

Opening Statement of Sen. Chuck Grassley
Hearing, "An Update of the Troubled Asset Relief Program"
Wednesday, July 21, 2010

Appearing today before the committee are three of the most important TARP watchdogs: Mr. Neil Barofsky, Special Inspector General of the Troubled Asset Relief Program; Ms. Elizabeth Warren, Chair of the Congressional Oversight Panel; and Mr. Richard Hillman, Managing Director of the Financial Markets and Community Investment Team for the Government Accountability Office. I want to welcome you here today. We are all big believers in oversight, accountability and transparency.

Each of you has been conducting oversight of the Department of Treasury's implementation of TARP since 2008. This 700 billion dollar program has been the focus of numerous audits, hearings and reports. And at every stage, each of you has brought more transparency and accountability to the activities of Treasury. In short, you have kept Treasury honest, a critical service with so much taxpayer money at stake.

Each of your organizations has published reports recently on different aspects of TARP. Indeed, just this morning, SIGTARP published its seventh quarterly report on TARP. With TARP scheduled to expire on October 3, I look forward to hearing each of you update the committee on your activities and outline your concerns about TARP at this critical stage.

Mr. Barofsky, your office released a report this week describing the process by which the Administration forced GM and Chrysler to accelerate the closure of 2,243 dealerships, putting at risk as many as 100,000 jobs without first determining that the pace and scope of the closures was truly necessary. While your report is insightful, unfortunately it comes too late for the many car dealer owners and suppliers across the country that were forced out of business for very little reason. It's frustrating to know that at a time when small businesses are hurting and we're facing record unemployment, this Administration was pushing to shut down dealerships.

And your new quarterly report contains the startling observation that although TARP appears to be winding down, when non-TARP aid is included, the amount of overall government assistance actually grew during the last 12 months. Last year you estimated the total amount of taxpayer money at risk through various programs to be 3 trillion dollars. Your new estimate is 3.7 trillion dollars: a 700 billion dollar increase. That's as much as the original TARP program.

I also know that your office has been actively investigating excessive AIG executive compensation payments that have been largely ignored by Treasury.

And I have been continuing my inquiry into the severance package received by a former AIG executive. It seems that the executive received nearly 3 times her salary in severance and bonuses, or about 1.4 million dollars, although she was terminated, her severance was increased, and Treasury could have stopped the payments but did nothing.

Mr. Chairman, I have [documentation](#) of the severance payments here. I ask unanimous consent that it be placed in the record.

Ms. Warren, last month your Congressional Oversight Panel reported on the AIG bailout, and we learned that among the ultimate beneficiaries of the taxpayer-funded AIG bailout was not just AIG's counterparty Goldman Sachs, but also Goldman's counterparties. It is estimated that Goldman's counterparties may have benefited from the taxpayer bailout of AIG by avoiding of as much as 11 billion dollars in losses. And yet, incredibly, we don't know who those counterparties are. Goldman has refused to provide your panel with the names of those companies. Mr. Chairman, I have here a [summary](#) of the Goldman's lack of responsiveness to the Congressional Oversight Panel's requests. I ask unanimous consent that it be placed into the record.

The Congressional Oversight Panel also issued a report this week about the TARP Capital Purchase Program. It details how Treasury seems to have treated the nation's largest banks much more favorably than it treated the nation's smaller banks.

Many of the smaller banks now are struggling, and their participation in TARP has neither stabilized the financial system nor increased lending activity.

Over at the GAO, Mr. Hillman's office also released a report about AIG recently. One focus of the report is the status of AIG's attempt to repay its debt to the American taxpayer. Over time, the government has exchanged much of AIG's debt for stock, meaning that the government's ability to recoup the billions advanced to AIG will depend to a large degree on AIG's ability to sell its business assets as it restructures. The recent collapse of a 35 billion dollar deal to sell an AIG life insurance subsidiary is an ominous sign if taxpayers are depending on asset sales to recoup their money.

One of the purposes of TARP, of course, was to preserve home ownership and protect home values. Treasury announced the 50 billion dollar Home Affordable Modification Program (HAMP) in March 2009, and all three of the watchdogs on the witness panel today have issued reports on the program's progress. Progress is not good. In a program that Treasury said would result in 3 to 4 million modifications, there have been only 340,000 permanent modifications. In fact, there have been 430,000 failed trial modifications, meaning failed modifications vastly outnumber successful modifications. And just as I warned, redefaults look like they will be a real problem. The debt-to-income ratio for borrowers that have received a mortgage modification is 64 percent even after modification, a level that all but ensures a high redefault rate.

Moreover, Treasury still has not established performance goals or benchmarks for HAMP, meaning that there is no effective way for us to know whether this 50 billion dollar program is accomplishing its intended purpose. That's not accountability, that's not transparency---that's just more taxpayer money flying out the window.

American taxpayer investment in the TARP program is unprecedented and as good stewards of taxpayer money it is essential that we exercise the highest standard of oversight. As the nation's watchdogs your work is crucial to this effort.

As you present your findings today, I ask that you specifically advise the committee of any areas in which your oversight is being limited or constrained by a lack of cooperation from the Administration, the Treasury Department or others, and how we can best help you.