

OPENING STATEMENT

The Honorable José Serrano
Chairman, Financial Services and General Government Subcommittee
House Committee on Appropriations

Hearing on the Financial Crisis and TARP
Fiscal Year 2011 Budget Request
April 22, 2010

The subcommittee will come to order. Today, the subcommittee will examine the Treasury's responses to the financial crisis and the implementation of TARP. We are pleased to have two key witnesses on this topic. Leading off will be Herbert Allison, Assistant Secretary of the Treasury for Financial Stability, who oversees the TARP program. He will be followed by Neil Barofsky, the Special Inspector General for TARP.

The financial crisis caused the deepest economic decline since the Great Depression in the early 1930s. Although the economy has stabilized since the freefall of late 2008 and early 2009, credit continues to shrink and unemployment remains near 10 percent. We have a long way to go before most Americans will feel that the economy is back on its feet again. We need to understand what role TARP has played or could play in responding to our economic problems.

TARP funds have been used for a variety of purposes. Roughly 700 banks have received capital infusions totaling more than \$200 billion. With several major modifications along the way, TARP funds have been used to provide mortgage modifications to homeowners. Support for the auto industry has totaled more than \$80 billion. Funds were set aside to back up efforts to revive flows of credit for small businesses, students, and consumer credit cards. TARP funds have also provided a backstop for Federal Reserve actions with AIG.

There is also a budget angle to today's hearing. The TARP legislation allows Treasury to spend on administration whatever it decides, without further Congressional check. To decide how much to appropriate for Treasury, however, this subcommittee needs to understand how much Treasury is spending because of

TARP and where it draws the line between appropriated funds and TARP-related money.

In addition, the TARP legislation created the SIGTARP and provided it with \$50 million that authorizers tell us they expected to last the life of the TARP. They were granted another \$15 million last spring. Last October, SIGTARP came to our subcommittee with an urgent request for \$23 million to avoid having to shut down this spring. In other words, SIGTARP had made hiring and other commitments that far exceeded the funds that the authorizers thought sufficient to last through the life of TARP. We provided those funds for FY 2010 and SIGTARP has requested another \$49 million for FY 2011, far more than the \$30 million annual budget for the Treasury Department's IG.

We look forward to hearing from our witnesses how effective each of the various TARP initiatives has been in restoring a healthy flow of credit, a growing economy, and relief for worthy borrowers.

With those opening remarks, I would like to recognize Ms. Emerson for any opening statement that she wishes to make.