

**Congress of the United States**  
**Washington, DC 20515**

February 3, 2009

The Honorable Timothy F. Geithner  
Secretary  
United States Department of the Treasury  
1500 Pennsylvania Ave, N.W.  
Washington, DC 20220

Dear Secretary Geithner:

Recent reports indicate that the Administration is considering a “range of options” for spending the second tranche of the Troubled Asset Relief Program (TARP) released last week and that the Administration is considering whether to ask the Congress for new and additional TARP funds beyond the \$700 billion already provided. We are writing to raise serious questions about the efficacy of the options being considered and to ask whether the Administration is developing a strategy to exit the bailout business.

Because the Administration has committed itself to assisting the auto industry, satisfying commitments made by the previous Administration, and devoting up to \$100 billion to mitigate mortgage foreclosures, it has been reported that President Obama might need more than the \$700 billion authorized by the Emergency Economic Stabilization Act (“EESA”) to fund a “bad bank” to absorb hard-to-value toxic assets. In light of these commitments – which come at a time when the Federal Reserve is flooding the financial system with *trillions* of dollars and the Congress is finalizing a fiscal stimulus that is expected to cost taxpayers more than \$1.1 *trillion*<sup>1</sup> – it is not surprising that the American people are asking where it all ends, and whether anyone in Washington is looking out for their wallets.

Indeed, a bipartisan majority of the House — 171 Republicans and 99 Democrats — recently expressed the same concerns, voting to disapprove releasing the final \$350 billion from the TARP. As we noted in our December 2, 2008 letter to then-Secretary Paulson and Chairman Bernanke, we realize that changing conditions require agility in developing responses. However, the seemingly ad hoc implementation of TARP has led many to wonder if uncertainty is being added to markets at precisely the time when they are desperately seeking a sense of direction. It has also intensified widespread skepticism about TARP among taxpayers, and prompted misgivings even among some who originally greeted the demands for the program's creation with an open mind. Accordingly, we request answers to the following questions:

1. How does the Administration plan to maximize taxpayer value and guarantee the most effective distribution of the remaining \$350 billion of TARP funds?

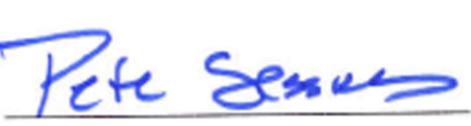
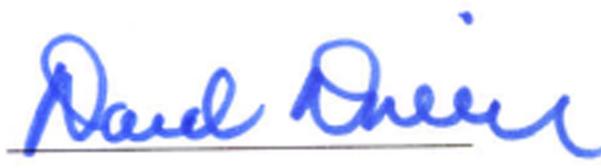
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<sup>1</sup> A recent letter from Congressional Budget Office (CBO) Director Douglas Elmendorf to Budget Committee Ranking Republican Paul Ryan noted that the federal government's interest costs related to the stimulus legislation would amount to \$347 billion between 2009 and 2019, bringing the total of the spending bill to more than \$1.1 trillion.

2. How is the Administration lending, assessing risk, selecting institutions for assistance, and determining expectations for repayment?
3. Will the Administration opt for a complex "bad bank" rescue plan? How can the "bad bank" efficiently price assets and minimize taxpayer risk? Will financial institutions be required to give substantial ownership stakes to the Federal government to participate in the program?
4. Is a "bad bank" plan an intermediate step that leads to nationalizing America's banks?
5. Can you elaborate on your plans for the use of an insurance program for toxic assets? Specifically, will you seek to price insurance programs to ensure that taxpayer interests are protected? If so, how will you do so?
6. What is the exit strategy for the government's sweeping involvement in the financial markets?

Thank you for your consideration of these important questions.

Sincerely,

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Kevin McArthur

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