United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510–6200

July 25, 2011

The Honorable Timothy F. Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

As the Ranking Member of the United States Senate's Committee on Finance ("Committee"), I am monitoring closely the Department of the Treasury's ("Department") administration of the nation's finances with respect to the statutory debt limit. I was surprised, therefore, to learn of the Department's recent grants from the previously authorized $30 billion Small Business Lending Fund (SBLF). I have previously written to you with questions about the implementation of the SBLF. The Department's announcement last week that it had awarded 17 community banks $214 million through the SBLF raises fresh concerns about the impact of this program on the management of the nation's debt and the protection of taxpayers in the apparent rush to issue awards prior to the SBLF's expiration on September 27, 2011.

First is the issue of timing. Given the repeated warnings by you and President Obama about the impact of the nation exceeding its statutory debt limit on August 2, and the Department's use of "extraordinary measures" to conserve cash and keep from a breach of the debt limit, the decision to provide over the last month $337 million in taxpayer funds to small community banks through the SBLF is puzzling. Congress gave the Department total discretion in the disbursing of these funds. It is not mandatory that the entire $30 billion authorized for the SBLF be spent, and interest in the SBLF from the community banks it purportedly aims to assist has been tepid. The decision to spend this money at this moment seems at odds with the assertions of present and former Administration officials that failure to increase the debt limit by August 2 would result in "Armageddon."

In short, the decision to spend this money undermines Treasury's claims that it is doing everything in its power to maintain flexibility in the face of the August 2 deadline. Rather than using the discretion at your disposal, and declining to spend money from the $30 billion SBLF until a resolution is reached on the debt limit, Treasury stated in a press release announcing continued spending from the SBLF that "additional SBLF funding announcements will be made on a rolling basis in the weeks ahead." Given the suggestion by the President and others that a failure to increase the debt ceiling will result in a default on the debt and the inability to send out Social Security checks, it seems imprudent at best to be awarding hundreds of millions of dollars, with promises that more spending is on the way.

Second, I am deeply concerned about the integrity of this program and protections for taxpayers, given the SBLF's looming expiration and authorization for billions in additional expenditures. The authority of the Department to make capital investments through the SBLF expires on September 27, 2011, one year after the date of the enactment of the Small Business Jobs Act. This means that the Department now has only 62 days to spend the more than $29.6 billion in remaining authorizations. In other words, between now and September 27, 2011, the Department is authorized to spend nearly $477 million per day through the SBLF. Congress ceded to the Treasury total discretion in the disbursing of these funds, and I am concerned that prudent allocation of taxpayer dollars will lose out to the desire for quick allocation of money to community banks in order to beat the program's imminent expiration.

On a related note, I want to be clear that I oppose any efforts to extend the deadline imposed on the Department for the allocation of funds from the SBLF. The termination of investment authority was mandated by Congress for a reason, and it should not be extended to mollify criticisms that the program was too slow to appropriate funds. The SBLF remains a government program of questionable value that has thus far not lived up to the expectations of supporters who advanced unrealistic predictions of its impact on our economy. It should not have been authorized in the first place, and it certainly should not be extended.

Given these concerns, and to facilitate proper Congressional oversight of the Department, I respectfully request that you provide my office with any correspondence (including phone logs, emails, written notes, or electronic documents) between Department employees (including both career employees and political employees), or between or among the Department, the Office of the White House Counsel, the Office of White House Political Affairs, and the Executive Office of the President, related to the following:

1) Whether personnel who recommended and approved the cumulative $337 million in capital purchases through the SBLF consulted with appropriate government personnel to determine the subsequent impact of these decisions on the possible breach of the debt limit.

2) Whether any personnel advocated the postponement of SBLF spending following the announcement by the Department that the United States reached the debt limit on May 16, 2011.

3) Whether the Department or other administration officials have considered petitioning Congress to extend the September 27, 2012, deadline date which represents the termination of investment authority for the SBLF, or whether the Department believes it has this authority independent of any extension by Congress.

I appreciate your expeditious consideration of this request. I would appreciate your responses to these questions before August 2, 2011. Should you have any questions regarding this letter, please contact Jesse Baker or Brendan Dunn of the Committee staff at 202-224-4515.

Sincerely,

Orrin Hatch

Orrin G. Hatch
Ranking Member