

**Testimony by Neil Barofsky
Before the Senate Finance Committee
For Consideration for the Position of
Special Inspector General for
Department of the Treasury's Troubled Asset Relief Program**

November 17, 2008

Chairman Baucus, Senator Grassley, and Members of the Committee, I am honored to appear before you as the President's nominee to be the Special Inspector General for the Troubled Asset Relief Program (TARP). I am grateful to this Committee for taking the time to consider my nomination, and it is indeed humbling to be considered for such an important and vital position at this moment in our nation's history. If confirmed, I look forward to working closely with the Members of this Committee and your respective staffs, as well as the other Committees that will be overseeing the program in carrying out my responsibilities as Special Inspector General.

If I may, I will take a moment to share with you my professional background and why I think it prepares and qualifies me for this position. For the past eight years I have served as an Assistant United States Attorney in the Southern District of New York. My experience as an Assistant United States Attorney has reaffirmed to me the importance and rewards of public service, and if confirmed, I look forward to the opportunity to provide greater service to this country at a most serious time.

This past summer, our United States Attorney asked me to supervise a newly created Mortgage Fraud Group to respond to the havoc that mortgage fraud has caused to countless homeowners and lenders in our District. Drawing on an amazingly talented group of prosecutors of different levels of experience and expertise in such areas as Securities Fraud, Organized Crime, Major Bank Fraud, Asset Forfeiture and Civil Fraud, we have attacked at the root those who have contributed significantly to the current housing and financial crisis through wholesale fraud of homeowners, lenders, and investors. We have focused on crimes committed by those who have tricked lenders into making loans that were never intended to be repaid; those who have engaged in predatory lending practices by tricking homeowners into applying for mortgages that they never could afford; and the criminals who have engaged in schemes in which they literally steal the homes from citizens who found themselves in default on their mortgages. I have also supervised our office's joint investigation into the vast Credit Default Swaps market with the Office of the New York State Attorney General. I believe that my experience as the head of the Mortgage Fraud Group, and my role in both supervising and participating in these investigations has given me a vital education in understanding some of the root causes of the current financial crisis, as well as the securities and derivative instruments whose decline in value has been such an important part of it. It also has given me the tools to identify the markers of fraud throughout the financial industry, the necessary expertise in investigating such frauds, and, of course, the experience of establishing a plan of attack on those committing these frauds.

While an Assistant United States Attorney, I was also one of the lead prosecutors in the investigation and prosecution of those criminally responsible for the \$2.4 billion fraud that was committed at Refco, Inc., the commodities giant that imploded in October 2005, just months after the company went public. This investigation and trial has thus given me the experience to understand and detect complex billion dollar frauds, an understanding of financial audits and where they can fail.

Over the last few weeks, as have many Americans, I have been closely following the current financial crisis and the Government's response, and in particular the creation and execution of the TARP. If confirmed, I look forward to contributing to the oversight that Congress has established to protect the tax payers' \$700 billion investment and fulfilling the duties of the Special Inspector General, as outlined in the relevant governing statutes.

My overriding goal as Special Inspector General for the TARP would be to make sure that its rules and regulations are followed and to prevent waste, fraud, and abuse. We will need to establish an efficient and effective audit program. And of course, we will need to establish an investigative arm, which I can assure this Committee will tirelessly investigate and refer for prosecution any individual or entity that tries to criminally profit from the Program.

I intend to work closely with each of you, your colleagues on the other committees that are overseeing the program, your staffs, GAO, and all others who are charged with overseeing this historic program. I want to emphasize to you that I fully understand and appreciate that, if confirmed, I am accountable to you, the Congress and the American people. I fully intend, accordingly, to keep you fully and promptly apprised of significant findings and concerns.

Mr. Chairman, Senator Grassley, and Members of the Committee, I want to thank you for this opportunity to appear before you. I would be pleased to respond to any questions that you may have.