99% of Banks' TARP Dividends Paid On Time

Non-Banks Causing the Losses

TARP was successful in restoring stability in our financial system through Treasury's ***successful and profitable investments*** in banks. Committed to repaying Treasury, banks have paid ***99 percent of dividends on time***, resulting in large profits for the taxpayers. However, high unemployment, suppressed economic growth, and continued real estate strain in many markets have precluded some banks from making scheduled dividend payments. Yet these missed payments are small and there is great potential to recoup these sums in the future. A Treasury spokesman explains that despite some suspended payments "almost all of the…profits TARP has realized to date has emanated from the banking sector."[1]

- **TARP Earned Over $20 Billion in Profits from Banks**
  Through August, nearly 600 banks paid $13.2 billion in dividends and interest. Combined with revenue from warrant auctions and stock sales, Treasury has earned over $20 billion in profit from the banking industry, a ***9.9 percent*** return according to the Congressional Oversight Panel.[2] In fact, the ***Treasury's investments in banks were so effective that they yielded 5.5 percent <u>more</u> than the S&P 500*** returned over the same period.[3]

- **Banks' Missed Dividends Are Only One Percent of What Was Due**
  Balancing the obligations to pay dividends with the need to support stability and lending during these difficult economic times, some institutions have decided – and in some cases required by their regulator – to preserve capital through temporarily suspending dividends. One hundred and thirty five institutions, holding only 2 percent of Treasury's investments, ***postponed $141 million of the $13.3 billion*** in scheduled dividends, or ***1 percent of what was due***.

- **Banks Have Already <u>Repaid</u> $42 Million in Previously Skipped Payments**
  Banks remain committed to their TARP obligations, having ***already repaid $42 million in previously skipped payments***. In fact, 92 percent of the suspended dividend payments are cumulative, meaning the bank is required to pay this dividend in the future. Thus, a skipped payment should not be interpreted as a loss on the TARP investment.

- **Weak Local Economies Explain Missed Dividends**
  California, followed by Florida, are home to the most banks that have postponed dividend payments, not surprising as consumers, businesses, and banks in these states have endured greater real estate and economic stress than other areas. Two California TARP banks have failed, resulting in losses of $302 million, an amount easily absorbed by the over **$20 billion return Treasury has earned through banks' dividends, interests, and warrants.**

- **Non-Banks Causing TARP Losses and Missing Dividends**
  The non-bank TARP programs are responsible for all of the TARP losses. For instance, insurance company AIG, a participant in one of the non-bank TARP programs, owes over $1.6 billion in dividends, or ***11 times more than the missed dividends owed by the banking industry***. Further, the bankruptcy of CIT, a non-bank financial firm, resulted in a loss of Treasury's $2.33 billion TARP investment and $29 million in unpaid dividends. Treasury made the distinction between the profitable bank programs and the costly non-bank programs saying, "every 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.

[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.