How Big were the Government Responses to the Recession?

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Abstract

This paper estimates the size of Federal Government responses to the recession, other than the various Government financial stabilization programs, to be about $3.4 trillion over the 2008-2012 period. Of this total, $1.35 trillion, or 40%, was for spending programs; the remainder for tax cuts. Importantly, more than half (52%) of these responses have not yet taken place but will impact the economy in 2011 and 2012.

In addition to these sums, the Government committed more than $10 trillion to assist the housing and financial sectors, although the government's actual spending was much less than its commitments, and its net spending after loan repayments and the sales of equity shares that it had acquired will be even less. However, the wide variety of financial stabilization efforts can't be added to the other spending and tax cut efforts as commitments (especially net commitments over time) are measured in a different manner than spending or tax cuts, and the size of some commitments were unlimited or unknown. Nevertheless, it is appropriate to describe the size of the Federal Government's responses to the economic recession as including both the more than $3 trillion in spending and tax cuts and the commitments for more than $10 trillion in various financial stabilization programs.

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Was the latest Federal Government stimulus bill--the Middle Class Tax Relief Act of 2010--necessary, or was the American Recovery and Reinvestment Act of 2009 (ARRA) big enough? Weren't there other, some even larger, Federal programs that helped mitigate the impacts of the recession? How big were they? How much of the money from all these programs has already been spent (or put another way, how much of ARRA was really "shovel ready"), and how much of it will be spent in the future? And shouldn't we know the answers to these questions, especially about how much remains to be spent, *before* we make decisions about whether to take additional actions in response to the recession?

To address these and other questions related to the Federal Government responses to the recession, an accurate estimate of the size of *all* of the Federal Government's efforts to mitigate the impacts of the recession should be available. However, because of the complexity, timing, and form of the various Government actions, frequently only estimates of the size of ARRA have been cited.

This paper discusses the size and timing of four different kinds of Federal Government efforts to help mitigate the impacts of the recession:

- **stimulus bills** passed explicitly as a result the recession;
- so-called **automatic stabilizers,** programs that without the need for new legislation automatically increase spending or cut taxes for those impacted by the recession;

- increases in **discretionary spending** that occur, at least in part, in response to the recession; and,
- **financial stabilization efforts**, actions taken by the Federal Government in support of the housing and financial markets.

Although all of these efforts may be classified as attempts to help mitigate the impacts of the recession, it would not be accurate to describe all of them as providing an economic stimulus. Indeed, the underlying rationale for many of the programs, even including some of those contained in the "Stimulus Bills" listed below, may include one or more of the following in addition to (or even in lieu of) a belief that the action will stimulate aggregate economic activity:

- a desire to alleviate human suffering;
- an opportunity to achieve broad social policy objectives unrelated to the recession;
- an opportunity to achieve narrower policy objectives such as delivering benefits to specific classes of recipients or to specific geographic areas.

This paper measures the size of the stimulus bills, automatic stabilizers, and increases in discretionary spending in dollars, not as a percent of potential gross domestic product (GDP). Although the potential GDP statistic is usually used to measure the impact of automatic stabilizers, and is a better measure to compare programs among countries and over different time periods, international and inter-temporal comparisons are not the subject of this paper. Also, the estimates provided do not take into account the fiscal impacts of the recession or of the Federal Government's responses to it on State and local governments. Although the impact of the recession on State and local government finances is a legitimate subject for analysis, this paper only looks at US Federal Government responses to the recession over the 2008 to 2012 period.

The estimates contained in this paper come from Congressional Budget Office (CBO) documents: their annual and updated Budget and Economic Outlook publications; scorekeeping reports; and other documents. Note that many of these estimates, especially those for 2011 and 2012, are likely to be revised.

In general, the size and timing of the various Government responses are measured relative to CBO's January 2008 baseline, a pre-recession baseline that assumed steady economic growth over the 2008-2012 period. (See Appendix A for a more complete description of this baseline and a comparison of CBO's assumptions for real GDP in January 2008 with current assumptions.) There are several benefits from using this baseline:

- it is easily defined and known;
- it was frequently used as the baseline or basis for comparison when the political actions to mitigate the impacts of the recession were taken; and,
- it permits comparisons of the different actions in total and over time.

