



Congressional Oversight Panel

September 9,
2009

Metrics for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight
Panel's September 2009 report, "The Use of TARP
Funds in the Support and Reorganization of the
Domestic Automotive Industry."

TARP Metrics

The Panel continues to monitor a variety of financial market indicators that provide insight into the current economic conditions. In recent months, the Panel's oversight reports have highlighted a number of metrics that the Panel and others, including Treasury, 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 August report.

- **Interest Rate Spreads.** Key interest rate spreads have continued to flatten since the Panel's August report. Numerous officials have cited tightening credit spreads as a sign of the improving economy.⁵⁸⁹ It is of particular note that the 3 Month LIBOR-OIS spread, an important measure of the cost of capital, has nearly rebounded to its pre-crisis level of .09 in January 2007.⁵⁹⁰

⁵⁸⁹ *Herbert Allison COP Testimony, supra* note 470. Allison noted that “[t]here 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.”

⁵⁹⁰ *3 Mo LIBOR-OIS Spread*, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS3:IND) (accessed Aug. 31, 2009).

Figure 12: Interest Rate Spreads

Indicator	Current Spread (as of 8/31/09)	Percent Change Since Last Report (8/05/09)
3 Month LIBOR-OIS Spread ⁵⁹¹	0.17	(37.04)%
1 Month LIBOR-OIS Spread ⁵⁹²	0.09	0%
TED Spread ⁵⁹³ (in basis points)	20.75	(29.08)%
Conventional Mortgage Rate Spread ⁵⁹⁴	1.66	5.06%
Corporate AAA Bond Spread ⁵⁹⁵	1.76	1.73%
Corporate BAA Bond Spread ⁵⁹⁶	3.08	(4.94)%
Overnight AA Asset-backed Commercial Paper Interest Rate Spread ⁵⁹⁷	0.24	14.29%
Overnight A2/P2 Nonfinancial Commercial Paper Interest Rate Spread ⁵⁹⁸	0.16	(11.11)%

⁵⁹¹ 3 Mo LIBOR-OIS Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS3:IND) (accessed Aug. 31, 2009).

⁵⁹² 1 Mo LIBOR-OIS Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS1:IND) (accessed Aug. 31, 2009).

⁵⁹³ TED Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.TEDSP:IND) (accessed Aug. 31, 2009).

⁵⁹⁴ Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.15: Selected Interest Rates: Historical Data* (Instrument: Conventional Mortgages, Frequency: Weekly) (accessed July 9, 2009) (online at www.federalreserve.gov/releases/h15/data/Weekly_Thursday_/H15_MORTG_NA.txt); 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) (accessed July 9, 2009) (online at www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y10.txt) (hereinafter “Fed H.15 10-Year Treasuries”).

⁵⁹⁵ 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 Aug. 31, 2009); Fed H.15 10-Year Treasuries, *supra* note 594.

⁵⁹⁶ 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 Aug. 31, 2009); Fed H.15 10-Year Treasuries, *supra* note 594.

⁵⁹⁷ 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 Aug. 31, 2009) (hereinafter “Fed CP AA Nonfinancial Rate”).

⁵⁹⁸ 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 Aug. 31, 2009); Fed CP AA Nonfinancial Rate, *supra* note 597.

- 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 asset-backed commercial paper outstanding had a modest increase since the last report, the total outstanding is still more than 55 percent below its level in January 2007.⁵⁹⁹ Financial commercial paper outstanding increased in June, leaving the measure less than 20 percent below its January 2007 level.⁶⁰⁰

Figure 13: Commercial Paper Outstanding

Indicator	Current Level (as of 8/31/09) <i>(billions of dollars)</i>	Percent Change Since Last Report (8/05/09)
Asset-Backed Commercial Paper Outstanding (seasonally adjusted) ⁶⁰¹	\$457.8	4.56%
Financial Commercial Paper Outstanding (seasonally adjusted) ⁶⁰²	579.7	12.03%
Nonfinancial Commercial Paper Outstanding (seasonally adjusted) ⁶⁰³	116.7	(5.66)%

⁵⁹⁹ 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) (accessed Aug. 31, 2009) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (hereinafter “Fed CP and Asset-Backed Commercial Paper Outstanding”).

⁶⁰⁰ 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) (accessed Aug. 31, 2009) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (hereinafter “Fed CP and Financial CP Outstanding”).

