



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 “Oversight of the Financial Rescue Program: A New Plan for the TARP”

Last week, the Senate Banking Committee held a hearing about how the Troubled Asset Relief Program, or TARP, was implemented by the previous Administration. At that hearing, I stated that if ever there were a program in need of a sign in front that read “Under New Management,” it’s this one.

Today, we have that new management before us to explain a broader mission – what their plan is for putting our country back on a sound economic footing going forward. Just this morning, we heard from our new Treasury Secretary – and I am pleased he is before us this afternoon to articulate the Administration’s plan to members of this Committee and the American people.

This moment is unlike any other we’ve experienced in our lifetimes – it is a moment of maximum peril fraught with fear and uncertainty for our economy and our country. Americans are desperate for leadership, for clear direction, and a way forward as they try to live their lives and provide for their families.

The facts stare us in the face. Nearly 10,000 families receive foreclosure notices each and every day, and experience the anxiety of possibly losing their homes. Another nineteen-thousand lose their jobs – the source of their livelihoods. Countless more watch their hard-earned retirement savings responsibly invested over a lifetime evaporate in an instant.

Put simply, our economy is withering, and the confidence of America is at a record low.

This past November, the American people made a choice – they wanted a fresh new start for America and for our economy. This committee will play an important role in addressing this crisis – and I have no doubt that history will judge how we act.

This is not a time to stand in the way of potential solutions, but to offer ideas and suggestions as colleagues on how we can make these efforts work better and achieve results for the American people.

Today, Mr. Secretary, I hope you will share with us the Administration’s plans to lead our country out of this recession and begin to replace the fear of this moment with optimism for our collective future.

I believe it begins with articulating a clear, comprehensive plan for stabilizing the financial system upon which our economy relies – a plan that ensures homeowners and consumers are

treated not as second-class citizens but rather as the engine of American prosperity that they have been throughout our history.

Homeowners and consumers must no longer be our last consideration but our first.

With the Emergency Economic Stabilization Act, Congress provided the Treasury Department with the tools necessary to address this crisis. And because of the work of this Committee, we have identified very clearly where the previous Administration fell short – far short of what this body clearly articulated last October.

Mr. Secretary, what is needed now is credit, confidence, and clarity – the three C's.

The Federal Reserve's recent survey of lenders showed that more than half of banks had tightened lending standards even on loans to borrowers with strong credit. Meanwhile, foreclosure filings continue to skyrocket.

Last week, the Senate passed an amendment that I, Senator Martinez, and others offered to the economic stimulus package that requires at least \$50 billion of the funds provided under the TARP to be used to prevent home foreclosures.

I commend the Secretary for recognizing the need to provide immediate results for homeowners, but the banks need to do their part as well – so that families can access the credit they need to pay for a home, a car and college tuition for their children, and businesses can stock inventory and meet payroll.

In addition to credit comes *confidence*. Rather than increasing confidence in the banking system, the piecemeal, lurching interventions of the previous Administration scared away private sources of capital needed to plug the growing hole on bank balance sheets. Estimates of credit losses in our banking system have grown from \$1 trillion in September to as much as \$2 trillion today.

That needs to change. And it will, with a clearly articulated plan for the prudent commitment of TARP funds, and with a focus for TARP recipients on lending and on tough new rules prohibiting the kind of spa trips and bonuses on the taxpayer dime that have outraged the public in recent months. I am also pleased that the Senate has adopted my amendment to build on the Administration's new restrictions on excessive executive compensation.

And finally, we need *clarity* for taxpayers and investors who want to know where our economy is headed and how government assistance will be used.

Four months into the TARP, many taxpayers and investors alike are confused and afraid about what the future holds. The public simply has no understanding about how government assistance will help, if at all, and many are worried that massive government investments will be wasted and misused. This lack of understanding creates a vicious cycle, further discouraging consumers and businesses from making the kinds of decisions that could get our economy moving again. They are staying on the sidelines until they get some assurances that it's safe to bank on the U.S. economy.

And so, Mr. Secretary, this hearing is an important opportunity to expand on the vision you laid out earlier today and to reassure the American people that their money is in good hands.

As a young man educated by Jesuits, I'm reminded that the word "credit" after all, is derived from the Latin word for "credere" which means "to believe." When I go home to Connecticut, my constituents aren't asking me about asset pricing techniques or structuring bank recapitalizations – they're frustrated that even as we spend billions of taxpayer dollars, they have yet to see the results.

They remind me we cannot restore the credibility of our financial institutions and put our economy back on track until we restore the credibility of the government's response.

And so, this is an important opportunity – to not only revive our faltering economy, but also the hope and faith of the American people. They depend on us right now.

That is our challenge today, Mr. Secretary. Americans want this plan to work, and my colleagues want it to work. I welcome a full and frank exchange of ideas with my colleagues. And if, on review of the plans, we need to press for more or different conditions on government funding, we will not hesitate to do so.