



Congressional Oversight Panel

November 6,
2009

Metrics for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's
November 2009 report, "Guarantees and Contingent
Payments in TARP and Related Programs."

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 October report.

- **Interest Rate Spreads.** Interest rate spreads continue to flatten. Interest rates on overnight commercial paper have returned to near pre-crisis levels. The interest rate spread for AA asset-backed commercial paper, which is considered mid-investment grade, has decreased by 23 percent since the Panel's October report. The TED Spread, which is the difference between three month LIBOR and the three month Treasury Bill rate, increased by 16 percent during the same period. Contrary to the other key metrics presented here, increases in the TED Spread signify a contraction of liquidity in the market. This measure, however, still remains 94 percent below its October 3, 2008 level (see Figure 15 below).

Figure 15: Interest Rate Spreads

Indicator	Current Spread (as of 10/28/09)	Percent Change Since Last Report (10/09/09)
3 month LIBOR-OIS spread ¹	0.11	-12.2%
1 month LIBOR-OIS spread ²	0.09	-5.5%
TED spread ³ (in basis points)	23.2	16.1%
Conventional mortgage rate spread ⁴	1.57	4%
Corporate AAA bond spread ⁵	1.73	1.17%
Corporate BAA bond spread ⁶	2.87	1.06%
Overnight AA asset-backed commercial paper interest rate spread ⁷	0.20	-23.1%
Overnight A2/P2 nonfinancial commercial paper interest rate spread ⁸	0.13	-7.1%

¹ 3 Mo LIBOR-OIS Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS3:IND) (accessed October 28, 2009).

² 1 Mo LIBOR-OIS Spread, Bloomberg (online at www.bloomberg.com/apps/quote?ticker=.LOIS1:IND) (accessed October 28, 2009).

³ TED Spread, SNL Financial.

⁴ 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 October 28, 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 October 28, 2009) (hereinafter "Fed H.15 10-Year Treasuries").

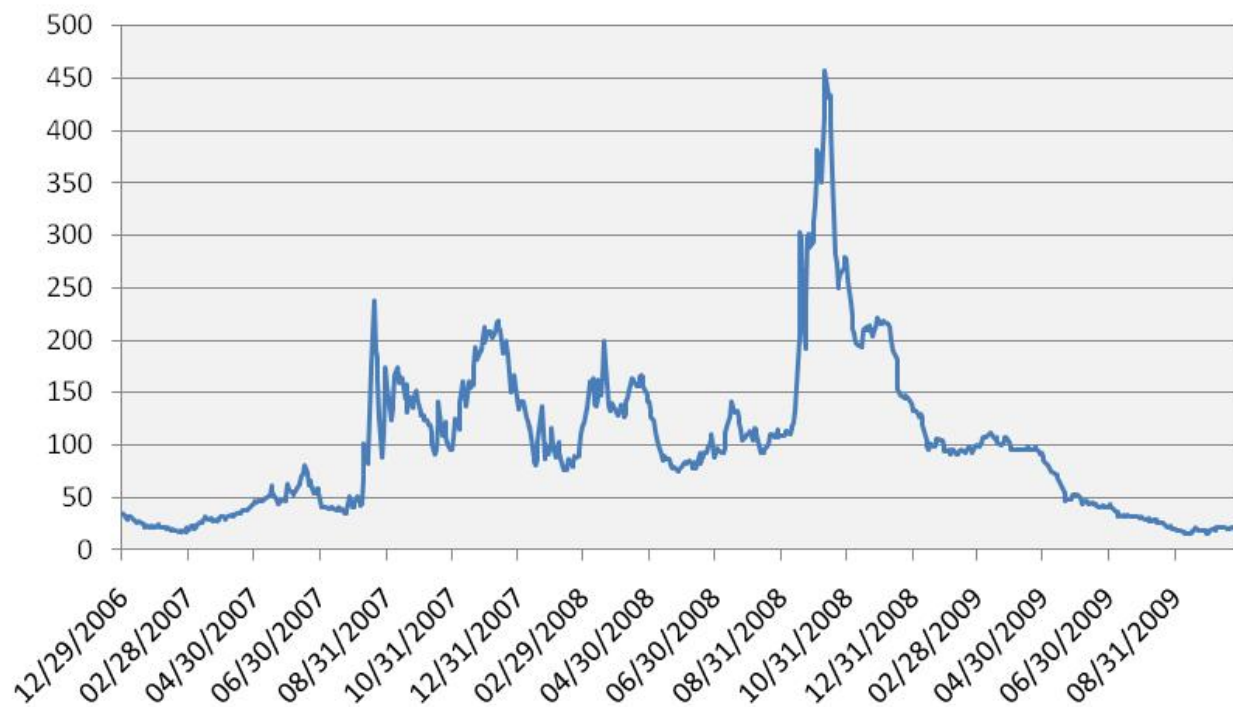
⁵ Board of Governors of the Federal Reserve System, *Federal Reserve Statistical Release H.15: Selected Interest Rates: Historical Data* (Instrument: Corporate Bonds/Moody's Seasoned AAA, Frequency: Weekly) (online at www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_AAA_NA.txt) (accessed October 28, 2009); Fed H.15 10-Year Treasuries, *supra* note 410.

