



May 8, 2009

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

Dear Secretary Geithner:

The National Association of Counties (“NACo”), the only national organization that represents county governments in the United States, respectfully requests that you exercise the discretion granted to you by the Emergency Economic Stabilization Act of 2008 (the “Act”) to purchase troubled assets held by local governments. The Act, which created the Troubled Assets Relief Program (“TARP”), gives you the authority to provide financial assistance to institutions through the purchase of “troubled assets.” As specifically provided for in Section 103 (7) of the Act, when exercising your discretion to purchase such assets, you *shall* consider “the need to ensure stability for United States public instrumentalities, such as counties and cities, that may have suffered significant increased costs or losses in the current market turmoil.”

During testimony presented by Representative Anna Eshoo before the House Committee on Financial Services on May 5, 2009, the fact that TARP funds were intended to assist local public entities was reinforced during a colloquy she had with Chairman Barney Frank in which the Chairman stated that the Secretary had the authority to provide financial assistance to local government entities and that “we expect it to be used and to demand that if it is not used, we get a written explanation as to why not.” We believe it is time that our nation’s local government institutions are protected to the same extent as that afforded private financial institutions. Job losses and layoffs at the local level are already occurring due to the failure to act.

Because of declining tax revenues and tight credit markets, many local governments are struggling financially to continue to provide the critical services and programs that our residents depend on, such as healthcare, housing, and public safety. For some local government entities, these financial challenges were exacerbated as a result of investments made with failed institutions.

This is why NACo supports the “Equitable Treatment of State and Local Governments Act of 2009” (H.R. 467), which would require the Treasury to purchase instruments issued by Lehman Brothers to local government entities using available TARP funds. It is estimated that local government entities located in 20 states lost a total of \$1.67 billion as a result of the collapse of Lehman Brothers, the only major investment bank the federal government allowed to fail last year. It is important to emphasize, as Representative Jackie Speier and other witnesses attested to

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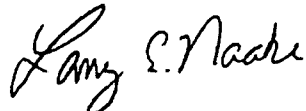
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at the May 5th hearing, the debt instruments these government bodies invested in were highly rated and were part of a strict, safe, and conservative investment strategy.

However, because the legislative process may be prolonged and given the financial urgency facing these communities, NACo urges you to act immediately, without Congressional mandate, and begin dispersing TARP funds to local government entities that are experiencing financial difficulties as a result of the failure of these highly-rated investments. To date, no TARP assistance has been provided to any public instrumentality; yet, approximately \$590 billion has been given to more than 535 financial institutions. Wall Street has been taken care of – it is time the Treasury addresses the needs of Main Street.

NACo hopes that you will consider our request and act swiftly to support local governments. Please do not hesitate to contact us to discuss how we can work together to address this issue. Thank you for your time and attention to this serious matter.

Sincerely yours,

A handwritten signature in black ink that reads "Larry E. Naake". The signature is written in a cursive, flowing style.

Larry E. Naake
Executive Director