

Statement of Chairman Christopher J. Dodd

Hearing on the nomination of Special Inspector General for TARP –

Neil Barofsky

November 19, 2008

The Committee will come to order.

Today, the Committee will meet in open session to consider the nomination of Neil Barofsky to be the Special Inspector General for the Troubled Asset Relief Program or TARP.

The current turmoil in the US economy is real and daunting. In enacting the Emergency Economic Stabilization Act and the TARP, Congress responded with remarkable speed to meet this rising and ever-changing challenge. Under the TARP, the Treasury Secretary has authority to spend \$350 billion, an amount that can be increased on short notice to \$700 billion, to stabilize the financial system. The Secretary has already committed \$250 billion to the Capital Purchase Program which provides direct equity injections into banks and another \$40 billion to aid AIG.

The initial request from the Administration was a scant three page bill, granting the Treasury Department unprecedented and unchecked discretion to spend up to 700 billion in taxpayer dollars to rescue the economy. Congress agreed with the Administration on the need to act with urgency. However in crafting the final legislation, Congress, and members of this Committee in particular, worked to add aggressive oversight tools as a check on this broad spending authority.

You need only look as far as the eight Congressional Committees, to which the Special IG's Office will be issuing reports, to notice how seriously Congress takes its responsibility to safeguard taxpayer dollars. To properly discharge its oversight responsibilities, the Special Inspector General must work effectively with a range of offices including the Office for Financial Stability within Treasury; the Inspector General for Treasury; the Congressional Oversight Board; and the Government Accountability Office (GAO).

Moreover, a significant challenge for the Special IG is to provide meaningful oversight of a program that is continuously evolving to address the changing needs of the financial system and an economy in distress.

A key part of the role of the Special IG will involve significant management responsibilities. The Special IG has an operating budget of \$50 million. In a relatively short time frame, the Special IG must hire and oversee a large staff, retain a variety of contractors, and begin issuing reports within 120 days.

While Treasury has informed the public of its transactions under TARP, as required by statute, we are relying on the Office of the Special IG to use the tools it has been given to drill down and certify that these decisions are being made in the best possible interest of the taxpayers and consistent with the letter and the spirit of the law.

In order for the TARP to work properly, the public needs to be re-assured that its money is being spent wisely and that is why the role of Special Inspector General is crucial to the process. The Special Inspector General's Office will be expected to conduct oversight and audits on every aspect of the TARP.

Now I would like to take a moment to introduce Neil Barofsky of New York who has been nominated to be the Special Inspector General for the TARP.

Mr. Barofsky is currently serving as an Assistant United States Attorney in the United States Attorney's Office in the Southern District of New York. He has worked on a variety of cases, most notably in the areas of mortgage and securities fraud.

The issue of mortgage fraud is of particular concern of this Committee. Mr. Barofsky's leadership role as the Chief of the Mortgage Fraud Group, working with a variety of groups will serve him well as Special Inspector General for TARP. While I am personally heartened to see the Administration nominate someone who has worked on mortgage fraud, I would hope that this will not detract from their quick retention of another qualified attorney to fulfill that role.

In his pursuit of criminals in the REFCO case, Mr. Barofsky has demonstrated an ability to root out and prosecute fraud, especially during the audit process. Mr. Barofsky's experience prosecuting drug traffickers as part of the International Narcotics Trafficking Unit, also show his courage and dedication to public service and we thank him for this dedication.

Now, let me turn to my good friend and our Ranking Member Senator Shelby for his opening remarks...

After recognizing Committee Members for their opening statements the nominee should be sworn in...

[Senator Schumer will be introducing

Will the witness please stand and raise your right hand while I administer the oath?

[The Chief Clerk will provide Large Print laminated card of oath for you to read]

“Do you swear or affirm that the testimony you are about to give is the truth, the whole truth and nothing but the truth, so help you God?”

[Panel Reply “I DO”]

“Do you agree to appear and testify before any duly constituted Committee of the Senate?”

[Panel Reply “I DO”]

Thank you, please take your seat.

Before you begin, please be assured that your written statement will be part of the record, so if you could confine your remarks to within 5 minutes that would be greatly appreciated. Please also note that Members of this Committee may submit written questions to you for the record and you need to respond to these questions promptly in order that the Committee may proceed on your nomination.

Thank you for joining us today. I would invite you to introduce your family or friends in attendance before proceeding with your statement.