⁶ 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 October 28, 2009); Fed H.15 10-Year Treasuries, *supra* note 410.

⁷ 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 October 28, 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 October 28, 2009) (hereinafter "Fed CP AA Nonfinancial Rate").

⁸ 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,

Figure 16: TED Spread Since December 29, 2006 (in basis points)⁹



- 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 non-financial commercial paper outstanding increased by over 25 percent since the last report, the total outstanding is still 25 percent below its level in January 2007.¹⁰

Frequency: Daily (online at www.federalreserve.gov/DataDownload/Choose.aspx?rel=CP) (accessed October 28, 2009); Fed CP AA Nonfinancial Rate, *supra* note 413.

⁹ SNL Financial, *Historical Dividend Yield Values, 3 Month Libor* (online at www1.snl.com/InteractiveX/history.aspx?RateList=1&Tabular=True&GraphType=2&Frequency=0&TimePeriod2=11&BeginDate=12%2F29%2F06&EndDate=11%2F4%2F2009&SelectedYield2=YID%3A63&ctl00%24ctl09%24IndexPreference=default&ComparisonIndex2=0&ComparisonYield2=1&CustomIndex=0&ComparisonTicker2=&Action=Apply) (accessed Nov. 5, 2009); SNL Financial, *Historical Dividend Yield Values, 3 Month Treasury Bill* (online at www1.snl.com/InteractiveX/history.aspx?RateList=1&Tabular=True&GraphType=2&Frequency=0&TimePeriod2=11&BeginDate=12%2F29%2F06&EndDate=11%2F4%2F2009&SelectedYield2=YID%3A63&ctl00%24ctl09%24IndexPreference=default&ComparisonIndex2=0&ComparisonYield2=1&CustomIndex=0&ComparisonTicker2=&Action=Apply) (accessed Nov. 5, 2009).

¹⁰ 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 Oct. 28, 2009).

Financial commercial paper outstanding increased again in October, returning the measure to its January 2007 level.¹¹

Figure 17: Commercial Paper Outstanding

Indicator	Current Level (as of 10/28/09) <i>(billions of dollars)</i>	Percent Change Since Last Report (10/09/09)
Asset-backed commercial paper outstanding (seasonally adjusted) ¹²	\$548.6	5.04%
Financial commercial paper outstanding (seasonally adjusted) ¹³	683.3	13.4%
Nonfinancial commercial paper outstanding (seasonally adjusted) ¹⁴	133.2	25.5%

- 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. Originations decreased across nearly all categories of bank lending in August when compared to July.¹⁵ Lenders surveyed by Treasury attribute this decrease to bank charge-offs, outstanding debt payments, decreased demand from borrowers, and natural seasonal

¹¹ 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 Oct. 28, 2009).

¹² 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 October 28, 2009).

¹³ 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 October 28, 2009).

¹⁴ 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 October 28, 2009).

