



Congressional Oversight Panel

June 9,
2009

Metrics for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's
June 2009 report, "Stress Testing and Shoring Up Bank
Capital."

TARP Metrics

The Panel's April oversight report highlighted 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 the EESA. The Panel's May oversight report described some significant movement that had occurred in a few of the indicators in the time between the Panel's April and May reports. This report highlights changes that have occurred in several indicators since the release of the Panel's May report.

- **Interest Rate Spreads.** Several key interest rate spreads have dropped significantly in recent weeks, most notably the 3-month and 1-month LIBOR-OIS spreads and the TED spread. The Fed attributes the moderation of many of these spreads to its lending programs as well as to the somewhat improved general economic outlook.²¹²

²¹² House Committee on the Budget, Testimony of Board of Governors of the Federal Reserve System Chairman Ben S. Bernanke, *Challenges Facing the Economy: The View of the Federal Reserve*, 111th Cong. (June 3, 2009) (online at budget.house.gov/hearings/2009/06.03.2009_Bernanke_Testimony.pdf).

Figure 7: Interest Rate Spreads

Indicator	Current Spread (as of 6/8/09)	Percent Change Since Last Report (5/7/09)
3 Month LIBOR-OIS Spread ²¹³	0.41	(45.06)%
1 Month LIBOR-OIS Spread ²¹⁴	(0.10)	(45.02)%
TED Spread ²¹⁵ (in basis points)	47.76	(38.67)%
Conventional Mortgage Rate Spread ²¹⁶	1.57	(6.55)%
Corporate AAA Bond Spread ²¹⁷	2.00	(15.25)%
Corporate BAA Bond Spread ²¹⁸	4.05	(21.51)%
Overnight AA Asset-backed Commercial Paper Interest Rate Spread ²¹⁹	0.18	(35.71)%
Overnight A2/P2 Nonfinancial Commercial Paper Interest Rate Spread ²²⁰	0.32	(23.81)%

²¹³ 3 Mo LIBOR-OIS Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS3:IND) (accessed June 8, 2009).

²¹⁴ 1 Mo LIBOR-OIS Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS1:IND) (accessed June 8, 2009).

²¹⁵ TED Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.TEDSP:IND) (accessed June 8, 2009).

²¹⁶ 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) (accessed June 8, 2009); 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) (accessed June 8, 2009) (hereinafter “Fed H.15 10-Year Treasuries”).

²¹⁷ 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 June 8, 2009); Fed H.15 10-Year Treasuries, *supra* note 216.

²¹⁸ 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 June 8, 2009); Fed H.15 10-Year Treasuries, *supra* note 216.

²¹⁹ 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) (accessed June 8, 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 June 8, 2009) (hereinafter “Fed CP AA Nonfinancial Rate”).

²²⁰ 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) (accessed June 8, 2009); Fed CP AA Nonfinancial Rate, *supra* note 219.

- **Commercial Paper Outstanding.** Commercial paper outstanding, a rough measure of short-term business debt, is an indicator of the availability of credit for enterprises. Levels of financial, nonfinancial, and asset-backed commercial paper continued to decline in May, indicating a sustained tightening of credit for businesses.

Figure 8: Commercial Paper Outstanding

Indicator	Current Level (as of 6/8/09) <i>(billions of dollars)</i>	Percent Change Since Last Report (5/7/09)
Asset-Backed Commercial Paper Outstanding (seasonally adjusted) ²²¹	557.4	(10.55)%
Financial Commercial Paper Outstanding (seasonally adjusted) ²²²	530.5	(10.80)%
Nonfinancial Commercial Paper Outstanding (seasonally adjusted) ²²³	156.7	(2.85)%

²²¹ Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release: Commercial Paper Rates and Outstandings: Data Download Program* (Instrument: Asset-Backed Commercial Paper Outstanding, Frequency: Weekly) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (accessed June 8, 2009).

²²² Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release: Commercial Paper Rates and Outstandings: Data Download Program* (Instrument: Financial Commercial Paper Outstanding, Frequency: Weekly) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (accessed June 8, 2009).

²²³ Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release: Commercial Paper Rates and Outstandings: Data Download Program* (Instrument: Nonfinancial Commercial Paper Outstanding, Frequency: Weekly) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (accessed June 8, 2009).

