JUST THE FACTS: A SAFER, MORE STABLE FINANCIAL SYSTEM

The financial system has changed in far-reaching ways since the crisis. The weakest parts of the system are gone. Those firms that remain hold much larger capital buffers against risk, which serve as shock absorbers against losses and future downturns. Financial institutions are funded more conservatively – with less borrowed money and less reliance on short-term funding that can dry up quickly during a sudden financial shock. Most importantly, the financial system is now in a position to finance a growing economy and is no longer a source of risk to the recovery.

We still have more work to do, and the Dodd-Frank Wall Street Reform and Consumer Protection Act is critical to fortifying and strengthening the progress we've already made. The reforms in that law are essential to making sure that future financial shocks are less likely and less damaging.

The overall U.S. financial system now has a much higher level and quality of capital.

- The aggregate dollar amount of tier 1 common equity at bank holding companies increased by $333 billion or 58 percent from first quarter 2009 through first quarter 2011, and the tier 1 common ratio increased by 4.1 percentage points to 10.1 percent.
- Eighty-nine of the top 100 domestically owned U.S. bank holding companies hold tier 1 common equity at levels that meet or exceed an 8 percent ratio of risk-weighted assets.
- The financial sector is much less reliant on borrowed money. Net debt outstanding among all financial institutions peaked at 121 percent of GDP in March 2009, and declined consistently thereafter, totaling 94 percent of GDP by March 2011.

Financial institutions hold more liquid assets and have more stable and matched liabilities on their balance sheet —reducing the threat of runs and panics during a sudden financial shock.

- Banks now have a more stable base of funding. Between March 2008 and March 2011, core deposits as a share of total liabilities at FDIC-insured institutions increased from 45 percent to 60 percent.
- The largest banks have reduced their reliance on short-term debt. The four largest bank holding companies decreased their short-term wholesale debt funding from 35 percent of total assets in September 2007 to 23 percent in March 2011.

Corporations are better able to get the financing they need to expand and create new jobs.

- Corporate bond spreads, which increased dramatically during the crisis, have returned to more normalized levels. The nonfinancial corporate bond default rate, which peaked at an annualized 7.3 percent for the six months trailing July 31, 2009, was just 0.2 percent for the six months trailing May 2011.

As market confidence has returned, private capital has replaced government support.

- Treasury is winding down the Troubled Asset Relief Program (TARP) and exiting its investments in private companies. More than 75 percent of TARP funds disbursed have been recovered to date through repayments and other income. Taxpayer profits from TARP's bank programs are expected to total approximately $20 billion.

- The emergency actions taken to break the back of the crisis taken as a whole (including the Federal Reserve, FDIC, and Treasury programs and the actions taken for the GSEs) may show a modest gain to the taxpayers.

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