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JPM and Maiden Lane: What the Fed Doesn't Want Us to Know

Jul. 17, 2009 9:05 AM ET | JPM, AIG | 4 Comments

**The Daily Bail**

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Anatomy of an \$80 Billion taxpayer giveaway to JPMorgan and AIG:

The fear among Fed watchers is that the securities held by the 3 Maiden Lane LLCs



are virtually worthless. But we don't know. Why, you ask? Simple. Outside of broad classification, we have no fracking idea what was put into these vehicles in the first place.

A few basics:

The original Maiden Lane (ML I) was created to help JP Morgan and Jamie Dimon (who was on the Board of the New York Fed...???) with their purchase of Bear Stearns. And we can presume they are the worst of Bear's assets because they were rejected by JPM and shoved off on B-52 and Kohn. Total size is \$28.5 billion; likely loss is \$20-25 billion. But we don't know, because they won't tell us. Recognizing the theme?!!

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ML II and III were created to purchase a combined \$52.5 billion of the stinkiest RMBS (and maybe CMBS, but we aren't sure, again, cuz they won't tell us) available from AIG ([AIG](#)). This was the really toxic stuff that Casanno had said one year before wouldn't cost AIG a dime. **Size=\$52.5 billion. Potential Loss=\$52.5 billion.**

This particular confluence of the ugly and the unknown (ML LLC), is [exactly why](#) we need an outside, [independent audit](#) of the Federal Reserve.



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[Representatives in Washington and demand](#) that they support HR 1207, S 604 and any other possible Senate rider that 'our side' (champions of sunshine and transparency) might attach in order to get it past the obstinate, Democratic leadership which is currently coddling Bernanke's Big Secret.

Find out all you want on all 3 Fed versions of Wisteria Lane at the link below. Wait, that's wrong. *Find out all the Fed wants you to know* about Maiden Lane is a decidedly more apt description.

From the [New York Fed](#) (there's more information on the site):

In 2008, as part of extending support to specific institutions, under section 13(3) of the Federal Reserve Act, the Federal Reserve Board authorized the New York Fed to facilitate formation of three limited liability companies.

Maiden Lane LLC (ML LLC) was formed to facilitate the merger of the Bear Stearns Companies, Inc. and JPMorgan Chase & Co. The New York Fed extended credit to ML LLC to acquire certain assets of Bear Stearns.

Maiden Lane II LLC (ML II LLC) and

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Maiden Lane III LLC (ML III LLC) were formed to facilitate the restructuring of the New York Fed's financial support to American International Group ([AIG](#)). The New York Fed extended credit to ML II LLC to purchase residential mortgage-backed securities from the securities lending portfolio of several regulated U.S. insurance subsidiaries of AIG. The New York Fed extended credit to ML III LLC to purchase multi-sector collateralized debt obligations from certain counterparties of AIG Financial Products Corp.

This article was written by



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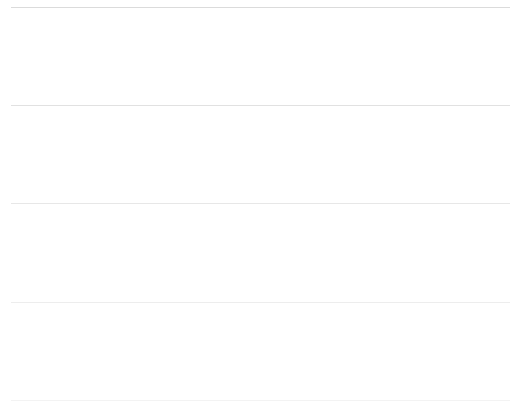


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18 Jul. 2009, 1:30 PM

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Should this rule out bonuses?;-)

[↪ Reply](#) [👍 Like \(2\)](#)**CautiousInvestor**

17 Jul. 2009, 11:49 AM

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Good point Morph.

We have invested/committed \$130 billion or so in
AIG so taxpayers can help the Fed buy Maiden
Lane at fair market value, help AIG cover CDS
with Goldman and others, help AIG pay bonuses
and realize yet undiscovered benefits.

Citi recently said that AIG faces additional CDS
losses that could reduce equity to zero. Tongue in
cheek, it would have been cheaper to pay too
much for ML2 and ML3.

[↪ Reply](#) [👍 Like \(6\)](#)**Clive Corcoran**

17 Jul. 2009, 11:10 AM

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Tom,

You say AIG lost the money - but the story doesn't
quite end there

AIG is effectively now part of the public balance
sheet

[↪ Reply](#) [👍 Like \(3\)](#)**Tom Armistead**

17 Jul. 2009, 9:33 AM

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You are way off base on the AIG wrapped CDOs
in ML III. So far, 3% of the CDOs are not paying:
ie, 97% are paying. These were bought for market
price, which was about half of par, and are
probably worth much more when the smoke
clears.

The situation is similar on MLII.

The Federal Reserve is not going to lose money
on these transactions. AIG lost the money.

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