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Secretary Paulson Statement on Stabilizing the Automotive Industry

Washington- Today, we have acted to support General Motors and Chrysler, with the requirement that they move quickly to develop and adopt acceptable plans for long term viability. This step will prevent significant disruption to our economy, while putting the companies on a path to the significant restructuring necessary to achieve long-term viability. At the same time, we are including loan provisions to protect the taxpayers to the maximum extent possible.

Treasury will make these loans using authority provided for the Troubled Asset Relief Program. While the purpose of this program and the enabling legislation is to stabilize our financial sector, the authority allows us to take this action. Absent Congressional action, no other authorities existed to stave off a disorderly bankruptcy of one or more auto companies.

As a result of this decision, Treasury effectively has allocated the first \$350 billion from the TARP. The actual disbursement of this amount is subject to approval of bank capital applications, many of which remain with the regulators and will not reach Treasury for review until early next year. Disbursement is also subject to finalizing the structure for the Federal Reserve-Treasury consumer credit program (TALF). In the very short-term, the allocated but not yet disbursed TARP balances, in conjunction with the powers of the Federal Reserve and the FDIC, give me confidence that we have the necessary resources to address a significant financial market event. It is clear, however, that Congress will need to release the remainder of the TARP to support financial market stability. I will discuss that process with the congressional leadership and the President-elect's transition team in the near future.