

For Immediate Release
Thursday, December 10, 2009

Grassley says Treasury has obligation to track and disclose how TARP dollars are used

WASHINGTON --- Senator Chuck Grassley said the Treasury Department has finally agreed to a recommendation from the Special Inspector General for the Troubled Asset Relief Program (TARP) that it report on use of TARP funds by individual TARP recipients, and that what already has been revealed, thanks to the work of the Special Inspector General for the program, validates grassroots skepticism and anger regarding the way bailout dollars have been used.

“There shouldn’t even be a question about whether the Treasury Department would report on how the \$700 billion taxpayer-sponsored bailout was being used by those who got the money,” Grassley said. “But it didn’t and, in fact, the Treasury Secretary resisted the recommendation to do so until now. So this long-sought commitment to public reporting is a good development, all things considered, and the dedicated effort of the Special Inspector General has immediately shown what sunshine can reveal and why exposure is necessary.”

An audit released today by the Special Inspector General demonstrated conclusively that use-of-funds reporting is feasible and useful, and said that the Treasury Department has agreed to obtain and to report to the public “qualitative responses from each TARP recipient on their use of TARP funds, backed by quantitative data obtained from the recipients’ regulators and Treasury’s own analysis.”

The audit also reported that two large insurance companies, The Hartford Financial Services Group, Inc. and Lincoln National Corporation, received more than \$4.3 billion in TARP funding through the Capital Purchase Program, even though the Capital Purchase Program was designed to stabilize financial institutions and stimulate lending by those companies that provide credit to American consumers and business. The Special Inspector General’s report said that neither insurance company initially qualified for TARP funds under the Capital Purchase Program, so they both purchased small thrift/savings and loan companies in order to technically qualify. Furthermore, all of the \$4.3 billion in TARP funds received was used in their respective insurance businesses, and none was used by their thrift subsidiaries to extend credit to consumers or businesses. The Special Inspector General said this was inconsistent with the spirit and intent of the Capital Purchase Program.

Last month, Grassley called on Treasury Secretary Timothy Geithner to adopt the transparency recommendation, which had been ignored since it was first made by the Special Inspector General in December 2008. The text of the letter Grassley sent to Geithner is included in the news release below.

For Immediate Release
Monday, November 9, 2009

Grassley works to have Treasury Secretary require TARP participants to report on use of funds

WASHINGTON – Senator Chuck Grassley is asking why the Treasury Department isn't requiring TARP recipients to report on the actual uses of TARP funds.

Grassley said an October report to Congress from the Special Inspector General for TARP says the Treasury Department has failed to do so for all but three TARP recipients, despite the urging of the Inspector General that it be done.

“Since the Treasury Department is a public trustee of TARP dollars, you wonder why officials even have to be told to find out how recipients of TARP dollars are using the money,” Grassley said. “The fact that the Treasury Department has disregarded the recommendation to do so from the program's watchdog is even more aggravating. There is no legitimate reason for the Treasury Department not to require this information. In fact, it's unbelievable that Treasury hasn't been doing this.”

Earlier this fall, Grassley joined other senators to urge the Treasury Secretary to let TARP expire at the end of the year, after the administration signaled it may support extending TARP for another year. On top of shutting down the program, the senators who wrote to the Treasury Secretary also said that every penny of the TARP money paid back by the big Wall Street banks should go to federal debt reduction, not to more government spending and bailouts.

“The TARP program was supposed to keep credit flowing to Main Street, America. Instead, it's been used as a Treasury Department slush fund to pick winners and losers in the private sector with bailouts for banks and auto makers,” Grassley said. “The fact that the Treasury Department has failed to require recipients to report on how they've used the taxpayer funds must change.”

When TARP was created in 2008, Grassley fought to establish a Special Inspector General for the program in order to help safeguard taxpayer dollars. When the former Treasury Secretary abandoned the original stated purpose of TARP almost immediately after the program started, Grassley worked to get legislation passed to expand the Inspector General's authority to cover all TARP programs.

In early 2009, the new administration tried to stop the Special Inspector General from asking recipients of TARP dollars what they were doing with the money. Grassley fought the Treasury Department and the White House so that the Special Inspector General could work to access the data he needed to track how TARP dollars were being used.

Below is the text of the letter Grassley sent Friday to the Treasury Secretary.

November 5, 2009

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury

1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

Recently, my staff conducted a review of the Quarterly Report to Congress dated October 21, 2009, prepared by the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP/OIG). One of the responsibilities of the IG is to provide recommendations to the U.S. Department of the Treasury (Treasury). Many of these recommendations were designed to facilitate transparency, effective oversight, and to prevent fraud, waste, and abuse of taxpayer money.

During the course of that review, my staff highlighted an open recommendation made by SIGTARP to your office.

Specifically, under Section 5, entitled SIGTARP RECOMMENDATIONS, the IG states the following under recommendation 4:

Treasury requires all TARP recipients to report on the actual use of TARP funds.
(Emphasis added)

The IG then noted that this recommendation is partially implemented and states that, “Treasury has failed to adopt this recommendation for all but three TARP recipients.”

As you well know, taxpayers across the United States are greatly interested in knowing how their money is being spent. Accordingly please provide me with an update on the status of this recommendation immediately.

Sincerely,

Charles E. Grassley
Ranking Member

Cc: The Honorable Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program