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CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Damon Silvers

Congressional Oversight Panel Hearing on the TARP's Impact on Financial Stability

March 4, 2011

Good morning. This is the last hearing of the Congressional Oversight Panel. I would like to begin by expressing my gratitude to Senate Majority Leader Harry Reid and House Minority Leader Nancy Pelosi for giving me this opportunity to serve my country. I would also like to express my profound gratitude to our chair and his predecessor my dear friend Elizabeth Warren for their leadership of our panel, and to our staff, in particular our staff director Naomi Baum, for all they have done over the last two and a half years to make our Panel a success. And finally, I would like to thank my fellow Panel members, Richard Nieman, Mark McWaters and Ken Troske. We have worked together as a team in a manner that is tragically rare in our national politics today—and the fruits of that collaboration can be found in our numerous unanimous reports and in the teamwork that has characterized these hearings.

Over the last two and a quarter years, this Panel has tried to provide the Congress of the United States and the American people with clear, comprehensive answers to the questions we posed in our very first report about TARP. We have priced the major TARP transactions, evaluated the Treasury Department's approach to large banks and small banks, tried to understand TARP's impact on both the credit markets and the broader economy, and focused in particular on TARP's impact on the housing market and the foreclosure crisis.

Today, we hear from Timothy Massad, the Director of the Office of Financial Stability, from representatives of the key independent agencies that worked together with Treasury on restoring financial stability, and from some of the world's leading economists and experts on financial crisies. While I am grateful to all of our witnesses for joining us today, I want to note that we have in many ways over the last two and a half years benefited from the advice and assistance of Mr. Massad, of Professor Stiglitz and Professor Johnson, and it is fitting they should be with us today.

Before I conclude my opening remarks I think it is appropriate to be clear what my final conclusions are about the TARP program.

One, I believe TARP—through the initial investments in the large banks—was a substantial contributor to halting a global financial panic. It is irresponsible to suggest our nation would have been better off had we taken no action.

Two, I believe, and there is overwhelming evidence to support my position in our February, 2009 report, that at the time these initial investments were made, the public did not receive anything like full value for our money. However, over time TARP's transactions have become fairer to the public.

Three, the Paulsen Treasury Department was not truthful with the public when it said that Capital Purchase Program funds were only going to healthy institutions, and the Geithner Treasury Department has compounded this lack of candor by refusing to admit in testimony before this Panel that Citigroup and Bank of America were on the verge of collapse when they received additional TARP funds in November, 2008 and January 2009 respectively.

Four, the failure to replace bank management, to do a rigorous evaluation of the state of bank assets, and to restructure bank balance sheets accordingly has left the United States with weak banks and a damaged sense of trust between the American public and our nation's elected leaders.

Five, although more than half a million families have been helped by TARP's foreclosure prevention programs, foreclosure prevention has been subordinated to the needs of the banks. But the truth is that continued mass foreclosures of homeowners are a powerful source of systemic risk and downward pressure on our economy and on jobs.

The most recent statement of Federal Open Market Committee states "the economic recovery is continuing, though at a rate that has been insufficient to bring about a significant improvement in labor market conditions. Growth in household spending picked up late last year, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit." That is the scenario the majority of the Panel warned in our April, 2009 report would be the consequence of failing to restructure the major banks.

In December, 2008, this Panel held its first hearing in Clark County, Nevada. We did so to make the point that the American people would judge TARP based not on the wealth of bankers but on the health of our communities. In December of 2008, unemployment in southern Nevada was 9.1%. Today it is 14.9%. In December, 2008, 6.58% of all home mortgages in Nevada were delinquent, today 10.06% are.

Although this Panel is going out of business, the task of managing TARP's remaining programs, of regulating the banks, of overseeing systemic risk, goes on. The mass foreclosures continue. But it is never too late to act, to make change. Thank you.