

# **Public-Private Investment Program: The Legacy Loans Program (U.S. GFC)**

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## **Abstract**

On March 23, 2009, the U.S. Treasury, in conjunction with the Federal Reserve (Fed) and the Federal Deposit Insurance Corporation (FDIC), announced the Public-Private Investment Program (PPIP). PPIP consisted of two complementary programs designed to foster liquidity in the market for certain mortgage-related assets: The Legacy Loans Program and the Legacy Securities Program. This case study discusses the design and implementation of the Legacy Loans Program. Under this program, the FDIC and Treasury attempted to create public-private investment partnerships that – using a combination of private equity, Treasury equity, and FDIC-guaranteed debt – would purchase legacy mortgage loans from U.S. banks through FDIC-supervised auctions of them. Despite months of FDIC attempts to develop the program, it was never implemented. Following its announcement, the program was criticized by some in the media and academic community who believed it would benefit private investors at the expense of the public; government officials, however, have contended that these concerns were unfounded.

**Keywords:** Public-Private Investment Program, PPIP, Legacy Loans Program, Legacy Loans Program, TARP, U.S. Department of the Treasury, FDIC, mortgage-related assets, asset purchase prog

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# Legacy Securities Program (PPIP)

## At a Glance

By the fall of 2008, troubled mortgage-related assets had become inextricably linked to the onset of the Global

Financial Crisis. Marked down to only a fraction of what they once were worth, these assets weighed heavily on financial institutions in possession of them, consuming their capital, raising concerns as to their solvency, and inhibiting their ability to make new loans.

On March 23, 2009, the U.S. Treasury, Federal Deposit Insurance Corporation (FDIC), and Federal Reserve announced the Public-Private Investment Program (PPIP), consisting of two complementary programs designed to provide up to \$500 billion in liquidity for these assets: The Legacy Loans Program and the Legacy Securities Program. This case study discusses the design and implementation of the Legacy Securities Program.

Under this program, the Treasury created investment partnerships with nine private sector firms it selected at the conclusion of a months-long application process. Using a combination of private equity and debt and equity from the Treasury, the nine public-private investment funds (PPIFs) invested \$24.9 billion in non-agency residential and commercial mortgage-backed securities, netting the government a positive return of \$3.9 billion its investment.

The market initially responded positively to the announcement of PPIP; the S&P 500 and Dow Jones Industrial Average both had gains of 7% on that day. However, the market later cooled to the idea of the program after it took months to develop and appeared increasingly unlikely to realize its full potential.

## Summary Evaluation

The exact impact of the Legacy Securities Program is difficult to pinpoint given that the program was just one small part of the government’s broader crisis-fighting strategy. Despite the existence of no scholarly literature attempting to isolate the effects of the program, the Treasury has credited the program with helping to achieve its stated goals.

<b>Summary of Key Terms</b>	
<b>Purpose:</b>	To create demand and provide liquidity for legacy mortgage securities
<b>Announcement Date</b>	March 23, 2009
<b>Operational Date</b>	Q4 2009
<b>Expiration Date</b>	Q4 2013
<b>Legal Authority</b>	Emergency Economic Stabilization Act of 2008; Troubled Asset Relief Program; Section 13(3) of the Federal Reserve Act
<b>Program Mechanics</b>	Nine public-private investment funds bought mortgage securities in the open market using a combination of private equity, Treasury equity, and Treasury debt
<b>Amount Invested</b>	\$24.9 billion (\$18.6 of which was government funding)
<b>Government Sponsors</b>	U.S. Treasury; Federal Reserve Board

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## **I. Overview**

### **Background**

By the fall of 2008, troubled mortgage-related assets had become inextricably linked to the onset of the Global Financial Crisis (GFC). Marked down to only a fraction of what they once were worth, these assets weighed heavily on the nation's financial institutions, consuming their capital, raising concerns about their solvency, and inhibiting their ability to make new loans (PPIP White Paper).

On September 19, 2008, U.S. Treasury Secretary Henry Paulson issued a public statement on the escalating crisis, calling troubled mortgage-related assets "the underlying weakness [of the U.S.] financial system" (Paulson Statement 9/19/2008). Two weeks later, Congress responded by enacting the Emergency Economic Stabilization Act (EESA), approving the creation of the Troubled Asset Relief Program (TARP) and giving the Treasury up to \$700 billion with which to purchase these assets.

