

United States Senate

WASHINGTON, DC 20510

November 13, 2008

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

Dear Secretary Paulson:

We are writing to express our deep concern over your announcement yesterday morning that the Department of the Treasury will halt all plans to purchase trouble mortgage assets through the Troubled Asset Relief Program (TARP). We are concerned that the program has been fundamentally changed from its original intent and worry that continued changes may erode the structures of accountability put in to protect taxpayers.

When legislation authorizing the TARP was first proposed to members of Congress in mid-September, its primary component was a program to allow the Secretary of the Treasury to purchase "toxic" mortgage assets from financial institutions. The primary reason for this course of action, we were told, was to assist the market in discovering the price of these assets and to return liquidity to the financial markets.

At a hearing of the Senate Banking Committee on September 23, 2008, you made the following comments on the urgent necessity of a troubled asset purchase program:

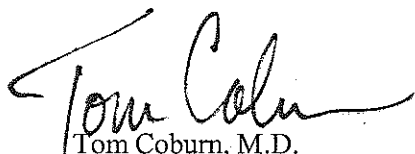
We have proposed a program to remove troubled assets from the system. This troubled asset relief program has to be properly designed for immediate implementation and be sufficiently large to have maximum impact and restore market confidence. It must also protect the taxpayer to the maximum extent possible, and include provisions that ensure transparency and oversight while also ensuring the program can be implemented quickly and run effectively.

This troubled asset purchase program on its own is the single most effective thing we can do to help homeowners, the American people and stimulate our economy.


Although the legislation was passed on October 3, the program was never implemented and now has been officially abandoned in favor of alternative plans after little more than a month. Such a rapid reversal raises questions about the TARP's original design as well as the propriety of future plans.

Congress never intended for the TARP to be a blank check that could be spent with unlimited discretion. To ensure proper boundaries are in place to protect the taxpayer, we hope and expect that congressional approval will be sought by the administration before further changes are made.

Sincerely,


Tom Coburn, M.D.
U.S. Senator


Richard Burr
U.S. Senator


David Vitter
U.S. Senator