Congress of the United States
Washington, DC 20515

December 3, 2008

The Honorable Henry M. Paulson, Jr.
Secretary
United States Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave. NW
Washington, DC 20551

Dear Secretary Paulson and Chairman Bernanke,

We write today for the purpose of raising serious questions we believe must be answered for the American people before Congress is asked to release any further taxpayer funds under the Troubled Asset Relief Program (TARP), and to register our dissatisfaction with the lack of transparency and responsiveness with which previous congressional inquiries on these matters have been met.

More than $7.76 trillion in bailout financing has been pledged through various programs under your control. It is an unprecedented amount – by some estimates equivalent to $24,000 for every man, woman, and child in the nation, and far in excess of the $700 billion that Congress authorized in the TARP. The Federal Reserve has committed the bulk of these funds through various lending facilities without suffcient transparency about who is getting the loans and the collateral being pledged. Americans on Main Street are wondering how these bailout billions are going to help their individual pocketbooks.

Transparency is even more important now, since TARP appears to have been implemented in ways that received little or no discussion as Congress was being urged to pass the economic rescue plan. TARP was originally sold to Congress as a mechanism for buying toxic securities, but subsequently changed to provide direct capital injections to financial institutions. Then there was discussion of not spending part of TARP until the new Administration took office, followed shortly by a decision to spend a large chunk of the remaining funds to rescue Citigroup by guaranteeing billions of dollars of losses on toxic assets. Now the focus has apparently shifted to helping the non-bank financial sector, with last week's announcement that $20 billion in TARP funds will be deployed to support a new Federal Reserve liquidity facility for consumer asset-backed paper.

Changing conditions can require agility in policymakers' 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 your demands for the program's creation with an open mind.

Indeed, as each weekend passes, we wonder what deals are being cut in advance of the opening of the Asian markets that we will read about on Monday morning. While we understand the rationale that the Treasury Department and the Federal Reserve have used to justify the rescue of certain "too big or too interconnected to fail" entities, we are very concerned that taxpayers are not receiving an adequate accounting from either the Treasury or the management of these companies. Nor are there explanations of how these entities intend to ensure any taxpayer losses are minimized, what changes they will make to correct fundamental problems, or even how the funds themselves will be used.

The government has burned through nearly $350 billion of TARP funds and is pledging trillions of dollars more through other programs, yet little is understood about how these investments are contributing to the nation's economic recovery. Even direct inquiries from Congress seeking answers on behalf of concerned taxpayers do not appear to have been taken seriously. For example, more than a month ago, on October 29, the House Republican Leader sent a letter to the Treasury Secretary questioning the use of TARP money for executive bonuses and bank acquisitions by other banks, as revealed by various news organizations. It was only today that Treasury provided a response, and the response did not answer the questions that were asked in the Leader's letter.

Such opaqueness is unacceptable, particularly if it is your intention to ask Congress to release the remaining $350 billion in taxpayer funds that were conditionally authorized by Congress this fall. It is our strongly held view that before any such request is made, the American people need satisfactory answers to a number of important questions. While the Treasury and Federal Reserve play different roles within the government, many of your recent activities have been coordinated efforts. As a result, we request answers to the following questions:

1. What is your exit strategy for the government's sweeping involvement in private business?

2. If given the authority for the additional $350 billion of TARP funding, what is your strategy for maximizing its effectiveness?

3. With regard to the various lending facilities established by the Federal Reserve since the financial crisis began, how will you provide greater transparency about loans, the collateral, the risk, the kinds of institutions involved, and the realistic expectations for repayment?

4. Recognizing that you are unwilling to disclose the identity of the institutions accessing the Federal Reserve's lending facilities for fear of stigmatizing those firms, what is the reason for your unwillingness to provide general, non-institution specific information

about the terms on which the loans are being made and the types of collateral being pledged?

5. Have the government's actions to date – including capital injections under the TARP and the trillions of dollars of assets that the Federal Reserve has taken onto its balance sheet – resulted in increased lending and improved economic conditions?

6. In making your recent decisions regarding which firms are too big or too interconnected to fail (Bear Stearns, AIG, Citigroup) and which are not (Lehman Brothers), what standards or principles of general application have guided your judgments? What assurances can you offer American taxpayers that their government is not simply engaged in an exercise of picking economic winners and losers?

7. Why has the Treasury Department not made use of the insurance option that was developed by the Leader's Working Group, led by Representative Cantor, and included in the final TARP legislation to ensure at least part of the relief effort is funded by Wall Street and not Main Street?

We look forward to your timely and complete response to these urgent questions.

Sincerely,

Rep. John Boehner (R-OH)
Republican Leader

Rep. Roy Blunt (R-MO)
Member of Congress

Rep. Eric Cantor (R-VA)
Member of Congress

Rep. Adam Putnam (R-FL)
Member of Congress

Rep. Mike Pence (R-IN)
Member of Congress

Rep. Kay Granger (R-TX)
Member of Congress

Rep. John Carter (R-TX)
Member of Congress

Rep. Pete Sessions (R-TX)
Member of Congress

Rep. Kevin McCarthy (R-CA)
Member of Congress

Rep. David Dreier (R-CA)
Member of Congress

Rep. Thaddeus McCotter (R-MI)
Member of Congress

Rep. Cathy McMorris Rodgers (R-WA)
Member of Congress