OPENING STATEMENT OF CONGRESSMAN PAUL E. KANJORSKI

COMMITTEE ON FINANCIAL SERVICES

HEARING ON PRIORITIES FOR THE NEXT ADMINISTRATION: USE OF TROUBLED ASSET RELIEF PROGRAM FUNDS

JANUARY 13, 2009

Mr. Chairman, we meet today to determine how best to proceed on the Troubled Asset Relief Program. The name of the program became obsolete almost from its inception because, rather than purchasing troubled assets, the Treasury Department determined that injecting capital into financial institutions, almost without restrictions, was the preferred course. Unfortunately, $350 billion later, the American public has yet to learn exactly how recipients have used the money provided by taxpayers.

Today, we have an opportunity to improve the TARP's operations. We have learned from the outgoing administration that when the Congress defers to the executive branch by granting interpretive leeway, our intentions can end up thwarted. The incoming administration, however, appears ready to adopt an approach much more in keeping with the program the Congress initially envisioned. By amending the well-meaning but flawed initial law, the Congress can do its part as our Nation tries to reverse the economic tide.

H.R. 384 seeks to increase transparency and accountability in the administration of the TARP. Participating institutions will now have to provide public reports about what they do with the money, and they will have less discretion in how to use the taxpayers' money. As I have sought for some time, the bill also makes it clear that the Treasury Department must use the TARP to help small community banks.

Moreover, H.R. 384 aims to prevent foreclosures. Preventing as many foreclosures as we reasonably can is in our Nation's economic interest. In this regard, the bill includes a safe harbor for servicers who engage in loan modifications. Last year, Mr. Castle and I introduced a bill containing a similar provision. We need to help more Americans to remain in their homes, and this provision will allow servicers to perform loan modifications without the fear of liability from a lawsuit brought by a disgruntled investor in a pool of securitized mortgages.

Many have expressed disappointment about the implementation of TARP's executive pay limitations by the administration. As a result of pressure I exerted, AIG recently decided to pull back the payout of $93 million in deferred compensation. While I am pleased that AIG reversed course, I am concerned that a minimal review by bureaucrats had previously allowed these erroneous outlays. The Treasury Department and the Federal Reserve must therefore do a better job not only in administering the executive compensation limits in the current TARP law, but also in implementing the new pay reforms found in H.R. 384.

In sum, the Congress must take further action to address the greatest economic calamity since the Great Depression. With that in mind, I realize that even though perfection may never be achieved, we ought to improve the effectiveness of the TARP law. H.R. 384 is therefore a step in the right direction. I also look forward to the witnesses' testimony today.
