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ONE HUNDRED ELEVENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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December 15, 2009

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The President  
The White House  
Washington, D.C. 20500

Dear President Obama:

We are writing to express our concern over your intention to redirect taxpayer money from the Troubled Asset Relief Program ("TARP") to additional futile efforts at economic "stimulus." We are deeply troubled by your willingness to ignore the clear intent of Congress, which enacted TARP as a temporary measure designed exclusively to stabilize the financial markets.

While many of us voted against TARP, we welcome the news from the Treasury Department ("Treasury") that the program will likely cost \$200 billion less than originally forecast.<sup>1</sup> At a time when you are asking Congress to increase the federal debt limit by an additional \$1.8 trillion, the repayment of billions of dollars by the country's banks is an opportunity to reduce the federal deficit, which under your leadership reached a staggering \$1.4 trillion in fiscal year 2009 and is on pace to rise even further in 2010.<sup>2</sup>

Now we learn that you intend to spend the taxpayer money repaid by TARP recipients on "new program[s]" like paying people to retrofit their homes to "promote energy efficiency" and "emergency assistance to seniors, unemployment insurance benefits, COBRA, and relief to states and localities."<sup>3</sup>

Mr. President, the American people are currently enduring the fallout from the failure of these types of government spending projects to stimulate job creation. Although your Administration promised that the Recovery Act would keep the unemployment rate below 8%,<sup>4</sup> we have now lost almost four million jobs since the stimulus was passed and the American people are suffering from a jobless rate of 10 percent.<sup>5</sup> Vice President Biden admitted that the Administration "misread" the economy.<sup>6</sup>

<sup>1</sup> See Stimulus III, *The Wall Street Journal*, December 9, 2009.

<sup>2</sup> *Id.*

<sup>3</sup> See President Barack Obama, Remarks on "Job Creation and Economic Growth," The Brookings Institution, December 8, 2009.

<sup>4</sup> See Christina Romer and Jared Bernstein, "The Job Impact of the American Recovery and Reinvestment Plan," (January 9, 2009), available at [http://otrans.3cdn.net/ee40602f9a7d8172b8\\_ozm6bt5oi.pdf](http://otrans.3cdn.net/ee40602f9a7d8172b8_ozm6bt5oi.pdf).

<sup>5</sup> See Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov).

<sup>6</sup> See "Biden: 'We Misread How Bad the Economy Was'," July 5, 2009, available at <http://www.foxnews.com/politics/2009/07/05/biden-misread-bad-economy/>.

The American people can not withstand an Administration intent on repeating its mistakes.

Perhaps most troubling about your new proposal is that you ignore the clear intent of Congress in passing TARP in the first place. As you will recall, TARP was originally sold to Congress as an emergency measure meant to enable the purchase of “toxic” assets from financial institutions to prevent those assets from further destabilizing the financial markets. Former Treasury Secretary Paulson made clear that the program was focused on economic stabilization:

The rescue package was not intended to be an economic stimulus or an economic recovery package; it was intended to shore up the foundation of our economy by stabilizing the financial system.<sup>7</sup>

In addition, the law itself requires that funds repaid by the banks are to be used for debt reduction:

Revenues of, and proceeds from the sale of troubled assets purchased under this Act, or from the sale, exercise, or surrender of warrants or senior debt instruments acquired under section 113 shall be paid into the general fund of the Treasury for reduction of the public debt.<sup>8</sup>

Even your chief economic advisor, Lawrence Summers, recognized the limited purpose of TARP when he said during the presidential transition that your Administration’s TARP “actions will reflect the Act’s original purpose of preventing systemic consequences in the financial and housing markets.”<sup>9</sup>

Spending billions of dollars on additional wasteful attempts at creating jobs through government projects does not reflect TARP’s original purpose and ignores the will of the people’s representatives in Congress. We call on you to fulfill your promise, made while encouraging Congress to pass the TARP last year, that “every penny” of the bailout money “will go directly back to the American people.”<sup>10</sup> If you intend to redirect funds in the TARP program for other purposes, the law requires you to come to Congress for authorization. The American people deserve a full and fair debate about the wisdom of more “stimulus” spending, not a redirection of their money without the authorization of Congress.

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<sup>7</sup> See Treasury Secretary Henry Paulson, testimony before the House Committee on Financial Services, November 18, 2009; referenced in “TARP: A New Slush Fund for Washington,” House Committee on the Budget Republican staff, December 8, 2009, available at [http://www.house.gov/budget\\_republicans/press/2007/pr20091208tarp.pdf](http://www.house.gov/budget_republicans/press/2007/pr20091208tarp.pdf).

<sup>8</sup> Emergency Economic Stabilization Act, Section 106(d); referenced in “TARP: A New Slush Fund for Washington,” House Committee on the Budget Republican staff, December 8, 2009, available at [http://www.house.gov/budget\\_republicans/press/2007/pr20091208tarp.pdf](http://www.house.gov/budget_republicans/press/2007/pr20091208tarp.pdf).

<sup>9</sup> See Lawrence Summers, letter to Congress, January 15, 2009; referenced in “Use of Cash from TARP Hits Hurdle,” *The Wall Street Journal*, December 9, 2009.

<sup>10</sup> See Senator Barack Obama, speech to U.S. Senate, October 1, 2009; referenced in “Obama Falsely Claims ‘Every Penny’ of Bailout Proceeds Will Go to Americans,” CNS news, October 3, 2009, available at <http://www.cnsnews.com/news/article/36818>.

The Constitution, quite simply Mr. President, does not grant your office the power to appropriate in this way.

Sincerely,

David M. Anderson

Don Burt

Mark Souder

Brian P. Galt

Lynne A. Williams

Steve Chertoff

Blaine Ruffolo

Jeff Felt

J. J. Gade

Ann Scheider