

Bear Stearns, JPMorgan Chase, And Maiden Lane LLC

Background

In March 2008, The Bear Stearns Companies, Inc. (Bear Stearns) was one of the largest securities firms in the country, with reported total consolidated assets of nearly \$400 billion. Bear Stearns engaged in a broad range of activities, including investment banking, securities and derivatives trading and clearing, brokerage services, and originating and securitizing commercial and residential mortgage loans. Financial conditions for the firm deteriorated markedly between mid-January and mid-March 2008. On March 13, 2008, Bear Stearns notified the Federal Reserve that it expected that it would not have enough funding or liquid assets to meet its financial obligations the following day and would not be able to find a private-sector source of alternative financing.

The imminent insolvency of Bear Stearns, the large presence of Bear Stearns in several important financial markets (including, in particular, the markets for repo-style transactions, over-the-counter derivative and foreign exchange transactions, [mortgage-backed securities](#), and securities clearing services), and the potential for contagion to similarly situated firms raised significant concern that the stability of financial markets would be seriously disrupted if Bear Stearns were suddenly unable to meet its obligations to counterparties, and the extension of credit allowed for an orderly resolution of the firm.

Bridge Loan


To address the immediate liquidity needs of Bear Stearns and forestall the potential systemic disruptions that a default or bankruptcy of the company would have caused in the already stressed credit markets, on Friday, March 14, 2008, the Federal Reserve Board authorized the Federal Reserve Bank of New York (FRBNY) to extend credit to Bear Stearns through JPMorgan Chase Bank, N.A. (JPMC Bank). The purpose of this bridge loan was to ensure that Bear Stearns would meet its obligations as they came due that day, allowing for time during the weekend for Bear Stearns to explore options with other financial institutions that might enable it to avoid bankruptcy and for policymakers to continue to seek ways to contain the risk to financial markets in the event no private-sector solution proved possible. The loan to Bear Stearns was in the amount of \$12.9 billion and was [secured](#) by assets of Bear Stearns with a value of \$13.8 billion. The rate of interest on this loan was the rate for [primary credit](#). The FRBNY received no [warrants](#) or any other potential equity of either JPMC Bank or Bear Stearns in exchange for the loan, and the loan was made without recourse to JPMC Bank. On the morning of Monday, March 17, the \$12.9 billion was repaid in full to the FRBNY with interest of nearly \$4 million.

The bridge loan was extended under the authority of Section 13(3) of the Federal Reserve Act, which permitted the Board, in unusual and exigent circumstances, to authorize Reserve Banks to extend credit to individuals, partnerships, and corporations.

Maiden Lane LLC

Despite the receipt by Bear Stearns of Federal Reserve funding through a bridge loan on March 14, 2008, market pressures on Bear Stearns worsened that day and during the weekend. Bear Stearns likely would have been unable to avoid bankruptcy on Monday, March 17, without either very large injections of liquidity from the Federal Reserve or an acquisition by a stronger firm. JPMorgan Chase and Co. (JPMC) emerged as the only viable bidder for Bear Stearns, and on Sunday, March 16, Bear Stearns accepted an offer to merge with JPMC.

However, JPMC was concerned about its ability to absorb a portion of Bear Stearns's mortgage trading portfolio, given the uncertainty about the scale of potential losses facing the financial system at the time and strained credit markets.


To facilitate a prompt acquisition of Bear Stearns by JPMC, the FRBNY created a [limited liability company](#), Maiden Lane LLC, to acquire that set of assets of Bear Stearns. The FRBNY extended credit to the LLC, which would then manage those assets through time to maximize the repayment of credit extended to the LLC and to minimize disruption to financial markets. Maiden Lane LLC purchased approximately \$30 billion in assets from Bear Stearns with a loan of approximately \$29 billion from the FRBNY. Under the terms of the agreement, JPMC also lent roughly \$1 billion to Maiden Lane in a loan that is subordinated to the loan from the FRBNY for repayment purposes. The interest rate on the loan extended by the FRBNY is the primary credit rate, and the interest rate on the [subordinated loan](#) is the primary credit rate plus 450 [basis points](#). Payments from the proceeds from the assets held by the LLC are to be used in the following order: operating expenses of the LLC, principal due to the FRBNY, interest due to the FRBNY, principal due to JPMC, and interest due to JPMC. Any remaining funds will be paid to the FRBNY. Details on the terms of the loan to Maiden Lane LLC are available on the [FRBNY website](#) .

