Bank Programs Return Significant Profits

"[A]ssistance to banks, once thought to cost taxpayers untold billions,
is on track to actually reap billions in profits for the taxpaying public."
- President Barack Obama, December 2009[1]

Every program involving banks has resulted in a profit to the taxpayers. There is a great deal of misunderstanding about the cost of financial crisis programs, particularly those that relate to banks. The assistance to ***non-banks*** – GM, Chrysler, Fannie Mae, Freddie Mac, and AIG – has caused losses. However, the bank programs – TARP's bank investments, FDIC's debt guarantee program, and the Federal Reserve's liquidity facilities – have all generated profits for the taxpayer.

TARP's Bank Programs – Profits Over $20 Billion

TARP's bank programs will ultimately provide a profit of over $20 billion, according to a recent Treasury release.[2] Treasury Secretary Geithner stated, "We estimate that in the aggregate, major bank stabilization programs funded through TARP will yield a positive net return… thanks to dividends, interest, early repayments, and the sale of warrants."[3] TARP's bank programs, often misperceived as causing losses, have already provided a significant return of 10.0 percent according to the Congressional Oversight Panel.[4] TARP's nonbank programs are responsible for all expected losses.

FDIC's Debt Guarantee Program – Revenue Over $9 Billion

To support liquidity in the banking system, the FDIC guaranteed newly-issued bank debt for up to three years in duration under the Temporary Liquidity Guarantee Program (TLGP). Through fees and surcharges, the FDIC collected over $9 billion in revenue, after covering minimal losses. No new debt can be issued under the TLGP, which closed on October 31, 2009, and the FDIC noted "[future] losses through the end of the…guarantee period in 2012 are expected to be limited."[5] The FDIC programs, including deposit insurance, are fully the responsibility of the banking industry with no taxpayer money or expenses involved.

Federal Reserve Programs – Record Profits of Over $81 Billion in 2010

The Federal Reserve transferred to Treasury $79.3 billion of net income on its record 2010 profit of $81.7 billion.[6] This marks the largest profit on record dating back to the creation of the Fed in 1914. The increase in profit was due primarily to interest income earned on securities and interest on credit extended to stabilize the financial system. The $79.3 billion profit transferred to the Treasury was a direct benefit to the taxpayer as it reduced the federal deficit.

"[T]axpayers are being repaid at a substantial profit by banks."
- Secretary of the Treasury Tim Geithner, December 2009[7]

[1] Speech at The Brookings Institution, December 8, 2009. Link.
[2] U.S. Department of the Treasury Press Release July 5, 2011. Link.
[3] Testimony before the Congressional Oversight Panel, December 10, 2009. Link.
[4] Congressional Oversight Panel Final Report, March 16, 2011.
[5] FDIC 2010 Annual Report. Link.
[6] Federal Reserve's Independent Auditors Report, March 22, 2011. Link.
[7] U.S. Department of the Treasury Press Release, December 10, 2009. Link.