

# U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Assistant Secretary for Financial Stability Herbert M. Allison, Jr. Opening Remarks Before the Congressional Oversight Panel Opening Remarks – As Prepared for Delivery

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Chair Warren, Representative Hensarling, Senator Sununu and members Neiman and Silvers, thank you for the opportunity to introduce myself and to discuss Treasury's efforts to repair the nation's financial system so that it works for, rather than against, recovery.

Last October, Congress established the Troubled Assets Relief Program (TARP), and gave Treasury the necessary tools to help break a downward spiral in our financial system that was causing tremendous harm, not only to financial firms of all sizes, but also to ordinary families and businesses across the country.

Our mandate is two-fold: Stabilize the system while protecting the financial interests of the taxpayer.

Although our work is far from finished, Treasury has accomplished a great deal in a short amount of time. It has:

- Invested nearly \$200 billion in 633 financial institutions through the Capital Purchase Program.
- Helped to re-start securitization markets, which are vital in enabling consumers and businesses to borrow.
- Helped begin the difficult, but necessary process of re-making our nation's auto industry, which is at the heart of our industrial base.
- Helped tens of thousands Americans stay in their homes by securing modifications of their at-risk loans to lower their monthly mortgage payments and making their mortgages more affordable.

To manage these complex efforts, Treasury has built the Office of Financial Stability from the ground up. Last October, the OFS staff was zero. As of Monday, it numbered 166.

There are tentative signs that the financial system is beginning to stabilize, and that our efforts made an important contribution. Key indicators of credit market risk, while still elevated, have dropped substantially.

More than 30 firms have repaid \$70 billion in CPP investments. In addition, the taxpayer has received an estimated \$5.2 billion in dividend payments from CPP investments.

There are also some signs that the economy is beginning to mend. Consumer confidence rose to its highest level in eight months in May. Housing starts rose at an annual rate of 17% in May, and house purchases have begun to pick up in some parts of the country.

But our financial system and our economy remain vulnerable, with unemployment still rising, house prices falling and pressure on commercial real estate continuing to build.

This is why we must remain vigilant. We must press ahead with our financial stabilization and our economic recovery efforts.

At the same time that Congress established the TARP, it established the Congressional Oversight Panel, an independent group drawn from both major political parties, Congress, the states and public interest groups to ensure that in every step we take, we keep firmly in mind the best interests of the American people. I applaud the Panel for its work to date, and look forward to a continued strong relationship.

Let me briefly describe my own background and offer a few thoughts that will guide me in my new assignment. I believe that my views on finance, management and governance, which have not always been stylish, square with what the crisis has taught us is necessary for a financial system that's both stable and innovative.

I began my career as an officer in the U.S. Navy, spending four years on active duty, including one year in Vietnam. After business school, I joined Merrill Lynch and spent 28 years there, leaving as president in 1999.

I learned from my experiences at Merrill that the long-term success of financial institutions depends on sound corporate governance, including independent checks and balances, tight control over risk, and executive compensation geared to long-term performance on behalf of clients, as well as shareholders. I believe that I contributed to strengthening Merrill's governance practices in the 1990s.

Since leaving the firm a decade ago, I've led two other major financial institutions through transitions necessary for their long-term success.

In 2002, I became chairman and C.E.O. of TIAA-CREF, a leading provider of retirement and asset management services. We adapted the company to changing markets, created independent risk management and doubled the company's capital so we could withstand a harsh investment climate. As a result, TIAA-CREF is now one of very few financial companies that carry triple-A ratings. And during my tenure, TIAA-CREF became the first company in the Fortune 100 to allow its stakeholders an advisory role on executive compensation. Last September, I was named C.E.O. of the Federal National Mortgage Association as that company was placed into government conservatorship.

The work of OFS, which I now head, is essential to President Obama's and Secretary Geithner's plans for recovery.

Our economy declined sharply last year, in substantial measure, because credit stopped flowing. Without access to credit, small businesses cannot buy the new equipment, raw materials and inventory that they need to expand. Larger businesses cannot make the continuous adjustments required to function in a changing global marketplace.

In overseeing the office, I will keep in mind that ending the financial crisis isn't chiefly about helping banks. It's about alleviating the real hardships that Americans face every day. I will strive to be a prudent investor on behalf of the American people; to protect the taxpayers who've entrusted us with so much of their money.

In pursuing the goal of being a prudent investor for the public, my top priorities will be the following:

First, I will carefully review the controls over taxpayers' money, giving special attention to compliance with laws and directives, managing risks and internal audits. I will work closely with your panel and all other oversight bodies.

Second, I will strive to maximize the effectiveness of financial stability programs, restoring soundness to financial institutions and liquidity to our markets.

Finally, I will emphasize transparency and interaction with Congress so that the American people will know what we're doing with their money; why we're doing it, and how it's helping the financial system, the economy and their lives.

Thank you. I look forward to your questions.

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