BARNEY FRANK, MA, CHAIRMAN

U. S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

SPENCER BACHUS, AL, RANKING MEMBER

November 23, 2009

VIA FACSIMILE

The Honorable Timothy F. Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Ave N.W.
Washington, DC 20220

Dear Secretary Geithner:

This letter is a follow up to our conversations earlier this year regarding the disparate treatment of U.S. banks and foreign institutions by AIG. In response to my questions on this issue during a March 24, 2009 hearing, you testified that AIG "fully met its obligations" to its counterparties. That overlooks the fact that U.S. banks who are creditors of AIG have received far less favorable treatment than has been afforded to domestic and foreign counterparties. In many cases, these U.S. banks are not only being asked to accept deep discounts, but AIG has yet to fulfill its contractual obligations under existing debt instruments. It is imperative to have an understanding of the impact of AIG's bailout on U.S. banks, especially given recent revelations of the flawed process pursued by the Federal Reserve Bank of New York in the AIG bailout.

The November 17th report by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) regarding AIG's counterparty payments confirms the Federal Reserve Bank of New York, under your leadership, failed to fight for what was in the best interest of the taxpayers. What resulted was nothing more than a backdoor bailout of AIG's largest counterparties, both foreign and domestic, at the expense of U.S. taxpayers.

Specifically, the SIGTARP report found that:

- The FRBNY stressed to AIG's counterparties that participation in taking haircuts was "voluntary."

- The FRBNY's decision to treat all counterparties equally "gave each of the major counterparties effective veto power over the possibility of a concession from any other party."

- After only two days of negotiations, the FRBNY approved of paying the counterparties at par value.

While foreign and domestic counterparties were made whole, AIG has been attempting to force many of its creditors that are U.S. banks to accept severe reductions in the debt owed to them. I am told in some cases that these U.S. banks are being asked to accept reductions of over 70% of the total debt owed to them. This disparity in treatment between foreign banks and U.S. banks is troubling.

In order to analyze the effect of AIG's bailout on regional banks, I am requesting the following information by December 7, 2009:

- The extent to which AIG and its subsidiaries fully or partially met their obligations to creditors that are U.S. banks;

- The number of U.S. banks that are creditors of AIG or its real estate subsidiaries that received TARP money;

- Of these banks, the number that have failed within the past year;

- The amount of these banks' exposure to AIG; and

- The names of all AIG subsidiaries that had relationships with small regional banks.

In light of legislation proposed by the Obama Administration and under consideration in Congress to create a resolution fund that will codify AIG-style bailouts in the future; it is important that Congress and the American people fully understand the consequences of AIG's bailout before enacting that process into law.

Sincerely,

Spencer Bachus

SPENCER BACHUS
Ranking Member