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# Congress of the United States
## House of Representatives
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November 25, 2008

The Honorable Barney Frank, Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Frank:

Last month, the U.S. Government invested $25 billion of taxpayer money in Citigroup Inc. Now we have learned that one bailout was not enough for Citigroup, and taxpayers have been put on the hook again – this time, to insure some $306 billion in highly-questionable Citigroup mortgage-backed securities. An additional $20 billion in taxpayer dollars also has been invested in Citigroup in the form of preferred stock paying an 8 percent dividend.

Astonishingly, this latest bailout comes only days after the November 14th *New York Times* headline: "Despite Pledge, Citigroup to Raise Credit Card Rates, Blaming 'Difficult' Environment." The story went on to report that Citigroup executives are breaking their 2007 pledge to Congress not to raise rates until accounts expire. Citigroup said that, on average, its customers' effective borrowing rates would be raised by two to three percentage points – a move that would cause some borrowers to pay more than 20 percent interest instead of 17 percent.

The disregard for the taxpayer by every party involved in this episode is unacceptable. Executives and board members who have made millions of dollars during their tenures at Citigroup – and whose decisions have resulted in the firm running to the American taxpayer for bailouts – are still in place. There seems to be no recognition by government officials that many taxpayers face just as 'difficult' of an environment as the financial institution they are being forced to bailout – the kind of bailout for which individuals and small businesses are ineligible to apply.

Taxpayers could be forgiven for thinking that government officials once again were out-negotiated by a financial institution who had come to the government hat-in-hand. Yet, the government officials doling out tax money appear to have made no requirement that Citigroup honor its pledge not to raise credit card rates on existing accounts as a precondition for receiving yet another bailout.

In fact – given the 8 percent dividend rate that taxpayers will earn on their latest preferred stock investment in Citigroup – taxpaying Citigroup customers are being forced to provide funding to the very company that will now be breaking its promise and charging them higher credit card interest rates. Only in this strange new "Bailout Nation" could such a "Reverse Robin Hood" arbitrage take place: the instruments of government are being used to take from the average working person in order to prop up the existing institutions of power. Citigroup is using government to "borrow low" and then "lend high" – from and to many of the same group of people!

The bailouts need to stop, or - as a Republican who joined with you and Congresswoman Maloney to bring more accountability to the credit card industry - I believe that at a bare minimum the time has come to extract meaningful concessions before bailing out the executives and companies who have broken their promises and helped put our economy in its current sorry state.

Sincerely,

Walter B. Jones

Walter B. Jones
Member of Congress