Statement by Rep. Michele Bachmann
House Financial Services Subcommittee on Oversight and Investigations
Hearing entitled "A Review of TARP Oversight, Accountability and Transparency for U.S. Taxpayers"

February 24, 2009

Thank you, Mr. Chairman, for holding this important hearing.

It's been almost five months since the Troubled Asset Relief Program (TARP) was signed into law, setting the most extraordinary precedent of government intervention in the private marketplace in our nation's history. Since then, we've seen $350 billion in TARP bailout dollars go out the door without adequate oversight or accountability – and billions more are about to be spent.

We are nervously watching the Administration as they announce piecemeal details of their plans to manage the next $350 billion from the TARP. The President announced last week that another $75 billion, 2/3 of which will come from the TARP, will be used to refinance high loan-to-value mortgages, pay lenders and servicers to make loan modifications and subsidize homeowners, some of which may have committed mortgage fraud or taken out clearly irresponsible loans, to pay their mortgages. There are a lot of unanswered questions about how this plan will work, whether it can work, and perhaps most importantly, whether it is fair to the 92% of mortgage holders who were prudent, have been paying their mortgages on time and who may not qualify for this government assistance. The question arises, again, where is the oversight?

The watchdog entities before us today – the Government Accountability Office (GAO), the Special Inspector General for TARP (SIGTARP) and the Congressional Oversight Panel (COP) – will try to explain to the American people why certain mistakes have been made in implementing the TARP and how they can be avoided in the future. But I remain unconvinced that the inherent problems within the TARP can be resolved and that the taxpayers will come out on top in the long-run. Only time will tell, but I can't help but recall the ageless adage, "Fool me once, shame on you. Fool me twice, shame on me."

Mr. Barofsky states in his testimony, "As announced, the total amount of money potentially at risk in these programs, as well as the TARP related programs that are funded in part by the Federal Reserve and FDIC, is approximately $2.875 trillion. These huge investments of taxpayers' money, made over a relatively short time period, will invariably create opportunities for waste, fraud and abuse for those seeking to profit criminally and thus require strict oversight." Reports from Bloomberg News and other sources have calculated a much bigger figure to total all the government bailouts, reaching as high as $9.7 trillion when counting all the lending and guarantee programs enacted over the past year by the Fed and the FDIC. This is a serious amount of money and the task of managing it properly and transparently is daunting at best.

SIGTARP has only just begun to organize its Investigations Division which has the difficult mission of tracking down bad actors and protecting taxpayers from those who intentionally defraud the Treasury and misrepresent themselves when applying for TARP funding. I look forward to hearing more about the SIGTARP initiatives underway that will not just find these perpetrators after the fact, but prevent them from accessing TARP in the first place.

SIGTARP also identified flaws in the Fed's soon to be launched Term Asset-backed Securities Loan Facility (TALF), which will put up $200 billion to allow participating borrowers to receive loans from the Fed, and thus from the taxpayer, in exchange for certain securities backed by consumer, auto and student loans. These loans are non-recourse, meaning the borrower could walk away from their collateral if they can't pay up on the loan. Right now, SIGTARP's report concludes that it is unclear how this collateral will be assessed to ensure it's not just junk. An excellent question to which the taxpayers deserve an answer.

While the Fed and Treasury say that the TALF looks at the credit ratings of these asset-backed securities and assumes that investors have an incentive to repay the loan or risk taking a "haircut," it is reasonable to worry in today's environment that this collateral could have been overvalued as a result of fraud or poor underwriting standards. Without identifying a more comprehensive, safe method of measuring the risk of this collateral, the taxpayer will once again be exposed to losing billions at an even higher risk.

Finally, under the jurisdiction of its Audit Division, SIGTARP urges Treasury to develop an "overall investment strategy" to determine "how long these securities should be held and when, and under what circumstances, they should be sold into the market." In other words, Treasury needs to develop its plan for an exit strategy from the bailout mentality and help our nation get on the road to economic recovery. The Administration must develop a way forward that gets taxpayers off the hook for hundreds of billions and gets government out of the private banking business.

I thank the witnesses for being here and look forward to hearing from them.

Thanks you, Mr. Chairman, and I yield back the balance of my time.