



For Immediate Release
July 21, 2010

Contact: Scott Mulhauser/Erin Shields
(202) 224-4515

**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the Status of the TARP Program**

Walt Whitman wrote that: “to do the labor . . . of a prudent watchman who prevents outrage . . . [is one of] the proper duties of a government.”

Our witnesses today are the sort of folks whom Walt Whitman had in mind. Their hard work and aggressive oversight has gone a long way toward keeping the TARP program relatively efficient and honest.

That’s no small task, when you look at the size of TARP and the speed at which it was set up.

TARP remains one of the largest and most complex programs that the Federal government has ever created.

And that means that it’s all the more important that we have the three oversight teams before us today.

I worked hard to create the office of the Special Inspector General for the TARP, back when Congress was developing the program. And so I am especially pleased to welcome Mr. Barofsky back to the Committee today.

So far, the Special I.G. has done a great job. You’re providing critical transparency to the program, developing important studies on specific aspects of the program — and even busting bad guys.

I congratulate Mr. Barofsky and his team for their work on the Lee Farkas case. Mr. Farkas was the head of a private mortgage lending company who was arrested on June 15 and charged with a \$1.9 billion fraud. He and others were charged with scheming to steal \$550 million of TARP money.

That scheme was stopped dead in its tracks.

And the Special I.G. has conducted independent analysis that has brought critical transparency to the TARP program. An example was the Special IG’s report on Monday. In that report, he concluded that the administration’s auto task force pressured GM and Chrysler to close many auto dealerships without adequately considering job losses.

This news is very troubling. In Montana and across the country, our auto dealers are local small businesses and often the heart of the community. I am disappointed to learn that many of the decisions by the auto task force were made without full consideration of the effects on these communities.

Fortunately, some auto dealers have successfully restored their franchises. But many others have closed or have been forced to adjust to losing a franchise agreement during the most significant economic downturn since the Great Depression.

Mr. Barofsky, I applaud you for bringing issues such as this to the attention of Congress and the American taxpayers.

Elizabeth Warren of the Congressional Oversight Panel can bring us up to date on how small banks are faring under the TARP program. Her most recent report raises concerns about how fast small banks will be able to pay TARP back.

More than three-quarters of the large banks who received TARP money have already repaid the taxpayers. By contrast, only 10 percent of the small banks who received TARP funds have repaid the money.

There's also interest in an update on the AIG-Goldman Sachs relationship that you reported on earlier this year.

Oversight is sometimes a lonely job. And it doesn't win you many popularity contests. We have all been pleased to witness the perseverance of your three teams over the past year and a half, since Congress created the TARP program.

In some respects, the end of the program is in sight, just over the horizon. The Wall Street reform bill that we passed last week bars any new TARP "programs and initiatives." The bill also caps TARP disbursements at \$475 billion.

And the Treasury reported that the total amount repaid to taxpayers for government funds used to bail out U.S. companies has surpassed, for the first time, the amount of TARP's outstanding debt.

Losses from the TARP program are still projected to be high. But the Government will not see a \$700 billion loss for TARP, as some said back in the fall of 2008.

A year ago the losses were projected to be \$341 billion.

Instead, current loss estimates look to be more in the range of \$100 billion. And some are saying even that figure could go lower, depending on repayments from AIG and the auto companies.

The debate over the necessity for TARP and its effect on the U.S. economy will continue. I note that our Colleague Judd Gregg said last week that "TARP did what it was supposed to do — it basically saved the financial system on Main Street, too."

And Alan Blinder, the former Vice Chairman of the Federal Reserve, said TARP "was a necessary evil to save the economy. Think of it as collateral damage in a successful war against financial Armageddon."

What we do know today is that the hard work and sacrifice of our three oversight teams has given the American people a relatively clean, well-run program.

We are grateful for your efforts. And we stand ready to help you continue your good work as the TARP program comes to an end. And we hope that will be in the very near future.

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