Stimulus Bills

In the past few months, there have been numerous calls for the extension of existing stimulus programs and for additional stimulus efforts. These calls frequently cited how small ARRA was relative to the size of the recession. Paul Krugman, a columnist for the *New York Times*, has been outspoken in calling for a much larger new stimulus bill, saying, for example: "America needed a much stronger program that what it got"[1]; "an $800 billion program [ARRA], partly consisting of tax cuts that would have happened anyway, just wasn't up to the task of filling [a projected $2.9 trillion hole in the economy]"[2]; and "the original stimulus was too small".[3] These calls coupled with the belief--justified or not--that "the waning stimulus of [ARRA] would have exerted a heavy drag on growth"[4] were undoubtedly some of the reasons behind the enactment of the Middle Class Tax Relief Act in December 2010.

But ARRA was only one of the stimulus bills passed before the enactment of the Tax Relief Act. Although by far the largest of the bills, it was certainly not appropriate to exclude the others. Likewise, if calls for further stimulus are made, the total impact and timing of ARRA, the Tax Relief Act, and all the other stimulus bills should be considered.

[1] Paul Krugman, "Falling Into the Chasm", *New York Times*, October 24, 2010.
[2] Ibid., "The Real Story", *New York Times,* September 2, 2010.
[3] Ibid., "This Is Not a Recovery", *New York Times,* August 26, 2010. Other examples include the following columns by Krugman in the *New York Times*: "Doing It Again", November 7, 2010; "The Focus Hocus-Pocus", November 4, 2010; "Hey, Small Spender", October 10, 2010; and "1938 in 2010", September 5, 2010.
[4] James C. Cooper, "Stimulus II: Game Changer for Spending and the Economy", *The Fiscal Times*, December 20, 2010.

As Table 1 indicates, the total net impact of the five bills[5] is $1,714 billion, $683 billion (40%) in spending and $1,031 billion in lower taxes.[6] Moreover, 57% ($983 billion) of the impact of the five bills on spending and revenues has yet to occur but will help the economy in 2011 and 2012.

Table 1. Stimulus Bills
(in billions of dollars)

	2008	2009	2010	2011	2012	2008-12
Economic Stimulus Act of 2008. P.L. 110-185						
Outlays	38	4	0	0	0	42
Change in Revenues	-114	-12	12	9	8	-97
Net Impact	152	16	-12	-9	-8	139
American Recovery & Reinvestment Act of 2009 (ARRA). P.L. 111-5						
Outlays	0	114	228	126	48	516
Change in Revenues	0	-66	-164	-8	10	-228
Net Impact	0	180	392	134	38	744
Hiring Incentives to Restore Employment Act of 2010. P.L. 111-147						
Outlays	0	0	0	1	1	2
Change in Revenues	0	0	-4	-5	-1	-10
Net Impact	0	0	4	6	2	12
Assistance to education, State fiscal relief, and the Supplemental Nutrition Assistance Program (2010). P.L. 111-226						
Outlays	0	0	0	23	2	25
Change in Revenues	0	0	1	1	1	3
Net Impact	0	0	-1	22	1	22
Middle Class Tax Relief Act of 2010. P.L. 111-312						
Outlays	0	0	0	37	61	98
Change in Revenues	0	0	0	-337	-362	-699
Net Impact	0	0	0	374	423	797
Total Stimulus Bills						
Outlays	38	118	228	187	112	683
Change in Revenues	-114	-78	-155	-340	-344	-1031
Net Impact	152	196	383	527	456	1714

[5] A sixth stimulus bill, the Consumer Assistance to Recycle and Save (CARS) bill is not included in this listing as its funding required subsequent appropriations. Nevertheless, the impact of CARS is included in Table 3 below.

[6] Throughout this paper, a decrease in revenues (that is, a response to the recession that cuts taxes) is indicated by a negative number. The "Net Impact" for any program would thus be the sum of outlays plus the change in revenues with the sign reversed.

