



**BAILOUT
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2011 Estimate

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Richmond, VA 23261

Published February 2013
Revised February 2016

This document can be downloaded without charge at
http://www.richmondfed.org/publications/research/special_reports/safety_net/

Estimates of the Safety Net as of Dec. 31, 2011*

As used by [Walter and Weinberg \(2002\)](#) and [Malysheva and Walter \(2010\)](#), the phrase government guarantee means a federal government commitment to protect lenders from losses due to a borrower's default. Following this definition, our estimate of the safety net includes insured bank and thrift deposits, certain other banking company liabilities, some government-sponsored enterprise (GSE) liabilities, selected private-employer pension liabilities, the dollar value of money market mutual fund shares, as well as a subset of the liabilities of other financial firms.

Our estimate (using data as of Dec. 31, 2011) includes a mixture of elements. Some of the liabilities, such as insured deposits, are *explicitly* guaranteed. Our “Least Inclusive” estimate includes only explicitly guaranteed liabilities. Other liabilities are *believed* by many market participants to be *implicitly* guaranteed by the federal government. These liabilities are added to explicitly guaranteed liabilities to make up our “Most Inclusive” estimate. Examples of implicitly guaranteed liabilities include short-term liabilities of the largest banking companies, some deposit balances not explicitly covered by deposit insurance, and the liabilities of certain government-sponsored enterprises. Our approach to implicit guarantees is to ask, “Based on past government actions, what might market participants reasonably expect future government actions to be?” Of course, identifying exact market expectations is largely impossible. We therefore provide two estimates—found in our “Most Inclusive” and “Least Inclusive” tables below—that can be thought of as the bounds within which market perceptions are likely to be found.

See the [Methodology and Sources](#) section for greater detail on what we have included in our explicit and implicit categories for each liability type contained in our two estimates.

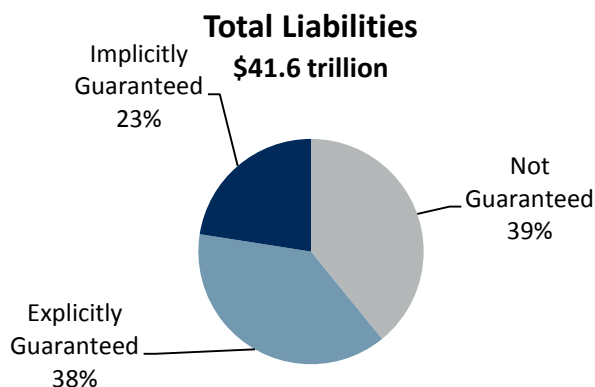
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Most Inclusive Estimate

Data as of December 31, 2011

Financial Firms (in billions)	Explicitly Guaranteed Liabilities (A)	Implicitly Guaranteed Liabilities (B)	A+B	Total Liabilities
Banking & Saving Firms (includes BHCs & SLHCs)	\$7,146 41.1%	\$5,796 33.4%	\$12,943 74.5%	\$17,369
Credit Unions	\$795 90.1%		\$795 90.1%	\$883
GSEs				
Fannie Mae	\$3,216		\$3,216	\$3,216
Freddie Mac	\$2,147		\$2,147	\$2,147
Farm Credit System		\$206	\$206	\$206
Federal Home Loan Banks		\$726	\$726	\$726
Total	\$5,363 85.2%	\$932 14.8%	\$6,295 100.0%	\$6,295
Private Employer Pension Funds	\$2,630 87.8%		\$2,630 87.8%	\$2,994
Money Market Mutual Funds		\$2,691	\$2,691	\$2,691
Other Financial Firms		\$170	\$170	\$11,334
Total for Financial Firms	\$15,935	\$9,590	\$25,525	\$41,566
Percentage of Total Liabilities	38.3%	23.1%	61.4%	100.0%

Note: Total guaranteed liabilities (\$25,525 B) as a share of GDP (\$14,991 B) equals 170%, using this table's estimate.

