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FACT SHEET: Proposed Treasury Authority to Purchase Troubled Assets

United States: Department of the Treasury

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U.S. DEPARTMENT OF THE TREASURY

Press Center

FACT SHEET: Proposed Treasury Authority to Purchase Troubled Assets

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Washington – The Treasury Department has submitted legislation to the Congress requesting authority to purchase troubled assets from financial institutions in order to promote market stability, and help protect American families and the US economy. This program is intended to fundamentally and comprehensively address the root cause of our financial system's stresses by removing distressed assets from the financial system. When the financial system works as it should, money and capital flow to and from households and businesses to pay for home loans, school loans and investments that create jobs. As illiquid mortgage assets block the system, the clogging of our financial markets has the potential to significantly damage our financial system and our economy, undermining job creation and income growth. The following description reflects Treasury's proposal as of Saturday afternoon.

Scale and Timing of Asset Purchases. Treasury will have authority to issue up to \$700 billion of Treasury securities to finance the purchase of troubled assets. The purchases are intended to be residential and commercial mortgage-related assets, which may include mortgage-backed securities and whole loans. The Secretary will have the discretion, in consultation with the Chairman of the Federal Reserve, to purchase other assets, as deemed necessary to effectively stabilize financial markets. Removing troubled assets will begin to restore the strength of our financial system so it can again finance economic growth. The timing and scale of any purchases will be at the discretion of Treasury and its agents, subject to this total cap. The price of assets purchases will be established through market mechanisms where possible, such as reverse auctions. The dollar cap will be measured by the purchase price of the assets. The authority to purchase expires two years from date of enactment.

Asset and Institutional Eligibility for the Program. To qualify for the program, assets must have been originated or issued on or before September 17, 2008. Participating financial institutions must have significant operations in the U.S., unless the Secretary makes a determination, in consultation with the Chairman of the Federal Reserve, that broader eligibility is necessary to effectively stabilize financial markets.

Management and Disposition of the Assets. The assets will be managed by private asset managers at the direction of Treasury to meet program objectives. Treasury will have full discretion over the management of the assets as well as the exercise of any rights received in connection with the purchase of the assets. Treasury may sell the assets at its discretion or may hold assets to maturity. Cash received from liquidating the assets, including any additional returns, will be returned to Treasury's general fund for the benefit of American taxpayers.

Funding. Funding for the program will be provided directly by Treasury from its general fund. Borrowing in support of this program will be subject to the debt limit, which will be increased by \$700 billion accordingly. As with other Treasury borrowing, information on any borrowing related to this program will be publicly reported at the end of the following day in the Daily Treasury Statement. (<http://www.fms.treas.gov/dts/>)

Reporting. Within three months of the first asset purchases under the program, and semi-annually thereafter, Treasury will provide the appropriate Congressional committees with regular updates on the program.

