

The Financial Stability Plan and its Impact on Financial Institutions and Private Capital

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The US Treasury Department's Financial Stability Plan (the "Plan"), as announced by Treasury Secretary Geithner on February 10, 2009, and as further elaborated in his congressional testimony over the following 48 hours, has four pillars. It reshapes the ground rules for capital injections into financial institutions, now termed the "Capital Assistance Program," increases the size and scope of a previously announced non-recourse lending facility by the Federal Reserve to potentially reach \$1 trillion, launches the idea of a public-private investment fund to purchase legacy or toxic assets from financial institutions, and sets aside \$50 billion for homeowner assistance to be fleshed out shortly. Altogether, the Plan may inject more than \$2 trillion into the nation's financial system, composed of the remaining \$350 billion of Troubled Assets Relief Program ("TARP") funds and support from the Federal Reserve and anticipated private capital investments.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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