



Congressional Oversight Panel

July 10,
2009

Metrics for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's
July 2009 report, "TARP Repayments, Including the
Repurchase of Stock Warrants."

TARP Metrics

In recent months, the Panel’s oversight reports have 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. This section discusses changes that have occurred in several indicators since the release of the Panel’s June report.

- **Interest Rate Spreads.** Key interest rate spreads have leveled off to some extent following precipitous drops between the Panel’s May and June oversight reports. While there was no general pattern in interest rate spread movement in recent weeks (some decreased modestly while others increased modestly), spreads remain well below the crisis levels seen late last year, and Treasury and Federal Reserve officials continue to cite the moderation of these spreads as a key indicator of a stabilizing economy.²⁰²

Figure 6: Interest Rate Spreads

Indicator	Current Spread (as of 7/9/09)	Percent Change Since Last Report (6/8/09)
3-Month LIBOR-OIS Spread ²⁰³	0.31	(24.39)%
1-Month LIBOR-OIS Spread ²⁰⁴	0.11	10.00%
TED Spread ²⁰⁵ (in basis points)	32.94	(31.03)%
Conventional Mortgage Rate Spread ²⁰⁶	1.79	14.01%
Corporate AAA Bond Spread ²⁰⁷	1.87	(6.50)%

²⁰² See Congressional Oversight Panel, Testimony of Assistant Treasury Secretary for Financial Stability Herbert Allison, Jr., *Hearing with Assistant Treasury Secretary Herbert Allison* (June 24, 2009) (online at cop.senate.gov/hearings/library/hearing-062409-allison.cfm) (“There are tentative signs that the financial system is beginning to stabilize and that our efforts have made an important contribution. Key indicators of credit market risk, while still elevated, have dropped substantially”).

²⁰³ *3 Mo LIBOR-OIS Spread*, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS3:IND) (accessed July 9, 2009).

²⁰⁴ *1 Mo LIBOR-OIS Spread*, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS1:IND) (accessed July 9, 2009).

²⁰⁵ *TED Spread*, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.TEDSP:IND) (accessed July 9, 2009).

²⁰⁶ 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 July 9, 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 July 9, 2009) (hereinafter “Fed H.15 10-Year Treasuries”).

Corporate BAA Bond Spread ²⁰⁸	3.65	(9.88)%
Overnight AA Asset-backed Commercial Paper Interest Rate Spread ²⁰⁹	0.18	0.00%
Overnight A2/P2 Nonfinancial Commercial Paper Interest Rate Spread ²¹⁰	0.27	(15.63)%

²⁰⁷ 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 July 9, 2009); Fed H.15 10-Year Treasuries, *supra* note 206.

²⁰⁸ 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 July 9, 2009); Fed H.15 10-Year Treasuries, *supra* note 206.

²⁰⁹ 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 July 9, 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 July 9, 2009) (hereinafter “Fed CP AA Nonfinancial Rate”).

²¹⁰ 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 July 9, 2009).

- Commercial Paper Outstanding.** Commercial paper outstanding, a rough measure of short-term business debt, is an indicator of the availability of credit for enterprises. While financial commercial paper outstanding saw an increase last month, asset-backed and nonfinancial commercial paper levels have continued to drop, with both falling by nearly 20 percent since early June.

Figure 7: Commercial Paper Outstanding

Indicator	Current Level (as of 7/9/09) <i>(billions of dollars)</i>	Percent Change Since Last Report (6/8/09)
Asset-Backed Commercial Paper Outstanding (seasonally adjusted) ²¹¹	\$456.75	(18.06)%
Financial Commercial Paper Outstanding (seasonally adjusted) ²¹²	554.15	4.46%
Nonfinancial Commercial Paper Outstanding (seasonally adjusted) ²¹³	125.49	(19.89)%

- 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 decreased across nearly all categories of bank lending in April when compared to March.²¹⁴ Lenders surveyed by Treasury attribute this decline in originations to seasonality and a decrease in demand.²¹⁵ The dramatic drop in commercial and industrial and commercial real estate

²¹¹ 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 July 9, 2009).

²¹² 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 July 9, 2009).

²¹³ 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 July 9, 2009).

²¹⁴ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot Data for October 2008 - April 2009* (June 15, 2009) (online at www.financialstability.gov/docs/surveys/Snapshot_Data_April%202009.xls) (hereinafter “Treasury Snapshot April Summary Data”).

²¹⁵ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot : Summary Analysis for April 2009* (June 15, 2009) (online at www.financialstability.gov/docs/surveys/SnapshotAnalysisApril2009.pdf) (hereinafter “Treasury April Lending Snapshot”).

originations is particularly noteworthy, with originations in both categories decreasing by over 30 percent. Banks reported that demand for these commercial loans was well below normal levels; further, banks predicted that this lower demand would continue through the remainder of the second quarter of 2009.²¹⁶ Average loan balances fell across all categories from March to April, with banks reporting that borrowers are paying down existing debt.²¹⁷ 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 8: Lending by the Largest TARP-recipient Banks

Indicator	Most Recent Data (April 2009) <i>(millions of dollars)</i>	Percent Change Since March 2009	Percent Change Since October 2008
Total Loan Originations	\$199,284	(9.48)%	(8.66)%
C&I New Commitments	32,488	(37.15)%	(44.89)%
CRE New Commitments	3,470	(30.78)%	(67.03)%
Mortgage Refinancing	49,009	(7.74)%	161.13%
Total Average Loan Balances	3,358,294	(0.94)%	(1.88)%

²¹⁶ *Id.*

²¹⁷ *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 both fell last month.²¹⁸ However, total loans and leases outstanding at small domestic banks remain slightly above last October's level, while total loans and leases outstanding at large banks have dropped by over 4.4 percent since that time.²¹⁹

Figure 9: Loans and Leases Outstanding

Indicator	Current Level (as of 7/9/09) (billions of dollars)	Percent Change Since Last Report (6/8/09)	Percent Change Since ESSA Signed into Law (10/3/08)
Large Domestic Banks – Total Loans and Leases	\$3,939.9	(1.13)%	(4.41)%
Small Domestic Banks – Total Loans and Leases	2,449.0	(1.26)%	0.09%

- **Housing Indicators.** Foreclosure filings fell by roughly six percent from April to May, while remaining nearly 15 percent above the level of last October. Housing prices, as illustrated by the S&P/Case-Shiller Composite 20 Index, continued to dip in April. The index is remains down over ten percent since October 2008.

Figure 10: Housing Indicators

Indicator	Most Recent Monthly Data	Percent Change From Data Available at Time of Last Report (6/8/09)	Percent Change Since October 2008
Monthly Foreclosure Filings ²²⁰	321,480	(6.01)%	14.99%
Housing Prices – S&P/Case-Shiller Composite 20 Index ²²¹	140.1	(0.88)%	(10.82)%

²¹⁸ 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 July 9, 2009).

²¹⁹ 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 July 9, 2009).

²²⁰ RealtyTrac, *Foreclosure Activity Press Releases* (online at www.realtytrac.com/ContentManagement/PressRelease.aspx) (accessed July 9, 2009).

²²¹ 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_063055.xls) (accessed July 9, 2009).