

Financial Stability Plan

Sponsor: U.S. Treasury

Key Dates:

Announced: February 10, 2009

Additional Information:

www.financialstability.gov

Summary:

- New Administration's Stability Plan, partner to stimulus package
- Programs to be launched in close partnership with FDIC and Federal Reserve
- Announced coordination effort with OCC, OTS as well
- Six components of plan – only outlines currently available

Information Needed:

- Scope of each program
- Sources of funds
- Detailed plans
- Clearer understanding of applicability of executive compensation requirements

Financial Stability Trust

- Entity to hold investments in financial institutions
- Federal banking regulators will perform balance sheet "stress tests" on largest banking institutions with over \$100 billion assets as of December 31, 2008
- Institutions needing additional capital will have access to federal capital pending receipt of private investments
- "CAP" program will provide capital, held by the trust
- Entities receiving CAP funds would be subject to executive compensation rules

Public-Private Investment Fund

- Acquire "troubled assets" from financial institutions
- Private – public partners with FDIC, Federal Reserve and Treasury
- Treasury seeking input from market participants
- Unclear if guarantees, aggregator bank or combination of both
- Indications that private entities would establish prices of troubled assets acquired by the fund

Consumer and Business Lending Initiative

- Expansion of Term Asset-based Securities Lending Facility (TALF) (see TALF reference guide)
- Program size (up to \$1 trillion) and scope (to include commercial real estate assets) to be expanded

Transparency and Accountability Agenda

- Prospective not retroactive
- Recipients of funds to disclose use of each dollar through plan submission and monthly reporting
- Unclear if this applies to crisis programs by all agencies or just Treasury
- Capital recipients must agree to use mortgage foreclosure mitigation program being developed
- Crisis fund recipients, until government repaid, unless consent obtained:
 - Limited to one penny dividends
 - Cannot repurchase privately-held shares
 - Cannot acquire healthy firms
- Subject to executive compensation requirements announced Feb 4, 2009
- Extensive use of stability plan web site expected (see above)

Affordable Housing Support and Foreclosure Prevention Plan Titled - Making Home Affordable

- Plan to reduce mortgage rates, reduce mortgage payments
 - Ongoing purchases of GSE debt and GSE MBS by Treasury and Federal Reserve (Treasury purchases are under pre-existing authority, do not deplete TARP funds)
 - Treasury extended its commitments to each of Fannie Mae and Freddie Mac from \$100 billion each to \$200 billion
- Establishment of new mortgage modification guidelines, leveraging FDIC plan – details announced March 4, 2009
- Rebuild Hope for Homeowners and FHA rules
- \$75 billion commitment (Administration committed \$50 billion when requesting additional TARP resources from Congress)
 - Funds to be used for "Pay for Success" incentives to servicers, borrowers and lenders/investors under Home Affordable Modification program
 - Dollar-for-dollar loss sharing with investors/lenders for reductions in DTI ratio from 38% to 31% using Treasury modification guidelines

Small Business and Community Lending Initiative

- Purchase AAA-rated SBA loans to unfreeze secondary market (TALF)
- Increase SBA guarantee from 75% to 90%
- Reduce fees for two SBA programs
- Increase SBA funding
- Reduce burden of loan review process at SBA