Congressional Oversight Panel: Congressional Oversight Panel Releases Oversight Report on Foreclosure Mitigation

Panel sees mixed results.


Over the last six months, Treasury has spent or committed $590.4 billion of the TARP funds. Treasury has also relied heavily on the use of the Federal Reserve’s balance sheet which has expanded by more than $1.5 trillion (not including expected TALF loans) in conjunction with the financial stabilization activities it has undertaken beyond its monetary policy operations. This has allowed Treasury to leverage TARP funds well beyond the funds appropriated by Congress.

The total value of all direct spending, loans and guarantees provided to date in conjunction with the financial stability efforts (including those of the FDIC as well as the Treasury and the Federal Reserve) now exceeds $4 trillion. This report reviews in considerable detail specific criteria for evaluating the impact of these programs on financial markets.

Evaluating the wisdom and success of these efforts requires an understanding of the available options open to policymakers to solve banking crises. To provide a review of these potential policy options, the Panel reviewed historical responses to other banking crises including the Great Depression in the 1930s, the Savings and Loan Crisis in the 1980s, and the banking crises in Sweden and Japan in the 1990s to reveal that each successful resolution of a financial crisis involved four critical elements:

- Transparency. Swift action to ensure the integrity of bank accounting, particularly with respect to the ability of regulators and investors to ascertain the value of bank assets and hence assess bank solvency.
- Assertiveness. Willingness to take aggressive action to address failing financial institutions by 1) taking early aggressive action to improve capital ratios of banks that can be rescued, and 2) shutting down those banks that are irreparably insolvent.
- Accountability. Willingness to hold management accountable by replacing—and, in cases of criminal conduct, prosecuting—failed managers.
- Clarity. Transparency in the government response with forthright measurement and reporting of all forms of assistance being provided and clearly explained criteria for the use of public sector funds.

This report strives to provide Treasury and the Congress with the necessary context and comparative analysis to understand the possible policy choices. The Panel hopes to assist Congress and Treasury officials in weighing the available options as the nation grapples...
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with the worst financial crisis it has faced since the Great Depression.

The full report can be found at [www.cop.senate.gov](http://www.cop.senate.gov). The Panel held a companion hearing to this report in Washington, D.C. “Learning from the Past—Lessons from the Banking Crises of the 20th Century.” Materials from the hearing can be found on the Panel’s website.

The Congressional Oversight Panel was created to oversee the expenditure of the Troubled Asset Relief Program (TARP) funds authorized by Congress in the Emergency Economic Stabilization Act of 2008 (EESA) and to provide recommendations on regulatory reform.

The Panel members are: Congressman Jeb Hensarling (R-TX), Richard H. Neiman, Superintendent of Banks for the State of New York, Damon Silvers, Associate General Counsel of the AFL-CIO, former U.S. Senator John E. Sununu (R-NH) and Elizabeth Warren, Leo Gottlieb Professor of Law at Harvard Law School.