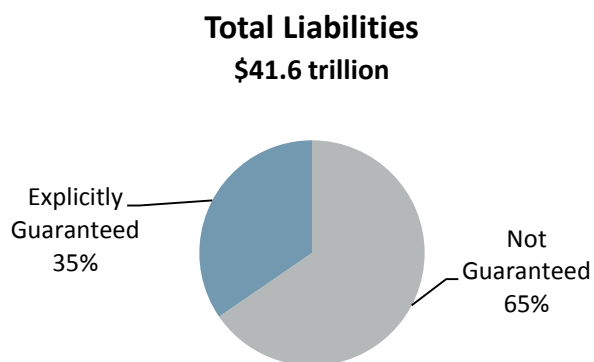


Least Inclusive Estimate

Data as of December 31, 2011

Financial Firms (in billions)	Explicitly Guaranteed Liabilities (A)	Implicitly Guaranteed Liabilities (B)	Total Liabilities
Banking & Saving Firms (includes BHCs & SLHCs)	\$5,577 32.1%		\$17,369
Credit Unions	\$795 90.1%		\$883
GSEs			
Fannie Mae	\$3,216		\$3,216
Freddie Mac	\$2,147		\$2,147
Farm Credit System			\$206
Federal Home Loan Banks			\$726
Total	\$5,363 85.2%		\$6,295
Private Employer Pension Funds	\$2,630 87.8%		\$2,994
Money Market Mutual Funds			\$2,691
Other Financial Firms			\$11,334
Total for Financial Firms	\$14,366		\$41,566
Percentage of Total Liabilities	34.6%		100.0%

Note: Total guaranteed liabilities (\$14,366 B) as a share of GDP (\$14,991 B) equals 95.8%, using this table's estimate.



Methodology and Sources

Banking and Savings Firms

Explicitly Guaranteed Liabilities – FDIC-insured deposits of all commercial banks and savings institutions (up to the \$250,000 insurance limit), which includes transaction accounts covered by the FDIC’s Transaction Account Guarantee (TAG) program¹ plus debt guaranteed by the FDIC’s Debt Guarantee Program (DGP).² (Both of these FDIC programs expired Dec. 31, 2012.)

Implicitly Guaranteed Liabilities – In our most inclusive estimate of the safety net, we include total liabilities of the four largest banking institutions (those larger than \$1 trillion in assets)³ minus insured deposits (included in explicit column); plus short-term liabilities (federal funds, repurchase agreements, commercial paper, and other short-term liabilities as reported in financial reports)⁴ and uninsured domestic deposits⁵ of the 34 bank and savings and loan holding companies (beyond the four largest) with assets greater than \$50 billion.

Four largest banking institutions – During the financial turmoil of 2008 and 2009, the government promised to provide capital if needed by any of the largest 19 bank holding companies (BHCs) such that their operations could continue uninterrupted, encouraging the view that all liability-holders of these firms would be protected. However, the Orderly Liquidation Authority (OLA) provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) may reduce the likelihood that these companies would receive capital injections to allow their uninterrupted operation. Nevertheless, one can imagine that many market participants will remain skeptical that the government would allow operations of the very largest and most systemically important institutions to be disrupted, even if the interruption might be minimized and carefully managed by the OLA process.⁶ As a result, our most inclusive estimate includes all of the liabilities of the four largest companies.

Short-term liabilities – Market participants might expect that the short-term liabilities of large financial firms would be protected if the firms are resolved under the OLA. All bank holding companies and savings and loan holding companies (SLHCs) with assets greater than \$50 billion are likely to be considered for OLA treatment if they experience financial distress. Moreover, all bank holding companies with assets greater than \$50 billion have been designated as systemically important financial institutions (SIFIs). While a SIFI designation does not necessarily imply OLA treatment in resolution, market participants are likely to expect that these institutions would not be allowed to enter bankruptcy because it seems ill-suited to handle the failure of SIFIs ([Pellerin and Walter 2012, p. 14–16](#)). The OLA provisions of Dodd-Frank permit the FDIC to pay some creditors more than bankruptcy might allow ([Pellerin and Walter 2012, p. 16](#)) and the FDIC’s OLA implementing rule suggests that this treatment could apply to short-term creditors ([FDIC final rule, July 15, 2011, 12 CFR 380](#), p. 41644). Therefore, we include the short-term liabilities of all BHCs and SLHCs with assets exceeding \$50 billion in our most inclusive estimate.

