

**Statement of Carolyn Maloney, Chair  
Joint Economic Committee Hearing  
June 9, 2009**

Good morning. I want to welcome Prof. Warren, the Chair of the Congressional Oversight Panel (COP) for the Troubled Asset Relief Program (TARP), and thank you for testifying today on the COP's new report to Congress, just released this morning.

This is the third in a series of hearings this committee has held to examine the degree to which the Troubled Asset Relief Program has succeeded in its goals. The COP's June report examines the results of the government "stress tests," which were designed to evaluate the balance sheets of financial institutions and provides recommendations for further actions.

The results of the stress tests conducted by the Federal Reserve have gone a long way toward restoring market confidence.

Huge losses shook confidence in the banking system, because it was not clear that some of our largest banks would remain solvent.

The Federal Reserve, Treasury and FDIC have taken steps to provide the banks with liquidity for those assets where the market had evaporated, guarantees for their debt issuances, and capital injections.

Despite these substantial efforts, concerns remain that a deepening recession could threaten the solvency of some banks and amplify the financial crisis.

Confidence is in large measure determined by the current and future state of bank balance sheets, so it's important that investors and counterparties have a clear picture of whether banks have the capital to weather the current downturn.

It is welcome news that the Obama Administration is set to announce that some of the nation's largest banks will soon be able to repay billions of TARP funds.

However, the Federal Reserve has reportedly imposed additional requirements on banks that propose to repay capital they received under TARP. Since the stress tests were intended to estimate the necessary capital needed to be raised by bank holding companies, this raises an important question about what the stress tests assumed about repayment of TARP funds.

Moreover, some banks appear reluctant to perform their normal roles as providers of credit."

I was honored to testify before the COP's recent field hearing in New York City examining problems in commercial real estate.

I am very concerned about the ticking time bomb we face in commercial real estate lending. An estimated \$400 billion in commercial real estate debt is set to mature this year with another \$300 billion due in 2010.

If commercial real estate developers are unable to refinance or otherwise pay those large balloon payments, we could expect to see the default rate on commercial mortgages climb much higher.

That in turn would translate into potentially crippling bank losses that our recovering financial system is still too fragile to withstand, even with the news that banks have raised or announced some \$50 billion in new private capital since the release of the stress test results.

This looming crisis in commercial real estate lending could lead to an all-too-familiar predicament, where banks suffer significant losses, major owners of hotels and shopping centers are forced into bankruptcy, foreclosed properties push commercial real estate prices further downward, and a perfect storm of all these forces combine to inhibit our economic recovery.

The testimony we will hear today points out that transparency and accountability are critical in a crisis such as this.

To increase transparency and to help restore confidence in our financial institutions, I have introduced H.R. 1242, the TARP Accountability and Disclosure Act.

This legislation would require the Secretary of Treasury to create a centralized database for the existing financial report of TARP recipients, enhancing our ability to better determine how these funds are being used in a near real-time basis.

I am interested to hear your thoughts about how this bill would help you do your job to help safeguard taxpayer dollars, and whether additional transparency measures are needed.

Prof. Warren, I am also very interested in your views about the extent to which TARP is accomplishing its overall mission of restoring financial stability, reinvigorating markets, increasing the flow and availability of credit, and reducing foreclosures.

I look forward to your testimony.