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Asset Guarantee Program

Program Purpose and Overview

Under the Asset Guarantee Program (AGP), the government supported institutions whose failure would have caused serious harm to the financial system and the broader economy. It involved supporting the value of certain assets held by qualifying financial institutions by agreeing to absorb a portion of losses on those assets. AGP was conducted jointly by Treasury, the Federal Reserve, and the FDIC and was used in conjunction with other forms of exceptional assistance.

Two companies received assistance under AGP – Bank of America and Citigroup. At the time of the financial crisis, both of these institutions faced a potential loss of market confidence because they held large amounts of distressed or illiquid assets. AGP helped these institutions maintain the confidence of depositors and other funding sources to continue meeting the credit needs of households and businesses.

Bank of America

In January 2009, Treasury, the Federal Reserve, and the FDIC agreed in principle to share potential losses on a \$118 billion pool of financial instruments owned by Bank of America. Had this agreement been finalized, Treasury and the FDIC would have received preferred stock and warrants as a premium for the guarantee.

In May 2009, before the transaction was finalized, Bank of America decided to terminate negotiations, and in September 2009, the government and Bank of America entered into an agreement under which Bank of America agreed to pay a termination fee of \$425 million to the government, \$276 million of which went to Treasury. The fee compensated the government for the value that Bank of America had received from the announcement of the government's willingness to guarantee and share losses on the pool of assets from and after the date of the term sheet. No TARP funds were spent. As a result, this fee was a net gain to the taxpayer.

Although the agreement was never implemented, its initial announcement (and the announcement of the Citigroup transaction discussed below) was widely welcomed by the markets and contributed immediately to helping restore investor confidence in these financial institutions and the banking system generally.

Citigroup

In January 2009, Treasury, the Federal Reserve, and the FDIC similarly agreed to share potential losses on a \$301 billion pool of Citigroup's covered assets. The arrangement was finalized and, as a premium for the guarantee, Treasury and the FDIC received \$7.1 billion of Citigroup preferred stock. Treasury also received warrants to purchase 66.5 million shares of common stock.

Although the guarantee was originally expected to be in place for five to ten years, Citigroup requested that it be terminated in December 2009 in conjunction with its repayment of \$20 billion it received from the Targeted Investment Program. The banking regulators approved its request in conjunction with Citibank's raising of more than \$20 billion of private capital.

In connection with the termination, Treasury and the FDIC kept most of the premium paid. Specifically, the government retained a total of \$5.3 billion of the \$7.1 billion of preferred stock (which had since been converted to trust preferred securities).

Since Citigroup made no claims for loss payments to the government, and Treasury made no guarantee payments of TARP funds to Citigroup, all payments received to date, and the income received from the sale of the securities described above, have constituted a net gain to the taxpayer. As of April 30, 2012, taxpayers have received a positive return of \$2.76 billion from Citigroup's participation in the AGP.

Program Status

AGP is now closed and has so far resulted in a positive return of more than \$3 billion for taxpayers.

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- Bureau of Engraving & Printing
- Bureau of the Fiscal Service
- Community Development Financial Institutions Fund

Inspector General Sites

- Office of Inspector General (OIG)
- Treasury Inspector General for Tax Administration (TIGTA)
- Special Inspector General, Troubled Asset Relief Program (SIGTARP)
- Report, Fraud Waste & Abuse

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- Treasury Direct Services for Governments

Wall Street Reform

Financial Crimes Enforcement Network (FinCEN)
Internal Revenue Service
Office of The Comptroller of The Currency
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