Uninsured domestic deposits – Historically uninsured depositors in the largest institutions have been protected ([Walter and Weinberg 2002, p. 380](#)). Additionally, most uninsured depositors were protected during the bank failures that occurred following the financial crisis that began in 2008. Given these facts, market participants are likely to expect uninsured depositors at the largest banking companies (those with over \$50 billion in assets) to be protected from losses in future financial crises.

Least Inclusive Estimate

Explicitly guaranteed deposits – Drops (compared to Most Inclusive Estimate) TAG and DGP guaranteed liabilities given that such deposits and debt lost their FDIC coverage as of Dec. 31, 2012. In future failures, such programs may not be in place.

Implicitly guaranteed deposits – Drops all liabilities of the four largest banking companies based on an assumption that these four BHCs will be handled through the OLA process and liability holders will suffer losses. Drops short-term liabilities of banking companies with assets larger than \$50 billion based on an assumption that OLA treatment may not provide any special protection for such liabilities. Uninsured deposits at banking companies larger than \$50 billion are dropped under the assumption that the FDIC might not protect such depositors in future bank failures.

Total Liabilities – Includes total liabilities of BHCs⁷ and SLHCs,⁸ plus total liabilities of banks and thrifts not owned by BHCs or SLHCs,⁹ plus U.S insured branches of foreign banks.¹⁰

Credit Unions

Explicitly Guaranteed Liabilities – Total credit union shares at or below the \$250,000 NCUA coverage limit.¹¹

Total Liabilities – Total credit union liabilities.¹²

GSEs

Explicitly Guaranteed Liabilities:

Since Sept. 6, 2008, Fannie Mae and Freddie Mac have been in conservatorship supervised by the Federal Housing Finance Agency (FHFA). Under the agreements associated with the conservatorship, the Treasury has committed to ensuring that each entity maintains a positive net worth.¹³ Given this explicit promise of support, explicitly guaranteed liabilities will include:

Fannie Mae (Federal National Mortgage Association) – Total liabilities.¹⁴

Freddie Mac (Federal Home Loan Mortgage Corporation) – Total liabilities.¹⁵

Implicitly Guaranteed Liabilities:

Both Fannie Mae and the Farm Credit System were bailed out with federal government loans when they got into financial trouble in the 1980s. Furthermore, the bailout of Fannie Mae and Freddie Mac in 2008 during the financial crisis reinforced the perception that all of the large, systemically important GSEs will

be bailed out in the event of financial trouble. Therefore, we include the liabilities of the remaining two GSEs in our most inclusive estimate:

Farm Credit System – Total liabilities.¹⁶

Federal Home Loan Banks – Total liabilities.¹⁷

Least Inclusive Estimate – Drops total liabilities of the Farm Credit System and Federal Home Loan Banks given that these two GSEs, unlike Fannie Mae and Freddie Mac, are not in conservatorship and have no explicit promise of net worth support.

Pension Funds

Explicitly Guaranteed Liabilities – Liabilities of all pension funds insured by the Pension Benefit Guaranty Corporation (PBGC), which insures only defined-benefit plans, were \$2,570 billion in 2009, the latest date for which data are estimated.¹⁸ This figure is inflated by twice the average annual growth rate (because 2009 to 2011 involves two years of growth) of PBGC-insured pension liabilities from 1999 to 2009 to obtain our estimate of all liabilities in pension funds insured by the PBGC as of Dec. 31, 2011 (\$2,769 billion). Since the PBGC covers pensions only up to a specified maximum payment per year, a portion of beneficiaries' pensions in guaranteed plans—those with pensions paying above this maximum—are not insured. According to the PBGC, this portion is estimated to be 4 percent to 5 percent.¹⁹ To arrive at the guaranteed portion of PBGC guaranteed pension fund liabilities, we multiplied total 2011 fund liabilities (\$2,769 billion) by 0.95 to yield \$2,630 billion.