By the end of year, the Treasury had disbursed nearly \$200 billion in TARP funding, however, it had yet to establish an asset purchase program. Two months earlier, it decided to halt the development of such a program, citing the exceeding complexity of designing one and the relative inefficiency of buying troubled assets as opposed to bank capital (Paulson Statement 11/12/2008).

By early 2009, the worst of the financial crisis had subsided, yet troubled mortgage assets continued to pose a threat to the broader financial system. Deep markdowns on these assets "[created] uncertainty around the balance sheets of financial institutions [in possession of them], compromising their ability to raise capital and their willingness to increase lending" (PPIP Fact Sheet). The resulting drag on new credit formation threatened to exacerbate the ongoing recession (Ibid).

On February 10, 2009, in recognition of the risk of protracted financial and economic instability, the Obama Treasury announced a comprehensive Financial Stability Plan that was intended to "attack [the] credit crisis on all fronts" (Financial Stability Plan). Given the prevalence of troubled mortgage assets and their centrality to the ongoing credit crisis, a key focus of this plan was to "restart" primary and secondary markets for these assets, with the hope of giving financial institutions a chance to "cleanse their balance sheets" of them (Ibid).

### **Program Description**

On March 23, 2009, on the basis of a proposal outlined in the Financial Stability Plan, the Treasury, Federal Deposit Insurance Corporation (FDIC), and Federal Reserve (Fed) officially announced the Public-Private Investment Program (PPIP). The program was created to allow for the establishment of public-private investment partnerships; "using \$75 to \$100 billion in TARP capital and capital from private investors," these partnerships would aim to purchase up to \$500 billion in "legacy assets," providing a significant injection of liquidity to the market for them (PPIP Fact Sheet). PPIP consisted of two complementary programs designed to support the market for mortgage loans and related assets: The Legacy Loans Program and the Legacy Securities Program. This case study discusses the

design and implementation of the Legacy Loans Program. For more information on the Legacy Securities Program, See Henken (2019).<sup>2</sup>

The Legacy Loans Program revolved around the creation of public-private investment funds (PPIFs) that – using a combination of private equity, Treasury equity, and FDIC-guaranteed debt – would purchase legacy mortgage loans from U.S. banks through FDIC-supervised auctions of them. In so doing, the government sought “to boost private demand for [these] distressed assets...and facilitate market-priced sales of [them],” helping banks “to free up capital” and pick up the pace of “new credit formation” (PPIP White Paper).

**Program Sequence.** To begin the program, eligible U.S. banks and savings associations were instructed “to work with their primary regulators to identify” pools of legacy mortgage loans that they wanted to sell. Once they did so, the FDIC – with the help of a “third party valuation firm” – would assess the quality of the loans and – based on this assessment – decide how much leverage investors could take on when purchasing them. In all cases, leverage would not be more than 6:1. After rendering a judgment, the FDIC would put up the loans for auction and collect bids submitted by the PPIFs. At the conclusion of each auction, the FDIC would inform the seller of top bid and allow it time to decide whether to accept (PPIP Fact Sheet; PPIP White Paper; SIGTARP Report Q2 2009).

If their bids were accepted, PPIFs would finance purchases of loans by committing a combination of Treasury and private equity and by issuing nonrecourse, FDIC-guaranteed debt. The proportion of equity and debt used to finance purchases depended on the leverage the FDIC had permitted for the loans. Say, for example, that a loan pool with a face value of \$100 was sold to a PPIF for \$84 and that the FDIC had permitted leverage of 6:1 for its purchase. To fund the purchase of these loans, a PPIF would commit \$6 of private equity and \$6 of Treasury equity, and issue \$72 of FDIC-guaranteed debt (PPIP Fact Sheet). Figure 1 below illustrates an example of such a scenario.

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<sup>2</sup> Henken, Benjamin. “The Public-Private Investment Program: The Legacy Securities Program (U.S. GFC).” Yale Program on Financial Stability.

