

BARNEY FRANK, MA, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

SPENCER BACHUS, AL, RANKING MEMBER

March 25, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

As you are aware, a list was recently published setting forth the identity of the counterparties that the American International Group, using American taxpayer money, funded. This list shows that a majority of the approximately \$100 billion of U.S. taxpayer money was paid to foreign banks. For example, French and German banks alone received almost \$40 billion.

Published reports indicate that none of these counterparties was asked to reduce the sum it received by any amount whatsoever. This was confirmed by Treasury Secretary Geithner at the Committee's March 24<sup>th</sup> hearing, when he acknowledged in response to my questions that AIG "fully met its obligations" to foreign entities.

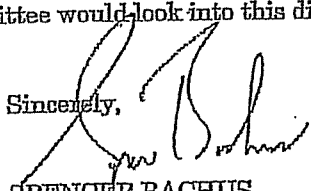
I have been informed that, in contrast with its treatment of foreign banks, AIG is now attempting to force many of its creditors that are U.S. banks to accept severe reductions in the debt owed to them. I am told in some cases that these U.S. banks are being asked to accept reductions of over 70% of the total debt owed to them.

This disparity in treatment between foreign banks and U.S. banks is troubling, particularly since the U.S. banks now being asked to take such reductions are some of the very taxpayers that have been funding AIG.

In addition to the clear inequity involved, this conduct obviously runs counter to our efforts to stimulate credit in the U.S. economy through bank lending.

Thus, I would hope that the Committee would look into this disparate conduct and determine the facts in more detail.

Sincerely,

  
SPENCER BACHUS  
Ranking Member

cc: The Honorable Timothy Geithner  
The Honorable Ben Bernanke  
Mr. Edward Liddy

BARNEY FRANK, MA, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

SPENCER BACHUS, AL, RANKING MEMBER

March 26, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
United States House of Representatives  
2129 Rayburn House Office Building  
Washington, D.C. 20510

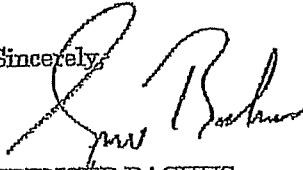
Dear Mr. Chairman:

Thank you for expressing your willingness to look into the circumstances surrounding the American International Group's payment to its counterparties.

I wanted to clarify my position that the best mechanism for conducting this review would be at a full committee hearing.

Thank you for your consideration.

Sincerely,



SPENCER BACHUS  
Ranking Member

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

April 1, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank:

When I wrote to you on March 25, 2009, regarding the disparate treatment of U.S. and foreign institutions by AIG, information on this situation was just beginning to be disclosed. Since that time more details have emerged which raise even more questions.

In the hearing last week, Treasury Secretary Geithner said "AIG was able to, as a result of the intervention -- to meet a full range of its obligations as a large complex financial institution. Throughout that period of time -- and this was critically important to the stability of the financial system -- we wanted to make sure AIG was able to meet its commitments."

The bottom line is that U.S. taxpayer money was used to make foreign banks whole. At the same time, AIG has debt obligations to a number of U.S. banks through various subsidiaries such as real estate joint ventures, and it is not fulfilling its obligations to them, as Secretary Geithner stated.

Banks all over the country are involved. They are being asked to take 20 or 30 cents on the dollar. This is jeopardizing projects and inhibiting lending.

This is especially inequitable since the U.S. banks are taxpayers who, like all American taxpayers, funded the AIG bailout. Unlike the original recipients of the AIG counterparty payments, they were also contributors to the FDIC fund which is supporting numerous interventions.

AIG claims a difference between obligations to foreign banks in credit default swap arrangements and real estate joint ventures and terms it a "business decision," but it is difficult to see a moral difference in the obligations involved.

It is also noteworthy that the amounts owed to U.S. banks are very small compared to the amounts paid out to foreign institutions.

One would think that, as the owner of more than 80 percent of AIG, the Federal Reserve would find this unequal treatment of U.S. institutions and foreign banks unconscionable, but that is apparently not the case. The president of the AIG Global Real Estate subsidiary is quoted as having said "the current Federal Reserve funding arrangement with AIG does not provide for funding of AIG Global's commitments to its joint venture partners," i.e. the U.S. banks.

The Honorable Barney Frank  
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April 1, 2009

All of this raises significant questions about the decision making at Treasury and the Federal Reserve in this enormous bailout. Did the Federal Reserve direct that U.S. banks be treated differently than foreign institutions? This question deserves a straight-forward answer.

