

Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

May 6, 2010

The Honorable Timothy F. Geithner
Secretary of the Treasury
United States Department of the Treasury
Room 3300
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. Secretary:

On behalf of the Congressional Oversight Panel, I am writing to you about General Motors' April 20 repayment of \$4.7 billion of TARP debt. We are particularly concerned that GM's announcement of the repayment may have given the public a misleading impression about GM's financial condition and its continued reliance on government support.

The Panel's January report, "Exiting TARP and Unwinding its Impact on the Financial Markets," noted that the funds used to make the repayment would not come from GM revenues but from previously escrowed TARP funds. The company's public presentations following the repayment, however, contain a stronger inference. In a television advertisement, GM's President, Ed Whitacre, says:

[A] lot of Americans didn't agree with giving GM a second chance . . . We want to make this a company all Americans can be proud of again. That's why I'm here to announce that we've repaid our government loan, *in full*, with interest, five years ahead of the original schedule. (Emphasis added.)

Mr. Whitacre does not mention that Treasury continues to hold almost 61 percent of GM's common stock as well as \$2.1 billion of its preferred stock. You told the Subcommittee on Financial Services and General Government of the Senate Committee on Appropriations last Thursday that, although you had not seen GM's advertisements on the subject, officials within Treasury "were concerned" that GM's applauding of its repayment was, in this sense, "misleading."

The Panel requests your responses to the following questions by June 5, 2010:

1. What were the specific concerns expressed by Treasury officials that GM's statements were "misleading?"
2. What actions did you or other Treasury officials take to address those concerns? If none were taken, why did Treasury not feel it was necessary or appropriate to do so in light of Treasury's role as representative of the taxpayers' majority stake in GM?

3. On what conditions did Treasury base its determination to approve the April 20 repayment?
4. Both the Panel and SIGTARP highlighted in reports to Congress that were GM to repay the \$4.7 billion TARP debt this year, as it did on April 20, such repayment would come from other TARP funds. Did Treasury officials communicate with GM officials regarding how they would describe this repayment?
5. Some commentators have argued that, by implying that this TARP repayment meant the company had repaid taxpayers “in full,” GM has done more to harm its reputation than improve it. This could result in a lower or delayed return to taxpayers on the TARP investment in GM. Does Treasury agree with this analysis? If so, did Treasury officials discuss with GM the potential harm to the company’s reputation by making “misleading” statements regarding its financial health? If not, did Treasury officials consider the potential harm and discuss this with GM?

The Panel has emphasized since its creation the critical importance of transparency in the administration of the TARP. Without such transparency and accurate characterization of Treasury’s strategy and actions, and of actions taken by recipients of TARP assistance, public support for the TARP will suffer further erosion. I hope you will take whatever steps may be necessary to correct any misimpressions about what the GM repayment does, and does not, mean.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Warren", written in a cursive style.

Elizabeth Warren
Chair
Congressional Oversight Panel