Total Liabilities – There appears to be no published data estimating total liabilities of all private employer defined-benefit pension funds. Therefore, we develop our own estimate of total liabilities based on PBGC data. The PBGC insures a portion of private sector single-employer defined-benefit plans, but almost all multi-employer plans.²⁰ The PBGC does not insure certain single-employer plans, importantly those offered by religious organizations and professional service employers (for example, those employing doctors and lawyers) with fewer than 26 employees. In the following, we refer to this uninsured group as Group U.

In order to calculate the dollar amount of all insured and uninsured pension funds in the United States, we inflate the amount of pensions insured by the PBGC (estimated above at \$2,769 billion) to account for the Group U pensions. As a starting point for our calculation, we use the Bureau of Labor Statistics' (BLS) Quarterly Census of Employment and Wages to determine Group U's total wages as a percent of total private wages in the United States. The BLS provides data on the number of employees who work for professional service employers and for religious organizations and their wages. We use these data to calculate the proportion of wages earned by workers in these sectors relative to all U.S. workers (10 percent).²¹ We then inflate our total liability figure by this proportion.²²

To derive our figure for total pension fund liabilities, we divide the single employer portion of all PBGC-guaranteed pensions (\$2,029 billion) by 0.9, which is 1 minus the percent of United States wages earned by Group U, thereby inflating it to account for the Group U employees. That results in a total of \$2,254 billion in liabilities for single-employer programs. We then add the multi-employer portion (\$740 billion) to arrive at \$2,994 billion in total liabilities for all insured and uninsured pension funds in the United States.

Money Market Mutual Funds

Implicitly Guaranteed Liabilities – Total net assets of money market mutual funds (MMFs).²³ Included because the federal government protection that was granted to MMFs in 2008 implies that market participants could view MMFs as being likely to receive government protection in future financial crises.

Least Inclusive Estimate – Drops implicitly guaranteed MMF liabilities based on the assumption that they might not be protected by the government in future crises.

Other Financial Firms

Implicitly Guaranteed Liabilities – Short-term liabilities (repurchase agreements, commercial paper, and other short-term liabilities with original maturities less than or equal to one year) of those non-banking financial companies that could be deemed to be SIFIs by the Financial Stability Oversight Council (FSOC) – meaning those firms that appear likely to move past FSOC’s stage-one designation rule analysis announced on April 3, 2012. To move past the stage-one test, the firm must have assets exceeding \$50 billion and also exhibit at least one of the following features:

- Have more than \$30 billion in outstanding credit default swaps;
- Have more than \$3.5 billion in derivative liabilities;
- Have more than \$20 billion in outstanding loans or bonds;
- Have a leverage ratio (assets to equity) of greater than 15-to-1;
- Have a short-term debt-to-total assets ratio of greater than 10 percent.

Market participants might expect that the short-term liabilities of large financial firms that are designated as SIFIs would be protected if the firm is resolved under the OLA. While a SIFI designation does not necessarily imply OLA treatment in resolution, market participants are likely to expect that these institutions will not be allowed to enter bankruptcy because it seems ill-suited to handle the failure of SIFIs (Pellerin and Walter 2012, p. 14-16). The OLA provisions of the Dodd-Frank Act permit the FDIC to pay some creditors more than bankruptcy might allow (Pellerin and Walter 2012, p. 16), and the FDIC’s OLA implementing rule suggests that this treatment could apply to short-term creditors (FDIC final rule, July 15, 2011, 12 CFR 380, p. 41644). Therefore, in our most inclusive estimate, we include short-term liabilities of these firms that may be designated as SIFIs.

Least Inclusive Estimate – Excludes short-term liabilities of financial firms that may be designated as SIFIs, based on the possibility that OLA might not provide any special protection for such liabilities.

