



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

1-16-2009

Treasury Announces TARP Investments in Chrysler Financial

United States: Department of the Treasury

<https://elischolar.library.yale.edu/ypfs-documents/1410>

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact ypfs@yale.edu.



Treasury Announces TARP Investments in Chrysler Financial

1/16/2009

To view or print the PDF content on this page, download the free [Adobe® Acrobat® Reader®](#).

HP-1362

Washington, DC –The Treasury Department today announced that it will make a \$1.5 billion loan to a special purpose entity created by Chrysler Financial to finance the extension of new consumer auto loans as part of a broader program to assist the domestic automotive industry in becoming financially viable.

The five year loan will pay interest at a rate of one month LIBOR + 100 basis points for the first year and one month LIBOR + 150 basis points for years two to five. Treasury's loan will be secured by a senior secured interest in a pool of newly originated consumer automotive loans, and Chrysler Holding will serve as a guarantor for certain covenants of Chrysler Financial.

Under the agreement Chrysler Financial must be in compliance with the executive compensation and corporate governance requirements of Section 111 of the Emergency Economic Stabilization Act, as well as enhanced restrictions on executive compensation.

The special purpose entity created by Chrysler Financial will issue warrants to Treasury in the form of additional notes in an amount equal to 5 percent of the total size of the loan. The additional notes will vest 20 percent on the closing date and 20 percent on each anniversary of the closing date and will have other terms similar to the loan.

Treasury exercised this funding authority under the Emergency Economic Stabilization Act's Troubled Asset Relief Program (TARP). The investment was made under the [Automotive Industry Financing Program](#).

REPORTS

- [Term Sheet](#) 