

TARP Bailout Fraud: Where Did the Money Go?

Designed to Fail

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On December 8, 2008, the Senate confirmed Neil Barofsky's nomination as Troubled Asset Relief Program (TARP) watchdog. He assumed the post of SIGTARP (Special Inspector General for TARP). On July 20, 2009, he estimated the \$700 billion bailout fund could balloon to \$23.7 trillion. Obama administration secrecy conceals what's essential to reveal. Over \$9 trillion is known. Some analysts think true figures may be three times that amount. Only crooked bankers and corrupt bureaucrats know for sure.

In February 2009, Barofsky submitted an initial report to Congress. In the past two months, he said, Washington handed out hundreds of billions of dollars (like confetti) to troubled financial institutions.

Where did the money go, he asked? What assurances exist that it's not stolen or wasted?

TARP didn't require recipients to report or internally track funds used. Accountability wasn't mandated. Banks took full advantage. Instead of loans to stimulate recovery, they hoarded cash, acquired other financial institutions, paid off debt, speculated, and knew then and now there's plenty more help for the asking.

Fraud prevention standards weren't imposed. Barofsky doubts the program's longterm success.

On March 29, 2011, he headlined a [New York Times](#) op-ed "Where the Bailout Went Wrong," saying:

Two and a half years after legislation passed, Obama officials declared mission accomplished. "On my last day as the special inspector general....I regret to say that I strongly disagree."

TARP and what followed struck out. It "failed to meet some of its most important goals." Main Street was sacrificed for Wall Street.

Congress was told TARP funds would buy up to \$700 billion of mortgages. Authorizing legislation (the Emergency Economic Stabilization Act - EESA) emphasized preserving homeownership.

Treasury officials promised help. EESA mandated it. Struggling homeowners got none. Legislative provisions were violated. Treasury changed the rules. Money went to banks with no accountability or mandate to extend credit.

"There were no strings attached: no requirement or even incentive to increase lending to home buyers, and against our strong recommendation, not even a request that banks report

how they used TARP funds.”

Instead of increased lending, it declined. As inspector general, Barofsky had no enforcement power. He could only recommend. Suggested policies fell on deaf ears. Treasury and Wall Street conspired to commit grand theft. Ordinary people were hung out to dry and scammed.

Helping homeowners was shelved. The Home Affordable Modification Program (HAMP) was introduced. Obama promised four million families help. The program was “a colossal failure.”

It was designed to fail. Its provisions included no accountability. Guidelines only were provided. Banks and other mortgage services ignored them. Foreclosures mounted. Millions of homeowners were defrauded. Nothing changed to this day.

One of HAMP’s most pernicious abuses was letting servicers “direct borrowers who were current on their mortgages to start skipping payments, telling them that that would allow them to qualify for a HAMP modification,” said Barofsky.

“Homeowners who might have been able to ride out the crisis instead ended up in long trial modifications, after which servicers would deny them a permanent modification and send them an enormous ‘deficiency’ bill.”

“Borrowers who might otherwise never have missed a payment found themselves hit with whopping bills that they couldn’t pay and now faced foreclosure. It was a disaster.”

Geithner bears full responsibility. Understating problems, he admitted solutions “won’t come close” to expectations. He refused to address glaring shortfalls. He abandoned Main Street for Wall Street. He’s complicit in grand theft. He and banker cronies belong in prison.

Banks know they can steal with impunity. They’re larger and more powerful now than when crisis conditions erupted. They can speculate recklessly. They’ll be bailed whenever they get in trouble.

Treasury “ignore(d) rather than support(ed) real” reforms. Its “broken promises” turned TARP and other programs into a giant Wall Street “giveaway.”

Its “mismanagement” and criminal complicity “damaged the credibility of the government....” Conditions are so out of control that future policy makers may be unable “to save the system the next time a crisis arises.”

Perhaps that’s TARP’s “most lasting, and unfortunate, legacy.”

Barofsky’s new book [“Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street”](#) explains.

Writer/Roosevelt Institute fellow [Matthew Stoller](#) calls it “a very important” account of the financial crisis aftermath. In April 2010, Barofsky met a key adversary.

Herbert Allison formerly headed Merrill Lynch, TIAA-CREF and Fannie Mae. He came out of retirement to oversee TARP. He became Assistant Treasury Secretary for Financial Stability.

“Have you thought at all about what you’ll be doing next,” he asked. “Out there in the market, there are consequences for some of the things you’re saying and the way you’re saying them.”

Barofsky knew he was being threatened “with lifelong unemployment.” Going along instead of bucking the system assures revolving door plum positions. “It was gold or the lead,” he explained.

Cooperate and get rich. Don’t and lose out. At first, he “had no idea that the US government had been captured by” bankers. He was “shocked (at) how much control” they have over policy on their own terms. Treasury goes along deferentially. Republicans or Democrats agree on core issues.

He was hijacked and hamstrung. Too big to fail constitutes near omnipotence. Whatever Wall Street wants it gets. Contesting its power is futile.

Stoller calls “Bailout” an account of “the importance of Congressional oversight in reigning in corruption, and the problems of our imperial Presidency.”

Barofsky hoped for press and congressional attention. “Our message was simple,” he said. “Treasury’s desperate attempt to bail out Wall Street was setting the country up for potentially catastrophic losses.”

Throughout his tenure, he was obstructed. He faced road blocks, ambushes, trench warfare, and threats in trying to do his job.

On arrival at Treasury, he saw ornate large offices given top officials. He got a small, foul-smelling basement one with barred windows. He spent most of the next three years there. He wasn’t welcome unless he played ball. It’s not his style and he refused.

He explained what he saw graphically. Homeowners were abandoned and scammed. A tsunami of evictions, foreclosures, fraud, mortgage document robo-signings, blighted neighborhoods, and homelessness continues without relief.

Taxpayers got the bill. Bankers got benefits. So did lobbyists and go-along politicians. The combination of Treasury criminality, White House complicity, congressional laxity, and regulatory failure keeps the dirty game going.

Since crisis conditions erupted five years ago, ordinary people were sold out and lied to. Obama exceeded the worst Bush administration policies. Political corruption is rampant.

Barofsky’s best efforts failed. Attempts to achieve accountability, transparency, controls, and consumer protections proved no match for entrenched bureaucratic power, privilege and complicity with Wall Street.

He issued numerous reports. Geithner and other Obama officials buried them. Media scoundrels largely ignored them.

Barofsky believes Geithner, complicit officials, and Wall Street crooks should be fired and prosecuted. Don’t expect it as long as criminals run America.

Five years after crisis conditions erupted, no top Wall Street or government official faced

charges. Unaccountability is institutionalized. An eventual greater crisis looms. Unresolved problems assure it. When is anyone's guess.

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