

Question for the Record
Hearing before the Senate Finance Committee
July 21, 2010

Questions for Richard Hillman – Government Accountability Office

1. What does Treasury need to do to successfully exit from TARP?
2. Will Treasury reach its goal for HAMP of helping 3 to 4 million borrowers? If not, how many borrowers do you think will get help from the program?
3. To what extent were CPP investment decisions influenced by political considerations or other external factors?
4. Does the increasing number of firms missing their CPP dividend payments indicate that more CPP firms are at risk of failure? And does the number of missed dividend payments show that Treasury made mistakes investing in these institutions?
5. Will the government's equity stakes in Chrysler and GM be worth enough for the government to make back its entire investment? How long might it take for the government to recoup this money?
6. GM has announced that it plans to launch an initial public offering (IPO) by the end of this year. Is an IPO the only, or the best, alternative for recovering the taxpayer investment in GM, is an IPO on this timetable feasible, how will an IPO impact the government's equity stakes in GM, and what role is Treasury playing in the IPO?
7. What work are you currently doing on Treasury's aid to the auto industry?
8. GAO recommended last year that Treasury ensure it has adequate staffing to manage its investments in Chrysler and GM. Where does Treasury stand on this?
9. What is the likelihood of AIG repaying the government?

10. How is Treasury helping small businesses? Is Treasury meeting its goals for small businesses?

Questions for Elizabeth Warren, Congressional Oversight Panel

Several times in your Panel's June report on the AIG bailout, you indicated that Goldman Sachs failed to provide information requested by the Panel. In particular, you indicated that Goldman did not provide information sufficient to identify entities you called the "indirect beneficiaries" of the AIG bailout — financial institutions with whom Goldman had hedged the risk of its exposure to an AIG default. You said, "And we want to know the identity of those parties partly just to know where American taxpayer dollars went, but partly to assess Goldman's claim ... that they had nothing at stake one way or the other in the AIG bailout."

Following my suggestion to the Chairman that the Committee issue a subpoena if necessary, after the hearing, Goldman Sachs provided the Committee with the following spreadsheets and a briefing (see [Attachments 1](#) and [2](#)). My understanding is that [Attachment 1](#) lists companies that wrote credit default swap protection on AIG for Goldman, meaning that in the event of an AIG default in September 2008, these entities would have been responsible for paying Goldman the amount in the "Net" column. Thus, these entities avoided losses in the amounts listed on [Attachment 1](#) as a direct result of the taxpayers' bailout of AIG in September 2008.

1. The fifth largest amount listed is about \$175 million that Lehman Brothers would have owed Goldman Sachs on CDS protection. However, given Lehman's financial position at the time (September 15, 2008), isn't it true that the real value of this hedge to Goldman would have been much less than \$175 million? Wouldn't it have only been worth the approximate value of any collateral that Lehman had already posted to Goldman up to that date?
2. Similarly, is it possible that financial health of the other institutions on the list may have prevented them from being able to pay Goldman in the event of an AIG default? Does this undermine Goldman's claim that it was "fully collateralized and hedged" with regard to the risk of an AIG default, and thus demonstrate that Goldman did, in fact, receive a direct benefit from the government's assistance to AIG?
3. Will the Panel be seeking additional details about these transactions in order to evaluate Goldman's claim to have been indifferent to whether AIG went bankrupt? If so, please describe the scope of your additional requests and inform the Committee if you do not receive complete cooperation.

As I understand [Attachment 2](#), it lists a series of entities that directly benefited from government assistance through the Federal Reserve's Maiden Lane III facility, in that they received cash provided to AIG, which it owed to Goldman and which, in turn, Goldman owed them. The majority of these beneficiaries appear to be foreign entities.

4. Can you please explain how ensuring that these institutions were paid in full, rather than required to suffer the consequences of the risks that they took, benefited the U.S. taxpayer?
5. Will the Panel be seeking additional details about these transactions? If so, please describe the scope of your additional requests and inform the Committee if you do not receive complete cooperation.

Questions for Neil Barofsky, Special Inspector General, TARP

Last year it was estimated that although the TARP program itself amounted to about \$700 billion, the total government risk from other programs at the Freddie Mac, Fannie Mae, HUD, and the Federal Reserve amounted to about \$3 trillion. In the last year, this estimate has increased to \$3.7 trillion. So, we've added a whole new TARP program worth of risk in the last twelve months in the amount of \$700 billion.

1. How likely is it that taxpayers could start suffering actual losses from this \$3.7 trillion in risk?
2. What are the potential pitfalls that could cause these risks to start causing losses to taxpayers?
3. The last time you testified before the Committee, I asked you about a Wall Street investment firm named Blackrock. I understand your office is auditing or investigated potential conflicts of interest involving this company and the Public-Private Investment Program, the \$40 billion TARP program designed to buy toxic assets. As I understand it, BlackRock has a deal to work on Maiden Lane for the Federal Reserve Bank of New York as a toxic asset analyst, while a separate BlackRock company has a deal with Treasury to participate in the Public-Private Investment Program to buy toxic assets. What can you tell this Committee about the results of your investigation/review to date?
4. Your office has been investigating excessive executive severance payments to AIG executives that occurred earlier this year. I have asked you to conduct this investigation because the Treasury Special Master for Executive Compensation has been unwilling to get to the bottom of what happened. You also are investigating potential conflicts of interest within the Special Master's office. Could you please update the Committee on your progress?