Automatic Stabilizers

Another Federal Government mechanism to help mitigate the impacts of the recession are automatic stabilizers**,** programs that without the need for new legislation automatically result in increased spending or lower taxes for people and businesses negatively impacted by the recession. Traditionally, CBO and others[7] measure the size of the impact of automatic stabilizers by comparing the actual budget balance to an estimate of what the budget balance would be "if GDP was at its potential, the unemployment rate was at a corresponding level, and all other factors were unchanged".[8] The major benefit of using potential GDP as the basis to calculate the impact of automatic stabilizers is that it "helps analysts estimate the extent to which changes in the budget balance are caused by movements of the business cycle and thus are likely to prove temporary rather than long lasting."[9] This benefit is obtained only if potential GDP can be accurately estimated. However, potential GDP is a hypothetical number, estimates of which change constantly as the availability of and actual use of labor and capital change; thus, evaluations of its accuracy are impossible.

Instead of measuring the size of automatic stabilizers relative to potential GDP, this paper compares actual automatic stabilizer spending and revenues relative to what the spending and revenues were projected to be before the recession. The beginning of the recession has recently been set at the end of 2007. This implies that CBO's January

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[7] Congressional Budget Office, "The Effects of Automatic Stabilizers on the Federal Budget", May 2010. See also Daniel Cohen and Glenn Follette, "The Automatic Fiscal Stabilizers: Quietly Doing Their Thing", *Economic Policy Review*, Federal Reserve Bank of New York, volume 6, number 1, April 2000.
[8] Ibid. p. 2.
[9] Ibid.

2008 baseline is an appropriate baseline to use because although it was prepared at the end of 2007, the recession was not recognized as it was being prepared.

CBO's list of automatic stabilizer spending programs includes only Unemployment Compensation, Medicaid, and Food Stamps. However, there are other programs that clearly expand as the economy contracts: Disability Insurance; Supplementary Security Income (SSI); the Earned Income (EITC) and Child Care Tax Credits; and family support payments of the Temporary Assistance for Needy Families (TANF) program. The listing in Table 2 below includes these additional automatic stabilizer programs.

Table 2. Automatic Stabilizers (AS)
(in billions of dollars)

	2008	2009	2010	2011	2012	2008-12
Spending Automatic Stabilizers						
Unemployment Compensation						
2008 Baseline	39	45	43	40	42	209
Current estimates	43	79	160	93	65	440
AS component	4	34	117	53	23	231
Medicaid						
2008 Baseline	208	225	243	261	282	1219
Current estimates	221	251	273	276	263	1284
AS component	13	26	30	15	-19	65
Food Stamps (SNAP)						
2008 Baseline	38	41	42	42	43	206
Current estimates	39	56	70	75	76	316
AS component	1	15	28	33	33	110
Disability Insurance						
2008 Baseline	104	111	118	124	131	588
Current estimates	104	115	122	128	135	604
AS component	0	4	4	4	4	16
SSI						
2008 Baseline	41	43	45	51	44	224
Current estimates	41	45	47	53	46	232
AS component	0	2	2	2	2	8
EITC & Child Credit						
2008 Baseline	56	56	57	58	40	267
Current estimates	58	67	77	75	42	319

	2008	2009	2010	2011	2012	2008-12
AS component	2	11	20	17	2	52
Family Support (TANF)						
2008 Baseline	24	24	24	24	24	120
Current estimates	25	26	27	26	25	129
AS component	1	2	3	2	1	9
Total, Spending Automatic Stabilizers						
2008 Baseline	510	545	572	600	606	2833
Current estimates	531	639	776	726	652	3324
Total	21	94	204	126	46	491
Revenue Automatic Stabilizers						
CBO estimate of Automatic Stabilizers	47	282	351	403	331	1414
Less CBO Spending automatic stabilizers (UC, Medicaid, FS)	18	75	175	101	37	406
Revenue Automatic Stabilizers	-29	-207	-176	-302	-294	-1008
Total Automatic Stabilizers	50	301	380	428	340	1499

Additional Discretionary Spending

Stimulus Bills are legislation enacted explicitly to counteract the impacts of the recession. Automatic stabilizers are programs that automatically change to counteract the impacts of the recession. But in its normal course of business, Congress can take action to counteract the impacts of the recession without labeling that action a stimulus bill or an automatic stabilizer program. It can do this using the annual appropriation process; that is, it can choose to appropriate larger amounts of funds for discretionary programs than it might otherwise choose to do in order to help counteract the impacts of the recession.

