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U.S. House of Representatives

Committee on Energy and Commerce

Washington, DC 20515–6115

JOHN D. DINGELL, MICHIGAN
CHAIRMAN

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The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Paulson:

Thank you for having your staff brief Members of the Committee on Energy and Commerce on November 19, 2008, with respect to the implementation status of the Emergency Economic Stabilization Act (EESA). While the briefing was informative and answered many of our questions, we still need some information from you in order to be able to form an opinion as to the adequacy and appropriateness of the Treasury Department's current and proposed actions. Additionally, we are still waiting for your written response to our letter of November 12, 2008, in which we asked for your response to several questions related to the operational details of your actions.

Accordingly, in addition to responding to the questions in our November 12 letter, please provide us with answers to the following questions:

1. What is our exit strategy? How do we ensure that the government will unwind its positions in these companies in an orderly manner that is responsible and fair to taxpayers and private businesses and, at the same time, does not disrupt the markets when large positions are liquidated?

2. The current Capital Purchase Program for banks and thrifts has dispersed $166 billion as of November 26. How is this money being put to use? Do you have any data indicating whether it has had any quantifiable impact on the credit crisis?

3. What metrics are you using to evaluate improvements in interbank lending resulting directly from the Treasury Department's investments pursuant to the EESA? Given that current damage to the financial system is likely to prevent a return to pre-crisis lending rates and volume, at what benchmark level (of increased

interbank lending or other criteria) will additional governmental intervention be deemed unwarranted?

4. Have Treasury Department officials met with other appropriate oversight parties (such as the Inspector General and the Government Accountability Office) to discuss metrics on how the bailout money is spent? If so, what was the result?

5. How should companies holding billions in reserves for bonuses be treated? They argue that they need to keep their best employees. Given the massive job cuts in the financial services industry, isn't there an excess supply of financial professionals? If these companies are accepting bailout money, should they also be asked to meet certain requirements to make sure their employees don't benefit from taxpayer generosity?

6. The Federal Reserve has refused to identify all the recipients of almost $2 trillion of emergency loans on the basis that such knowledge could hurt investor faith in the recipients and possibly drive them into bankruptcy. The FDIC's Temporary Liquidity Guarantee Program allows its participants to opt out of participation. Doesn't such an action implicitly discredit the financial viability of program participants in comparison to those entities who choose not to participate?

7. We understand that, in order to get TARP funds, applicants must fill out an application that is only two pages long. How many applications remain to be processed? How long does this process take and what does it entail? Is there a cost associated with processing these applications? What other information do you consider, in addition to that provided on the application, in determining eligibility?

8. We have seen that some of the financial assistance has been used to foster mergers and acquisitions between banking institutions. In the lead-up to the $700 billion package, we heard that there was concern about the "too big to fail" institutions and the impending ripple effect in the economy if they failed. How then, does it follow that acquisitions and mergers would be tolerated when the money was to be used for lending? Are smaller banks excluded from the $700 billion?

We look forward to receiving your response to these questions and those posed in our letter of November 12.

Sincerely,

Joe Barton
Ranking Member
Committee on Energy and Commerce

Ralph Hall
Member

Fred Upton
Ranking Member
Subcommittee on Energy and Air Quality

Cliff Stearns
Ranking Member
Subcommittee on Telecommunications and the Internet

Ed Whitfield
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