



Financial Stability Plan Summary

On Tuesday, February 10, Treasury Secretary Timothy Geithner announced the Obama Administration's revamped version of the Troubled Assets Relief Program (TARP), which has been renamed the Financial Stability Plan. In his remarks, Secretary Geithner acknowledged the importance of boosting the credit markets, but noted that the plan will "cost money, involve risk, and take time." He also emphasized that the core principles of the plan will be transparency and accountability. Details are expected over coming weeks, but Treasury released an outline of the plan, which is summarized below. TIAA-CREF Government Relations will continue to monitor this issue closely.

Financial Stability Trust. In order to manage investments made in financial institutions, the Treasury will set up the Financial Stability Trust. Companies in need of funds will receive them with the understanding that they are a "capital buffer" intended primarily to serve as a bridge to obtaining additional capital from private markets. Before receiving funds from the trust, institutions will need to pass a stress test to ensure they are healthy enough to actually lend money and survive further potential market declines.

Public-Private Investment Fund. The Treasury, in partnership with the FDIC and the Federal Reserve, will establish a Public-Private Investment Fund to help financial institutions remove so-called "toxic assets" from their balance sheets. The goal of this fund is to minimize the disbursement of public funds by using them to leverage private capital. This will maximize the use of private funds in purchasing these assets, which in turn will allow the private sector to set the price for assets currently considered illiquid.

Term Asset-Backed Securities Loan Facility (TALF). The TALF, originally established to allow the Federal Reserve to absorb student loans, auto loans and credit card debt, will be expanded to allow for investments in additional assets including securities backed by commercial real estate. TALF purchases will be limited to AAA rated securities and will focus on new loans in an effort to boost lending.

Transparency and Accountability. Institutions requesting assistance will be required to outline how they plan to use the funds before receiving them. Once institutions receive funds, they will then need to submit monthly reports to the Treasury as to how the funds are being used. A new [web site](#) has been set up to make this information available to the public. Recipients of government funds will be subject to additional requirements including limits on executive compensation, mandatory foreclosure mitigation programs, and refraining from acquiring healthy banks before fully repaying government loans.

Housing Support and Foreclosure Prevention. While Secretary Geithner did not initially discuss specifics about mortgage relief, on Wednesday, February 18, President Obama announced details about the Administration's plan for helping homeowners. The plan will provide four to five million homeowners with access to low-cost refinancing, set aside \$75 billion to help prevent foreclosures for at-risk homeowners, and take steps to strengthen confidence in Fannie Mae and Freddie Mac.