



Yale SCHOOL OF MANAGEMENT
Program on Financial Stability

EliScholar – A Digital Platform for Scholarly Publishing at Yale

YPFS Resource Library

1-16-2009

Treasury, Federal Reserve and the FDIC Provide Assistance to Bank of America

United States: Department of the Treasury

<https://elischolar.library.yale.edu/ypfs-documents/7599>

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.

U.S. DEPARTMENT OF THE TREASURY

Press Center



Treasury, Federal Reserve and the FDIC Provide Assistance to Bank of America

1/16/2009

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

HP-1356

Washington, DC – The U.S. government entered into an agreement today with Bank of America to provide a package of guarantees, liquidity access and capital as part of its commitment to support financial market stability.

Treasury and the Federal Deposit Insurance Corporation will provide protection against the possibility of unusually large losses on an asset pool of approximately \$118 billion of loans, securities backed by residential and commercial real estate loans, and other such assets, all of which have been marked to current market value. The large majority of these assets were assumed by Bank of America as a result of its acquisition of Merrill Lynch. The assets will remain on Bank of America's balance sheet. As a fee for this arrangement, Bank of America will issue preferred shares to the Treasury and FDIC. In addition and if necessary, the Federal Reserve stands ready to backstop residual risk in the asset pool through a non-recourse loan.

In addition, Treasury will invest \$20 billion in Bank of America from the Troubled Assets Relief Program in exchange for preferred stock with an 8 percent dividend to the Treasury. Bank of America will comply with enhanced executive compensation restrictions and implement a mortgage loan modification program.


Treasury exercised this funding authority under the Emergency Economic Stabilization Act's Troubled Asset Relief Program (TARP). The investment was made under the [Targeted Investment Program](#). The objective of this program is to foster financial market stability and thereby to strengthen the economy and protect American jobs, savings, and retirement security.

Separately, the FDIC board announced that it will soon propose rule changes to its Temporary Liquidity Guarantee Program to extend the maturity of the guarantee from three to up to 10 years where the debt is supported by collateral and the issuance supports new consumer lending.

With these transactions, the U.S. government is taking the actions necessary to strengthen the financial system and protect U.S. taxpayers and the U.S. economy. As was stated in November when the first transaction under the Targeted Investment Program was announced, the U.S. government will continue to use all of our resources to preserve the strength of our banking institutions and promote the process of repair and recovery and to manage risks.

-30-

REPORTS

- [Guarantee Term Sheet](#) 
- [Preferred Investment Term Sheet](#) 