

Americans for Financial Reform

Accountability, Fairness, Security

United States Senate
Washington, D.C. 20510

July 29, 2009

Dear Senator,

As a coalition of nearly 200 consumer, employee, investor, community and civil rights groups, we write you today to urge you to co-sponsor the Federal Reserve Sunshine Act, S. 604, introduced by Senator Bernie Sanders of Vermont.

S. 604 would subject the Federal Reserve to an audit by the General Accountability Office by the end of 2010. This audit would shed light on questions the Fed has so far refused to answer, including the names of financial institutions that have received special loans and the conditions under which those loans were made. The information was previously requested through several Freedom of Information Act filings, a lawsuit by Bloomberg News Service, and a non-binding Senate resolution attached to the budget, without success.

In responding to the financial crisis, the Federal Reserve has committed more than \$1 trillion to aid troubled financial institutions through loans and asset purchases – without any of the restrictions on such things as executive compensation that came with funding from the Treasury under the Troubled Asset Relief Program (TARP). Also, unlike the Treasury, which has posted all TARP transactions on its website, the Fed has kept most of the transactions secret.

The need to know more about the Federal Reserve subsidies was underscored last week with the announcement of record profits from financial giants Goldman Sachs and JP Morgan – which plan to pay record bonuses for 2009. Both banks repaid their TARP funds. But does taxpayer money continue to prop up their balance sheets? Only a proper audit of the Fed's lending practices will provide a full answer.

In creating the Federal Reserve nearly 100 years ago, the Congress envisioned a central bank free from political pressure. But the structure that may have once ensured independence now appears to put the Fed much closer to the financial industry than the American people, who deserve to know who the beneficiaries are.

A companion bill, H.R. 1207, was introduced by Rep. Ron Paul and has attracted strong bipartisan support in the House, with 279 co-sponsors. Please support transparency at the Federal Reserve by becoming a co-sponsor of S. 604.

Sincerely,

Americans for Financial Reform