Recognition that Congress in general responds to recessions through increasing appropriations may not be controversial, but estimating the size of these increased appropriations is inherently subjective as there is no empirical way to judge how much of an increase was due to the recession and how much was for other reasons. The estimates in Table 3 below of the additional non-defense discretionary spending appropriated in response to the recession utilize the same technique used to estimate the size of automatic stabilizers; that is, CBO's pre-recession January 2008 baseline is compared to the amounts actually appropriated.[10] It is assumed that all of the additional appropriations were provided to counteract the impacts of the recession; although this may well be an overestimate, omitting this spending entirely would underestimate Congressional action. Note that as Congress has not provided full year appropriations for FY2011 or any appropriations for FY2012, no additional discretionary spending is included in this category for those years at this time.

Table 3. Additional Non-Defense Discretionary Spending
(Outlays, in billions of dollars)

	2008	2009	2010	2011	2012	2008-12
Non-defense outlays						
2008 Baseline	517	531	542	n/a	n/a	1590
Current estimates	519	581	666	n/a	n/a	1766
Additional Non-defense Spending	2	50	124	n/a	n/a	176

Financial Stabilization Efforts

In addition to the three efforts described above, in this crisis the Federal Government took additional "unprecedented actions to stem the negative effects of the current financial crisis ... to scale up existing programs and make them more effective, and to launch new programs designed to:

[10] At the time that CBO's January 2008 baseline was prepared, Congress had appropriated only about half of the expected 2008 costs for funding activities in Iraq and Afghanistan and for the war on terrorism. Thus, comparison of the 2008 baseline to amounts actually appropriated for defense would largely measure the impacts of providing full-year funding for these activities, not additional appropriations to counteract the impacts of the recession. As a result, only additional non-defense discretionary spending is included.

- expand access to credit;
- strengthen financial institutions;
- restore confidence in the financial sector; and
- stabilize the housing sector."[11]

The Government committed more than $10 trillion in these financial stabilization efforts. Although the Government's actual spending was much less than its commitments, and its net spending after loan repayments and the sales of equity shares that it had acquired will be even less, the commitments to provide financial assistance can be as valuable as the provision of the assistance itself. Because of this and because of the difficulty in comparing financial transactions with other responses to the recession, the amounts of loans, equity infusions, and other commitments to assist the housing and financial markets can't be added to the spending and tax cut efforts listed above as commitments (especially net commitments over time) are measured in an entirely different manner than spending or tax cuts.

Even a measure of the total amount of commitments is problematic because some commitments are unknown or in a few cases unlimited. A listing of the various forms of financial stabilization efforts was published by CBO in August 2009 and can be found at Appendix B below.[12] Taking the greater "Disbursed" or "Potential" funding from that listing and adding to it the $600 billion in quantitative easing announced by the Fed in

[11] Office of Management and Budget, *Budget of the United States Government for FY 2011, Analytical Perspectives*, p. 27.
[12] Additional actions, such as $600 billion in quantitative easing announced by the Fed in the fall of 2010, and changes to the programs listed have occurred since August 2009. Nevertheless, the listing illustrates the variety and complexity of the actions taken and the difficulty in doing comparative scoring of them.

the fall of 2010 produces a total of just under $10 trillion. However, it would not be fair to add the sum of these vastly different kinds of actions--ranging from reductions in interest rates and many other actions by the Fed to placing Fannie Mae and Freddie Mac into conservatorship--to the spending and tax reductions listed above. Despite the fact that the financial stabilization efforts can't be added to the other Government efforts to mitigate the impacts of the recession, it is appropriate to describe the Federal Government's efforts in response to the recession as including both the more than $3 trillion in spending and tax cuts and the more than $10 trillion in financial stabilization commitments.

Summary

Table 4 below presents a summary for the total of the stimulus bills, automatic stabilizers, and increases in non-defense discretionary spending between 2008 and 2012 for both spending programs (outlays) and tax cuts (decreases in revenues). As indicated, the size of these efforts in response to the recession, excluding the Government's financial stabilization efforts, are currently estimated to be $3,389 billion over the 2008-2012 period. Of this total, $1,350 billion, or 40%, was for spending programs; the remainder for tax cuts. Importantly, more than half (52%) of these responses to the recession have not yet taken place but will impact the economy in 2011 and 2012. Although the estimates used in this table are approximations that will be revised in the future, $3.4 trillion--and the $10 trillion in financial stabilization efforts--are much better estimates of the total amount of the Federal Government's responses to the economic recession than citing just the size of the 2009 and 2010 stimulus bills.