¹⁵ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot Data for October 2008 - August 2009* (Aug. 31, 2009) (online at www.financialstability.gov/docs/surveys/Snapshot_Data_August_2009.xls) (accessed Nov. 5, 2009).

patterns.¹⁶ Average loan balances decreased by approximately one percent from July to August while total loan originations declined by over 16 percent during that same period.

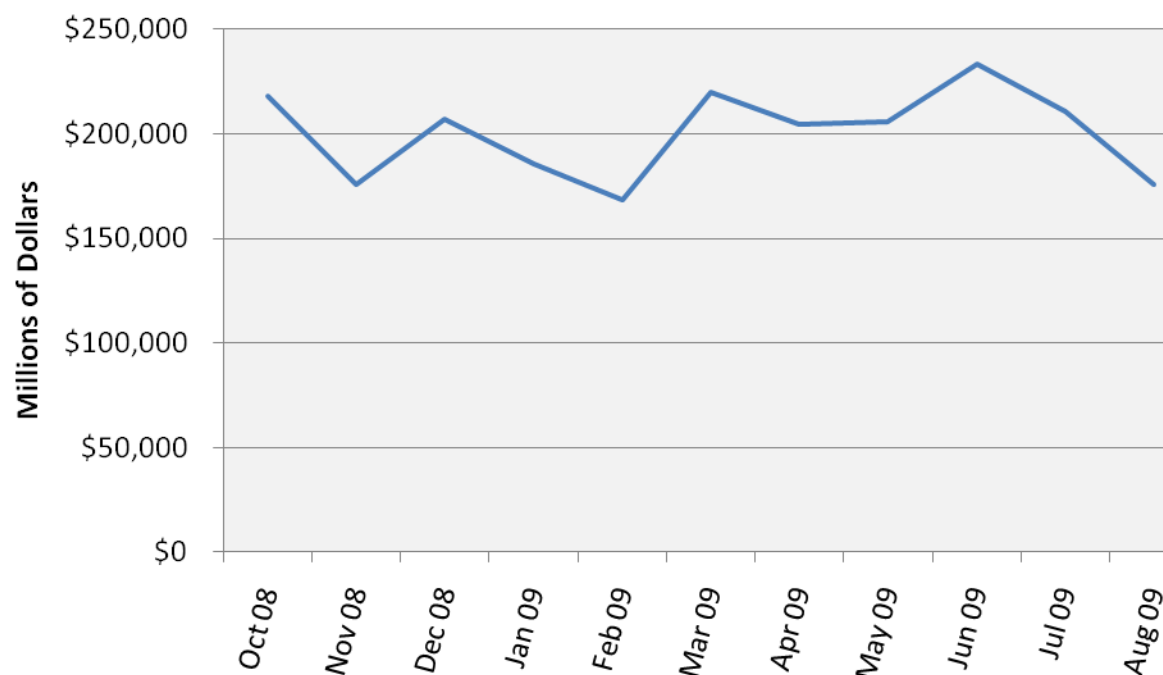
Figure 18: Lending by the Largest TARP-Recipient Banks (without PNC and Wells Fargo)¹⁷

Indicator	Most Recent Data (August 2009) <i>(millions of dollars)</i>	Percent Change Since July 2009	Percent Change Since October 2008
Total loan originations	\$175,850	-16.5%	-19.4%
Total mortgage originations	61,181	-19%	38.1%
Mortgage new home purchases	23,614	-8%	10.3%
Mortgage refinancing	35,201	-25.2%	87.6%
HELOC originations (new lines & line increases)	2,216	-10.8%	-53.4%
C&I renewal of existing accounts	44,148	-21.9%	-23.1%
C&I new commitments	26,431	-17.8%	-55.2%
Total average loan balances	\$3,398,679	-0.89%	-0.7%

¹⁶ U.S. Department of the Treasury, *Treasury Department Monthly Lending and Intermediation Snapshot: Summary Analysis for August 2009* (Oct. 28, 2009) (online at www.financialstability.gov/docs/surveys/Snapshot%20Analysis%20August%202009%20Data%2010%2014%2009.pdf).

