

APPENDIX II:

**LETTER FROM CHAIR ELIZABETH WARREN TO
ASSISTANT SECRETARY HERB ALLISON,
RE: WRITTEN RESPONSES FOR HEARING RECORD,
DATED NOVEMBER 25, 2009**

Congress of the United States
CONGRESSIONAL OVERSIGHT PANEL

November 25, 2009

The Honorable Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Mr. Assistant Secretary:

Following your testimony before the Congressional Oversight Panel on October 22, 2009, the Panel sent you a series of questions for the hearing record and requested that you respond to them in writing by November 18, 2009. As of the date of this letter, the Panel has yet to receive your responses. We ask that you provide these responses to the Panel as soon as possible, and no later than Tuesday, December 1, to allow us sufficient time to review and incorporate them into our forthcoming December oversight report.

If, for some reason, you are unable to provide these responses in a timely fashion, please have a member of your staff contact the Panel's Executive Director, Naomi Baum, at [REDACTED] to explain why and when they can be expected. Thank you for your cooperation.

Sincerely,



Elizabeth Warren
Chair
Congressional Oversight Panel

APPENDIX III:

**LETTER FROM CHAIR ELIZABETH WARREN TO
SECRETARY TIMOTHY GEITHNER, RE: STRESS TESTS,
DATED NOVEMBER 25, 2009**

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, DC 20220

Dear Mr. Secretary:

During and after your testimony before the Congressional Oversight Panel on September 10, you said that you would be willing to provide the Panel with the inputs and formulae for the stress tests, including the loss rates you referred to in your testimony. I followed up with a letter to you on September 15 to request that information as soon as possible. A copy of my original letter is enclosed.

Although I sent my letter in advance of the Panel's questions for the record, emphasizing the urgency of my request, I have not yet received any reply. By contrast, Treasury has already sent the Panel the formal responses to the questions for the record.

Effective oversight depends on timely response from the Department of Treasury to the Panel's requests for information. This is especially true of the stress tests, which have been a critical part of your strategy to assure bank stability. I would appreciate receiving the information I requested more than two months ago so that our Panel can continue its work.

Sincerely,



Elizabeth Warren
Chair
Congressional Oversight Panel

Enclosure

Cc:

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

APPENDIX IV:

**LETTER FROM CHAIR ELIZABETH WARREN TO
SECRETARY TIMOTHY GEITHNER, RE: CIT GROUP, INC.,
DATED NOVEMBER 25, 2009**

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