**Figure 1: Example sale of \$100 loan portfolio for \$84 to a buyer using leverage of 6:1**



Source: Based on Figure 2.20, SIGTARP Report Q2 2009

**Financing Details.** As noted above, equity in each PPIF would be divided equally between the Treasury and private investors, and all investments would consist of Treasury and private equity in equal parts. The FDIC anticipated participation by a wide range of private investors, including “financial institutions, individuals, insurance companies, mutual funds, publicly managed investment funds and pension funds.” In return for its commitment, the Treasury would receive warrants in each PPIF (Legacy Loans Program Terms).

After committing equity, PPIFs would pay for what remained of a purchase price by issuing debt directly to the banks from which they purchased the loans.<sup>3</sup> The FDIC would provide a guarantee for this debt, for which it would receive a fee to be paid annually and based on the amount that remained outstanding. The guarantee would be secured by the loans that the debt was used to purchase (Ibid).

**Profit- and Loss-Sharing.** All returns generated by PPIFs would be divided by their stakeholders in proportion to their equity interests (Ibid).

**Assets Management.** Assets acquired by PPIFs would be managed by fund managers according to guidelines set forth by the FDIC (Ibid).

**Abuse Prevention.** PPIFs could not buy assets from firms with a stake of more than 10% in them or their affiliates; they also were required to “agree to waste, fraud, and abuse protections...defined by [the Treasury] and the FDIC” (Ibid).

**Servicing.** Loans would continue to be serviced by the banks that sold them (Ibid).

## Outcomes

The announcement of PPIP on March 23, 2009, was received favorably at the time by the market; the S&P 500 and Dow Jones Industrial Average both had gains of 7% that day. However, the Legacy Loans Program – as initially drawn up – was never implemented. Several reasons seem to have contributed to this outcome. Above all, developing a program

<sup>3</sup> Put another way: banks selling assets were compensated in cash (equity) and debt notes that were guaranteed by the FDIC. The banks could either hold onto these notes or attempt to sell them in the market.

with features as such (e.g. public-private partnership, auction process) appears to have been a difficult task for the FDIC, and the market showed a “reluctance to participate” in a program that it consequently viewed as unlikely to succeed (among other reasons) (Financial Crisis Manual). This difficulty was likely compounded by the fact that the FDIC had reservations about the program even before attempting to implement it (Bair 2012). For more information on the response to the program, see the Evaluation section.

The FDIC did, however, conduct a test run of the program during summer 2009 involving the sale of receivership loans to Residential Credit Solutions (RCS), a company that was active in the mortgage market. Per the arrangement, RCS purchased a 50% stake in a pool of residential mortgage loans with a face value of \$1.3 billion for \$64 million, leaving the FDIC with 50% ownership. It also issued \$728 million in FDIC-guaranteed debt directly to the FDIC because – through receivership – the FDIC was the owner of these loans. Although there has been little analysis of this transaction, it appears to have been successful given that the FDIC has used a similar approach to sell receivership loans on other occasions (Bair 2012).

## **II. Key Design Decisions**

### **1. The FDIC and Treasury sought to facilitate private investment in troubled mortgage loans through a public-private partnership.**

In early 2009, huge markdowns on mortgage-related assets continued to afflict the banks in possession of them, consuming their capital and inhibiting their ability to make new loans (PPIP White Paper). That March, in recognition of the broader risks associated with these assets, the Treasury established the Public-Private Investment Program (PPIP) with the goal of generating new demand for troubled mortgage assets and thus enabling financial institutions to sell them. At the same time, the Treasury wanted a considerable portion of the new demand to be from private investors and thus set out to form investment partnerships with them.

While the government could have purchased these assets on its own, it concluded that incorporating the private sector into its approach had three clear advantages over the alternative: it would (1) “[leverage] the impact of each taxpayer dollar,” enabling the purchase of more assets using less TARP funding; (2) reduce government exposure to risk, as the private sector would help to shoulder losses on investments; and (3) “provide a mechanism for valuing the assets,” helping the government to avoid paying the wrong price for them and further distorting the market it sought to fix (PPIP Fact Sheet; Elliott 2009; Financial Crisis Manual).

