



For Immediate Release
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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding TARP Oversight -- A Six Month Update**

In a 1989 interview, our former Colleague, Congressman Jim Leach, said: "The banks use rather surreal accounting practices."

Since then, the world of banking and financial oversight has become, if anything, yet more surreal.

One of our witnesses today, the Special Inspector General for the Troubled Assets Relief Program, has calculated that, in the TARP and associated programs, taxpayers are potentially at risk for about \$2.9 trillion.

\$2.9 trillion is just short of what the entire Federal Government spent in fiscal year 2008. It's like having a second United States Government budget, dedicated solely to saving the financial system. And that is truly surreal.

The chart behind me outlines what makes up the \$2.9 trillion.

And that \$2.9 trillion does not include the \$400 billion that the Treasury Department has pledged in support of Fannie Mae and Freddie Mac. That \$2.9 trillion does not include the resources that the Federal Reserve is dedicating to shoring up the financial system, which amount to about \$3 trillion. And that \$2.9 trillion does not include the second TARP request for \$750 billion in the President's budget.

This is a huge, unprecedented financial commitment. It strains the comprehension of taxpayers and policy-makers alike.

It has been nearly six months since Congress created the TARP program. Almost all of its \$700 billion have been committed. So it's time for the Finance Committee to survey the many oversight issues related to this new Treasury Department program.

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I worked hard to create the office of the Special Inspector General for the TARP. And so I am very pleased to welcome Mr. Barofsky to the Committee today. So far, the Special I.G. has done a good job.

The latest controversy involving the TARP program centers on the A.I.G. bonuses paid from taxpayer money. Senator Grassley and I introduced legislation to reclaim those bonuses for the taxpayers. And we are looking forward to bringing that legislation to the Senate floor. I am pleased that the Special I.G. is conducting his own full investigation of how those bonuses got out the door.

But the A.I.G. fiasco is just the tip of the iceberg. There are many, many tough oversight issues connected with this new program.

Today, we will look at 12 major areas of TARP involvement. I hope to get an update on each area from our oversight teams.

The 12 areas are: the capital investment program for large banks, the capital investment program for small banks, Citigroup, Bank of America, A.I.G., the Term Asset-Backed Securities Loan Facility, or TALF, G.M., G.M.A.C., Chrysler, the mortgage relief program, the small business program, and the "bad assets" program announced last week.

I hope that at least one of our witnesses can comment on each of these 12 program areas today.

We will also survey some other key issues on which our oversight experts have been focusing, during the past six months.

For one, I am pleased that improving transparency has been a priority for the Special I.G.

Mr. Barofsky recommended that the TARP post all TARP agreements — whether with recipients or with its vendors — on the Treasury website. And the Treasury Department agreed.

The Special I.G. also successfully pushed for oversight language in the Citigroup and Bank of America agreements that requires those banks to account for, and report on, their use of TARP funds.

And in late January, Mr. Barofsky sent each bank participating in the capital investment program a letter asking how they have used TARP dollars.

This was a much-needed exercise. Americans want to know how their tax dollars are being spent.

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I understand that all of the 360 banks involved have responded. That's commendable. And I look forward to hearing the Special I.G.'s preliminary analysis of the banks' reports.

I am also pleased that the Special I.G. has made progress on civil and criminal law enforcement. I am heartened that he has reached out to the F.B.I. and U.S. Attorneys around the country to coordinate fraud investigations related to TARP funds.

As Mr. Barofsky says, of the primary oversight bodies referenced in the TARP bill, the Special I.G. stands as the sole TARP oversight body charged with criminal law enforcement authority. The Special I.G. is the "cop on the beat."

Finally, the new program announced last week by the administration and Fed Chairman Bernanke presents another huge challenge to our oversight teams.

The plan to purchase so-called "bad assets" will involve up to \$100 billion of TARP funds. And it will involve backing from the F.D.I.C. and the Federal Reserve. The total commitment for this new program could reach \$1 trillion.

The new program presents another very tough task for our three oversight teams. They will have to oversee pricing the assets, what entities are managing the assets, and taxpayers' exposure for each group of bad assets.

I want to thank our witnesses and their teams for their hard work. This is an enormously complicated new program. The money involved is mindboggling; indeed, it is surreal. I look forward to our witnesses' efforts to help explain their task in ways that will make it just a little more real.

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