The loan to Maiden Lane LLC loan was extended under the authority of Section 13(3) of the Federal Reserve Act, which permitted the Board, in unusual and exigent circumstances, to authorize Reserve Banks to extend credit to individuals, partnerships, and corporations.

Data

- Bridge Loan: [Excel \(22 KB\)](#) | [Accessible \(3 KB ZIP\)](#)
[CSV Data \(1 KB\)](#) | [CSV Definitions and Notes \(1 KB\)](#)

- Maiden Lane LLC: [Excel \(34 KB\)](#) | [Accessible \(4 KB ZIP\)](#)
[CSV Data \(4 KB\)](#) | [CSV Definitions and Notes \(3 KB\)](#)

Visit the [Excel viewer](#)  for more information. Filter and sort features have been added to the column headers in the Excel spreadsheet to assist you with searching and to allow for the creation of custom datasets. Click on the arrow button in each column header to view and select the different filter and sort features.

Compressed (ZIP) files are available through 7-zip. Download the free 7-zip compression utility

The following information on the bridge loan that was extended to Bear Stearns through JPMC Bank is provided:

Data Description	
Loan date	Date upon which the bridge loan originated
Repayment date	Date upon which the bridge loan was repaid
Loan amount	Amount of bridge loan, in billions of dollars
Interest rate	Interest rate on bridge loan, in percent
Total collateral	Value of collateral, in billions of dollars
Collateral by Asset Type	Values in billions of dollars
Collateralized mortgage obligations (CMO)	Collateralized mortgage obligations (CMO), in billions of dollars
Other asset-backed securities (ABS)	Asset-backed securities other than CMOs, in billions of dollars
Municipal securities	Securities issued by state and local governments and agencies, in billions of dollars
Other securities and equity	Securities not included in other listed categories and equity, in billions of dollars

The following information on Maiden Lane LLC transactions is provided:

Data Description	
FRBNY senior loan	Loan from the FRBNY
Principal balance (including accrued and capitalized interest) as of quarter end	Balance of loan outstanding, including interest that has accrued and been capitalized into the balance of the loan, in millions of dollars
Accrued and capitalized interest during quarter	Amount of interest that has been accrued during the quarter and added to the balance of the loan, in millions of dollars. Values for 9/30/2008 reflect accruals since LLC was established
Repayment during quarter	Amount of repayment on the loan from the proceeds of the portfolio, in millions of dollars
JPMC subordinated loan	Loan from JPMorgan Chase & Co. (JPMC) to Maiden Lane LLC, in millions of dollars. For repayment purposes, this obligation is subordinated to the senior loan extended by the FRBNY, and would absorb the first loss of realized losses on the assets of Maiden Lane LLC, should any occur
Summary of Portfolio Composition, Cash and Cash Equivalents, and Other Assets and Liabilities, Fair Value	
Federal agency and GSE MBS	Mortgage-backed securities (MBS) issued by federal agencies and government-sponsored enterprises (GSE), in millions of dollars
Non-agency RMBS	Residential mortgage-backed securities (RMBS) issued by private corporations, in millions of dollars
Commercial loans	Loans to businesses, in millions of dollars
Residential loans	Mortgage loans, in millions of dollars
Swap contracts	Credit default swaps, interest rate swaps, and other swaps and hedges, in millions of dollars. Fair value of swap contracts is presented net of associated liabilities
TBA (To be announced) commitments	Commitments to purchase or sell mortgage-backed securities for a fixed price at a future date, in millions of dollars
Other investments	Other investments, primarily commercial mortgage-backed securities (CMBS) and collateralized debt obligations (CDOs), in millions of dollars

Cash and cash equivalents	Holdings of cash or other comparable, short-term, highly liquid asset, in millions of dollars
Other assets	Includes interest and principal receivable and other assets, in millions of dollars
Other liabilities	Includes amounts payable for securities purchased, collateral posted to Maiden Lane LLC by swap counterparties, and other liabilities and accrued expenses, in millions of dollars
Securities portfolio distribution by credit rating	Based on fair value, and the lowest of all ratings for each security, in percent

Last Update: February 12, 2016