

HOUSE COMMITTEE ON
OVERSIGHT & GOVERNMENT REFORM

CHAIRMAN EDOLPHUS TOWNS

OPENING STATEMENT

HEARING

“FOLLOWING THE MONEY: REPORT OF THE SPECIAL
INSPECTOR GENERAL FOR THE TROUBLED ASSET
RELIEF PROGRAM (SIGTARP)”

JULY 21, 2009

Good morning and thank you for being here.

The Troubled Asset Relief Program – known as TARP – has evolved into a program of unprecedented scope, scale, and complexity. TARP funds are being used in connection with 12 separate programs, under which Treasury has already committed \$643 billion and spent \$441 billion.

Today we will hear from the Special Inspector General for TARP, Neil Barofsky, as he presents his quarterly report to Congress. His findings, quite frankly, are astonishing.

According to the IG, “the TARP has become a program in which taxpayers: (1) are not being told what TARP recipients are doing with their money; (2) have not been told what their investments are worth; and (3) will not be told the full details of how their money is being invested.

He found that even though Treasury receives monthly reports on the value of TARP investments, it will not make that information public. Incredibly, the Treasury Department has taken the position that it will not even ask TARP recipients what they are doing with the taxpayers' money.

In short, the taxpayers now have a \$700 billion spending program that's being run under the philosophy of "Don't ask, don't tell."

However, this Committee has been asking a lot of questions about last fall's financial meltdown and its consequences, and the key question is this: are these programs being run for the benefit of the American taxpayers who are funding them, or for the benefit of Wall Street?

Without more transparency in these programs, we cannot answer that question for sure. But what we have learned from the IG is not encouraging.

Treasury has hired nine private firms to be asset managers for the Public-Private Investment Program. All of these large firms are engaged in extensive private investment activities.

According to the Special IG, this arrangement is vulnerable to conflicts of interest, collusion, and money laundering. Yet Treasury is allowing these firms to share information between employees who make investment decisions on behalf of the government and those who manage private funds.

This arrangement is further indication that Federal financial regulation is a bit too cozy with Wall Street.

Meanwhile, lending to American businesses and consumers remains weak. Some firms claim to have used TARP funds to increase lending, but others have used it to acquire other businesses or shore up their own balance sheets – and then award bonuses to employees.

There is no evidence that Treasury has made any attempt to determine whether TARP funding has resulted in increased lending and whether that has had any effect on reducing unemployment.

I also want to voice my deep concern over recent news that Treasury has requested a legal opinion from the Department of Justice challenging the Special Inspector General's independence.

Congress would not have established a Special Inspector General to oversee the TARP if all we wanted was a 'yes man' that Treasury could ignore. It is critical that oversight, investigations, and audits of TARP remain unencumbered.

Congress may have given Treasury some leeway when it comes to the TARP, but we didn't give them a blank check.

The problem is we can't even say whether the TARP programs are working or not, because the information that would allow Congress and the taxpayers to analyze whether they are getting a good return on their investment has not been made available. I hope today's hearing, and the Special IG's report, will be a wake-up call to the Treasury and the Fed that our financial system cannot be run behind closed doors.

Again, I want to thank Mr. Barofsky for appearing today,
and I look forward to his testimony.

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