Temporary Liquidity Guarantee Program

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On October 14, 2008, as part of a coordinated response by the U.S. government to the disruption in the financial system and the collapse of credit markets, the FDIC implemented the Temporary Liquidity Guarantee Program (TLGP). By calming market fears and encouraging lending, the TLGP helped bring stability to financial markets and the banking industry during the crisis period. The TLGP consisted of two components: (1) the Transaction Account Guarantee Program (TAGP), an FDIC guarantee in full of noninterest-bearing transaction accounts; and (2) the Debt Guarantee Program (DGP), an FDIC guarantee of certain newly issued senior unsecured debt.

The TAGP guaranteed in full all domestic noninterest-bearing transaction deposits, low-interest NOW accounts, and Interest on Lawyers Trust Accounts (IOLTAs) held at participating banks and thrifts through December 31, 2009. The deadline was extended twice and expired on December 31, 2010.

The TAGP brought stability and confidence to banks and their business customers by removing the risk of loss from deposit accounts that are commonly used to meet payroll and other business transaction purposes. Deposits provide the primary source of funding for most banks, and they are particularly important for smaller institutions. The temporary coverage allowed institutions, particularly smaller ones, to retain these accounts and maintain the ability to make loans within their communities.

Under the DGP, the FDIC guaranteed in full, through maturity or June 30, 2012, whichever came first, the senior unsecured debt issued by a participating entity between October 14, 2008, and June 30, 2009. In 2009, the issuance period was extended through October 31, 2009. The FDIC's guarantee on each debt instrument was also extended in 2009 to the earlier of the stated maturity date of the debt or December 31, 2012.

The DGP enabled financial institutions to meet their financing needs during a period of record high credit spreads and aided the successful return of the credit market to near normalcy, despite the recession and slow economic recovery. This improvement in the credit markets was reflected in the increasing ability of banks and their holding companies to issue longer-term debt over the course of the DGP issuance period. At the inception of the program, firms heavily relied upon the DGP to roll over short-term liabilities because of the fragility of the credit markets and investors' continued aversion to risk. By providing the ability to issue debt guaranteed by the FDIC, the DGP allowed institutions to extend maturities and obtain more stable unsecured funding.

Over the course of the DGP's existence, 122 entities issued TLGP debt. At its peak, the DGP guaranteed $345.8 billion of outstanding debt. The DGP guarantee on all TLGP debt that had not already matured expired on December 31, 2012. Therefore, at the end of 2012, no debt guaranteed by the DGP remained.

The FDIC collected $10.4 billion in fees and surcharges under the DGP. As of December 31, 2012, the FDIC had paid $153 million in losses resulting from six participating entities defaulting on debt issued under the DGP. The majority of these losses ($113 million) arose from banks with outstanding DGP notes that failed in 2011 and were placed into receivership.

The FDIC collected $1.2 billion in fees under the TAGP. Cumulative estimated TAGP losses on failures as of December 31, 2018, totaled $1.5 billion.[*]

Overall, TLGP fees exceeded the losses from the program. From inception of the TLGP, it was the FDIC's policy to recognize revenue to the DIF for any portion of guarantee fees in excess of amounts needed to cover potential losses upon expiration of the TLGP guarantee period (December 31, 2012) or earlier. In total, $9.3 billion in TLGP fees were deposited into the DIF.

Note: The Dodd-Frank Act provided temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts and IOLTAs (but not low-interest NOW accounts) from December 31, 2010, through December 31, 2012, regardless of the balance in the account and the ownership capacity of the funds. This coverage essentially replaced the TAGP, which expired on December 31, 2010, and was available to all depositors, including consumers, businesses, and government entities. The coverage was separate from, and in addition to, the standard insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

[*]As the FDIC has managed the receiverships of failed institutions with losses attributable to the TAGP, the estimated losses from the program have decreased over time. Estimated losses from the TAGP were $2.1 billion at year-end 2012, $1.9 billion at year-end 2013; $1.6 billion at year-end 2014 and 2015; and $1.5 billion at year-end 2016 and 2017.

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