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Audit Finds TARP Program Effective

By [JACKIE CALMES](#)

WASHINGTON — The independent panel that oversees the government’s financial bailout program concluded in a year-end review that, despite flaws and lingering problems, the program “can be credited with stopping an economic panic.”

The Congressional Oversight Panel, which issued the report, was created in October 2008 by the same law that established the \$700 billion [Troubled Asset Relief Program](#). The panel has often been critical of the [Treasury Department](#)’s management of the bailout operation, especially at its start in the Bush administration but also under the Obama administration.

In the latest monthly report released on Wednesday, the panel again criticized the Treasury Department under Secretary [Timothy F. Geithner](#) for “failure to articulate clear goals or to provide specific measures of success for the program” as it has morphed over time from rescuing financial institutions to propping up securitization markets, auto manufacturers and home mortgages in danger of default. The panel also described the program’s foreclosure mitigation efforts as inadequate.

Mr. Geithner announced Wednesday that the administration would extend the bailout program until Oct. 3, 2010. In a letter, Mr. Geithner told lawmakers that the extension was needed to assist families and stabilize financial markets.

The assessment by the oversight panel coincides with the Obama administration’s expansion of TARP yet again, to extend credit to small businesses that cannot get loans from still-skittish banks. [President Obama](#) highlighted the new mandate in his economic speech on Tuesday, saying that the bailout program should now work for Main Street as well as Wall Street.

The Treasury's lack of clarity about the program's goals, the oversight panel said, made it hard to assess its overall effectiveness. Mr. Geithner is scheduled to testify on Thursday in his quarterly appearance before the five-member panel.

Also making it difficult to gauge the program's impact, the panel said, is that other forces have helped rescue the financial system and the overall economy, including actions of the Federal Reserve and Federal Deposit Insurance Corp., the \$787 billion stimulus program of spending and tax cuts that Mr. Obama and Congress enacted, and similar stimulus efforts by foreign governments.

"Even so," the panel concluded, "there is broad consensus that the TARP was an important part of a broader government strategy that stabilized the U.S. financial system by renewing the flow of credit and averting a more acute crisis."

It added, "Although the government's response to the crisis was at first haphazard and uncertain, it eventually proved decisive enough to stop the panic and restore market confidence."

The panel's 134-page report noted that after 14 months of the program, problems remain. Banks resist making loans, toxic mortgage-related assets still clog big banks' balance sheets and smaller banks are vulnerable to troubles in the commercial real estate sector.

Also, while up to 13 million more home foreclosures are projected over the next five years, the panel said, "TARP's foreclosure mitigation programs have not yet achieved the scope, scale, and permanence necessary to address the crisis."

The panel is chaired by Elizabeth Warren, a [Harvard](#) Law School professor, and includes Richard H. Neiman, New York state's bank superintendent; Damon Silvers, special counsel for the AFL-CIO; Paul S. Atkins, a former [Securities and Exchange Commission](#) member, and Representative Jeb Hensarling, a Republican of Texas. Only Mr. Hensarling, an opponent of the program, voted against the report.

Its conditional good review of TARP coincides with the Treasury Department's separate report this week that better-than-expected repayments, interest and other returns likely will mean that taxpayers will get back most of the \$700 billion used to create TARP.

The bank bailouts are turning a small profit, Treasury said. It anticipated losses through next year of no more than \$140 billion—about \$200 billion less than forecast just four months ago—on payments extended to auto and insurance companies and for housing programs.

Mr. Obama added his own self-congratulatory praise in Tuesday's economic speech, even as he acknowledged the program's widespread unpopularity.

“Launched hastily -- understandably, but hastily -- under the last administration, the TARP program was flawed, and we have worked hard to correct those flaws and manage it properly,” Mr. Obama said. “And today, TARP has served its original purpose and at much-lower cost than we expected.”

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