



United States Senate  
**Committee on Banking, Housing, and Urban Affairs**

Christopher J. Dodd (D-CT), Chairman

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**Opening Statement of Chairman Christopher J. Dodd  
“Pulling Back the TARP: Oversight of the Financial Rescue Program”**

**Remarks as Prepared:**

Today, the Committee meets to continue our oversight of the Troubled Asset Relief Program and explore how the program can be made more effective as we work to address the financial crisis.

In creating TARP as part of the Emergency Economic Stabilization Act last October, Congress granted the Treasury extraordinary powers and a staggering sum of money to address the economic crisis – some 700 billion of taxpayer dollars.

The TARP program’s goals are certainly as relevant today as they were then. As prescribed by EESA, the Treasury Department is supposed to use the authority for four reasons:

One, to protect people’s home values, college funds, retirement accounts, and life savings. Two, to preserve homeownership and promote jobs and economic growth. Three, to maximize the returns to the taxpayers for this investment. And four, to provide some measure of public accountability for the exercise of the authority as they spend this tremendous amount of money.

Unfortunately, the previous Administration failed to uphold the intent of the law in many respects. Recipients of TARP funds were effectively given a free pass – not helping homeowners and small businesses, but choosing to hoard taxpayer funds, acquire other companies, and pay lavish bonuses to executives and handsome dividends to shareholders.

The public is outraged by this behavior, and with good cause. As the Congressional Oversight Panel chaired by one of our witnesses today concluded in its report, there were “what appear to be significant gaps in Treasury’s monitoring of the use of taxpayer money.” I commend the panel not only for its commitment to ensuring the TARP program achieves the objectives Congress wrote into the law, but also for its aggressive oversight, highlighting areas of weakness and the improvements Treasury can make.

But this hearing is not just about the problems of the past – with some \$350 billion of taxpayer money on the line as our economic crisis deepens, it is very much about our future.

Let me state unequivocally: I believe that the TARP program remains a critical tool our government will need to address the economic crisis – that is why I supported the release of the last batch of funding. But for the sake of our economy and the public’s confidence in our ability to address this crisis, we must see a sharp change in the direction of this program under new management.

If ever there were a program in need of a sign in front that read “Under New Management,” it’s this one.

Allow me to outline the changes I believe must be made.

First, Secretary Geithner and the rest of the Administration’s economic team must develop and clearly communicate a long-term, comprehensive plan for using TARP funds to support the financial system. In short, they must provide a framework – why do we need TARP, and what do we hope to achieve? The previous Administration’s piecemeal, lurching interventions in the financial system contributed to the confusion and volatility that have dragged down consumer and investor confidence. Outlining a clear direction and plan as to how the government will use taxpayer money going forward will provide all Americans with the clarity and assurance they need, and help to restore the confidence and optimism essential to long-term economic growth.

Second, there need to be far greater transparency and taxpayer protections to safeguard the use of taxpayer money, including stricter limits on executive compensation and bonuses. The American people have been subjected to almost weekly news accounts about TARP recipients spending lavishly, undermining the integrity of the program and the institutions it is supposed to rescue.

Just this week we heard that Wells Fargo, which received \$25 billion in TARP funding, planned a series of corporate junkets this month to the most extravagant Las Vegas casinos. Fortunately, the bank got the message loud and clear that this kind of behavior is an insult to every American taxpayer footing the bill, and cancelled their plans.

And I applaud the Obama Administration for moving to impose new and tougher restrictions on executive compensation for companies that receive TARP funds. I intend to offer an amendment to our economic recovery package that would build on these restrictions and prohibit bonuses to the 25 most highly paid employees of companies that receive TARP funding, authorize the Treasury Secretary to limit certain other performance-based bonuses as well, require “say on pay” votes on executive compensation, and enact other safeguards.

If a company accepts taxpayer assistance, it shouldn’t be offering bonuses to top executives, or rewarding shareholders with cash dividends. One of the largest banks in America paid over half of its TARP funds to stockholders in dividends. That is unacceptable.

The President told the world two weeks ago that a new era of responsibility has begun – apparently, our Treasury Secretary will have to deliver that message more forcefully to some financial institutions.

Fourth, Treasury should establish clear guidelines to increase lending. Too many TARP recipients use these funds for everything *but* lending to small businesses or helping move families into long-term affordable mortgages.

As reported in the *New York Times*, soon after Treasury launched the TARP, an executive at JP Morgan Chase seemed to boast of plans to use TARP funds to make acquisitions or as a cushion

against a worsening economy, just after receiving \$25 billion in federal funding. And, according to the *Washington Post* earlier this week, some of the institutions that have received the most federal assistance have cut their lending the sharpest. Treasury must require recipients of assistance to provide quarterly reports specifying amounts of consumer and commercial loans made, details about acquisitions, and the number and type of loan modifications made to prevent homeowners from going into foreclosure.

If financial institutions refuse to abide by any of these conditions, they should not be given public funds, period.

Finally, we must apply the same sharp and urgent focus to help the homeowners whose plight is at the root cause of this crisis. Two years ago, almost to the day, this Committee held its first hearing on foreclosures and predatory lending. At that time, I said, “It is time for Congress, the Administration and the lending industry to face up to the fact that predatory and irresponsible lending practices are creating a major crisis for millions of American homeowners at a time when general economic trends are good.”

Stopping foreclosures must be our top priority. Failing to do so will have devastating consequences for our economy.

There are several ways TARP funds could be used to address the foreclosure crisis – from making changes to the HOPE for Homeowners program, to the approach advocated by the FDIC Chairman to restructure delinquent mortgages using a streamlined process.

TARP funds need not be the only means of preventing foreclosures. But with no silver bullet on the horizon to stop the rising tide of foreclosures, TARP funds can and must be used to encourage participation in these various programs.

These improvements to TARP will go a long way toward not only making the program more effective at stabilizing our economy, but also bolstering public confidence in the program, which we all recognize is critical to its success.

The Obama Administration has already committed to making many, if not, all of these changes, and I look forward to continuing the Committee’s close and detailed oversight of the implementation of this program. Next week we will hear directly from Secretary Geithner about the Administration’s plans for major changes to the program.

With today’s hearing, I hope that we can better distinguish questions about past management of TARP from questions about the law itself. What is not in question is the need for our President to have tools at his disposal to restore stability to our economy.

Ensuring that the TARP is the most effective, dynamic instrument it can be remains our goal today, and I eagerly await hearing from our witnesses as to how we can make that possible.