

# BAILED OUT BANK, JP MORGAN, DOOMING CHRYSLER



[photo courtesy of S and C](#)

The WSJ [confirms](#) what we've all probably suspected: the creditors that are forcing Chrysler into bankruptcy are the same banks that have been surviving only with the help of the federal government. And of course, they are refusing to offer the same generosity to Chrysler.

Banks that loaned Chrysler LLC \$6.8 billion are resisting government pressure to swap more than \$5 billion of that for stock to slash the car maker's debt, according to people familiar with the matter, hindering Chrysler's effort to restructure outside of bankruptcy court.

[snip]

The lenders, which include J.P. Morgan Chase & Co., Goldman Sachs Group Inc., Citigroup Inc. and Morgan Stanley, hold great influence in moving the process along. As holders of secured debt, they have the right to take control of Chrysler plants, brands and other assets, which were pledged as collateral for the loans, if the company files for bankruptcy protection.

As a result, Chrysler may be worth more to the lenders in a bankruptcy liquidation than if they agree to restructure the debt, and the government has less leverage to force the banks to make concessions.

The negotiations show how the government's involvement in both banks

and industrial companies is creating uncomfortable circumstances: The U.S. has given aid to some of the very banks that are demanding tough terms from Chrysler, also a recipient of government loans.

[snip]

The Treasury Department began talking with the banks on Wednesday. The bailout money these banks took from the Troubled Asset Relief Program "hasn't been mentioned, but everyone is aware that issue is there," said a person familiar with the talks.

[snip]

The J.P. Morgan position, said these people, is that concessions by Chrysler's creditors should be treated as they would be in a normal bankruptcy – meaning the billions of dollars of government debt and the UAW retiree health-care obligation should be wiped out before the secured lenders lose anything on their \$6.8 billion.

JP Morgan has been the recipient of bailout love in many forms: [direct receipt](#) of TARP funds, the Fed's [honoring of huge loans](#) JP Morgan made, [AIG counter-party funds](#), and low-risk [sweet-heart deals](#) for JP Morgan to "rescue" other banksters—for a total of somewhere between \$27 billion and \$300 billion. And of course, JP Morgan has already been [using its TARP funds for acquisitions](#), not loans.

But it is unwilling to take a haircut on loans of \$2.5 billion that represent a miniscule percentage of all the welfare it has gotten from the Federal government.

Instead, JP Morgan insists, it should be able to benefit from any upside of a Chrysler restructuring, and to hell with the American taxpayers. And to double hell with the Chrysler

workers whose entire lives are being held  
hostage by JP Morgan.

There's a lot that needs to be said about this:  
that if Treasury can't get JP Morgan to  
cooperate here, then it must write off JP Morgan  
as a good faith partner going forward. That this  
just shot to the top of the list of most  
loathesome actions among the banksters.

But frankly, all I can summon at this point is a  
long string of profanities that I'll spare you.