### **2. Treasury funding for PPIP was authorized under the Troubled Asset Relief Program (TARP); the FDIC sought to participate through its systemic risk exception.**

Created by Congress in October 2008 with the enactment of the Emergency Economic Stabilization Act (EESA), the Troubled Asset Relief (Program) enabled the Treasury “to



purchase and insure certain types of troubled assets for the purposes of providing stability to and preventing disruption in the economy and financial system” (Public Law 110—343). The law defined troubled assets as:

(A) residential or commercial mortgages and any securities, obligations, or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, the purchase of which the Secretary determines promotes financial market stability; and (B) any other financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, but only upon transmittal of such determination, in writing, to the appropriate committees of Congress.

Legacy loans and securities that were eligible for purchase through PPIP largely conformed to the description in definition (A). However, given the existence of definition (B), the Treasury Secretary also had the power to decide if other assets needed to be purchased and what characteristics to apply to them.

Meanwhile, the FDIC sought to participate in the program by citing the systemic risk exception created by the Federal Deposit Insurance Corporation Improvement Act of 1991. It is unclear, however, if it ever received the authority to do so (GAO 2010).

### **3. The FDIC was responsible for most of the program’s elements while the Treasury provided TARP funding for asset purchases.**

The FDIC was responsible for most of the program’s elements. Its primary duties were to (1) “provide oversight for the formation, funding, and operation of [all] PPIFs,” which included vetting and approving private sector investors before they could participate;<sup>4</sup> (2) appoint and work with a “third-party valuation firm” to assess the quality of loan portfolios that banks wanted to sell, and to specify a leverage limit for the purchase of them; and (3) hold auctions (presumably with the help of third-party contractors), which not only required it to coordinate bids but also “preparation of required marketing materials” (i.e. making information on auction items – loans – available to PPIFs that were interested in purchasing them). The Treasury’s role was that of a funder; it agreed to provide exactly half of each PPIF’s equity base.<sup>5</sup> The Special Inspector General for TARP and Government Accountability Office (GAO) were ready to assist in a supervisory role (Legacy Loans Program Terms).

### **4. Favorable financing terms were intended to induce private sector investment in troubled mortgage loans.**

Because the private market was hesitant to invest in troubled mortgage loans, the government needed to provide an incentive for it to do so as part of the Legacy Loans Program. As a result, the Treasury agreed to take a 50% stake (or less if investors so

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<sup>4</sup> The FDIC said that it would “pre-screen” private investors but did not say what specifically it would look for.

<sup>5</sup> The FDIC noted that it would permit PPIFs to accept less equity from the Treasury but did not clarify terms that would apply to such a decision.



desired) in assets they purchased, and the FDIC promised to guarantee the nonrecourse debt they issued to fund these investments. In so doing, the program effectively reduced the risk borne by these investors while amplifying any returns they generated – decreasing the amount of capital they would need to gamble on these assets while assuring their access to affordable debt for the purchase of them (Financial Crisis Manual).

At the same time, the provision of cheap financing was also supposed to increase investor tolerance for paying higher prices for these assets (Ibid). In this way, the program would help to convince holders of these assets to choose to now sell them (Ibid).

**5. FDIC-supervised auctions were intended to create a functional marketplace for legacy loans.**

The illiquidity of legacy loans in large part was due to the inability of buyers and sellers to settle on the price of them amid the ongoing housing correction and credit crisis (Elliott 2009). By holding auctions for these loans, the FDIC intended to manufacture a market for them, helping to “provide a...mechanism for valuing [them]” (PPIP Fact Sheet).

**6. Any FDIC-insured bank or savings associations could sell assets to PPIFs.**

For the purpose of the program, these institutions were defined as any “bank or savings association organized under the laws of the United States or any State of the United States, the District of Columbia, any territory or possession of the United States, Puerto Rico, Northern Mariana Islands, Guam, American Samoa, or the Virgin Islands” (Legacy Loan Program Terms)

**7. Few restrictions were placed on who could invest in PPIFs.**

The FDIC and Treasury anticipated that a wide range of investors would want to invest in PPIFs – including “financial institutions, individuals, insurance companies, mutual funds, publicly managed investment funds and pension funds” – and did not explicitly prohibit participation by anyone except for some foreign firms (Legacy Loans Program Terms; Financial Crisis Manual).

**8. Eligible institutions could sell mortgage loans secured by real estate located in the United States, subject to the approval of such loans by its regulators.**

This was the only explicit asset eligibility guideline issued by the FDIC. Aside from this, banks were instructed to “work with their primary bank regulators...to identify and sell assets with a view to restoring maximum confidence for depositors, creditors, investors, and other counterparties” (Legacy Loans Program Terms).