Total Liabilities – Includes the aggregate amount of liabilities outstanding as of Dec. 31, 2011 from each nonbank financial sector as reported in the Board of Governor’s Flow of Funds Statistical Release. Those financial sectors include:

- Property-Casualty Insurance Companies
- Life Insurance Companies
- Security Brokers and Dealers
- Issuers of Asset-Backed Securities
- Finance Companies
- Real Estate Investment Trusts
- Funding Corporations

Total liabilities figures for those Property-Casualty Insurance Companies, Life Insurance Companies and Security Brokers and Dealers which are not owned by BHCs and SLHCs are obtained from SNL Financial.²⁴ Total liability figures for Issuers of Asset-Backed Securities, Finance Companies, Real Estate Investment Trust, or Funding Corporations (“remaining financial sectors”) are obtained from the Board of Governor’s Flow of Funds Statistical Release. Some firms in the remaining financial sectors are directly owned by U.S. BHCs or SLHCs, and their liabilities are thus already included in our Total Liability figure for Banking and Savings Firms; however, such nonbank firms that are directly owned by a BHC or SLHC are (with some exceptions – such as for the smallest of these firms) required to file a Y-11 or Y-11S (Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies). We thus avoid double counting the liabilities in these BHC- or SLHC-owned firms by subtracting the liabilities of all Y-11/Y-11S filers that we believe to be issuers of Asset-Backed Securities, Finance Companies, Real Estate Investment Trusts or Funding Corporations from the total liabilities of the remaining financial sectors, as collected from the Flow of Funds.²⁵

These estimates were originally published on February 20, 2013 and revised on December 30, 2015.

¹ Federal Deposit Insurance Corporation. *FDIC Quarterly Banking Profile*, 2012, vol. 6, no.1, pp. 17-18. “Table I-B. Insurance Fund Balances and Selected Indicators” and “Table III-B: Estimated FDIC-Insured Deposits by Type of Institution.” <http://www2.fdic.gov/qbp/2011dec/qbp.pdf> (December 31, 2011).

² Federal Deposit Insurance Corporation. “Monthly Reports Related to the Temporary Liquidity Guarantee Program, Debt Issuance Under Guarantee Program.” Dec. 31, 2011. http://www.fdic.gov/regulations/resources/tlgp/total_issuance12-11.html

³ Consolidated Statements for Bank Holding Companies (FR Y9C)

⁴ Our primary source is corporate annual reports because they report short-term liabilities with original maturities of less than one year. FR Y9C uses a broader definition of “other short-term liabilities,” one which includes liabilities that may have had original maturities greater than one year. When the top tier was a foreign holding company, we gathered data on specific short-term liabilities (federal funds, repurchase agreements, and commercial paper, almost all of which have original maturities of less than one year) from FR Y9C because FR Y9C contains data only on the U.S. subsidiaries, so it excludes liabilities of foreign subsidiaries. To capture as many liabilities as possible that would likely fall into the FR Y9C’s “other short-term liabilities” category, we then reviewed the call reports to find any additional U.S. subsidiary short-term borrowings (e.g. FHLB advances with original maturities of less than one year) that the FR Y9C does not separately report. When available, we used average figures. We also added “securities loaned” when it was included as a separate line item from repos.

⁵ “Deposits held in domestic offices” minus “estimated insured deposits” from the FDIC’s report that collects data from individual call and thrift financial reports (TFRs) of the insured subsidiaries of a BHC or SLHC.

⁶ See, for example: <http://www.bloomberg.com/news/2012-04-16/obama-bid-to-end-too-big-to-fail-undercut-as-banks-grow.html>; http://www.nypost.com/p/news/opinion/opedcolumnists/too_big_to_fail_grows_cVFocOFPEAJyQ4LgCR2iIO; <http://www.reuters.com/article/2011/07/12/financial-regulation-research-idUSN1E76B1I120110712>; and <https://www.law.upenn.edu/blogs/regblog/2012/09/11-lipson-orderly-liquidation-authority.html>.

⁷ From FR Y9C and FR Y9SP.

⁸ From a memorandum item on the TFRs that provides total liabilities consolidated across the holding company.

⁹ Bank data from Consolidated Reports of Condition and Income for a Bank, FFIEC 031 and FFIEC 041, and thrift data from TFRs.

¹⁰ FFIEC 002 Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks.

¹¹ *National Credit Union Administration 2011 Annual Report*, page 76.

