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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

December 3, 2008

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

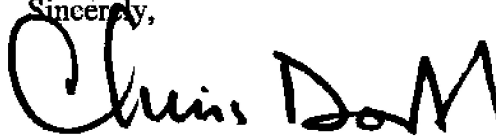
Dear Chairman Bernanke,

As you are well aware, our economy is in the midst of a severe recession rooted in the irresponsible lending and investment practices of a myriad of entities, including many of the largest financial institutions. What began in the housing market, particularly in the subprime market, has now spread through the entire financial system and infected our nation's economy. As Chairman of the Board of Governors of the Federal Reserve System you have taken a series of unprecedented steps with the stated goal of providing liquidity and stability to the financial system. You have also committed historic levels of Federal taxpayer dollars to deal with the actual and potential insolvency of many of our nation's largest financial institutions and other companies, primarily by exercising the authority granted to the Board of Governors under Section 13(3) of the Federal Reserve Act.

Recently, Majority Leader Reid and Speaker Pelosi asked the Federal Reserve to review the plans submitted by the three largest domestic automotive companies. These plans ask for government assistance to enable the companies to manage through these difficult economic times and emerge as profitable and viable companies. Several of these companies indicated that without such assistance, they would likely be unable to survive and could potentially, and very quickly, fail. Specifically, General Motors told the Banking Committee that: "A failure by GM will likely trigger catastrophic damage to the U.S. economy, precipitating failures among component and logistic suppliers, other domestic car manufacturers, raw material suppliers, technology and service providers, retailers and their suppliers, and GM creditors and financial institutions."

Chairman Bernanke, given the unusual and exigent circumstances that we are facing and the urgent request of these companies, I ask that you provide the Committee with your thoughts and comments on these plans before the end of the week. I also ask that you include an evaluation of GM's statement regarding the broad economic ramifications that would result from the scenario this firm describes. Finally, please inform the Committee whether there is anything in your statute that prevents you from lending to any of these domestic auto-manufacturing companies through Section 13(3), or through a special purpose vehicle, which you have used to extend funds to other institutions.

Sincerely,



CHRISTOPHER J. DODD
Chairman