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April 24, 2009

Ms. Danielle Brian
Executive Director
Project On Government Oversight
1100 G Street, Suite 900
Washington, D.C. 20005

Dear Ms. Brian,

Your letter raises several issues. At the outset, you asked that the Committee on Financial Services "review the legality" of the FDIC role in the Legacy Loans Program, but it does then seem clear from the rest of your letter that your objections are not so much as to the legality as to the substance. In fact, we are not the best entity to determine a legal question. There are a number of other authorities both in the Executive Branch and independent who have that capacity.

On substantive grounds, I do agree that it is important that nothing the FDIC do in this case put at risk its important central function of recurring deposits, and I and the Committee will be acting to reinsure that this is the case. As to the general effect, I do believe that the FDIC has been one of the best run federal organizations, and I have particular confidence in the way the Chair of the Commission, Sheila Bair, has discharged her responsibilities.

I note that you have also sent copies of your letter to others with oversight responsibilities, and I should note that we have worked closely with them. For example, on two occasions Special Inspector General Neil Barofsky indicated the need for assistance, and we provided it promptly both times – first by helping persuade people in the Executive Branch not to impose restrictions under the rubric of the Paperwork Reduction Act, and then in actually legislating to enhance his authority. We have also stayed in close touch with the Congressional Oversight Panel.

So I can assure you that we will continue to watch this to make sure from our standpoint that there are no problems for the deposit insurance program, and that the asset program itself is conducted well. Given Sheila Bair's record, I do not have any great fears that they will be abused here, but that is no reason not to perform our oversight function and we will do so.


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