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Memo

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Date: January 7, 2009

To: Members of the House Financial Services Committee

From: Floyd E. Stoner, Executive Vice President, Congressional Relations & Public Policy

RE: Testimony on Future of TARP

As you know, the House Financial Services Committee was scheduled to hold a hearing this morning on the future of the Troubled Assets Relief Program (TARP). While the hearing has been postponed, we have submitted our planned testimony to the Committee and are making it available [here](#).

Our written testimony notes that while there were some FDIC-insured banks in a weakened position when the Emergency Economic Stabilization Act was considered, the emergency program was driven by severe problems at firms that were not banks. Confusion between capital for healthy banks provided by the Capital Purchase Program (CPP) and bailouts for weak firms is not only a source of great frustration to banks, but more importantly can lead to confusion about policy.

ABA makes four suggestions for the future of TARP: 1) segregate the CPP program from other TARP programs; 2) fully fund the CPP as originally announced; 3) use TARP funding for distressed homeowners; 4) coordinate the CPP with other programs so as to avoid conflicting messages and disincentives to lending.

We hope you find this testimony informative, and we look forward to working with the Committee on these issues.