

Statement of Carolyn Maloney, Chair
Joint Economic Committee Hearing
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As Prepared For Delivery

Good morning. I want to welcome Mr. Barofsky, the Special Inspector General for the Troubled Asset Relief Program, and to thank him and his staff for his testimony today on the SIGTARP's new report to Congress, just released Tuesday.

The SIGTARP reports to Congress quarterly, and this is its second report. Like the first report, issued February 6, this report takes a strong but clear position against the aspects of the TARP program that the SIGTARP believes risk promoting fraud, waste and abuse. Mr. Barofsky is a former prosecutor who does not shrink from telling it like it is, so the interests of the SIGTARP's mission is to make the best use possible of the taxpayers' money.

The SIGTARP's reports distinguish themselves by thorough but very clear explanation of the TARP programs and the SIGTARP's audit and investigations strategy, as well as specific recommendations on steps Treasury should take to prevent waste, fraud and abuse in the program.

Regrettably, some of the key recommendations in this report reiterate critical recommendations in the first report – recommendations that would promote transparency and accountability and reduce the potential for fraud and misappropriation, but which Treasury has yet to adopt.

This second report is even more critical to our understanding than the first, in part because the TARP has become such a complex series of programs and in part because the dialogue between the SIGTARP and Treasury on key issues is more advanced and is getting into some specific issues that are of great interest to policy makers and to this Committee.

As a proponent of greater transparency of the program, I requested that the Federal Reserve release AIG counterparty information and the disclosures were made last month. The SIGTARP is set to audit the payments to the AIG counterparties and investigate why it was deemed necessary to redeem those securities at full value. This is a key issue that lies at the heart of the AIG rescue: why were the counter parties made whole at the expense of the taxpayer? Shouldn't they have had to share in the loss?

Similarly, the report repeats the recommendation of the first report that Treasury must require TARP recipients to report the use to which they put the TARP funds. This recommendation echoes the concerns of legislation I have introduced that would require Treasury to track the TARP funds, even using presently reported or public information. Treasury has not adopted this

very important recommendation, but the work of the SIGTARP, including a survey they conducted of some 364 TARP recipients, shows that additional information can be provided.

On a basic level, it's absolutely critical that we know where the money has gone and how it's been used. Reports that banks getting TARP money have used it to buy banks in China , highways in Spain, or even to short the stock of their competitors to bring them down and gobble them up – these emphasize the need for us to know where the money has gone. Beyond that, we should be able to assess – looking at available data and performance measurements – whether or not these funds have been used effectively.

However, these lessons are not always reflected in the new proposed programs. As this report notes, the PPIP has some inherent features that make it vulnerable to conflicts of interest. The government would be remiss in its duty if it were not to impose rigorous reporting and disclosure requirements on those managers and investors. I am concerned that Secretary Geithner, in testimony Tuesday, headed in the opposite direction, saying that Treasury would exempt the PPIP participants from the executive compensation requirements of the TARP statute.

The goals of transparency and accountability that guide the SIGTARP inform this new report and its recommendations . It is crucial not only to the success of the TARP but to the recovery of our financial system and our economy that we pay close attention.

I look forward to the testimony.