AIG repaying $4 billion in loans

In its single biggest repayment of bailout loans so far, American International Group Inc. said Monday it is paying back nearly $4 billion in taxpayer aid with proceeds from a recent debt sale.

The insurer's aircraft leasing company, International Lease Finance Corp., completed the sale of $4.4 billion in debt. AIG will use more than $3.9 billion of the proceeds to repay the Federal Reserve Bank of New York, trimming the balance on its credit line with the Fed to about $15 billion. Adding interest, the total is about $21 billion.

The emergency credit line was part of a $182 billion federal bailout package that New York-based AIG received during the financial crisis to avoid collapse. AIG has been selling off assets to pay back the aid.



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An AIG banner flies at the office building in New York. American International Group Inc. said Monday it is repaying nearly $4 billion in federal bailout loans.

"This is continuing tangible evidence of AIG's progress in repaying the American taxpayers," said Robert Benmosche, AIG President and CEO. "AIG is getting stronger every day. We still have more work to do, but we will finish the job and make sure we repay the American taxpayers."

As of June 30, excluding the new payment, AIG said its outstanding balance owed to the government stood at about $101 billion. The total includes debt as well as preferred shares of stock in AIG held by the Treasury Department.

Los Angeles-based ILFC leases one of the world's biggest commercial jet fleets. It struggled earlier this year to pay off its loans, and had to draw the $3.9 billion from AIG to pay back some of its debt. AIG had tried to find a buyer for the unit, but any sale seems off the table for now as ILFC has found healthy demand for recent bond offerings which will help it meet some deadlines for paying back loans.

The repayment will release about $10 billion of collateral that ILFC had pledged to the Fed under the credit agreement. With the recent debt sales and other notes issues, the aircraft unit has boosted its total liquidity — assets that can quickly be converted to cash — to more than $12.5 billion over the last five months.

The offerings "are a direct reflection of our company's viability and future prospects as a leader in leasing aircraft to the world's airlines," said Henri Courpron, ILFC's CEO. He noted that the company has more than $13 billion in aircraft orders.

Separately, AIG said it will book a pretax charge of about $650 million against its earnings due to the repayment.