⁶⁰¹ *Fed CP and Asset-Backed Commercial Paper Outstanding*, *supra* note 599.

⁶⁰² *Fed CP and Financial CP*, *supra* note 600.

⁶⁰³ 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) (accessed Aug. 31, 2009) (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP).

- 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 nearly all categories of bank lending in June when compared to May.⁶⁰⁴ Lenders surveyed by Treasury attribute this increase to attractive rates that increased mortgage originations.⁶⁰⁵ The return of mortgage originations to October 2008 levels is due in large measure to the increase in mortgage refinancings, which comprise over 63 percent of mortgage originations since that date.⁶⁰⁶ The noticeable increases in commercial, industrial, and commercial real estate originations are particularly noteworthy, with originations in both categories increasing by over 20 percent.⁶⁰⁷ Average loan balances decreased by one percent from June to May, with banks reporting that borrowers are paying down existing debt.⁶⁰⁸ 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 14: Lending by the Largest TARP-recipient Banks⁶⁰⁹

Indicator	Most Recent Data (June 2009) <i>(millions of dollars)</i>	Percent Change Since May 2009	Percent Change Since October 2008
Total Loan Originations	\$226,898	13.28%	4.00%
Mortgage Total Originations	89,703	15.31%	102.53%
Commercial Real Estate New Commitments	3,701	24.6%	(64.83)%
Commercial & Industrial New Commitments	40,978	22.4%	(30.5)%
Total Average Loan Balances	3,311,902	(0.76)%	(3.24)%

⁶⁰⁴ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot Data for October 2008 - April 2009* (Aug. 31, 2009) (online at www.financialstability.gov/docs/surveys/Snapshot_Data_June%202009.xls).

⁶⁰⁵ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot: Summary Analysis for June 2009* (Aug. 31, 2009) (online at www.financialstability.gov/docs/surveys/SnapshotAnalysisJune2009.pdf).

⁶⁰⁶ *Id.*

⁶⁰⁷ *Id.*

⁶⁰⁸ *Id.*

⁶⁰⁹ *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 because they separate out large domestic banks and small domestic banks. Loans and leases outstanding for large and small domestic banks both fell last month.⁶¹⁰ However, total loans and leases outstanding at small domestic banks remain near last October's level, while total loans and leases outstanding at large banks have dropped by over 6.7 percent since that time.⁶¹¹

Figure 15: Loans and Leases Outstanding⁶¹²

Indicator	Current Level (as of 8/31/09) <i>(billions of dollars)</i>	Percent Change Since Last Report (8/5/09)	Percent Change Since EESA Signed into Law (10/3/08)
Large Domestic Banks - Total Loans and Leases	\$3,780	(1.13)%	(6.73)%
Small Domestic Banks - Total Loans and Leases	2,496	(.86)%	(.87)%

- **Housing Indicators.** Foreclosure filings increased by roughly seven percent from May to June and are roughly 25 percent above the level of last October. Housing prices, as measured by the S&P/Case-Shiller Composite 20 Index, increased slightly in June. The index remains down over 10 percent since October 2008.

Figure 16: Housing Indicators

Indicator	Most Recent Monthly Data	Percent Change From Data Available at Time of Last Report (8/5/09)	Percent Change Since October 2008
Monthly Foreclosure Filings ⁶¹³	360,149	7.13%	28.8%
Housing Prices - S&P/Case-Shiller Composite 20 Index ⁶¹⁴	141.3	.86%	(10.05)%

⁶¹⁰ 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) (accessed Aug. 31, 2009) (online at www.federalreserve.gov/releases/h8/data.htm).

⁶¹¹ *Id.*

⁶¹² *Id.*

⁶¹³ RealtyTrac, *Foreclosure Activity Press Releases* (accessed Aug. 31, 2009) (online at www.realtytrac.com/ContentManagement/PressRelease.aspx). The most recent data available is for July 2009.

⁶¹⁴ Standard & Poor's, *S&P/Case-Shiller Home Price Indices* (Instrument: Seasonally Adjusted Composite 20 Index) (accessed Aug. 31, 2009) (online at

www2.standardandpoors.com/spf/pdf/index/SA_CSHomePrice_History_082562.xls). The most recent data available is for June 2009.