¹⁷ Treasury August Lending Snapshot, *supra* note 422.

Figure 19: Top 22 CPP-Recipients, Total Loan Originations (without PNC and Wells Fargo)



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

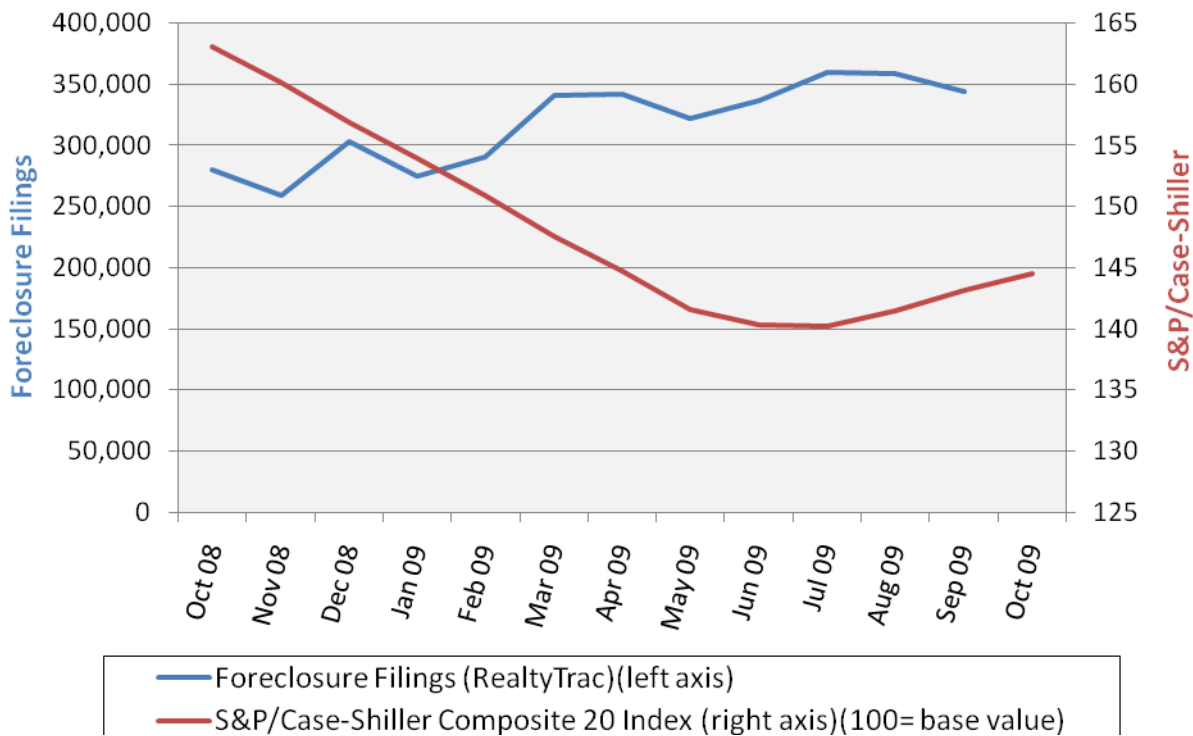
Figure 20: Housing Indicators

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 ¹⁸	343,638	-4.1%	22.9%
Housing prices – S&P/Case-Shiller Composite 20 Index ¹⁹	144.5	.97%	-7.9%

¹⁸ RealtyTrac, *Foreclosure Activity Press Releases* (online at www.realtytrac.com/ContentManagement/PressRelease.aspx) (accessed Oct. 28, 2009). Most recent data available for September 2009.

¹⁹ 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_102706.xls) (accessed Oct. 28, 2009). Most recent data available for August 2009.

