

To strengthen
and promote
cities as centers
of opportunity,
leadership, and
governance.



**National League
of Cities**

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July 31, 2009

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

Dear Secretary Geithner:

On behalf of the 19,000 cities and towns represented by the National League of Cities, I write to seek the Department of Treasury's assistance in helping local governments by purchasing the troubled assets they hold. As you know, in the current economy, many local governments throughout the United States are reducing critical services and programs for their residents, including healthcare, housing and public safety. For local governments in some 20 states, the financial challenge is exacerbated because of losses they sustained as a result of the Lehman Brothers' bankruptcy.

Local governments and their taxpayers have lost an estimated \$1.7 billion due to the collapse of the only major investment bank allowed to fail. Importantly, the losses sustained by local governments were not due to any imprudent risk-taking or investment strategies. The investments local governments held were in highly rated Lehman securities as required by the conservative investment policies local governments must follow consistent with their fiduciary responsibilities.

While legislation has been introduced in Congress to use Troubled Assets Relief Program funds to purchase failed Lehman securities held by local governments, I hope Treasury will not require its enactment to exercise its existing authority. Under Section 103(7) of the Emergency Economic Stabilization Act of 2008, the department to provide financial assistance to financial institutions through the purchase of "troubled assets" and when doing so to consider "the need to ensure stability for United States public instrumentatilities, such as counties and cities that may have suffered significant increased costs or losses in the current market turmoil."

Again, I ask Treasury to assist local governments by purchasing their troubled assets. Please do not hesitate to contact me to discuss how we can work together to address this issues.

Best,

A handwritten signature in black ink that reads "Donald J. Borut".

Donald J. Borut
Executive Director

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