Table 4. Total Responses to the Economic Recession

(in billions of dollars)

	2008	2009	2010	2011	2012	2008-12
Stimulus Bills						
Outlays	38	118	228	187	112	683
Revenues	-114	-78	-155	-340	-344	-1031
Total	152	196	383	527	456	1714
Automatic Stabilizers						
Outlays	21	94	204	126	46	491
Revenues	-29	-207	-176	-302	-294	-1008
Total	50	301	380	428	340	1499
Additional Discretionary Spending						
Outlays	2	50	124	0	0	176
Total Responses						
Outlays	61	262	556	313	158	1350
Revenues	-143	-285	-331	-642	-638	-2039
Total	204	547	887	955	796	3389
Outlays %	30	48	63	33	20	40
Revenues %	70	52	37	67	80	60

Appendix A. CBO's January 2008 Baseline Projections

The concepts that underlie CBO's baseline projections were stated in CBO's January 2008 Budget and Economic Update:

> "The projections that make up CBO's baseline are not intended to be predictions of future budgetary outcomes—rather, they represent CBO's best judgment of how the economy and other factors would affect federal spending and revenues if current laws and policies remained in place. CBO constructs its baseline in accordance with provisions set forth in the Balanced Budget and Emergency Deficit Control Act of 1985 and the Congressional Budget and Impoundment Control Act of 1974. (Although the relevant provisions in the Deficit Control Act expired at the end of September 2006, CBO continues to follow that law's specifications in preparing its projections.) In general, those provisions spell out how the agency should project federal spending and revenues under current laws and policies. The resulting baseline can then be used as a benchmark against which to measure the effects of proposed changes in spending and tax laws and policies.
>
> For discretionary spending, the Deficit Control Act specified that the baseline should be derived by assuming that the most recent year's budget authority, including any supplemental appropriations, is provided in each future year, with adjustments to reflect projected inflation (as measured in specified indexes) and certain other factors (such as the annual cost-of-living adjustments to federal benefits).

> For revenues and mandatory spending, the Deficit Control Act required that baseline projections assume that present laws continue unchanged. In many cases, the laws that govern revenues and mandatory spending are permanent. Thus, CBO's baseline projections for those programs reflect anticipated changes in the economy, demographics, and other relevant factors that affect the implementation of those laws."

As Table A-1 indicates below, in January 2008 CBO assumed steady real growth every year between 2008 and 2012, much higher growth than what has actually occurred.

Table A-1. Comparison of CBO's January 2008 Pre-Recession Baseline Assumptions and Current Assumptions for Real GDP
(Calendar Years; percent change)

	2008	2009	2010	2011	2012
January, 2008	1.7	2.8	3.5	3.4	2.9
Current	1.2	-2.5	3.0	2.1	3.4

Appendix B. CBO's "Actions Taken by the Federal Government in Support of the Housing and Financial Markets as of August 12, 2009"[13]
(in billions of dollars)

Action	Funding: Disbursed	Funding: Potential

Federal Reserve

Reductions in Interest Rates	n.a.	n.a.

The target for the federal funds rate (the interest banks charge on loans to other banks) was reduced 10 times between September 2007 and December 2008, falling from 5.25 percent to between zero and 0.25 percent.

Loans to Financial Institutions

Primary and Secondary Credit Programs	39	Unknown

Through the primary and secondary credit programs, the Federal Reserve disburses short-term loans to banks and other institutions that are legally allowed to accept monetary deposits from consumers. The term of the loan may be as long as 90 days.

Term Auction Facility	234	400

The Term Auction Facility (TAF) allows banks and other financial institutions to pledge collateral in exchange for a loan from the Federal Reserve. The interest rate on the loan is determined by auction; such auctions are conducted biweekly for loans with

[13] Congressional Budget Office, The Budget and Economic Outlook: An Update, Appendix B: "The Government's Actions in Support of the Housing and Financial Markets", August, 2009.

a maturity of either 28 or 84 days. The maximum size of each auction is $100 billion, although accepted bids for most recent auctions have been considerably smaller.

