January 13, 2010

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

Dear Mr. Geithner:

The Conference of State Bank Supervisors (CSBS) is concerned by your recent decision to close the Capital Purchase Program (CPP) of the Troubled Asset Relief Program (TARP).

While the national economy and the largest financial institutions are beginning to show some early signs of tentative recovery, the TARP program has not yet realized its full potential to stabilize the community banking system and spark economic growth in local communities. In some portions of the country, banks have extremely limited opportunities to raise private capital. It is these financial institutions—struggling to survive in a dire economic environment not of their making—that can most benefit from investments from TARP.

To qualify for TARP, the majority of institutions had to demonstrate its viability *without* the TARP investment. This standard did not apply to the largest institutions which received the funding without scrutiny. CSBS has long called for a change to the viability standard to allow more community banks to be eligible if they can demonstrate viability *with* the TARP investment.

CSBS believes a lack of meaningful support of community and regional banks by TARP has been a lost opportunity to support the entire banking system and stimulate local economies. TARP should be more readily available to community and regional banks, as TARP may be the only affordable source of capital in certain areas which have been the hardest hit by the recession. This capital is critical to ensuring a return to economic growth in all areas of the country.

Therefore, CSBS urges the Treasury to:

1. Develop a new Capital Purchase Program for community banks. Banks should be able to demonstrate they are viable *after* the TARP investment to receive TARP investments.
2. Expedite the development of a functional and attractive small business lending program. Small businesses are a significant driver of economic growth. Community banks are best positioned to facilitate this type of lending.

Thank you for your thoughtful consideration and for your ongoing commitment to stabilizing the nation's financial system.

I look forward to continuing to work with you as we coordinate our efforts to encourage economic recovery across the nation.

Best Regards,

Neil Milner
President and CEO