Bailouts: Geithner's Got Room To Spend

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WASHINGTON, D.C. — As Wall Street reports earnings this week, the Federal Reserve is finishing work on its "stress tests" of America's biggest banks. The White House has hinted repeatedly that the banks may need more money, yet Congress seems unwilling to back any new bailouts.

With trillions of dollars of Troubled Asset Relief Programs already announced, it seems as if the White House could find itself pinched. But an analysis of the TARP funding shows that, despite headlines to the contrary, the Obama administration has hundreds of billions of dollars in potential wiggle room with which to work.

Good thing. Since the election, appetite for the bailout has diminished. When it came to releasing the second half of the $700 billion fund in January, the Senate vote was 52-42. This was enough to release the remaining funds, but any new money would require 60 senators in support.

The White House has yet to request additional money, but it hinted in its budget process that it might. The budget that the White House submitted to Congress included a $250 billion "placeholder" that may be needed for additional bank rescuing. That $250 billion placeholder actually implies a much larger request.

The original bailout was included in the White House budget as a $250 billion cost as well. Although the bailout has a sticker price of $700 billion, much of that money–perhaps the vast majority of it, will be repaid. The final bill to taxpayers will be smaller. The bailout placeholder is scored with the same logic. Thus the White House has contemplated asking for at least an additional $700 billion.

Congress was not willing to sign off, even tentatively, on a new bailout. White House estimates that the cost would be much smaller were ignored. When the Senate and House passed their budget resolutions, they signaled their feelings on additional money for bank bailouts by simply removing the "placeholder" from budget plans.

Before the Treasury has to beg Congress for more money, they can try to squeeze more blood from the original $700 billion fund–and the fund is not as anemic as it seems.

The Treasury has announced a wide array of programs. The tally thus far includes: $250 billion to put capital directly in banks, $100 billion for a Fed program known as the TALF to restart lending, $100 billion for the public-private investment plan to buy toxic assets from banks, $50 billion for mortgage prevention, $30 billion for the automakers and their suppliers, $15 billion for small-business lending, and $122 billion in a variety of loans and guarantees for AIG, Citigroup and Bank of America. That's a total of $667 billion pledged, or only $33 billion left to spend, according to the Government Accountability Office.

By Treasury Secretary Tim Geithner's own calculations, however, some of those commitments have already been rethought. In March, Geithner told ABC's *This Week* that $135 billion remained uncommitted. No major changes have been announced to the legislation since Geithner made the statement.

And even less of the money has actually been spent. Treasury can continue to lower its commitment to various programs. For example, the Treasury said it would spend $250 billion to put capital into banks, but as of April 10, had injected only $199 billion, according to the Treasury's Office of Financial Stability.

According to Treasury's monthly statement, by the end of March, only $293 billion has actually been spent. Far more than $135 billion in wiggle room remains.

Of the bank injections, $442 million of that has already been repaid, and on Monday, Goldman Sachs announced that it had managed a $1.8 billion profit in the first three months of 2008 and would move to repay the $10 billion it received. The amount in capital purchases is shrinking, not growing.

Other programs are extremely unlikely to reach their target size. The TALF program was set to use $100 billion of Treasury money and $900 billion from the Federal Reserve. So far, it's off to a very slow start, with $6 billion in requests, less than 1% of the announced total. The administration's mortgage foreclosure plan is unlikely to have enough eligible borrowers to reach its full cost.

The Treasury did not respond to calls and an e-mail requesting comment. The administration has been extremely tight-lipped about what might happen after the stress tests. The expectation has been that they need to ask Congress for more money. The surprise may be that they have enough.