Acquisition of Bear Stearns by J.P. Morgan Chase	29	29

Backed assets to facilitate takeover of Bear Stearns by J.P. Morgan Chase

The Federal Reserve created Maiden Lane, a limited liability company (LLC), to acquire certain assets of Bear Stearns at a cost of $29 billion. (An LLC offers protection from personal liability for business debts, just like a corporation. The profits and losses of the business pass through to its owners, as they would if the business was a partnership or sole proprietorship.) The LLC will manage those assets to maximize the likelihood that the investment is repaid and to minimize disruption to financial markets. The current value of the portfolio on the Federal Reserve's balance sheet is $26 billion.

Support for AIG	78	104

The Federal Reserve agreed to loan American International Group $60 billion. In addition, the Federal Reserve Bank of New York bought $19.5 billion of residential mortgage-backed securities from AIG's portfolio through an LLC and another $24.5 billion of collateralized debt obligations (CDOs) on which AIG wrote contracts for credit default swaps through another LLC. (CDOs are complex financial instruments that repackage assets such as mortgage bonds, loans for leveraged buyouts, and other debt—including other CDOs—into new securities. A credit default swap is a type of insurance arrangement in which the buyer pays a premium at periodic intervals in exchange for a contingent payment in the event that a third party defaults. The size of the premium paid relative to the contingent payment generally increases with the likelihood of default.)

Support for Short-Term Corporate Borrowing 58 Unknown

Commercial Paper Funding Facility

The Commercial Paper Funding Facility (CPFF) finances the purchase of commercial paper (securities sold by large banks and corporations to obtain funding to meet short- term borrowing needs, such as payroll) directly from eligible issuers. Securities purchased under this program may be backed by assets or unsecured; they must be highly rated, denominated in U.S. dollars, and have a maturity of three months. The program is in effect through February 1, 2010.

Support for Money Market Mutual Funds

Money Market Investor Funding Facility 0 Unknown

The Money Market Investor Funding Facility (MMIFF) is designed to restore liquidity to money markets by purchasing certificates of deposit, bank notes, and commercial paper from money market mutual funds and other similar investors. The authority to purchase assets is in effect through October 30, 2009.

Asset-Backed Commercial Paper Money Market Mutual
Fund Liquidity Facility 0 Unknown

The Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) provides funding to U.S. depository institutions and bank holding companies to finance their purchases of high-quality asset-backed commercial paper (ABCP) from money market mutual funds under certain conditions. The program is intended to assist money market funds that hold such paper in meeting demands for redemptions by investors and to foster liquidity in the ABCP market specifically and money markets generally. The program is in effect through February 1, 2010.

Support for Primary Dealers

Term Securities Lending Facility and TSLF Options Program	*3*	*75*

The Term Securities Lending Facility (TSLF) offers to lend Treasury securities held by the Federal Reserve for a one- month term in exchange for other types of securities held by the 18 financial institutions, known as primary dealers, that trade directly with the Federal Reserve. The TSLF Options Program (TOP), which has been suspended, offered options on short-term TSLF loans that were to be made on a future date. (An option is a contract written by a seller that conveys to the buyer the right—but not the obligation—to buy or sell a particular asset.)

Primary Dealer Credit Facility	0	Unknown

The Primary Dealer Credit Facility (PDCF) provides overnight loans in exchange for eligible collateral to financial institutions that trade directly with the Federal Reserve. The program is in effect through February 1, 2010.

Support for the Mortgage Market

Purchases of the debt of housing-related government-sponsored enterprises	110	200

The Federal Reserve will purchase up to $200 billion in debt issued by three government-sponsored enterprises (GSEs)—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—through competitive auctions over the next several quarters.

Purchases of mortgage-backed securities	543	1,250

Over the next several quarters, the Federal Reserve will purchase up to a total of $1,250 billion in mortgage-backed securities (MBSs) issued by GSEs and the Government National Mortgage Association (Ginnie Mae).

Support for Credit Markets	253	300

The Federal Reserve will purchase up to $300 billion of longer-term Treasury securities over a seven-month period ending this fall.

Support for Consumer and Small Business Lending

Term Asset-Backed Securities Loan Facility	30	200

Through the Term Asset-Backed Securities Loan Facility (TALF), the Federal Reserve Bank of New York will lend up to $200 billion to holders of certain AAA-rated asset-backed securities collateralized by a range of loans to consumers and small businesses, and the Troubled Asset Relief Program will provide $20 billion of credit protection (protection against debtors that do not pay because of insolvency or protracted default) for those loans. The TALF began lending in March 2009; the authority to extend the different types of loans expires during the first half of 2010.

