June 10, 2009

The Honorable Christopher Dodd  
Chairman  
Senate Committee on Banking, Housing,  
and Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Richard Shelby  
Ranking Member  
Senate Committee on Banking, Housing,  
and Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

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

The Honorable Spencer Bachus  
Ranking Member  
House Financial Services Committee  
B371a Rayburn House Office Building  
Washington, DC 20515

Dear Chairmen and Ranking Members:

We are writing to update you on our oversight of Treasury’s use of the authority granted to it under the Emergency Economic Stabilization Act (“EESA”) and, in particular, to make you aware of a special coordinated effort between the Special Inspector General for the Troubled Asset Relief Program (“SIGTARP”) and the Congressional Oversight Panel (“the Panel”) to examine the pricing of warrants in the context of the return of Troubled Asset Relief Program (“TARP”) funds by TARP-recipient institutions.

The EESA established SIGTARP and the Panel to oversee the development and implementation of economic stabilization efforts undertaken as part of the TARP. In accordance with our respective mandates, we have endeavored to bring transparency to the TARP and to ensure that the interests of American taxpayers are protected. To date, SIGTARP has released two quarterly reports to update Congress on its oversight and investigative efforts, and the Panel has issued six regular monthly reports on various aspects of the TARP, in addition to a special report on regulatory reform.

In the weeks and months ahead, as some financial institutions seek to return the TARP funding they have received, SIGTARP and the Panel believe that the pricing of the warrants held by Treasury in conjunction with the Capital Purchase Program (“CPP”) will be critical to ensuring an appropriate return on investment for the government and, consequently, American taxpayers. We have also identified this as an area in which coordination between SIGTARP and the Panel could be particularly beneficial. To that end, our complementary efforts include the following:
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- The Panel has begun a project to estimate a reasonable range of values for the remaining warrants which Treasury holds in relation to its CPP investments. This analysis will highlight the policy choices and degree of discretion that Treasury has as it negotiates the sale of these warrants. The Panel anticipates that the results will be released in connection with its July monthly report.

- SIGTARP plans to conduct an audit of the warrant repurchase/sale process. That audit, which will have the benefit of the Panel valuations as context, will examine several key questions, including examination of the process Treasury has established to value the warrants for re-purchase, whether Treasury follows a clear and consistent process in considering potentially differing valuations of warrants, and the extent to which Treasury has established an objective basis for its ultimate valuation decisions.

While SIGTARP and the Panel regularly coordinate our oversight efforts, our organizations are working even more closely on this important issue. We hope that our oversight and analysis may prove useful to Congress and to the American people. Please do not hesitate to contact us if you have any questions or if you would like additional information.

Sincerely,

NEIL M. BAROFSKY
Special Inspector General
Troubled Asset Relief Program

ELIZABETH WARREN
Chair
Congressional Oversight Panel