Figure 21: Foreclosure Filings as Compared to the Case-Shiller 20 City Home Price Index (as of August 2009) (millions of dollars)²⁰



- Commercial Real Estate.** The commercial real estate market has continued to deteriorate since the Panel’s last report. New CRE lending by the top 22 CPP recipients has decreased by over 71 percent since the enactment of EESA. A recent Goldman Sachs report notes that rent growth in this market declined at an annualized rate of 8.7 percent in the second quarter and estimates that there will be a total of \$287 billion in aggregated losses.²¹ Furthermore, the Federal Reserve’s recently released quarterly survey of senior loan officers reported that the net percentage of respondents reporting weaker demand for CRE loans was 63 percent during the third quarter of 2009.²²

²⁰ RealtyTrac, *Foreclosure Activity Press Releases* (online at www.realtytrac.com/ContentManagement/PressRelease.aspx) (accessed Oct. 28, 2009); 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_102706.xls) (accessed Oct. 28, 2009).

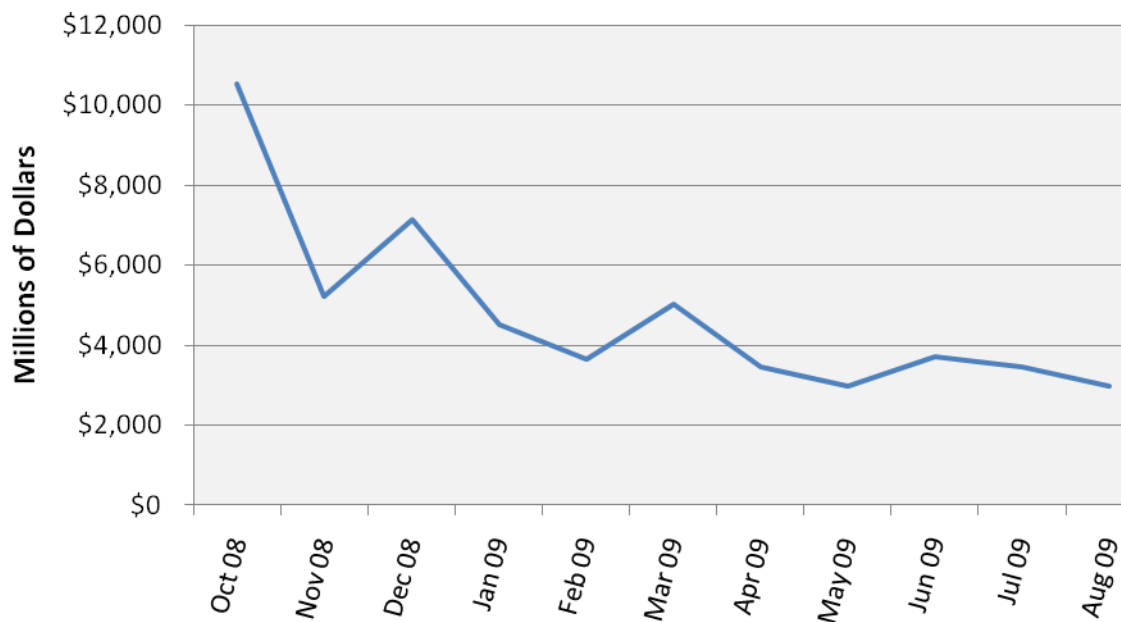
²¹ The Goldman Sachs Group, Inc., *US Commercial Real Estate Take III: Reconstructing Estimates for Losses, Timing* (Sept. 29, 2009).

²² Board of Governors of the Federal Reserve System, *The July 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices* (online at www.federalreserve.gov/boarddocs/snloansurvey/200908/fullreport.pdf) (accessed Nov. 4, 2009).

Figure 22: Commercial Real Estate Lending by Top 22 CPP Recipients (without PNC and Wells Fargo)²³

Indicator	Current Level (as of 8/31/09) <i>(millions of dollars)</i>	Percent Change Since Last Report (10/9/09)	Percent Change Since ESSA Signed into Law (10/3/08)
CRE New Commitments	\$2,982	-13.4%	-71.7%
CRE Renewal of Existing Accounts	8,246	-20%	-8.3%
CRE Average Total Loan Balance	377,433	0.43%	0.69%

Figure 23: Top 22 CPP-Recipients, CRE New Commitments (without PNC and Wells Fargo)²⁴



²³ Treasury August Lending Snapshot, *supra* note 422.

²⁴ Treasury August Lending Snapshot, *supra* note 422.