

United States House of Representatives
Committee on Financial Services
Washington, DC 20515

May 19, 2010

VIA FACSIMILE

The Honorable Barack Obama
President of the United States of America
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

Yesterday we learned that ShoreBank, a troubled Chicago-based community development bank, has been saved from closure by the Federal Deposit Insurance Corporation by an influx of capital from some of the nation's largest recipients of taxpayer funds under the Troubled Asset Relief Program (TARP). It has been reported that ShoreBank finalized a deal to raise approximately \$150 million from a group that includes Goldman Sachs, Citigroup, JPMorgan Chase and GE Capital to become eligible for a \$75 million TARP investment from the Treasury Department.

Although analysts have said that this bailout might solve ShoreBank's capital problems, they have also said that returning it to profitability will be exceedingly difficult. If true, it seems hard to explain why sophisticated financial actors would invest in the bank. It might be cynical to dismiss altruism as a motivating factor, but few have recently accused these mega-financial institutions of acting for any other reason than profits. John Taylor, the president of the National Community Reinvestment Coalition, said these Wall Street mega-banks were under pressure to "do something good," and some mega-bank representatives have confirmed the Obama Administration pressured them to contribute to the bailout of a business that under normal circumstances would have been left to fail.

In a year in which hundreds of banks are expected to fail, it is good news that this troubled institution has managed to survive. The question that many are asking, however, is why did government-supported Wall Street banks decide to save ShoreBank rather than the numerous others that faced a capital shortage?

Some believe that ShoreBank was really saved because of an assumption that high-ranking officials in the Obama Administration favored a bailout of this failing institution with deep political ties. The Administration's perceived involvement raises very serious questions as to whether the federal government is facilitating the rescue of a politically connected hometown bank when hundreds of others are forced to close.

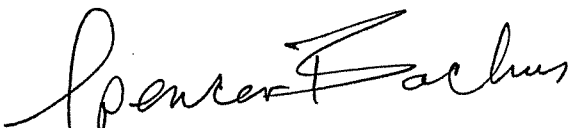
In light of these concerns, we request responses to the following questions by June 2:

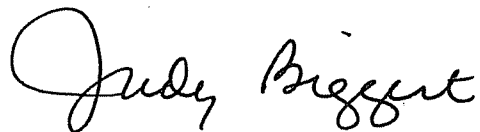
1. When did the Administration learn that ShoreBank was in peril and when did it become involved in putting together its bailout?
2. What role did any official in the Administration play in the ShoreBank bailout?
3. Could ShoreBank have met the TARP eligibility requirements without the big banks' capital infusion?
4. The *Financial Times* reported that "Lloyd Blankfein, Goldman Sachs chief executive, is playing a personal role in helping to arrange a \$125 million rescue for a Chicago community bank which provides loans to lower-income communities, people familiar with the matter say. ... Mr. Blankfein has been making phone calls to rally support for a deal that would see some of the country's biggest financial groups help the Chicago community bank." What communications has the Administration had with Mr. Blankfein regarding ShoreBank? What role did Administration officials play in coordinating, supervising, or encouraging Mr. Blankfein's efforts?
5. Why is ShoreBank a safe bet for the American taxpayer? Why should the taxpayers bail out this institution with TARP funds?

In addition to those responses, we request all records of communication—including emails, phone logs and meeting records—related to the ShoreBank negotiations that exist between the Administration and representatives of ShoreBank, and executives of the banks involved in the bailout, including, but not limited to Lloyd Blankfein, Eugene Ludwig and consultants to these banks and Promontory Financial Group.

Thank you in advance for your prompt reply to this letter.

Sincerely,


Spencer Bachus
Ranking Member
House Financial Services Committee


Judy Biggert
Ranking Member
Subcommittee on Oversight and Investigations