Allotted $700 Billion, TARP May Cost Far Less

By Editor Test *Wed, Dec 9, 2009*

Democrats plan to divert about $70 billion from what is left in the bailout fund to construction projects, credit to small businesses and aid to state and local governments.

The Treasury Department expects to recover $328 billion of the $370 billion it loaned to ailing companies over the past year, the *New York Times* reported Monday.

The $42 billion difference between the two figures includes about $61 billion in losses on AIG, Chrysler and General Motors and $19 billion gained from government loans to banks, including interest, dividends and profits on the sale of warrants that the government received as collateral.

The government loaned $245 billion to banks last year. Since then, banks have raised over $100 billion in private capital. Last week, Bank of America said that it would soon repay its $45 billion bailout loan. That would raise the amount repaid to $116 billion and leave Citigroup as the only big bank in debt to the government.

While taxpayers still could face losses on new loans under the program, and the Federal Reserve still holds a trillion dollars worth of hard-to-value mortgage-backed securities, the new estimates would lower the administration's deficit forecast for the 2009-2010 fiscal year to about $1.3 trillion, from $1.5 trillion.

Democrats in Congress plan to divert about $70 billion from what is left in the bailout fund to highway and other construction projects, credit to small businesses and aid to state and local governments.

The bailout program is due to expire at the end of 2009, but the Treasury intends to extend it into 2010. Treasury Secretary Timothy Geithner said "there are parts of the system that are still very damaged." He said the administration would propose within weeks when and how to end the program.

Last January, fearing that additional bank failures could exhaust the entire $700 billion TARP fund, the Obama administration proposed up to $500 billion more in federal lending authority in the administration's first budget in February. During the summer, the administration said it might lose more than $300 billion on the program.

Instead, just $7 billion more in bailout money has gone out to banks since Mr. Obama became president, making a second loan authorization unnecessary. Total losses are now projected at about $140 billion or less.