

# Obama seeks access to half of bailout funds

 AP Associated Press

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WASHINGTON – A week shy of taking office, President-elect Barack Obama already is putting his persuasion skills to a high-stakes test with Congress as he seeks access to the second half of the \$700 billion financial bailout fund.

Obama planned to be in the Capitol on Tuesday to meet with Senate Democrats. And his transition team prepared to dispatch top aides to meet with Senate Republicans this week in anticipation of a possible vote Thursday on whether to release the money from the embattled Troubled Asset Relief Program.

In the House, the Financial Services Committee scheduled a hearing on the program in advance of legislation offered by committee Chairman Barney Frank, D-Mass., that would place tough new restrictions on recipients of the money and require spending to reduce mortgage foreclosures.

The legislation is scheduled to reach the floor of the House on Wednesday, with a vote set for Thursday.

That flurry of activity comes in the wake of President George W. Bush's decision Monday to act on Obama's behalf and ask Congress for access to the remaining \$350 billion of the money Congress authorized to rescue the nation's financial sector. The request reached Congress as lawmakers and Obama also were assembling a spending and tax-cutting stimulus package of \$800 billion, or possibly more.

"It is clear that the financial system, although improved from where it was in September, is still fragile," Obama said Monday.

Bush's notification set a 15-day deadline for Congress to disapprove of the request. The Bush administration's handling of the money has met bipartisan criticism in the House and Senate. Lawmakers have complained that the Treasury Department's use of the money has been muddled and misleading, that recipients of the funds have faced little accountability and that the program has done nothing to reduce home foreclosures.

If the Senate rejects a motion to disapprove the funds, it would pave the way for Obama to begin dispensing the money about a week after he assumes office Jan. 20.

Congressional Democrats said they hoped Obama's desire to place greater restrictions on the money and broaden its goals to loosen more credit would build support among otherwise skeptical lawmakers. The House tentatively scheduled a vote for next week. If both chambers refuse to release the money, it would be up to Obama to issue a veto — a dramatic first act by a new president — in hopes that Congress would not override him.

The request by the Bush White House made it clear that the money was to be used by the incoming Obama administration. It directed lawmakers to a letter Monday from top Obama economic adviser Larry Summers that vowed to make significant changes in the way the program is administered.

In the Senate, Majority Leader Harry Reid, D-Nev., said he was encouraged by Obama's efforts to add more conditions and to require greater accountability for the use of the money. Senate Minority Leader Mitch McConnell, R-Ky., voiced skepticism but left open the possibility that he could be persuaded.

"I would be hard-pressed to support additional funding for the TARP without sufficient assurances this money will not be wasted, misspent or simply used for more industry-specific bailouts," McConnell said.

Summers' letter, however, was not as detailed as the legislation proposed in the House by Frank. That bill would set new conditions on the institutions that receive the money, requiring limits on executive pay and an end to owning or leasing private jets. It also would require spending at least \$40 billion from the fund on foreclosure mitigation.

Financial services industry lobbyists said they opposed a provision in Frank's bill that would allow the Treasury Department to apply executive pay restrictions to banks that already have received government money.

Scott Talbott, senior vice president at the Financial Services Roundtable, said the group would like to see Congress' concerns addressed without the retroactive provision. The Roundtable represents 100 of the largest banks and insurance companies, including such government fund recipients as Citigroup Inc., Bank of America Corp. and JPMorgan Chase & Co.

Some lobbyists hoped Summers' letter would reassure lawmakers and make legislation such as Frank's less likely to pass. Summers' letter doesn't address the question of retroactive limits on executive pay.

At the same time, the Federal Deposit Insurance Corp. issued a directive Monday asking banks and other financial institutions to track how the federal money or guarantees they received helped them boost "prudent lending" and efforts to help at-risk borrowers avoid foreclosures.

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Associated Press writers David Espo, Chris Rugaber and Marcy Gordon contributed to this report.

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