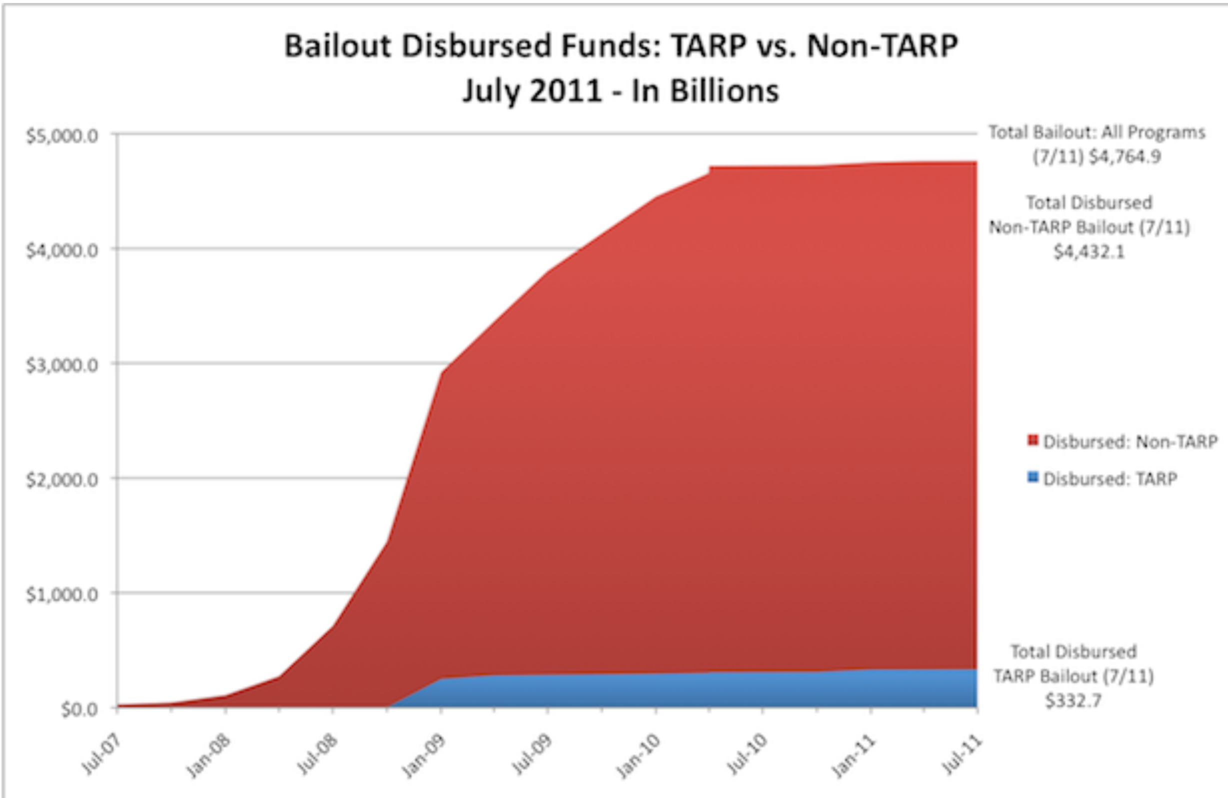
The Center for Media and Democracy's
PRWatch
Reporting on spin and disinformation since 1993

FOR IMMEDIATE RELEASE
August 3, 2011
CONTACT: Nikolina Lazic at (312)-731-1292 or nikolina@prwatch.org
Mary Bottari at (608) 260-9713 or mary@prwatch.org

MONEY STILL OWED IN FEDERAL BAILOUT:
$1.5 Trillion Still Owed to Treasury, Federal Reserve

A new study released today by the Center for Media and Democracy (CMD) shows that, despite rosy statements about the bailout's impending successful conclusion from federal government officials, $1.5 trillion of the $4.8 trillion in federal bailout funds are still outstanding.