Currency Swaps with Selected Foreign Banks	75	Unknown

In response to strong demand for dollars from abroad, the Federal Reserve has contracted with 14 foreign central banks to make U.S. dollars available temporarily. After a specified period of time, the original amounts of dollars will be returned in exchange for the foreign currency.

Assistance to Citigroup	0	220

The Federal Reserve has agreed to absorb 90 percent of any losses resulting from the federal government's guarantee of a pool of Citigroup's assets after payouts have been made by Citigroup, the Troubled Asset Relief Program, and the Federal Deposit Insurance Corporation.

Assistance to Bank of America	0	87

The Federal Reserve has agreed to absorb 90 percent of any losses resulting from the federal government's guarantee of a pool of Bank of America's assets after payouts have been made by Bank of America, the Troubled Asset Relief Program, and the Federal Deposit Insurance Corporation.

Treasury

Troubled Asset Relief Program 292 699

The Emergency Economic Stabilization Act of 2008 (Division A of P.L.110-343) granted authority to the Treasury to purchase $700 billion in assets through a new program, the Troubled Asset Relief Program (TARP).

To date, the program's outstanding disbursements total $292 billion. The subsidy cost estimated by the Congressional Budget Office (CBO)—about $90 billion to date—is computed using the modified credit reform procedure (that is, accounting for market risk) specified in P.L. 110-343.

Housing-Related Tax Provisions 8 Unlimited

The Housing and Economic Recovery Act of 2008 (P.L. 110-289) authorized a refundable tax credit for first-time home buyers (to be repaid, without interest, over a 15-year period) and contained other housing- related tax provisions. The American Recovery and Reinvestment Act of 2009 modified the refundable tax credit for first-time home buyers by extending the qualifying purchase period through November 30, 2009. In addition, for homes purchased after December 31, 2008, it raised the amount of the credit to $8,000 (from $7,500) and waived the repayment requirement.

Purchases of Obligations and Securities Issued by
Fannie Mae and Freddie Mac 178 Unlimited

The Housing and Economic Recovery Act of 2008 authorized the Department of the Treasury to buy obligations and securities issued by Fannie Mae and Freddie Mac. About $178 billion of residential mortgage-backed securities (securities whose value is derived from an underlying pool of mortgages) had been purchased as of July 29, 2009. Authority to make such market purchases expires on December 31, 2009. The subsidy cost recorded in the budget is computed using standard credit reform procedures.

Conservatorship for Fannie Mae and Freddie Mac	85	400

The Treasury received senior preferred equity shares and warrants in exchange for any future contributions necessary to keep the two entities solvent. (Preferred equity shares provide a specific dividend to be paid before any dividends are paid to common stockholders and take precedence over common stock in the event of a liquidation; a warrant is a security that entitles the holder to buy stock of the company that issued it at a specified price.) CBO views Treasury cash disbursements to Fannie Mae and Freddie Mac as intragovernmental transfers; CBO estimates that including the GSEs' operations in the budget would increase the federal deficit by $291 billion in 2009.

Temporary Guarantee Program for Money Market Funds	0	2,470

The Treasury will guarantee investors' shares as of September 19, 2008. The guarantee is in effect through September 18, 2009. Participating funds pay a fee of 1.5 or 2.3 basis points times the number of shares outstanding. (A basis point is one-hundredth of a percentage point.)

Supplementary Financing Program	200	Unlimited

The Treasury is borrowing from the public to assist the Federal Reserve.

Federal Deposit Insurance Corporation

Temporarily Raised the Basic Limit on Insurance Coverage from $100,000 to $250,000 per Depositor	n.a.	700

The Helping Families Save Their Homes Act of 2009 (Public Law 111-22) temporarily raised the limit on deposit insurance through December 31, 2013. That action is estimated to increase the amount of insured deposits by about $700 billion, or 15 percent.

