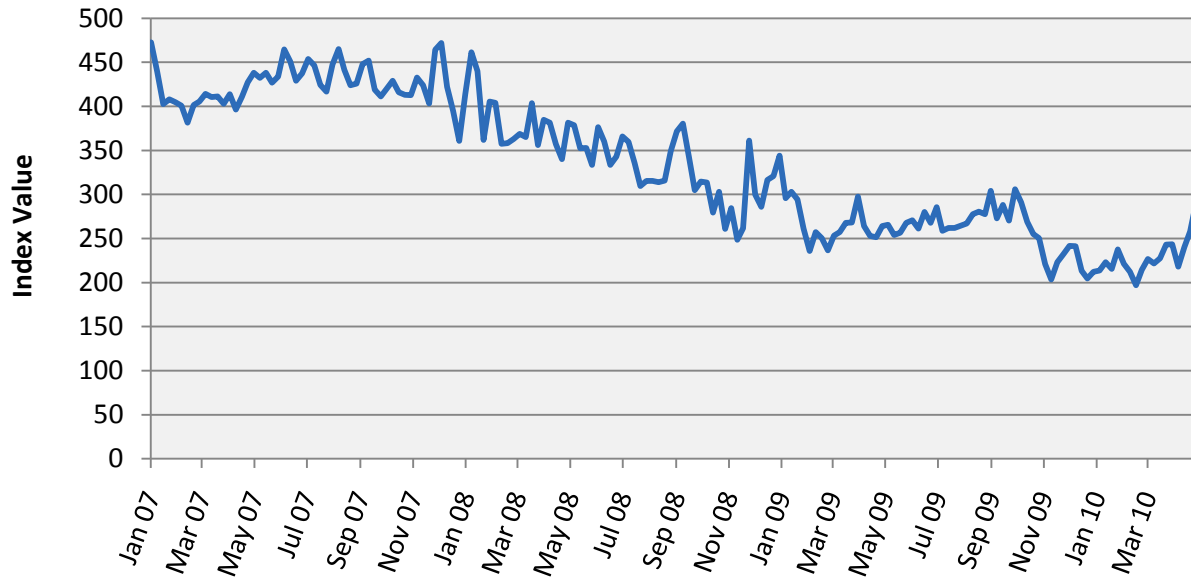


<sup>343</sup> April 2010 Senior Loan Officer Opinion Survey, *supra* note 19, at 6.

<sup>344</sup> April 2010 Senior Loan Officer Opinion Survey, *supra* note 19, at 6.

- Weekly Mortgage Application Survey.** The Mortgage Bankers Association (MBA) Weekly Mortgage Application Survey is comprised of 15 indices covering mortgage applications for a variety of loan types. As Figure 17 illustrates, there has been a marked increase in this measure since the beginning of the year. This metric has increased by 37 percent in 2010, a trend which many analysts ascribe in part to the impact of the Home Buyer Tax Credit, which expired on April 30, 2010.<sup>345</sup>

**Figure 17: MBA Weekly Applications Survey**<sup>346</sup>

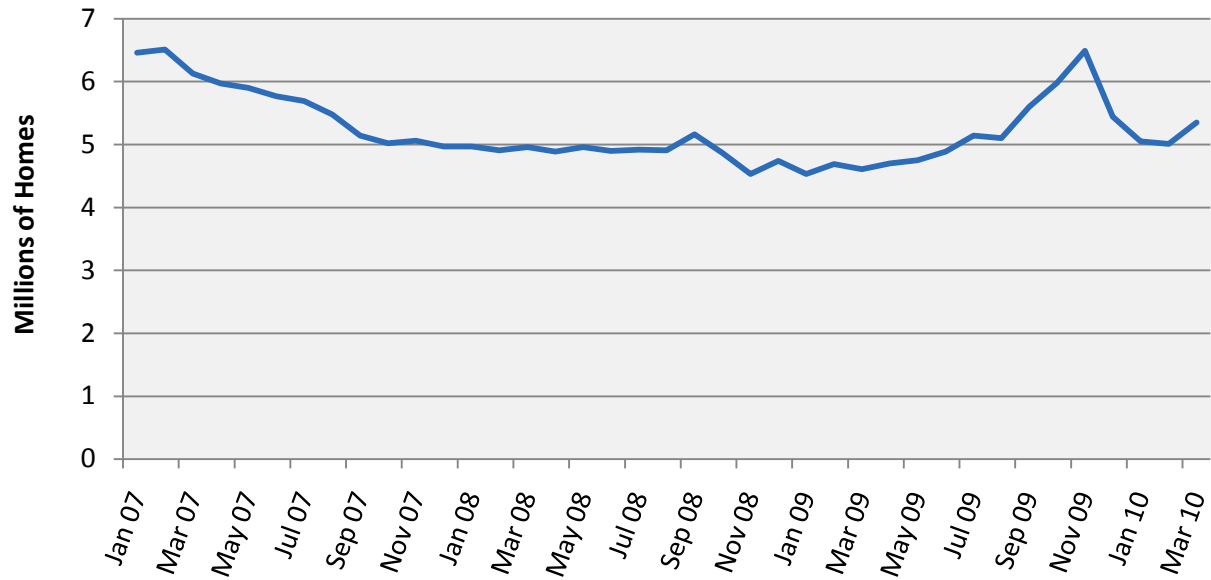


<sup>345</sup> Internal Revenue Service, *First-Time Homebuyer Credit* (May 3, 2010) (online at [www.irs.gov/newsroom/article/0,,id=204671,00.html?portlet=7](http://www.irs.gov/newsroom/article/0,,id=204671,00.html?portlet=7)).

<sup>346</sup> Mortgage Bankers Association, *Weekly Applications Survey* (online at [mortgagebankers.org/ResearchandForecasts/ProductsandSurveys/WeeklyApplicationSurvey](http://mortgagebankers.org/ResearchandForecasts/ProductsandSurveys/WeeklyApplicationSurvey)) (accessed May 7, 2010). Data accessed through Bloomberg Data Service.

- Existing Home Sales.** Existing home sales, as tracked by the National Association of Realtors, have increased six percent in 2010. There were 5.35 million existing home sales in March, a seven percent increase from the previous month. The monthly amount of existing home sales has increased 10 percent since the enactment of EESA in October 2008.

**Figure 18: Existing Home Sales**<sup>347</sup>



<sup>347</sup> National Association of Realtors, *Existing Home Sales* (online at [www.realtor.org/research/research/ehsdata](http://www.realtor.org/research/research/ehsdata)) (accessed May 5, 2010). Historical data provided by Bloomberg Data Service.