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2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5051
FACSIMILE (202) 225-4784
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Statement of Rep. Darrell Issa, Ranking Member House Oversight and Government Reform Committee

Domestic Policy Subcommittee Hearing on "Peeling Back the TARP: Exposing Treasury's Failure to Monitor the Ways Financial Institutions are Using Taxpayer Funds Provided under the Troubled Assets Relief Program"

March 11, 2009

I would like to thank Chairman Kucinich and Ranking Member Jordan for holding this hearing, focusing on the Treasury Department's oversight of the use of taxpayer funds provided under the Troubled Assets Relief Program (TARP).

The TARP suffers from a serious lack of transparency and accountability. As of February 6th of this year, the Treasury Department has committed \$300 billion in taxpayer funds to our nation's financial institutions in the form of preferred shares and warrants, loans and insurance against losses. While the Treasury Department currently monitors aggregate monthly levels of some banking activities, it does not require any recipient of TARP funds to disclose the details of any individual transaction that the recipient would not have entered into *but for* the receipt of TARP money. In other words, we do not know how \$300 billion of taxpayer money has changed anyone's behavior. As a result, neither the Treasury Department, nor Congress, nor the general public truly knows the *outcome* achieved by the injection of taxpayer funds.

Mr. Chairman, this lack of transparency is simply unacceptable. A government of the future is designed for transparency. We must understand, however, that true transparency requires attention not only to *what* information is disclosed, but *how the* information is disclosed. To illustrate this principle, consider the deluge of information that is currently disclosed by our major corporations. The SEC's public document database, Edgar, catalogs 200 gigabytes of filings each year, roughly 15 million pages of text. Unfortunately, this volume of data obscures more than it reveals, because there is no single standard for how the information is disclosed across industries and across regulators. Good luck sifting through this volume of data, page by page, to understand the current financial crisis or find the warning signs of the next one.

But this problem of an overwhelming amount of data in widely disparate formats can be overcome. A promising technology, XBRL, can standardize all financial reporting in an easily

accessible format. XBRL is 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.

XBRL technology has the potential to improve the ability of the Treasury Department, the Congress, and the American people to hold TARP recipients accountable for their use of taxpayer funds. XBRL could provide transparency and deliver to the taxpayers on their right to know how their money is being used, while providing measurable results—namely, determining whether the money achieved what it was intended to achieve. To that end, I look forward to hearing the testimony of Stephen Horne from Dow Jones, a company that has developed technology based on the XBRL format.

But I also want to focus on the importance of XBRL to the immediate crisis in our financial markets. XBRL technology is applicable retroactively to mortgage-backed securities. The current mortgage-backed securities market is frozen. While most Americans are still paying their mortgage in full and on time, the market lacks the information necessary to untangle the good loans from the bad. As a result, investors are reluctant to invest in this market and the value of the underlying assets is being marked to zero. If we can utilize technological solutions to enable investors to understand the loan characteristics and cash flows of the underlying mortgages, we could unlock these frozen assets and get the market moving again. I look forward to hearing the testimony of Mark Bolgiano, President and CEO of XBRL US, a non-profit organization, who will explore this important promise of the technology.

I also look forward to hearing from Mr. Neel Kashkari, who oversees the TARP program. In particular, I look forward to hearing Mr. Kashkari's explanation for the lack of transparency in the program and particularly why he has clung to the notion that using "general metrics" such as monthly and quarterly reports from banks receiving TARP money is sufficient to determine whether they are living up to their end of the bargain. I want to hear what his ideas are for improving transparency moving forward.

Mr. Chairman, in this time of deep economic crisis, we must stop buying a pig in a poke. We were told by the previous Administration that they were ready to fire but would aim later. They fired and missed. Now we are being asked by the current Administration to fire again, and again, and again without a clear path toward getting our economy back on track. We need to get it right, and the first step in getting it right is to have transparency so we can understand what is working and what is not working.

With that I yield back the balance of my time.