- Lending by the Largest TARP Recipient Banks.** Treasury’s Monthly Lending and Intermediation Snapshot tracks loan originations and average loan balances for the 21 largest recipients of CPP funds across a variety of categories, ranging from mortgage loans to commercial and industrial loans to credit card lines. Originations increased across all categories of bank lending in March when compared to February;²²⁴ however, Treasury notes that this could be due to the three additional business days in March or to a seasonal increase in loan activity in the closing days of a quarter.²²⁵ A continued spike in refinancing activity is particularly noteworthy. Changes in average loan balances were relatively minor from February to March, with mortgage and other consumer loan balances up modestly and home equity, credit card, consumer and industrial loan, and commercial real estate loan balances down over the period.²²⁶ The data below exclude lending by two large CPP-recipient banks, PNC Bank and Wells Fargo, because significant acquisitions by those banks since last October make comparisons difficult.

Figure 9: Lending by the Largest TARP Recipient Banks

Indicator	Most Recent Data (March 2009) <i>(billions of dollars)</i>	Percent Change Since February 2009	Percent Change Since October 2008
Total Loan Originations	220.2	30.80%	0.91%
Mortgage Refinancing	53.1	11.04%	183.04%
Total Average Loan Balances	3,390.2	(0.96)%	(0.95)%

²²⁴ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot Data for October 2008 - March 2009* (May 15, 2009) (online at www.financialstability.gov/docs/surveys/Snapshot_Data_March%202009.xls) (hereinafter “Treasury Snapshot March Summary Data”).

²²⁵ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot: March Summary Analysis* (May 15, 2009) (online at www.financialstability.gov/docs/surveys/SnapshotAnalysisMarch2009.pdf) (hereinafter “Treasury March Snapshot”).

²²⁶ *Id.*

- Loans and Leases Outstanding of Domestically Chartered Banks.** Weekly data from the Federal Reserve Board track fluctuations among different categories of bank assets and liabilities. The Federal Reserve Board data are useful in that they separate out large domestic banks and small domestic banks. Loans and leases outstanding for large and small domestic banks have remained largely flat over the past month, with both falling slightly.²²⁷ However, while total loans and leases outstanding at large domestic banks have dropped by over three percent since EESA was enacted, total loans and leases outstanding at small domestic banks have increased by 1.37 percent over that time period.²²⁸

Figure 10: Loans and Leases Outstanding

Indicator	Current Level (as of 6/8/09) <i>(billions of dollars)</i>	Percent Change Since Last Report (5/7/09)	Percent Change Since ESSA Signed into Law (10/3/08)
Large Domestic Banks – Total Loans and Leases	\$3,984.8	(0.13)%	(3.32)%
Small Domestic Banks – Total Loans and Leases	2,480.3	(0.14)%	1.37%

²²⁷ Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.8: Assets and Liabilities of Commercial Banks in the United States: Historical Data* (Instrument: Assets and Liabilities of Large Domestically Chartered Commercial Banks in the United States, Seasonally adjusted, adjusted for mergers, billions of dollars) (online at www.federalreserve.gov/releases/h8/data.htm) (accessed June 8, 2009).

²²⁸ Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.8: Assets and Liabilities of Commercial Banks in the United States: Historical Data* (Instrument: Assets and Liabilities of Small Domestically Chartered Commercial Banks in the United States, Seasonally adjusted, adjusted for mergers, billions of dollars) (online at www.federalreserve.gov/releases/h8/data.htm) (accessed June 8, 2009).

- Housing Indicators.** Foreclosure filings stayed relatively level from March to April, increasing by a modest 0.25 percent, while remaining markedly above the level of last October. Housing prices, as illustrated by the S&P/Case-Shiller Composite 20 Index, continued to dip in March. The index is down over ten percent since October 2008.

Figure 11: Housing Indicators

Indicator	Most Recent Monthly Data	Percent Change From Data Available at Time of Last Report (5/7/09)	Percent Change Since October 2008
Monthly Foreclosure Filings ²²⁹	342,038	0.25%	22.35%
Housing Prices - S&P/Case-Shiller Composite 20 Index ²³⁰	141.35	(2.17)%	(10.02)%

²²⁹ RealtyTrac, *Foreclosure Activity Press Releases* (online at www.realtytrac.com/ContentManagement/PressRelease.aspx) (accessed June 8, 2009).

²³⁰ Standard & Poor's, *S&P/Case-Shiller Home Price Indices* (Instrument: Seasonally Adjusted Composite 20 Index) (online at www2.standardandpoors.com/spf/pdf/index/SA_CSHomePrice_History_052619.xls) (accessed June 8, 2009).