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Guidelines for Automotive Industry Financing Program (AIFP)

United States: Department of the Treasury

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Guidelines
for
Automotive Industry Financing Program

Justification

The objective of this program is to prevent a significant disruption of the American automotive industry that poses a systemic risk to financial market stability and will have a negative effect on the real economy of the United States. The program will require steps be taken by participating firms to implement plans that achieve long-term viability.

Eligibility Considerations

The United States Department of the Treasury will determine eligibility of participants and allocation of resources under the Emergency Economic Stabilization Act (EESA) pursuant to the Program. Institutions will be considered for participation in the Automotive Industry Financing Program on a case-by-case basis. In determining whether an institution is eligible for participation, Treasury may consider, among other things:

1. The importance of the institution to production by, or financing of, the American automotive industry;
2. Whether a major disruption of the institution's operations would likely have a materially adverse effect on employment and thereby produce negative spillover effects on overall economic performance;
3. Whether the institution is sufficiently important to the nation's financial and economic system that a major disruption of its operations would, with a high probability, cause major disruptions to credit markets and significantly increase uncertainty or losses of confidence, thereby materially weakening overall economic performance; and
4. The extent and probability of the institution's ability to access alternative sources of capital and liquidity, whether from the private sector or other sources of U.S. government funds.

In making these judgments, Treasury will obtain and consider information from a variety of sources and will take into account recommendations received from regulatory bodies, as applicable, that could provide insight into the potential consequences of the failure of a particular institution.

Form, Terms, and Conditions of Treasury Investment

Treasury will determine the form, terms, and conditions of any investment made pursuant to this program on a case-by-case basis in accordance with the considerations mandated in EESA. Treasury may invest in any financial instrument, including debt, equity, or warrants, that the Secretary of the Treasury determines to be a troubled asset, after consultation with the Chairman of the Board of Governors of the Federal Reserve System and notice to Congress. Treasury will require any institution participating in this program to provide Treasury with warrants or alternative consideration, as necessary, to minimize the long-term costs and maximize the benefits to the taxpayers in accordance with EESA. Treasury will also require any institution participating in the program to adhere to rigorous executive compensation standards. In addition, Treasury will consider other measures, including limitations on the institution's expenditures, or other corporate governance requirements, to protect the taxpayers' interests.

These program guidelines are being published in accordance with the requirements of Section 101(d) of EESA.