

Congressman Ron Klein

2-24-09 O & I Opening Statement

Thank you, Chairman Moore, for holding this important hearing. My constituents in South Florida are experiencing tough times, and are anxious for Congress to find solutions to get the economy going and credit flowing again. The Emergency Economic Stabilization Act of 2008, which created the TARP, was a necessary step to help stabilize financial markets during the credit crisis in September and October of 2008. Yet it is essential to hold financial institutions who have received taxpayer money accountable.

The Congressional Oversight Panel recently issued a report detailing taxpayer expenditures under the TARP. We now know that the Treasury Department overpaid by some \$78 billion in their investment in the banks receiving TARP money. My constituents are disgusted when they hear that banks that are in distress because of their own mistakes are getting bailed out while well-run small businesses in Florida are not receiving aid. It is absolutely necessary that we prevent taxpayer dollars from being wasted in this fashion again. Congress must establish the proper oversight mechanisms to make certain that taxpayer dollars are being spent in the most efficient and effective manner.

It also appears that many of the large banks that have received TARP money have not yet grasped the credit conditions at the local level. I asked the CEOs about their lending to small businesses several weeks ago when they testified before the full committee, and the response was disappointing. Mr. Lewis, the CEO of Bank of America, responded that the big banks are liquid. He said – “We want to lend money. We've got the capital. And so there's no reason to not make a good loan.” Yet South Florida businesses still struggle to find access to credit. Congress must find solutions to get money to productive, job-creating small businesses that are in desperate need of access to credit on acceptable terms.

For example, Uniweld Products in my district is a family-run manufacturing business that has been operating in Ft. Lauderdale since 1949. It is owned and operated by WWII veteran David S. Pearl and his sons, David and Douglas. Uniweld is an example of a local business fighting to stay afloat in these difficult economic times. The Pearl family employed 275 people Ft. Lauderdale, but because of the recent credit squeeze and related market conditions, they have been forced to reduce their workforce to 190. We have to start using taxpayer money, either under the TARP or some other mechanism, to ensure that businesses such as Mr. Pearl's can continue to operate. If these banks are not going to lend the money they received from taxpayers, then Congress must develop solutions to either make these banks lend to creditworthy small businesses on reasonable terms or to make them give the money back and establish alternative mechanisms to accomplish this goal.

I look forward to the testimony today and hearing how Congress can improve oversight of TARP funds to hold financial institutions accountable for the taxpayer dollars they receive and to ensure that small businesses have access to credit markets.