**9. The Treasury originally stated the goal of committing up to \$100 billion for PPIP’s implementation, while the FDIC gave no indication of its intended participation.**

In announcing PPIP, the Treasury stated the goal of committing up to \$100 billion for the implementation of it, with the hope that – once the program incorporated private capital – it would be able provide for the purchase of up to \$500 billion in troubled mortgage assets.

Although the FDIC's commitment ultimately would have fallen in line with the Treasury's, the agency originally gave no indication of the amount of debt it was willing guarantee.

**10. The program was set to operate according to no specific timeline.**

No guidance was given as to how many auctions the FDIC would hold – and over what timeframe – nor as to how long the PPIFs would have to manage any purchased assets.

**11. PPIP was just one of several programs introduced as part of the Obama Treasury's Financial Stability Plan.**

In February 2009, the Obama Treasury announced its Financial Stability Plan. Even though a wide array of financial stability efforts were already underway, the Obama Treasury saw the need for a second wave of crisis-fighting programs – ones specifically designed to “attack the credit crisis on all fronts” and to root out the ongoing recession (Financial Stability Plan). The plan involved the participation of several government agencies and – in addition to PPIP – included proposals that ultimately became the Supervisory Capital Assessment Program (SCAP), Capital Assistance Program (CAP), expansion of the Term Asset-Backed Securities Loan Facility (TALF), Small Business Administration Section 7(a) Securities Purchase Program, and foreclosure prevention programs including the Home Affordable Modification Program (HAMP) and Home Affordable Refinance Program (HARP).

### **III. Evaluation**

Although the market originally responded positively to the announcement of the Legacy Loans Program, it soon became the subject of criticism by media and scholars. Economist and New York Times columnist Paul Krugman, for example, thought that the design of the program was inherently flawed; while the program offered a clear advantage to private investors, he believed that banks selling these assets would see a minimal increase in the price being offered for them. In his opinion, this misalignment of incentives would produce a stalemate between buyers and sellers, rendering the program largely ineffective (Krugman 2009a; Krugman 2009b).

The program was also the subject of scorn by some in the media and scholarly community who believed that it created a large moral hazard, promising too many benefits for private investors without forcing them to shoulder enough of the risk. New York Times columnist Andrew Ross Sorkin likened the opportunity to “risk-free investing,” suggesting that without any recourse, private investors would be inclined to bid too much for assets, exposing the FDIC to potentially large losses (Sorkin 2009). Jeffrey Sachs, an economist, argued that banks would seek to enrich themselves through the program by conspiring to sell troubled assets to the government at a price well above what they were actually worth (Sachs 2009).

Former government officials, however, have insisted that most of these concerns were unfounded. Former FDIC Chairwoman Sheila Bair, for instance, rebuked Sorkin's suggestion that the FDIC would bear the risk for poor PPIP performance, pointing out that

any losses borne by the FDIC would ultimately be paid for by banking industry assessments (Bair 2012). Former Treasury Secretary Timothy Geithner likewise argues that the program “was not nearly as generous to Wall Street as everyone thought;” in his view, critics devalued the importance of the private sector having to commit its own capital and ignored the fact that “financial institutions with troubled assets [were] under no obligation to sell” them (Geithner 2014).

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## V. Key Program Documents

### Summary of Program

*Fact Sheet: Public-Private Investment Program – fact sheet providing detailed information on the framework for PPIP released as part of the Treasury Department's introduction of the program.*

[https://www.treasury.gov/press-center/press-releases/Documents/ppip\\_fact\\_sheet.pdf](https://www.treasury.gov/press-center/press-releases/Documents/ppip_fact_sheet.pdf)

Legacy Loans Program Summary of Terms – *outline of FDIC-dictated terms of the Legacy Loans Program.*

[https://www.treasury.gov/press-center/press-releases/Documents/legacy\\_loans\\_terms.pdf](https://www.treasury.gov/press-center/press-releases/Documents/legacy_loans_terms.pdf)

Legacy Securities Public-Private Investment Program Additional Frequently Asked Questions – *Treasury document providing frequently asked questions and corresponding responses concerning key features of the Legacy Securities PPIP.*