¹² Board of Governors of the Federal Reserve System. “Credit Unions, Table L.115.” Federal Reserve Statistical Release Z.1, March 8, 2012. “Flow of Funds Accounts of the United States.” <http://www.federalreserve.gov/releases/z1/20120308/z1.pdf>.

¹³ "Statement by Secretary Henry M. Paulson, Jr. on Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers." Washington, DC. 9 July 2008. U.S. Department of the Treasury. <http://www.treasury.gov/press-center/press-releases/Pages/hp1129.aspx>.

Fannie Mae Form 10-K. Dec. 31, 2011, p. 32-34.

<http://www.sec.gov/Archives/edgar/data/310522/000119312512087297/d282546d10k.htm>.

Freddie Mac Form 10-K. Dec. 31, 2011, p. 223.

<http://www.sec.gov/Archives/edgar/data/1026214/000102621412000039/f71787e10vk.htm>.

¹⁴ Fannie Mae Form 10-K. Dec. 31, 2011, p. 83.

<http://www.sec.gov/Archives/edgar/data/310522/000119312512087297/d282546d10k.htm>.

¹⁵ Freddie Mac Form 10-K. Dec. 31, 2011, p. 203.

<http://www.sec.gov/Archives/edgar/data/1026214/000102621412000039/f71787e10vk.htm>.

¹⁶ Farm Credit System total liabilities from "2011 Annual Information Statement of the Farm Credit System." Page 3, Feb. 29, 2012,

<http://www.farmcreditfunding.com/farmcredit/serve/public/pressre/finin/report.pdf?assetId=199279>.

In addition, Farmer Mac is part of the Farm Credit System, but its financial information is not included in the combined financial statements of the Farm Credit System (see page 12 of the "2011 Annual Information Statement of the Farm Credit System"). Farmer Mac total liabilities found in Farmer Mac Form 10-K. Dec. 31, 2011, p. 101,

<http://www.sec.gov/Archives/edgar/data/845877/000084587712000009/agm-12312011x10k.htm>.

¹⁷ Federal Home Loan Banks "2011 Combined Financial Report." Page F-4, March 29, 2012. http://www.fhlf.com/ofweb_userWeb/resources/11yrend.pdf

¹⁸ Pension Benefit Guaranty Corporation. 2010 Pension Insurance Data Tables. Table S-44: Funding of PBGC-Insured Plans (1980-2009) Single-Employer Program" and "Table M-9: Funding of PBGC-Insured Plans (1980-2009) Multiemployer Program." <http://www.pbgc.gov/Documents/pension-insurance-data-tables-2010.pdf>

¹⁹ Pension Benefit Guaranty Corporation. *Pension Insurance Data Book 2006*. Page 20, footnote 11.

<http://www.pbgc.gov/documents/2006datatobook.pdf>. And, Pension Benefit Guaranty Corporation. *Pension Insurance Data Book 1996*. Footnote to Table B-5. <http://www.pbgc.gov/documents/1996datatobook.pdf>

²⁰ Pension Benefit Guaranty Corporation. *Pension Insurance Data Book 2008*. Page 5.

<http://www.pbgc.gov/docs/2008datatobook.pdf>

²¹ Bureau of Labor Statistics. "Quarterly Census of Employment and Wages." Annual and quarterly data from 2011. <http://www.bls.gov/cew/>

²² Note that our estimate could slightly overstate or understate the amount of total liabilities from private pension funds because the PBGC does not insure pensions provided by employers in these sectors with fewer than 26 employees, while the BLS's closest comparable category breakdown is fewer than 20 employees.

²³ Investment Company Institute. *2012 Investment Company Fact Book*. Page 170. "Table 37: Total Net Assets and Number of Shareholder Accounts of Money Market Funds by Type of Fund."

http://www.ici.org/pdf/2012_factbook.pdf

²⁴ Note those insurance companies and securities brokers and dealers owned by BHCs and SLHCs are included in the total liabilities figure for banking and savings firms.

²⁵ Nonbank firms that are directly owned by banks or thrifts are not required to file a Y-11, which could mean that we are double-counting some of the liabilities of these nonbank firms.