Senator Sherrod Brown
U.S. Senate Committee on Banking, Housing, and Urban Affairs
Turmoil in Credit Markets: Examining Recent Regulatory Responses
October 23, 2008

Questions for the hearing record

Interim Assistant Secretary Kashkari

1) When Secretary Paulson testified before the Banking Committee on September 23, he indicated that the reason for the Troubled Asset Relief Program was to help establish a price for illiquid assets that the market was valuing at far below their ultimate or "hold to maturity" value. Unlike private market participants, the federal government could purchase debt at a discount and hold such an asset until its value recovered. Is this an accurate reflection of Secretary Paulson's testimony, and is this still the view of the Treasury Department?

2) If assets are temporarily undervalued, might the same be true of institutions that hold them?

3) *The Wall Street Journal* reported that a Treasury employee on October 14 told the CEO of National City Bank, Mr. Peter Raskind, that he should "explore all M&A avenues." Is this accurate? If so, why was this advice given at this time?

4) Please describe in detail the process by which the Treasury Department and the Office of the Comptroller of the Currency determined that National City Bank was unsuitable for participation in the troubled asset or capital purchase programs authorized under the Emergency Economic Stabilization Act (EESA) and other avenues for federal assistance, including the dates of any decision, the office or individual that made the decision, the factors that led to a particular decision, and the reasoning behind any decision.

5) Please describe in detail the role played by the Treasury Department, including employees of the Office of Comptroller of the Currency, in encouraging and facilitating the acquisition of National City Bank, including contacts with PNC and any other bank.

6) Please describe the amount committed to PNC under the EESA to assist in the acquisition of National City Bank, and the process and reasoning used by Treasury to arrive at this amount.

7) Please provide your best estimate of the revenue loss that will be associated with the acquisition of National City Bank by PNC, particularly in light of the recent decision by Treasury to expand the ability of a bank to realize losses from a bank that it acquires.

8) Setting aside any costs that may be recovered, what is the estimated cost to the federal government of the PNC acquisition when combining the costs of the capital purchase and revenue foregone?

9) Assume that this combined cost was instead invested directly in National City. Would Treasury have deemed it likely to fail in the wake of such an investment? If so, why? If not, why not?

10) Do you believe the federal government should support the acquisition of banks that are not failing? If so, why? If not, what safeguards has Treasury established or will it establish to ensure that taxpayer funds are not used to finance such activity, directly or indirectly?