University of North: Carolina School of Law

2009

Extraordinary Government Intervention to Bolster Bank Balance Sheets

Lissa L. Broome

Summary

The financial crisis has brought many banks, both large and small, to their knees. In 2008, twenty-five banks failed,' more than in any year since 1993. Moreover, one of those failed banks - Washington Mutual (WaMu) - was the largest bank failure in • 2 history. Three of the four largest U.S. banking institutions were so at risk that one - Wachovia - was acquired by Wells Fargo, a smaller institution,' and two - Citigroup and Bank of America - were forced to request government investments in excess of the initial government investments they received under the Troubled Asset Relief Program (TARP).4 The aggressive responses to the crisis by Congress, the Treasury Department, the Federal Reserve Board of Governors (FRB), and the Federal Deposit Insurance Corporation (FDIC) to help banks improve their capital positions and liquidity have dramatically altered the liability and equity sides of bank balance sheets. In 2009, it is likely that government purchases and guarantees of bank assets will increasingly be used to assist particular institutions and foster financial market stability This unprecedented government assistance to prevent widespread bank failure and to provide support for those institutions "too big to fail" underscores the vital role that banks play in our economy. This Comment explores these actions and discusses some of their implications.

To view this article in its entirety please use the link provided below.

View Full Article

Recommended Citation

Broome, Lissa L.. “Extraordinary Government Intervention to Bolster Bank Balance Sheets.” *University of North: Carolina School of Law*, 2009. https://scholarship.law.unc.edu/cgi/viewcontent.cgi?article=1257&context=ncbi.