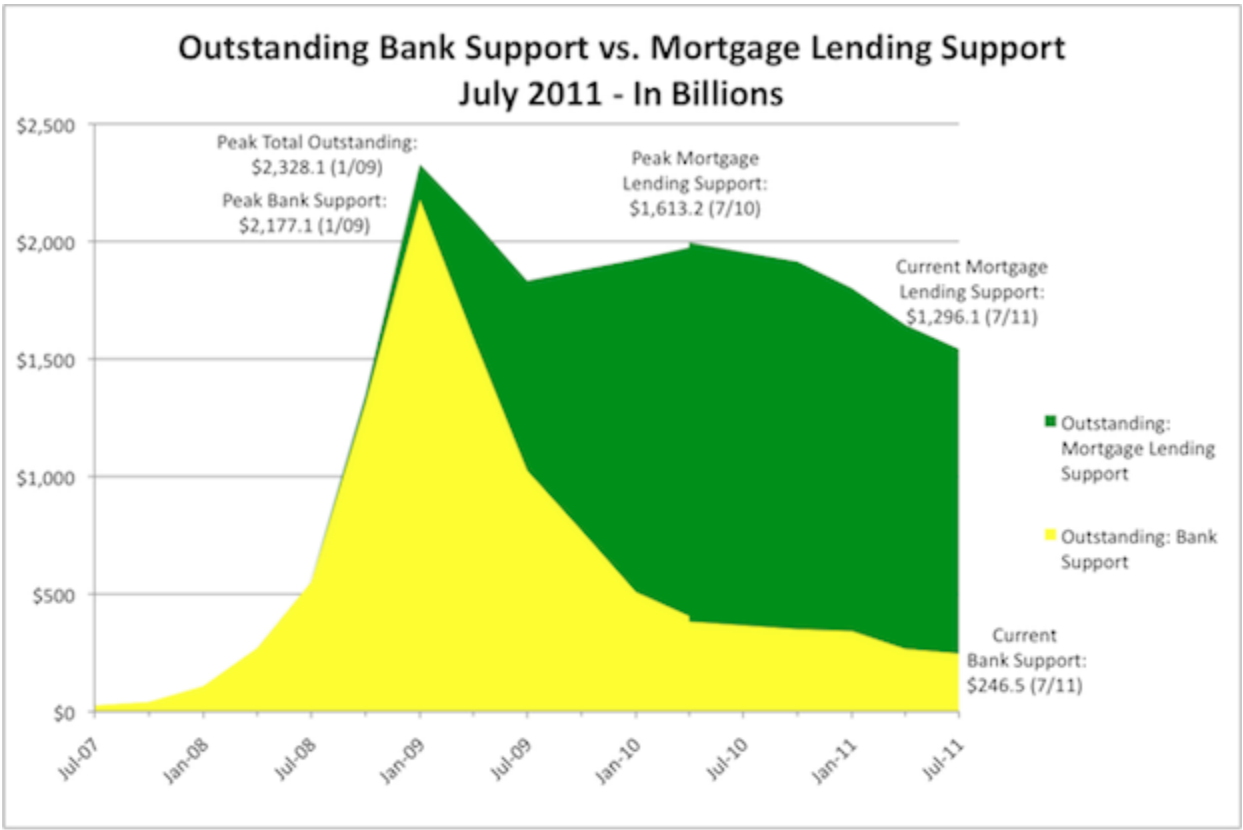
The analysis, presented in charts and an online table and program profiles, is based entirely on government records. This comprehensive assessment of the bailout goes beyond the relatively small Troubled Asset Relief Program (TARP) program to look at the rest of the Treasury and Federal Reserve's multi-trillion dollar response to the financial crisis. It shows that while the TARP bailout of Wall Street (not including the bailout of the auto industry) amounted to $330 billion, the government also quietly spent $4.4 trillion more in efforts to stave off the collapse of the financial and mortgage lending sectors. The majority of these funds ($3.9 trillion) came from the Federal Reserve, which undertook the actions citing an obscure section of its charter.



"In order to understand the big picture on the bailout, you have to look beyond TARP and examine the trillions the Federal Reserve has disbursed to keep the big banks above water. $4.8 trillion went out the door to aid financial companies and repair the damage they caused to financial markets, and $1.5 trillion of that is still outstanding," said Mary Bottari, director of CMD's Real Economy Project.

TOTAL WALL STREET BAILOUT COST TABLE: You can click here to see our a full list of each bailout program, the amount of money disbursed and the amount of money outstanding in each program.

Most of the bailout funds were comprised of aid to banks – the peak outstanding amount was $2.2 trillion in January 2009 – which took place at the height of the financial crisis in the form of loans with below-market interest rates and for questionable collateral to banks directly from the Treasury and Federal Reserve.



Mortgage-Backed Securities Purchases

CMD's study also shows how the government is continuing to prop up the same banks that caused the crisis in its attempt to help the housing market. The government's housing program – which peaked at $1.6 trillion outstanding in July 2010 – is aimed at keeping mortgage lending flowing by subsidizing deals Fannie Mae and Freddie Mac make with the banks. Treasury and the Federal Reserve's main approach has been to buy more than a trillion dollars worth of mortgage-backed securities from Fannie Mae and Freddie Mac so that the two government-sponsored enterprises can continue to purchase and bundle mortgages from the banks, which they sell to Fannie and Freddie at a profit. The banks also benefit from the hundreds of billions in direct loans the government has made to Fannie and Freddie, which the GSEs then turn around and make in insurance pay-outs to banks for mortgages that have gone bad.

This massive effort is in stark contrast to the mere $2 billion the Treasury has spent to directly help homeowners stay in their homes via the widely criticized Home Affordable Mortgage Program (HAMP) program. With housing prices continuing to falter and the United States approaching 9.2 million foreclosure filings since the beginning of 2008, HAMP can be described as nothing less than an abject failure.

"The Federal Reserve and the Treasury have spent $1.6 trillion in a bank-shot to save the mortgage lending market by using the same financial companies that got us into this mess," said Conor Kenny, lead author of the study. "That's more than 800 times what they've spent directly to keep homeowners in their houses, and the banks have made money off the whole thing."

CMD's analysis also shows how the $4.8 trillion bailout of the financial sector dwarfs the $600 billion that the Federal Reserve spent on the much-hyped "Quantitative Easing 2" of 2010-2011 that was intended to help the broader economy – not just the financial sector – by lowering interest rates across the board and preventing deflation.

ABOUT THE CENTER FOR MEDIA AND DEMOCRACY

The Center for Media and Democracy is a non-profit investigative reporting group whose work aids public awareness about the people, companies, and groups attempting to shape the media and our democracy. Founded in 1993, our national reporting and analysis focus on exposing corporate spin. We accept no funding from for-profit corporations or the government. The Center for Media and Democracy's websites are PRWatch.org, SourceWatch.org, BanksterUSA.org, and ALECexposed.org.

Follow CMD on Facebook and Twitter!

Center for Media and Democracy
520 University Avenue, Suite 260
Madison, Wisconsin 53703-4929
Phone: 608-260-9713 | Fax: 608-260-9714
E-mail: editor@prwatch.org