[https://www.treasury.gov/press-center/press-releases/Documents/legacy\\_securities\\_faqs.pdf](https://www.treasury.gov/press-center/press-releases/Documents/legacy_securities_faqs.pdf)

Public-Private Investment Program Legacy Loans Program Frequently Asked Questions – *Treasury document providing frequently asked questions and corresponding responses concerning key features of the Legacy Loans PPIP.*

[https://www.treasury.gov/press-center/press-releases/Documents/legacy\\_loans\\_faqs.pdf](https://www.treasury.gov/press-center/press-releases/Documents/legacy_loans_faqs.pdf)

## **Implementation Documents**

Summary of Conflict of Interest Rules and Ethical Guidelines – *Treasury document summarizing the conflict of interest rules and guidelines developed ensure private sector firms aligned themselves with the public interest.*

[https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/credit-market-programs/ppip/Documents/PPIP\\_Conflict-of-Interest-Rules.pdf](https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/credit-market-programs/ppip/Documents/PPIP_Conflict-of-Interest-Rules.pdf)

Application for Private Asset Managers – *application for pre-qualification as a private asset manager for a Public-Private Investment Fund under the Legacy Securities Program.*

[https://www.treasury.gov/initiatives/financial-stability/programs/Credit%20Market%20Programs/ppip/s-ppip/Documents/legacy\\_securities\\_ppif\\_app.pdf](https://www.treasury.gov/initiatives/financial-stability/programs/Credit%20Market%20Programs/ppip/s-ppip/Documents/legacy_securities_ppif_app.pdf)

Guidelines for the Legacy Securities Public-Private Investment Program – *supporting document outlining program goals, application criteria, and terms and conditions tied to Treasury financing.*

<https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/credit-market-programs/ppip/Documents/ProgramGuidelinesS-PPIP.pdf>

Letter of Intent and Terms Sheet – *agreement outlining the specific terms and conditions of the limited partnership between the Treasury and private sector fund managers.*

[https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/credit-market-programs/ppip/Documents/S-PPIP\\_LOI\\_Term-Sheets.pdf](https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/credit-market-programs/ppip/Documents/S-PPIP_LOI_Term-Sheets.pdf)

## **Press Releases/Announcements**

Public-Private Investment Program Press Releases – *Treasury's comprehensive list of press releases pertaining to the announcement, design, status, and implementation of the program.*

<https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/credit-market-programs/ppip/Pages/press-releases.aspx>



Treasury Secretary Tim Geithner Outlines Comprehensive Financial Stability Plan (02/10/2009) – Treasury press release announcing the new administration’s Financial Stability Plan. <https://www.treasury.gov/press-center/press-releases/Pages/20092101514197199.aspx>

Treasury Department Releases Details on Public Private Partnership Investment Program (03/23/2009) – Treasury press release detailing the design of the Public Private Investment Program. <https://www.treasury.gov/press-center/press-releases/Pages/tg65.aspx>

FDIC Statement on the Status of the Legacy Loans Program (06/03/2009) – FDIC formal announcement that a planned pilot sale of loans would be postponed. <https://www.fdic.gov/news/news/press/2009/pr09084.html>

Treasury Department Announces Initial Closings of Legacy Securities Public-Private Investment Funds (09/30/2009) – Treasury press release announcing the first two firms to have completed initial raises in capital. <https://www.treasury.gov/press-center/press-releases/Pages/tg304.aspx>

Treasury Department Announces Initial Quarterly Report for the Legacy Securities Public-Private Investment Program (1/29/2010) – Treasury press release linking to first quarterly report on the funds’ progress. <https://www.treasury.gov/press-center/press-releases/Pages/tg520.aspx>

Secretary Timothy F. Geithner’s Written Testimony Before the Congressional Oversight Panel (12/16/2010) – Secretary Geithner’s overview of the financial rescue efforts undertaken by the Treasury up to that time, including PPIP. <https://www.treasury.gov/press-center/press-releases/Pages/tg1008.aspx>

## **Media Stories**

U.S. Expands Plan to Buy Banks’ Troubled Assets (New York Times – 03/23/2009) – article pertaining to the announcement of details for PPIP. <http://www.nytimes.com/2009/03/24/business/economy/24bailout.html>

