

ONE HUNDRED ELEVENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
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**Statement of Representative Darrell Issa, Ranking Member**  
**Full Committee Hearing: “Following the Money: Report of the Special Inspector General for the**  
**Troubled Asset Relief Program (SIGTARP)”**  
**July 21, 2009**

Mr. Chairman, thank you for calling today’s hearing.

I appreciate Mr. Barofsky’s appearance before the committee today. Congress intended SIGTARP to provide oversight of the federal government’s bailout efforts, and that’s exactly what Mr. Barofsky and his staff are doing. SIGTARP’s current report to Congress identifies numerous failures of the Treasury Department to provide transparency and prevent fraud, and these failures are undermining the American people’s faith in their government.

When President Obama came to office, he promised to implement TARP “with the highest degree of accountability and transparency possible.” As a presidential candidate, Mr. Obama criticized the Bush Administration’s “failure to track how the money has been spent.” Once again, we’ve learned that this Administration has abandoned its promise to the American people and is preventing the taxpayers from accessing information about how their money is being spent.

Mr. Chairman, more than four months ago you wrote Secretary Geithner encouraging him to adopt all of SIGTARP’s original recommendations prior to awarding any additional TARP funds. Not only has Mr. Geithner ignored your request, but he has spent billions more of taxpayer money without providing the transparency that SIGTARP has repeatedly recommended. For example, Treasury has refused repeated requests from SIGTARP and the Congress to require TARP recipients to report on their use of taxpayer funds, calling such reporting “meaningless.” However, we’ve learned from SIGTARP’s first completed audit that almost all banks surveyed by SIGTARP were able to provide meaningful information about how they are utilizing TARP funds.

One interesting result of this audit is that nearly one-third of the banks reported the use of TARP funds to purchase mortgage-backed securities primarily insured by Fannie Mae and Freddie Mac, which are now explicitly backed by the federal government. SIGTARP’s audit notes that the banks targeted these securities precisely because of the safety associated with them; if the underlying mortgage borrowers default, the American taxpayers foot the bill.

Treasury’s repeated refusal to require TARP recipients to report on their use of taxpayer money is particularly troubling in light of the fact that technology exists and is readily available to follow the money. This Committee has learned through expert testimony that eXtensible Business Reporting Language (“XBRL”), an XML-based technology standard for business information, has the potential to make financial

information disclosure more transparent and more accessible to regulators, investors, and the general public. XBRL is already in place as a reporting standard in approximately 40 countries around the world, including China. Banks in the United States are currently required to disclose information to the FDIC in XBRL format, and the SEC recently approved a final rule mandating the use of XBRL for all public company reporting, with some companies required to comply starting in June of 2009. I am proud, Mr. Chairman, to have your support on H.R. 2392, which would mandate the use of a single data standard for the reporting of financial information and bring real transparency to TARP and financial markets.

SIGTARP's report also sheds light on several problems related to the Administration's plan to provide taxpayer funds to leverage private sector purchases of toxic assets, the so-called "Public-Private Investment Program," or PPIP. Treasury has repeatedly refused to adopt SIGTARP's recommendation that Treasury require the imposition of an informational barrier or "wall" between the private fund managers making decisions about which toxic assets to purchase using taxpayer-funded leverage and those employees of the companies who manage non-PPIP funds. Treasury is effectively insisting that not only must taxpayer money be used to leverage the purchase of toxic assets, but also that the fund managers have the freedom to manipulate inside information about these purchases for their private profit, through insider trading or by inflating the value of other assets on their books. This type of market manipulation should be prevented, not facilitated, by the Treasury Department.

As the Special Inspector General for TARP notes in his written testimony, "TARP has become a program in which taxpayers (i) are not being told what most of the TARP recipients are doing with their money, (ii) have still not been told how much their substantial investments are worth, and (iii) will not be told the full details of how their money is being invested." Treasury's continued unwillingness to provide basic transparency despite numerous recommendations of SIGTARP and the intent of Congress is simply unacceptable and violates one of President Obama's most basic and fundamental promises to the American people.

Mr. Chairman, the ramifications of the Treasury Department's failure to provide transparency could not be more important. **As SIGTARP notes in his written testimony, the total amount of taxpayer money on the line, across all of the federal government's bailout efforts, is \$23.7 trillion.** To put this number in perspective, total annual US GDP is about \$14 trillion. This means that if all of the potential losses of taxpayer money become a reality, the total amount of goods and services produced throughout our economy for almost two years would have to be entirely devoted to paying for these bailouts.

What's even more disturbing than the \$23.7 trillion figure is the reality that Treasury is actively obstructing our ability to determine what the true value of the TARP investment is worth, what TARP recipients are doing with taxpayer dollars and how they are investing it. Until we have full transparency, we will never be able to know how much risk Treasury is assuming on behalf of the taxpayers.

Thank you again, Mr. Chairman, for calling this hearing. I look forward to continuing to work closely with you to hold this Administration accountable for its use of taxpayer money through TARP and other government bailout efforts.