WASHINGTON - Congressman Spencer Bachus, Ranking Member on the House Financial Services Committee, made the following statement today during the Full Committee hearing on H.R. 3068, the "TARP for Main Street Act."

"Mr. Chairman, I oppose this legislation for several reasons.

"Start with the constitution, Article One, Section 9 of the Constitution requires that all draw downs of the general fund of the Treasury must go through the appropriation process. However, this bill circumvents the appropriations process by sending funds directly from the general fund of the Treasury to the housing trust funds. That's $6.2 billion.

"According to the minority staff on the Senate Committee on Budget, the federal government has pledged more than $9.7 trillion to address our economic credit crisis, including billions for foreclosure mitigation initiatives. For instance, Treasury has committed $75 billion for loan modification and foreclosure prevention. Instead of using the TARP dividends to offset these obligations, Chairman Frank's bill spends them. The legislation also increases the federal debt.

"Any new federal commitment would come on top of our existing $10.9 trillion national debt and an estimated 2009 budget deficit of $1.8 trillion, despite the fact that the dividend provisions included were intended to make taxpayers whole for any bailouts committed. This bill obviously flies in the face of that commitment.

"Today, soaring deficits are the biggest threat to financial stability, economic recovery and job growth. Vice President Biden acknowledged that the Administration misread the economy. But their solution is to propose even more deficit spending, including potentially another multi-billion dollar ‘government' stimulus and a new $1.5 trillion government-run health care plan.

"Now we have the Chairman's new legislation to divert $6.5 billion from TARP to finance an Affordable Housing Trust Fund. Most disturbingly, this legislation would transfer $1.5 billion to the Neighborhood Stabilization Program which could be accessed by ACORN, a community group notorious for its efforts to commit voter fraud. Ironically, this approach would seem to undermine the flexibility that Treasury Secretary Geithner has indicated is necessary for

Treasury to carry out TARP's authorizing legislation, the Emergency Economic Stabilization Act (EESA). In a June 30th letter, Secretary Geithner said: "We believe that it is critical that Treasury maintain the full flexibility provided by EESA to strengthen our financial system, promote the flow of credit, and permit a rapid response to unforeseen economic threats." Yet here we are considering legislation that appears to undercut that flexibility.

"Mr. Chairman, one of the best things we can do to stabilize the credit markets and promote long-term economic growth is to restore fiscal discipline and stop the reckless government spending. Just this week Morgan Stanley's chief economist characterized our trillion dollar a year deficits as ‘America's fiscal train wreck' and offered this dire warning: ‘Soaring debt will force up real interest rates, reducing capital and productivity and boosting debt service. Not only will those factors steadily lower our standard of living, but they will imperil economic and financial stability.' This bill adds $6.5 billion to that deficit. As institutions begin to pay back their TARP assistance, we need to end the bailouts and return that money to the taxpayers thereby reducing the deficit. Republican Members of the Committee - including the gentleman from Texas, Mr. Hensarling, and the gentleman from California, Mr. McCarthy - have introduced legislation to do just that. I urge the Members of this Committee to support that legislation, not this legislation.

"Let's also be clear about the fact that, although the Capital Purchase Program may earn a small profit, the TARP program overall will not. Congress authorized $700 billion for TARP. We have received $6.7 billion in dividend payments and $70.1 billion in CPP repayments according to GAO and Treasury. However, the overall TARP program has $573 billion in outstanding commitments. And we are told the prospects are dim that taxpayers will be repaid the bulk of their investments in the auto companies-CBO has confirmed that we have already lost 70% of our initial $55 billion investment. In addition, because of uncertain economic conditions a recovery of the full amount of other loans could be problematic."