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May 18, 2011

Ms. Jennifer Psaki
Deputy Assistant to the President and Deputy Communications Director
White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Ms. Psaki:

On August 1, 2010 you posted an item on the White House blog titled “Distorting the Small Business Jobs Act” which attempted to “fact check” an article that ran in the Associated Press on the Small Business Lending Fund (SBLF).¹ In that post you labeled several claims as “FICTION” and made other assertions which you labeled as “FACT.”²

One claim which you called “FICTION” was that: “The administration’s haziness about whom the program (the SBLF) benefits has fueled comparisons to the \$700 billion bailout known as the Troubled Asset Relief Program, or TARP.”³ In addition, you also claimed as “FACT” that the SBLF is “...separate from TARP....”⁴ Your blog post was later used as evidence on the United States Senate floor to support the passage of the Small Business Jobs Act.

My concern is that recent statements by Treasury Secretary Timothy Geithner and Acting Assistant Treasury Secretary Timothy G. Massad appear to directly contradict your assertions that this fund is “...separate from TARP...” and that any comparison between this fund and TARP is “FICTION.”⁵

On March 30, 2011, Acting Assistant Secretary Massad said, regarding the Treasury Department’s decision to approve applications by TARP recipient banks, “I do expect them to approve the applications of many TARP recipients to refinance their loans under the small

¹ White House Blog Post: “*Distorting the Small Business Jobs Act.*” August 1, 2010. Available at: <http://www.whitehouse.gov/blog/2010/08/01/distorting-small-business-jobs-act>

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

business lending fund.”⁶ The use of the term “refinance” is especially significant because it signals the Treasury Department’s admission that there is a linkage between TARP and the SBLF and that participants in TARP are merely “refinancing” when they enter the SBLF.⁷

On April 1, 2011, Treasury Secretary Geithner echoed those words in response to a letter I sent, writing, “In the future, we expect TARP recipients to participate in the SBLF program. In fact, the Small Business Jobs Act of 2010 – which created the SBLF – expressly directs Treasury to allow TARP recipients to participate.”⁸ On the one hand, you have claimed that *any* comparison with the SBLF and TARP is “FICTION” and on the other hand, the Secretary of the Treasury now says that this legislation “*expressly* (italics added) directs Treasury to allow TARP recipients to participate.” These two statements obviously conflict.

The contradiction between the Treasury Department’s statements and your blog post raises troubling questions, most notably, whether Congress passed the Small Business Jobs Act without receiving fully accurate information from the White House on the contents of this program.

Therefore I would appreciate answers to the following questions:

1. Who at the Treasury Department provided you with details on the Small Business Lending Fund?
2. What details were you provided?
3. Did you believe that the information you were provided was accurate?
4. Who made the decision to initiate a “fact check” of this Associated Press article?
5. Aside from any sources within the Treasury Department, did you independently verify any information you posted to the White House blog?
6. If so, what independent verification did you perform and who did you speak to?
7. Does the White House continue to stand by its claim that the SBLF is “...separate from TARP...” in light of the Treasury Department’s position on this issue?
8. Do you still think that the statement: “The administration’s haziness about whom the program (the SBLF) benefits has fueled comparisons to the \$700 billion bailout known as the Troubled Asset Relief Program, or TARP” is “FICTION?”
9. If so, can you please explain which specific assertions in that statement are untrue and why?

⁶ Associated Press, *US: Banks will use fed funds to repay fed bailout*; March 30, 2011.

⁷ *Id.*

⁸ Letter, Secretary of the Treasury Timothy Geithner to Senator Charles Grassley, April 1, 2011.

Thank you for your cooperation and attention to this matter. In addition, given the large number of taxpayer dollars at stake and the critical questions regarding the SBLF, I would appreciate it if you would take the time to meet with my staff regarding these questions and your work advocating for the creation of the SBLF.

When responding to this letter, please number your answers in accordance with my questions. I would appreciate a response by June 1, 2011. To schedule a meeting please contact Chris Lucas on my Judiciary Committee staff at (202) 224-5225.

Sincerely,

A handwritten signature in blue ink that reads "Chuck Grassley". The signature is written in a cursive, flowing style.

Charles E. Grassley
Ranking Member