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Chairman Towns Calls on Bank of America to Stop Stonewalling and Repay the Taxpayers

Bank yet to acknowledge it owes taxpayers for key bailout provision

Washington, D.C. —

Chairman Edolphus “Ed” Towns (D-NY) today released a letter from Bank of America (BOA) CEO Kenneth Lewis in which BOA refuses to acknowledge its agreement with the United States Government over “insurance” or “ringfencing” the bank requested as part of its January 2009 bailout.

“Bank of America has conveniently erased from its memory the terms of the ringfencing agreement. It seems that the bank wants to have it both ways – all the benefits of government insurance without having to pay a dime for all of its benefits,” said Chairman Towns. “I urge Bank of America to put an end to this stonewalling by acknowledging the ringfencing agreement, and to quickly and effectively resolve this dispute with the Federal government.”

Chairman Towns initially wrote Mr. Lewis on July 14, 2009, expressing concern over BOA’s failure to recognize the agreement, and to pay back the government for the agreed upon insurance. Currently, BOA is disputing the Department of Treasury’s claim that the bank owes the Federal government for financial benefits it received as a result of the ringfencing agreement.

The Chairman’s July letter stated, “If you or anyone at Bank of America made a commitment,

verbal or otherwise, to enter into this deal with the United States Government, I urge you to honor that commitment to the government and the American people.”

Despite BOA’s current denial of a ringfencing agreement, the bank publicly announced the arrangement in a January 16, 2009 press release. The same release announced the \$20 billion taxpayer bailout BOA received after having difficulty completing its purchase of Merrill Lynch.

Referring to the ringfencing protection in the press release, BOA stated, “the government has agreed to provide protection against further losses on \$118 billion in selected capital markets exposure, primarily from the former Merrill Lynch portfolio.”

Mr. Lewis and Bank of America Chief Financial Officer Joseph Price also discussed the ringfencing benefit in a conference call on January 16, 2009, when the bailout was announced. During that call, Mr. Price referred to the ringfencing agreement as “essentially insurance, against significant downside risk on a pool of \$118 billion in capital markets related exposures.” In contrast, Mr. Lewis’ most recent letter to Chairman Towns refers to the ringfencing arrangement as a “proposed agreement.”

Chairman Towns stated, “I am disappointed to learn that Bank of America has not resolved this matter. Nearly eight months after receiving a taxpayer bailout, Mr. Lewis’ letter offers no acknowledgement of the agreement despite the fact that Bank of America clearly stated they negotiated a ringfencing agreement with the Federal government.”

Earlier this year, Chairman Towns opened an investigation into the events surrounding the BOA-Merrill Lynch merger and the role the federal government played in the transaction. To date, the Committee has held three hearings on the Bank of America-Merrill Lynch merger, receiving testimony from BOA CEO Kenneth Lewis, Federal Reserve Board Chairman Ben Bernanke and then-Treasury Secretary Henry Paulson. Chairman Towns also subpoenaed internal email communications and other documents from the Federal Reserve.

A copy of Mr. Lewis’ September 9, 2009 response to Chairman Towns is attached.

A copy of Chairman Towns' July 14, 2009 letter to Mr. Lewis is attached.

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Documents and Links

- [Letter from Bank of America CEO Ken Lewis to Hon. Edolphus Towns](#)
- [Letter from Hon. Edolphus Towns to Bank of America CEO Ken Lewis](#)