January 12, 2009

The Honorable Nancy Pelosi
Speaker
United States House of Representatives

The Honorable Harry Reid
Majority Leader
United States Senate

The Honorable John Boehner
Republican Leader
United States House of Representatives

The Honorable Mitch McConnell
Republican Leader
United States Senate

Dear Madam Speaker, Leader Boehner, Leader Reid, and Leader McConnell:

As the President-elect recently stated, “we start 2009 in the midst of a crisis unlike any other we have seen in our lifetime.” He strongly believes that while the American Recovery and Reinvestment plan is critical, it alone will not solve all the problems that led us into this crisis. We must work with the same sense of urgency to stabilize and repair the financial system to address his primary concern: that we maintain the flow of credit that families and businesses depend on to keep our economy strong. It was that concern that led the President-elect to support the financial rescue plan back in September. If we had not all acted together - Democrats and Republicans - this economic crisis would have already become an economic catastrophe, with even more jobs lost and more businesses closed.

But the President-elect also shares the frustration of the American people that we have seen too little effect from this rescue plan on jobs, incomes, and the ability of responsible homeowners to stay in their homes. He believes the American people are right to be angry with the way this plan has been implemented. President-elect Obama believes there has been too little transparency and accountability; too much upside for financial institutions and executives who acted irresponsibly without providing enough help for small business owners, families who are struggling to keep their jobs and make ends meet, and innocent homeowners.

That will change when President-elect Obama takes office. Today, he is asking for the authority to implement the rest of the financial rescue plan because the American people need to know that going forward our government has the resources to do whatever is necessary to stabilize our financial system and protect our economy from a potential catastrophe. With the first half of the rescue package now committed, President-elect Obama believes the need is imminent and urgent. We cannot afford to wait.

It is important that we act both quickly and wisely. The President-elect is committed to using the full arsenal of tools available to us to get credit flowing again to families and businesses. He will
ask his Department of Treasury to put in place strict and sensible conditions on CEO
compensation and dividend payments until taxpayers get their money back. He will also direct
them to ensure that assistance goes not just to large financial institutions, but that we put forward
a comprehensive effort to get funds flowing again to community banks; the small business owner
who has perfect credit but can't get a loan to make payroll; the student who can't get financial
assistance for college; and the consumer who wants to buy a car. He will also do more to help
Americans who are seeing their home values plummet as a result of this foreclosure crisis. And
he will make sure that the American people can see how and where this money is spent so they
can hold us accountable for the results. Those are the changes the American people are
demanding, and those are the changes that President-elect Obama is committed to making
happen. In particular, he will call for:

1. **Use Our Full Arsenal of Tools to Get Credit Flowing Again to Families and Business:**
The President-elect believes we must take all necessary steps to protect the integrity of our
financial system and prevent the failure of financial institutions that would have catastrophic
effects of our economy. We must also do everything in our power to ensure our efforts are more
directly reaching Main Street. It is neither right nor sound economic policy to allow the small
businesses that are responsible for more than two-thirds of job creation and entrepreneurs and
who have worked hard and played by the rules to be victims of this credit crisis that they were
not responsible for creating. We will work in close cooperation with the Congress, the Federal
Reserve and other agencies to strengthen financial institutions and restart lending for small
businesses, auto purchases, and municipalities.

2. **Reform Our System of Oversight, Regulation and Management of Financial Crises:**
President-elect Obama is committed to ensuring a full and accurate accounting of how the
Treasury Department has allocated the funds spent to date and going forward. And we will
report on a continuous basis the earnings and repayments the federal government receives from
financial institutions who have been recipients of financial rescue assistance. We will work with
Congress to strengthen oversight and move quickly to reform a weak and outdated regulatory
system to better protect consumers, investors and businesses. And we will operate as one
government with strong coordination among all major financial regulators. He has asked his
Treasury Department and economic team to analyze the recommendations of the Congressional
Oversight Panel and other oversight bodies and implement those we believe will make the
program more effective. And since this is a global crisis, we will work with the G-8 and within
the G-20 to ensure international coordination on recovery, financial and regulatory policies.

3. **Launch a Sweeping Effort to Address the Foreclosure Crisis:** The President-elect has
directed his White House and Cabinet to work with Congress immediately to implement smart,
aggressive policies to reduce the number of preventable foreclosures by helping to reduce
mortgage payments for economically stressed but responsible homeowners while also reforming
our bankruptcy laws and strengthening existing housing initiatives like Hope for Homeowners.
Confronting this challenge is an absolute imperative if we are to restore the health of our housing
sector and the financial system as a whole.

4. **Impose Tough and Transparent Conditions on Firms Receiving Taxpayer Assistance:**
The President-elect has directed his Treasury Department to monitor, measure and track what is
happening to lending by recipients of our financial rescue assistance. We will ensure that resources are directed to increasing lending and preventing new financial crises and not to enriching shareholders or executives. Those receiving exceptional assistance will be subject to tough but sensible conditions that limit executive compensation until taxpayer money is paid back, ban dividend payments beyond de minimis amounts, and put limits on stock buybacks and the acquisition of already financially strong companies. Finally, our actions must always support rather than impede the orderly restructuring of our financial system.

5. **Maximize the Role of Private Capital and Plan for Exit of Government Intervention:**
We will invest taxpayer money only when sufficient private capital cannot be attracted. We will seek to replace investments made by the U.S. Government with private investment as quickly as possible.

President-elect Obama believes it is not too late to change course, but it will be if we don't take dramatic action as soon as possible. We cannot allow the failures of the past to prevent us from doing what we must to secure America's future. The President-elect is committed to working closely together with the Congress on all aspects of our financial recovery plan - both for financial stability and for jobs and economic growth -- until we, together, help our nation pass through this economic storm.

Sincerely,

Lawrence Summers
Director-designate
National Economic Council