Temporary Liquidity Guarantee Program	n.a.	1,450

The Temporary Liquidity Guarantee Program has two components. The first—the debt guarantee program—aims to enable participating institutions to borrow and lend money more readily. It fully protects certain newly issued senior unsecured debt (securities that are not backed by collateral and have priority over all other debt in ranking for payment in the event of default) with a maturity of more than 30 days, including promissory notes, commercial paper (securities sold by large banks and corporations to meet short-term needs, such as payroll), and interbank funding. The guarantee applies to debt that is issued by October 31, 2009, and matures no later than December 31, 2012. Participating institutions pay fees based on the maturity of the debt. To date, the Federal Deposit Insurance Corporation (FDIC) has guaranteed $339 billion of new debt; potential guarantees could total $1 trillion.

The second component provides full guarantees for certain checking and other non-interest-bearing accounts through December 31, 2009. Participating institutions also pay fees for this guarantee. To date, the FDIC has guaranteed $700 billion under the program.

Assistance to Citigroup	0	10

The FDIC may absorb up to $10 billion in losses resulting from the federal government's guarantee of a pool of Citigroup's assets after payouts have been made by Citigroup and the Troubled Asset Relief Program. As a fee for the guarantee, the FDIC has received $3 billion in preferred stock (shares of equity that provide a specific dividend to be paid before any dividends are paid to common stockholders and that take precedence over common stock in the event of a liquidation).

Department of Housing and Urban Development

Redevelopment of Abandoned and Foreclosed Homes	0	6

The Housing and Economic Recovery Act of 2008 (P.L. 110-289) provided $4 billion in funding to state and local governments to purchase and rehabilitate foreclosed and abandoned homes. The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) provided an additional $2 billion (through the Community Development Fund) for the program.

HOPE for Homeowners Program	0	1

The HOPE for Homeowners program permits home mortgages to be refinanced through private lenders with a guarantee from the Federal Housing Administration (FHA). The new loans must have a loan-to-value ratio that is no greater than 90 percent of the property's appraised value (or such higher percentage as the Department of Housing and Urban Development determines).

FHA Secure	0	1

FHA Secure was a temporary initiative to permit lenders to refinance non-FHA adjustable-rate mortgages. The program, which began in the fall of 2007, made about 4,000 loans and expired on December 31, 2008.

Federal Housing Finance Agency

Conservatorship for Fannie Mae and Freddie Mac	n.a.	n.a.

The Federal Housing Finance Agency and the Treasury took control of these two government-sponsored enterprises (GSEs) on September 6, 2008. Under the current circumstances, the Congressional Budget Office (CBO) views Fannie Mae and Freddie Mac as governmental entities.

National Credit Union Administration

Credit Union System Investment Program and the Homeowners Affordability Relief Program	8	8

These two loan programs are intended to aid corporate credit unions (which primarily provide financial resources and services to other credit unions). They are operated through the National Credit Union Administration's (NCUA's) Central Liquidity Facility (CLF) and are financed by borrowing from the Federal Financing Bank. The programs loaned funds to credit unions to invest in notes issued by corporate credit unions through June 30, 2009. The notes are guaranteed through June 30, 2017, by NCUA's Temporary Corporate Liquidity Guarantee Program.

Liquidity Advances to Corporate Credit Unions and the National Credit Union Share Guarantee 10 Unknown

To mitigate losses on securities held by corporate credit unions, the NCUA implemented two special measures. First, the National Credit Union Share Insurance Fund borrowed from the CLF to provide liquidity to the two largest corporate credit unions. The NCUA also created the National Credit Union Share Guarantee, which provides a guarantee of all shares held at most corporate credit unions through September 30, 2011.

Multiple Agencies

Making Home Affordable Plan Unknown 75

The plan seeks to provide aid to homeowners through two programs. The Home Affordable Modification Program (HAMP) helps lower the monthly mortgage payments of eligible borrowers by providing incentives to servicers and borrowers to modify the terms of their mortgages. More than 235,000 trial modifications had started by the end of July. The program expires on December 31, 2012. The Home Affordable Refinance Program (HARP) enables homeowners whose loans are guaranteed by Fannie Mae or Freddie Mac to refinance their mortgage balance up to 125 percent of the current value of their home. About 190,000 loans have been refinanced through the program since it began in April. It expires on June 10, 2010.

In total, the Administration has committed $75 billion to the plan. Of that amount, $50 billion is from the Troubled Asset Relief Program, and the remainder is from other federal entities, including the GSEs and the Department of Housing and Urban Development.

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