

Congress of the United States  
CONGRESSIONAL OVERSIGHT PANEL

November 25, 2009

The Honorable Timothy F. Geithner  
Secretary of the Treasury  
United States Department of the Treasury  
Room 3330  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Mr. Secretary:

On behalf of the Congressional Oversight Panel (Panel), I am writing to obtain information on Treasury's assistance to CIT Group, Inc. (CIT) in conjunction with the Panel's oversight of the Capital Purchase Program (CPP). The Panel was created pursuant to section 125 of the Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343 (EESA), which requires the Panel to report to Congress on Treasury's use of authority under EESA and on the impact of EESA-authorized purchases on financial institutions.

On December 29, 2008, taxpayers made a \$2.3 billion CPP investment in CIT, and obtained warrants for 88,705,584 shares of CIT stock as part of that investment. On November 1, 2009, CIT filed for bankruptcy protection. Under the terms of its bankruptcy plan, preferred and common equity holders – including the U.S. government – will receive only a minimal return.

CIT's failure is the largest to date by a CPP-recipient financial institution, and it raises several significant oversight questions:

1. How much does the U.S. taxpayer stand to lose due to CIT's bankruptcy, including, separately, the value of all preferred stock, warrants, and projected dividends?
2. How much, separated into the same categories, has the taxpayer lost due to the failures of other CPP-recipient financial institutions?
3. Treasury has stated that "participation [in CPP] is reserved for healthy, viable institutions," noting that "[h]ealthy banks, not weak banks, lend to their communities, and the CPP is a program for healthy banks." Did Treasury consider CIT to be a healthy bank at the time when CPP assistance was first provided? If so, on what basis did Treasury make this determination? If not, for what reasons did Treasury consider CIT to be eligible for CPP funding? Please provide any due diligence memoranda or other documentation explaining Treasury's decision.
4. Treasury has explicitly stated that CPP is not a bailout and that it was "designed to generate a positive return over time to the taxpayer." In the case of CIT, however, it

appears clear that taxpayers will face significant losses. Regulators have closed United Commercial Bank and Pacific Coast National Bank as well, which also received CPP assistance. Did Treasury's expectation of "a positive return over time" incorporate the possibility of the failure of these or other financial institutions? If so, how has Treasury accounted for these loss projections in estimating the long-term cost or benefit to taxpayers of CPP?

5. How many more failures does Treasury expect among CPP-recipient financial institutions, and what is the estimated cost to taxpayers of these failures? Please provide any memoranda projecting such losses. How is Treasury acting to protect the taxpayers' investments in those institutions?
6. In particular, how many institutions in the CPP program are now on the list of problem banks maintained by the Federal Deposit Insurance Corporation? What steps is Treasury taking to protect the taxpayers' investment in those institutions?
7. What is Treasury's projection of the final benefit or cost to taxpayers of the overall CPP program?
8. Treasury has provided exceptional assistance outside of CPP to several firms that it considers "systemically significant," including Bank of America, Citigroup, and AIG. Did Treasury consider whether CIT's significance to the financial system warranted similar assistance? If Treasury determined that CIT was not systemically significant, on what basis was this determination made? Please provide any memoranda regarding this determination.

The information sought by this letter is necessary for the Congressional Oversight Panel to carry out section 125 of EESA. This information request is made pursuant to section 125(e) (3) of that Act.

I would be happy to answer any questions about this letter that you may have. If you would prefer, a member of your staff can contact the Panel's Executive Director, Naomi Baum, to discuss any such questions. Ms. Baum's telephone number is [REDACTED]

Sincerely,



Elizabeth Warren  
Chair  
Congressional Oversight Panel

Cc:  
Mr. Paul Atkins  
Rep. Jeb Hensarling  
Mr. Richard H. Neiman  
Mr. Damon A. Silvers