In order to give our tax-payers confidence in the intervention process, please consider scheduling a Full Committee hearing as soon as possible after the Easter Recess to allow the individuals at Treasury and the Federal Reserve who made these decisions to explain them.

Thank you for considering this request.

*Spencer Bachus*  
Sincerely,

*Spencer Bachus*  
SPENCER BACHUS  
Ranking Member

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

July 16, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank:

On several occasions, questions have been raised about the disparity of treatment of small domestic banks as compared to large U.S. banks and foreign counter-parties following the extraordinary Federal Government intervention to supply massive taxpayer support to prevent the collapse of American International Group (AIG).

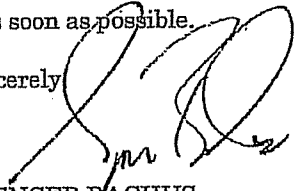
In hearings before the Financial Services Committee, I have questioned Secretary Geithner and AIG management about this issue. Transcript excerpts of some of that questioning are attached. I have also written to Secretary Geithner regarding my concerns over the inequitable treatment of smaller domestic institutions which suffered significant losses from their dealings with AIG while the firm's larger counterparties – many of them headquartered overseas – were made whole.

In public hearings, the response of Secretary Geithner has been that he would review the situation to ensure there was no unfair or disparate treatment. In contrast, his private written responses have relied on legalistic distinctions between loans and counter-party obligations and AIG corporate obligations versus those of its real estate subdivisions.

In order to fully air the appropriateness and fairness of the distribution of U.S. taxpayer money by AIG, I request a hearing dedicated to this issue. The hearing should include representatives of the Treasury Department and AIG management, all with knowledge of the issue and authority to speak about discussions and policy decisions made by their organizations. There should also be representatives of the smaller U.S. banks that have not been paid by AIG and its subsidiaries.

The Committee's agenda is crowded and I realize finding time for the requested hearing will not be easy. Nonetheless, I suggest this is a critical issue and important to promoting public understanding of the interventions of the Federal Government into private businesses and markets. It is essential that there be no question of the fairness and equity of the Government's actions. Therefore, I urge that this hearing be scheduled as soon as possible.

Sincerely



SPENCER BACHUS  
Ranking Member

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

July 17, 2009

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank:

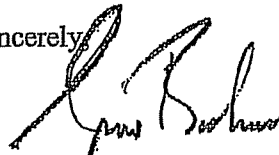
Thank you for your comments on the dais this morning regarding my letter requesting a hearing on the disparity of treatment of domestic regional and community banks as compared to large U.S and foreign financial institutions in the satisfaction of the obligations of American International Group (AIG) using American taxpayers' money. This disparity is striking and demands a full Congressional inquiry and investigation. Your point is well taken, however, when you suggest that this inquiry will require more time than is available before the August recess.

As you said in our conversation, some of these questions can be raised in the regulatory restructuring hearings that are already scheduled. My colleagues and I will certainly avail ourselves of those limited opportunities whenever appropriate witnesses appear on a hit-or-miss basis.

You also indicated you were favorably disposed to a hearing dedicated solely to this matter in September to afford a forum for a thorough examination of the questionable distribution of taxpayer money in the bailout of AIG.

Thank you for your consideration of this request. Working with you to make this possible will be a high priority for me.

Sincerely,



SPENCER BACHUS  
Ranking Member

# Congress of the United States

Washington, DC 20515

November 19, 2009

Hon. Barney Frank  
Chairman  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank:

We are writing to urge you to schedule a hearing as soon as possible on the recent report of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) on AIG's counterparty payments. As you know, the report paints a devastating picture of government regulators ill-prepared to deal with the failure of complex financial institutions like AIG, and who failed to fight for what was in the best interest of the taxpayers.

Before Members of Congress are asked to vote on legislation that seeks to codify future AIG-style bailouts, the Financial Services Committee needs to hear from Treasury Secretary Timothy Geithner – who headed the Federal Reserve Bank of New York during the AIG bailout – and other officials who can answer questions about this backdoor bailout of foreign and domestic counterparties so that Congress can effectively craft legislation to ensure that taxpayers will be protected in the future. Specific questions that the Committee must receive answers to include the following:

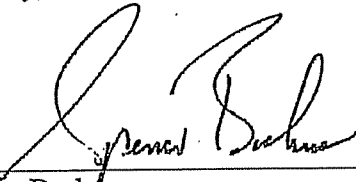
- We now know that several of AIG's counterparties were experiencing significant financial difficulties at the time of the decision to purchase the counterparty contracts. How much was the health of these banks a factor in paying them over \$27 billion, or 100 cents on the dollar for the value of their credit default swap contracts?
- Did the Federal Reserve Bank of New York's decision to treat all counterparties equally give the major counterparties (including foreign banks) effective veto power over the possibility of a concession from any other major parties?
- What was the extent of the negotiations over paying the counterparties at par value, and what will these same parties do in future times of crisis if Congress enacts legislation to mandate the creation of a \$200 billion bailout fund?
- What was the rationale for keeping secret the list of par value counterparties, given that the SIGTARP concludes that "there is no indication that AIG's disclosure undermined the stability of AIG or the market or damage legitimate interests of the counterparties"?