Wary Banks Hobble Toxic Assets Plan (Wall Street Journal – 06/29/2009) – article discussing difficulties with implementation of the program before the Treasury eventually moved on with only the Legacy Securities Program. <https://www.wsj.com/articles/SB124622976702566007>

Treasury Picks Nine Managers for P.P.I.P (New York Times – 07/08/2009) – article discussing the announcement of funds managers and programmatic changes moving forward. <https://dealbook.nytimes.com/2009/07/08/treasury-picks-nine-firms-for-toxic-securities-plan/>

A Big Surprise: Troubled Assets Garner Rewards (New York Times – 08/26/2010) – article discussing the profitability of PPIFs up to that date. <http://www.nytimes.com/2010/08/27/business/27toxic.html>



## **Key Academic Papers**

[A Binomial Model of Geithner's Toxic Asset Plan \(Wilson 2010\)](#) – paper solving for the clearing price of toxic assets under PPIP according to various financing terms

[Slicing the Toxic Pizza – An Analysis of FDIC's Legacy Loan Program for Receivership Assets \(Wilson 2010\)](#) – paper discussing the structure of the Legacy Loans Program and maximizing the value of toxic asset portfolios put up for auction.

[Structuring Public-Private Partnerships: Implications from the Public-Private Investment Program for Legacy Securities \(Chen 2013\)](#) – paper drawing upon interviews with private sector PPIP participants to better understand successes and failures of PPIP and how to apply them to future public-private partnerships.

<http://heinonline.org/HOL/PrintRequest?collection=journals&handle=hein.journals/collsp46&div=22&print=section&format=PDFsearchable&submit=Print%2FDownload&id=533>

[Subsidizing Price Discovery \(Camargo et. al 2012\)](#) – paper illuminating the inefficiencies plaguing the market for mortgage-related assets and how PPIP targeted them, concluding with how to determine the 'optimal leverage ratio'.

<https://poseidon01.ssrn.com/delivery.php?ID=663088101094066104120110094103117006019074041037048078090070011097017002119004000122107117023039103016043126074018076018068009031015032054022023120027001099002007010086011000023109099000091009023122019004073120003019023027109079117090127095028125005&EXT=pdf>

## **Reports/Assessments**

[Troubled Asset Relief Program: Two Year Retrospective \(United States Department of the Treasury Office of Financial Stability 2011\)](#)– Office of Financial Stability overview of the recovery programs employed as part of TARP and evaluation of those programs.

[https://www.treasury.gov/initiatives/financial-stability/reports/Documents/TA+RP%20Two%20Year%20Retrospective\\_10%2005%2010\\_transmittal%20letter.pdf](https://www.treasury.gov/initiatives/financial-stability/reports/Documents/TA+RP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf)

[Selecting Fund Managers for the Legacy Securities Public-Private Investment Program \(Office of the Special Inspector General for the Troubled Asset Relief Program 2010\)](#) – Inspector General's report on the application and selection process used by Treasury for fund managers.

[https://www.sig tarp.gov/Audit%20Reports/Selecting%20Fund%20Managers%20for%20the%20Legacy%20Securities%20Public-Private%20Investment%20Program%2009\\_07\\_10.pdf](https://www.sig tarp.gov/Audit%20Reports/Selecting%20Fund%20Managers%20for%20the%20Legacy%20Securities%20Public-Private%20Investment%20Program%2009_07_10.pdf)

[Troubled Asset Relief Program: Status of Programs and Implementation of GAO Recommendations \(United States Government Accountability Office 2011\)](#) – GAO evaluation of and recommendations for TARP programs issued prior to January 2011.

<http://www.gao.gov/new.items/d11476t.pdf>

[Troubled Asset Relief Program \(TARP\): Implementation and Status \(Congressional Research Service 2011\)](#) – paper providing overview of TARP programs and evaluation of them up to 2011. <https://fas.org/sgp/crs/misc/R41427.pdf>

Public-Private Investment Program Quarterly Reports – *Treasury’s sixteen quarterly reports documenting details on the funds, their investments, and returns (last report issued September 2013).*

<https://www.treasury.gov/initiatives/financial-stability/reports/Pages/Public-Private-Investment-Program-Quarterly-Report.aspx>