

Bank TARP Programs Profitable

TARP Losses Stem from Non-Banks

TARP met its primary goal of restoring stability in our financial system through Treasury's **successful and profitable investments** in generally healthy banks. However, TARP was later expanded beyond banks to cover losses of auto companies, AIG, and mortgage modification programs. These secondary non-bank programs have generated **all** of the expected TARP losses. ***Had TARP been limited to banks, there would be no taxpayer losses – only a significant profit.***

➤ Bank Repayments Far Outpace Those of Non-Banks

Treasury invested \$248 billion in over 700 banks of all sizes and has received back \$214 billion in principal, interest, dividends, and warrant proceeds. However, non-banks have returned only \$14 billion of the \$244 billion spent on their programs, as AIG has yet to pay any dividends. ***The banking industry should not be required to pay for the losses of the non-bank TARP programs.***

➤ Treasury Earned \$24 Billion Profit from Banks

“[E]very one of its programs aimed at stabilizing the banking system... will earn a profit thanks to dividends, interest, early repayments, and the sale of warrants.” – U.S. Treasury press release, Dec. 9, 2009. According to a Treasury spokesman, “almost all of the \$24 billion in profits TARP has realized to date has emanated from the banking sector.”¹ Taxpayers have already earned a significant return – **9.9 percent** – on the Bank TARP investments that have been repaid according to the Congressional Oversight Panel.² In fact, the ***Treasury's investments in banks were so effective that they yielded 5.5 percent more than the S&P 500*** returned over the same period.³

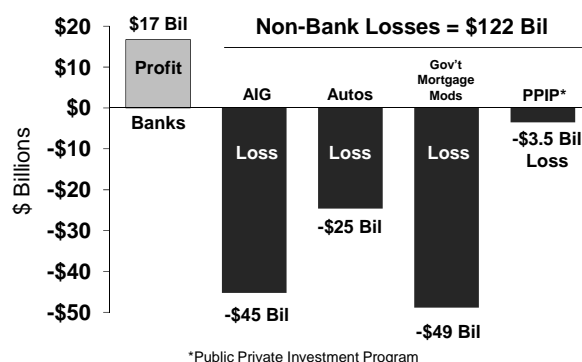
➤ All TARP Losses from Non-Banks

A March report from Treasury showed that non-bank TARP programs were expected to generate losses totaling \$122 billion, while the bank investments are set to return billions in profit to the taxpayers.

➤ Any Tax is Premature as Final Cost Still Unknown

The law requires a report on TARP losses in **2013**, so that there would be a clearer picture of the magnitude and source of losses. Revisions in Treasury's cost estimates, including a \$224 billion reduction in just six months, highlight the challenge of such forecasting. Treasury stated, bank programs “that were initially projected to cost \$76 billion are now projected to bring a profit of \$19 billion,” a level of profit that was exceeded months after the report.⁴

Behind TARP's \$105 Billion Loss



Source: Treasury. Forecasted figures for the duration of TARP as of 3/31/2010. TG-713

¹ “Return on Banks Receiving TARP Payments Exceed S&P Financials Index, Study Reports,” Daily Report for Executives, BNA, July 8, 2010.

² July Oversight Report, Congressional Oversight Panel, July 14, 2010.

³ “TARP Tracker. 66th Ed.,” Keefe, Bruyette & Woods Inc., July 6, 2010.

⁴ Treasury press release TG-436, December 9, 2009.