In the wake of last year's financial crisis, the American people are rightfully watching both Congress and the Administration to ensure that their taxpayer dollars are not being mismanaged and to ensure that the government isn't doing more harm than good when it comes to the financial recovery.

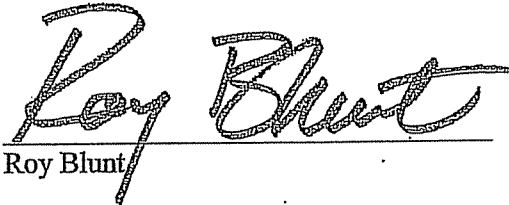
The SIGTARP report provides further evidence that government bureaucrats should not have the ability to sign off on choosing winners and losers in the marketplace. Inevitably, the loser in that scenario will always be the American taxpayer. Without a hearing to fully explore the decisions that led to the bailout of AIG and its counterparties, we are concerned that efforts to extend and expand TARP, as well as legislation currently being considered by the Financial Services Committee to codify a permanent bailout authority, will only lead to many of the same mistakes that have cost taxpayers hundreds of billions of dollars. The American people deserve better.

Thank you for your consideration of this request.

Sincerely,



Spencer Bachus



Roy Blunt



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

January 7, 2010

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn HOB  
Washington, D.C. 20515

Dear Chairman Frank:

As you know, since March 2009 I have raised concerns, and called for hearings, regarding the disparate treatment of U.S. banks and foreign institutions by insurance giant American International Group (AIG). In July, you indicated in comments from the dais that there were valid questions and that you would consider calling a hearing after the regulatory restructuring legislation was completed.

Since July, additional information has come to light. Bloomberg News today cited email evidence that the Federal Reserve Bank of New York, then under the leadership of Secretary Geithner, prevented AIG from disclosing certain information and documents related to its government bailout, including details regarding AIG's payments to large U.S. and European counterparties. This appears to be a deliberate effort by the Federal Reserve to keep the public in the dark regarding key aspects of one of the largest taxpayer-funded bailouts. It is imperative for this Committee to have a public hearing on this latest troubling report as soon as Congress returns to session later this month.

Unfortunately, disclosure and transparency have been sorely lacking when it comes to congressional and public review of the circumstances surrounding AIG's bailout. For months, the public was prevented from knowing the names of AIG's counterparties and the extent to which AIG fulfilled its obligations to those firms. We learned today that it was the New York Fed that stepped in to prevent public disclosure of this information by deleting the counterparty names and payment information from AIG's draft regulatory filing. This calculated attempt to withhold important information from the public and market participants runs counter to the principles of our capital markets.

The November 2009 report by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) found that the New York Fed, under Secretary Geithner's leadership, failed to fight for what was in the best interest of taxpayers. Additionally, the SIGTARP concluded that the New York Fed's strategy of negotiating with AIG's counterparties prevented it from imposing any haircuts on those counterparties, which were all paid one hundred cents on the dollar while less well-connected U.S. banks in contractual relationships with AIG were offered far less generous terms. The SIG-TARP concluded that this constituted a backdoor bailout of AIG's counterparties at the expense of taxpayers.

In November 2009, I wrote to Secretary Geithner requesting an explanation of the extent to which AIG met its obligations to creditors that are U.S. banks. Unfortunately, to this day, Secretary Geithner has provided no explanation. As you know, I have also questioned Secretary Geithner at Committee hearings on AIG's disparate treatment of counterparties and creditors, and unfortunately, have not received detailed answers.

The Honorable Barney Frank

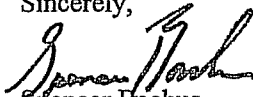
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January 7, 2010

For all these reasons, our Committee has a duty to convene a Full Committee hearing in order to determine the facts surrounding AIG's bailout. There is no more urgent business before the Committee and this hearing should be given the highest priority.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Spencer Bachus". The signature is written in a cursive style with a large initial "S".

Spencer Bachus  
Ranking Member