OFFICE OF THE SPECIAL INSPECTOR GENERAL
TROUBLED ASSET RELIEF PROGRAM
1500 Pennsylvania Ave., NW, Suite 1064
Washington, D.C. 20220

January 22, 2009

The Honorable Charles Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

The Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") intends to undertake shortly a significant oversight initiative that we believe will improve general transparency of the Troubled Asset Relief Program ("TARP") and increase the ability of SIGTARP and Congress to assess the effectiveness of TARP programs over time. Specifically, we will be sending a request to all entities that have received TARP money to date asking them to account for their use of TARP funds and to describe their efforts to comply with applicable executive compensation restrictions.

One of SIGTARP's primary areas of focus has been in ensuring, to the fullest extent possible, transparency in the operation of TARP. Some progress on that front has already been made with respect to the activities of the Treasury Department itself. We asked, for example, that all existing TARP agreements be posted on the Treasury Department website and that, on an ongoing basis as new transactions close, Treasury do so as soon as possible. Treasury Department officials have agreed with respect to all agreements, with the exception of the Capital Purchase Program ("CPP") contracts, of which there are a large number of essentially identical agreements and for which a representative example, at least, has already been posted. Treasury has informed us that they have not yet determined whether they will adopt our suggestion that all CPP agreements be posted.

What remains almost entirely opaque, however, is what has been done with TARP money by the recipients of Treasury's investments and what the recipients' plans are for addressing executive compensation requirements. With the exception of the recent Citigroup and, as we understand it, Bank of America transactions, TARP agreements generally do not require recipients to report or even to track internally the use of TARP funds. From an oversight perspective, this poses two significant problems. First, it does not provide necessary basic transparency. If the American taxpayer is to be expected to fund this extraordinary effort to

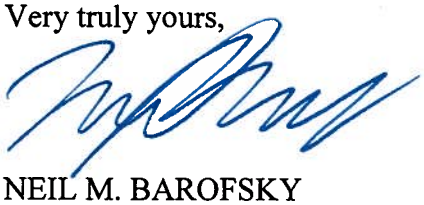
stabilize the financial system, it is not unreasonable that the public and its representatives in Congress have some understanding as to how those funds have been used by the recipients. The current lack of transparency directly implicates SIGTARP's oversight mission because it has the potential to erode the trust of the public in the effectiveness and integrity of TARP, potentially putting at risk the legitimacy of the entire program. It also hinders our ability to oversee certain recipients' compliance with some conditions of their agreements with Treasury. As part of my obligations to promote transparency and the economy and efficiency of the administration of the TARP program, I have a duty to address these risks.

Further, the current lack of transparency with respect to what recipients are doing with the money could hamper the ability of SIGTARP – as well as the other oversight bodies and of Congress – to assess the effectiveness of various TARP initiatives over time. Even a basic examination of whether various TARP programs are successfully furthering the goals of EESA is made difficult if we do not know what was done with the money in the first instance. While recent initiatives by Treasury and by the Federal Deposit Insurance Corporation to require certain reporting by regulated banks are steps in the right direction, I believe that it is incumbent on this Office to initiate an across-the-board review of the use of TARP funds. In the context of a program this large and this important to the Nation's economic recovery, addressing the basic question "Where did the money go?" is critical to credible and effective oversight of TARP.

For these reasons, and as part of the initial data collection for a formal SIGTARP audit, we are preparing requests to each entity that has received TARP funds as of the date of the request, asking them to provide, within 30 days of the request: (a) a narrative response outlining their use or expected use of TARP funds; (b) copies of pertinent supporting documentation (financial or otherwise) to support such response; (c) a description of their plans for complying with applicable executive compensation restrictions; and (d) a certification by a duly authorized senior executive officer of each company as to the accuracy of all statements, representations, and supporting information provided. We are in the process of crafting language for the requests and anticipate that the requests will be sent to TARP recipients shortly.

As always, if you have any questions or comments regarding this initiative, please feel free to contact me.

Very truly yours,



NEIL M. BAROFSKY
Special Inspector General