United States Senate
WASHINGTON, DC 20510

February 3, 2010

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

Dear Secretary Geithner:

We write today to express our deep and growing concern about the deteriorating condition of community banks and the lack of credit availability for small businesses across the United States. Community banks play a significant role in providing credit to businesses in communities throughout the country; they provide approximately one third of all loans under $1 million and half of all loans under $100,000. Despite the return to profitability for most of the large, Wall Street banks that received the lion's share of public assistance under Troubled Asset Relief Program (TARP), the survival of hundreds of small, community banks remains in question. With considerable exposure to future losses on loans tied to real estate markets – both residential and commercial – we call on you to take immediate steps to dedicate more attention and resources from TARP to stabilize this critically important segment of the banking industry.

According to data provided by the Federal Deposit Insurance Corporation (FDIC), 148 banks have failed since 2008. These failures impose significant costs on the Deposit Insurance Fund (DIF) and have far reaching economic ramifications on the communities and businesses they serve. The continued existence and steady growth of hundreds of billions of dollars in non-performing loans is placing further strain on banks across the country; 552 institutions were on FDIC's "Problem List" as of the agency's publication of its Quarterly Banking Profile for the Third Quarter of 2009. This ominous overhang of impaired assets is necessitating that banks restrict lending and build capital to protect against further losses. Indeed, according to data released by the Federal Reserve, credit has continued to contract since 2008. The tight credit environment, particularly impacting households and small businesses, continues to undermine the effect of aggressive monetary and fiscal policies put in place to accelerate economic recovery and job growth.

Small businesses remain the real engine behind job growth in the U.S. Over the past 15 years, over 64 percent of all new jobs were created by small businesses. However, under the weight of the economic recession and significantly reduced consumer demand, many small businesses have been forced to adjust their cost structure, including eliminating jobs. With credit card lines and other forms of revolving credit being cut, those businesses that are trying to maintain their workforce are finding it increasingly difficult and in some cases impossible to access the liquidity they need to weather through this downturn. Although recent economic indicators show the economy is slowly beginning to stabilize, small businesses continue to suffer. This is a key

underpinning to the weak labor market and creating a drag on our efforts to more quickly reduce real unemployment which, remains above 10 percent. To help establish real, sustainable economic recovery, we must take new, decisive action that addresses the trend of declining credit availability head-on. Failure to do so may result in a heightened risk of a prolonged economic downturn similar to that experienced by Japan through the 1990's.

Existing programs created by the Treasury to address the plight of community banks and improve credit to small businesses have unfortunately had little impact to-date. Therefore, we have developed new approaches that can improve existing programs to strengthen community banks and have put forth a number of new proposals to improve the availability of credit for small businesses. We strongly believe these ideas provide new strategies and opportunities to take precious taxpayer resources away from programs that have largely benefitted the Wall Street firms that bear a great deal of responsibility in bringing about the financial and economic crisis, and redirect them to programs that can help bring back jobs and restore prosperity in our communities.

Strong, decisive action must be taken immediately to reassess the full range of options where public resources, including TARP, can better help address the economic crisis and strain being felt by American families and businesses on Main Street. We look forward to working together with you in this effort because it is integral to establishing the foundation necessary to support a swift and sustained economic recovery to the future.

Sincerely,

Patty Murray

Amy Klobuchar

Herb Kohl

Tom Harkin

Robert W. Bennett

Carl Levin

Debbie Stabenow

Jim Johnson

Ben Cardin

Bill Nelson

Barbara A. Mikulski

Jeffrey A Merkley

Jeanne Shaheen

Patrick Leahy

Al Franken

Sherrod Brown