

Congress of the United States
Washington, DC 20515

March 20, 2009

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

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

Dear Chairman Bernanke and Secretary Geithner:

Over the last year, the Federal Reserve and the Department of the Treasury have taken extraordinary steps to mitigate some of the most acutely negative effects of the credit crisis. These actions, while not long-term solutions, have helped calm the markets for products like commercial paper and have helped restore a degree of normalcy to interbank lending. The Fed's and Treasury's actions, however, have not directly addressed the serious problems faced by state and local governments in accessing the capital markets.

In the last four months of 2008, states and localities borrowed 34 percent less capital than they did in the same period in 2007—largely because borrowing rates in the municipal bond market were so high—if they could access the market at all. While conditions have improved somewhat, it is still difficult for many state and local governments to access the market at attractive terms. This is especially troubling since a great deal of state and local borrowing goes directly to finance construction projects that create desperately needed jobs.

A consensus has emerged among issuers, investors and dealers in the municipal bond markets that the Federal Reserve could provide immediate and dramatic assistance to the overall market by creating a temporary lending facility to create liquidity in the market for variable rate demand obligations and other short-term municipal debt instruments. This is a limited market with low underlying credit risk and it is likely the mere presence of a federal financing backstop alone would bring investors back and limit the need for the Federal Reserve to actually purchase bonds.

As you continue to respond to fallout from the credit crisis, we urge you to examine this and other possible options that would provide meaningful assistance to states and localities in accessing the capital markets.

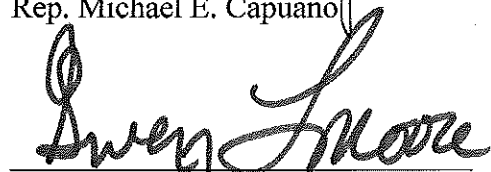
Sincerely,



Chairman Barney Frank


Chairman Paul E. Kanjorski


Rep. Michael E. Capuano


Rep. John Adler

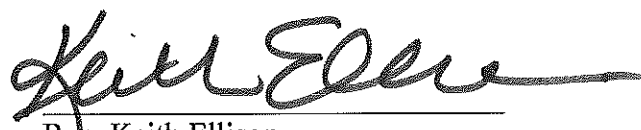

Rep. Gwen Moore


Rep. Ed Perlmutter



Rep. Paul W. Hodes



Rep. James P. Moran

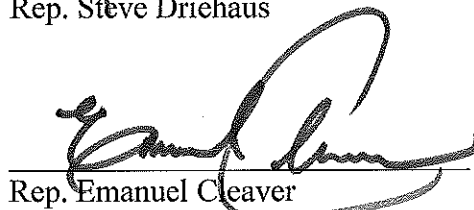

Rep. Carolyn McCarthy

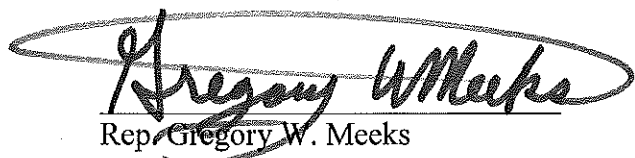

Rep. Keith Ellison


Rep. Ron Klein


Rep. Steve Driehaus


Rep. Gerald E. Connolly


Rep. Emanuel Cleaver

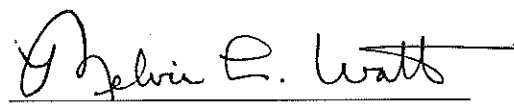

Rep. Gregory W. Meeks

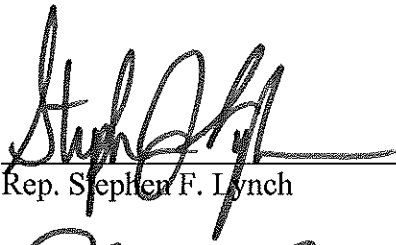

Rep. Charles Wilson


Rep. Travis Childers


Rep. William Lacy Clay


Rep. Brad Sherman


Rep. Melvin L. Watt




Rep. Stephen F. Lynch




Rep. Robert E. Andrews



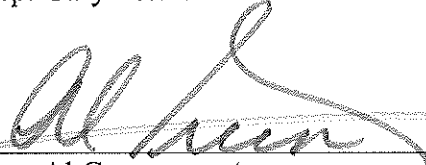
Rep. Michael N. Castle



Rep. Gary Peters



Rep. Bill Foster



Rep. Al Green



Rep. Alan Grayson