

Geithner: Financial Bailout Cost Dips, Now At \$25 Billion

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WASHINGTON (AP) — The eventual cost to taxpayers for the government's \$700 billion financial bailout will be less than the \$25 billion price tag put on it in the latest estimate, Treasury Secretary Timothy Geithner said Thursday.

The Congressional Budget Office's most recent estimate is that taxpayers will lose \$25 billion on the rescue of automakers, banks and other financial institutions undertaken at the peak of the crisis in the fall of 2008.

But Geithner told a hearing called by a congressionally appointed panel overseeing the rescue program that he thinks it will cost less than that.

"Those estimates are now around \$25 billion," Geithner said. "They are too high, in my judgment. Ultimately, they'll be lower."

Geithner, however, didn't say how much he thought the final cost would be.

Measured by its final cost, he said, the bailout "will rank as one of the most effective crisis-reponse programs ever implemented."

Most important, he said, is that the government's combined investments in banks, financial institutions, automakers and credit markets "will show a positive return. The losses will be limited to the amount we spend on our housing programs."

Among the factors underlying Treasury's expectation that the bailout will cost less than \$25 billion:

—Bailed-out insurance conglomerate American International Group Inc. has taken steps toward paying off its bailout that at one point was worth \$182 billion, the largest of the crisis. That has moved the government closer to what officials expect will be a multibillion-dollar profit.

Treasury will convert its stake in AIG into about 1.66 billion shares, worth around \$70 billion. When the shares are sold, the proceeds will pay off Treasury's current \$47.5 billion investment in AIG. The company will also borrow \$22 billion to settle its obligations to the New York Federal Reserve.

—Treasury has received \$13.5 billion from the recent initial public offering of General Motors stock. It expects to earn another \$2.1 billion from GM when the automaker repurchases preferred stock that was issued as part of the bailout aid.

—Treasury recently sold off the last of its stake in banking giant Citigroup Inc.,

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ending up with revenue of \$12 billion above its investment of \$45 billion.

—Altogether, Treasury has brought in about \$35 billion from stock sales over the past two years.

Geithner said the U.S. financial system today "is in a much stronger position than it was before the crisis."

Still, he acknowledged, with unemployment hovering at around 10 percent, "Our work is not done. ... The damage is still profound and tragic." He also said the housing market remains weak.

Geithner said the government is using several programs in an effort to keep as many struggling borrowers as possible in their homes.

It is also putting downward pressure on mortgage rates through agreements with finance companies Fannie Mae and Freddie Mac, he said. The Treasury Department has bought around \$200 billion in securities tied to mortgages that are guaranteed by Fannie and Freddie.

Sen. Ted Kaufman, D-Del., the chairman of Congressional Oversight Panel, said the economy "is in a tremendously better place today than it was" before the financial rescue came in.

"But we must not forget the pain that continues to plague so many Americans," he said. "Fifteen million Americans still cannot find a job. As many as 13 million families will lose their homes to foreclosure in the next few years."

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