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Congress of the United States
House of Representatives
Washington, DC 20515-1008

December 17, 2008

The Honorable Henry M. Paulson, Jr.
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Paulson,

Days before the passage of the Emergency Economic Stabilization Act (EESA), you came before the U.S. House Republican Conference to argue on its behalf. In very plain terms, it was explained that the economic situation we faced was dire. Drastic measures had to be taken immediately. At the time, you were quite certain that the causes of this stress were the millions of subprime mortgages that had been securitized and sold by Wall Street investment banks. One of the effects of these bad bets was that banks were no longer lending money. These bad mortgages had essentially caused a major accident on the interstate, with small business, student, and car loans all caught in the backup. You proposed that the EESA's Troubled Asset Relief Program (TARP) would be the best instrument for clearing the wreck.

It has been 75 days since the EESA was signed into law, and Mr. Secretary, the wreck has yet to be cleared. Even worse, the program that you championed as the best course of action has been diverted away from its original intent. I completely understand the volatility of this situation. With each passing day, new information comes to light that allows us to make better decisions for the future. However, my frustration comes from the fundamental problem of banks not lending the money they received under the EESA, specifically funds derived from the Capital Purchase Program (CPP).

My understanding of the CPP is that it was intended to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. However, I have been informed by bankers in my district that financial institutions that have received this money are holding onto it, strengthening their balance sheets so that they can purchase troubled banks.

As a home builder by trade, no one is more aware of the impact this meltdown has had on the housing sector than I am. It is widely accepted that a large percentage of the 533,000 jobs lost last month came from the construction industry. Obviously, this has something to do with people not buying homes right now, but it also has to do with the fact that banks are not lending money. Banks are not allowing the restructuring of loans, or allowing equity to be withdrawn from real estate. Until these banks start getting money out, we will continue to

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see these problems. Mr. Secretary, you understood this principle in September. What are you doing in December to implement it?

Mr. Secretary, I have a few simple questions that I would like you to address.

1. Do you still believe that there is a lack of lending by financial institutions?
2. Do you have any knowledge of financial institutions holding onto EESA funds in order to purchase other banks?
3. Do you consider a bank's use of EESA funds to purchase other banks improper?

Mr. Secretary, you came to the Hill asking for help, and while I did not approve of your approach, I understood that you were trying to clear the wreck. The wreck is still there, how do you plan to clear it?

Sincerely,

A handwritten signature in black ink, appearing to read 'Lynn A. Westmoreland', written in a cursive style.

Lynn A. Westmoreland
Member of Congress