

**Congress of the United States**  
**Washington, DC 20515**

December 16, 2009

The Honorable Timothy Geithner  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Geithner,

On November 30, 2009 the Financial Services Oversight and Investigations Subcommittee held a hearing entitled, "Improving Responsible Lending to Small Businesses" in Southfield, Michigan. At this hearing, we heard testimony from leaders of the local business community, state and county economic development officials, and financial industry representatives outlining challenges associated with obtaining credit and raising capital in the current economic environment. It was particularly appropriate that this hearing was held in the Detroit region, as it has recorded the largest jobless rate increase of any metropolitan area in the nation.

At this hearing, witnesses discussed how the value of businesses' plant and equipment has plummeted, leaving them without sufficient collateral to obtain credit necessary to compete for new business opportunities. We also heard how the economic environment in Michigan makes it difficult for local financial institutions to raise the additional capital necessary to meet heightened capital requirements being imposed by regulators. Without this additional capital, many local and regional lenders are unable to extend credit to Michigan businesses that are looking to take advantage of business opportunities and add needed jobs. There is a strong concern that without additional support for financial institutions designed to promote business lending, Michigan's economy may continue to be challenged even if the rest of the nation enjoys a recovery.

A number of innovative proposals were discussed at the hearing, and there was general agreement among the witnesses that these proposals could lead to increased economic activity and job creation in Michigan and other high unemployment areas. These proposals include the creation of a National Manufacturing Diversification Fund modeled after a program initiated by the Michigan Economic Development Corporation (MEDC). This proposal, which has been endorsed by the Motor and Equipment Manufacturers Association (MEMA) and outlined in greater detail in an October 8, 2009, letter to you and National Economic Advisor Dr. Lawrence Summers and signed by the Michigan Congressional Delegation, would invest \$5 to \$10 billion in TARP funds to create a public-private partnership that would reduce the risk for lenders offering loans to manufacturing companies looking to expand into new markets.

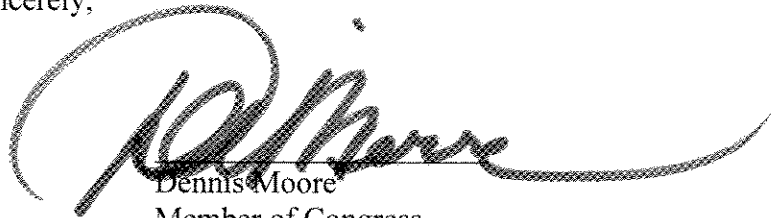
Another innovative idea came from Art Johnson, the Chairman of the American Banking Association and the President of a Michigan community bank. His testimony described a proposal that he shared with you in a September 21, 2009, letter, which would modify the existing Capital Assistance Program and invest up to \$5 billion of TARP funds in community banks that did not receive Capital Purchase Program funds. Any bank with total assets of \$5 billion or less would be eligible to apply, but would be required to submit an acceptable capital restoration plan. Taxpayer dollars would be protected by requiring participating banks to issue Treasury senior preferred securities and by requiring participants to show that they have commitments from private equity to match Treasury's investment dollar for dollar.

While efforts to stabilize the economy and restore the balance sheets of the nation's largest and most troubled financial institutions have been successful, in many areas of the country unemployment is still unacceptably high and financial institutions are still struggling to deal with the collapse in value of commercial assets and dysfunctional credit markets. As you are deciding how to use remaining TARP funds to stimulate job creation, we encourage you to give both of these proposals your strongest consideration. Both proposals will promote job growth in high unemployment areas, pose minimal risk to taxpayers, and are consistent with the original goals of the Emergency Economic Stabilization Act.

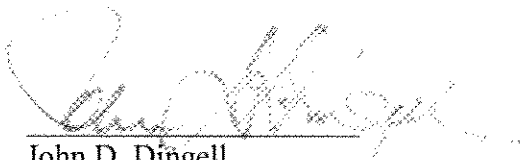
Sincerely,



Gary C. Peters  
Member of Congress



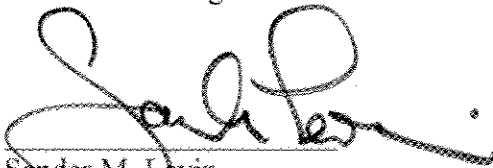
Dennis Moore  
Member of Congress



John D. Dingell  
Member of Congress



Mark Schauer  
Member of Congress



Sander M. Levin  
Member of Congress