

## Congress of the United States

CONGRESSIONAL OVERSIGHT PANEL

# Opening Statement of Elizabeth Warren

## Congressional Oversight Panel Hearing with Assistant Secretary for Financial Stability Herb Allison

October 22, 2009

Welcome, Assistant Secretary Allison. We appreciate you taking your time to join us today. The first time you appeared before us, it was only your first week on the job and you were just getting started. We are very happy to have you back to give us an update on the Troubled Asset Relief Program.

It has been more than a year since Congress authorized \$700 billion to rescue the financial sector and stabilize the economy. The program provided direct and immediate help for the largest financial institutions, but smaller institutions, small businesses, and homeowners facing foreclosure have waited much longer and received much less help. Meanwhile, the people who funded the bailout, the American taxpayers, are bombarded with news that the Wall Street firms that benefited from TARP assistance are reporting windfall quarterly profits and preparing to reward their executives handsomely with hefty bonuses while unemployment remains close to 10 percent, loan defaults continue to rise, and the foreclosure crisis has no apparent end in sight.

Many of the factors that caused the crisis remain in place. The financial sector is more consolidated today than it was a year ago, meaning the public is still at the mercy of institutions that are considered “too big to fail”. Toxic assets remain on the books of the banks, and there is little to inspire confidence in bank balance sheets. The health of small and mid-sized banks remains a significant concern. These banks overwhelmingly support small business lending. Already this year, 99 of these banks have failed—a four-fold increase from 2008. Particularly worrisome is their exposure to commercial real estate assets, which pose a threat to overall financial stability.

Regulatory reform—the change in the rules that will prevent this crisis from happening again—remains in the future.

Quite naturally, taxpayers are concerned about what this means for their economic security. We hope you can provide some answers today, to put TARP in the proper context and to help us understand where we are and where we go from here. At the core of the Panel’s mission is ensuring that TARP operates with transparency and accountability. We thank you and your staff

## Congressional Oversight Panel

at the Office of Financial Stability for working with us. We've come a long way, but many questions still remain.

Each month, the Congressional Oversight Panel releases a detailed oversight report on TARP. The September report examined TARP assistance to the domestic automotive industry. It highlighted a number of outstanding issues concerning the perils of public ownership of private companies and the challenges of exiting the market and returning the taxpayers' investment. This month, the Panel released an assessment of the first six months of Treasury's foreclosure mitigation program, Making Home Affordable. The report raises a number of concerns about the scope, scale, and long-term success of the program. In the coming months, the Panel will assess the impact of TARP and other stabilization initiatives on the economy. The November report will evaluate the role of government guarantees from Treasury, the FDIC, and the Federal Reserve in stabilizing the financial sector. The December report will provide a year-end review of the overall impact of TARP on the credit and housing markets and the economy in general. We look to you today to address these concerns and inform our future inquiries.

Finally, with only a few months left until TARP is scheduled to expire, the question of whether the Secretary will exercise his authority to extend the program looms large. The public should know the criteria upon which this decision will be made. They have a huge stake in the fate of TARP's \$700 billion and a right to understand the decision-making process.

Thank you again for taking time to appear before the Panel today. We look forward to your testimony.