

Bachus Introduces Bill to Prevent TARP Banks From Swapping Toxic Assets For Profit at Taxpayer Expense

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Congressman Spencer Bachus (AL), the top Financial Services Committee Republican, issued this statement regarding legislation he introduced to prevent TARP recipients from gaming the Public-Private Investment Program:

"If reports circulating in the financial press are accurate that financial institutions are colluding to swap assets at inflated prices using taxpayers' dollars, the bailout cycle has sunk to a new level of absurdity.

"Accordingly, I am introducing legislation today to ensure that institutions that offload their toxic assets under the Administration's new Public-Private Investment Program are prevented from gaming the system to reap taxpayer-subsidized windfalls."

NOTE: The bill, H.R. 1893, can be viewed [HERE](#).

Business Week reported that under Geithner's toxic assets bailout scheme, "A bank could effectively swap its existing portfolio of junky loans for another one very similar-only this time limiting the downside by using government loans and guarantees. The bank would auction off its loans to a public-private partnership. Then, using a portion of the auction proceeds, it would set up a different public-private partnership that would of course have access to government loan guarantees and matching funds. The bank would use the new partnership to buy a portfolio of similar problem assets twice the size of its old portfolio. The bank would then split any gains from the new portfolio 50-50 with the feds-but risk no more than the sliver of equity it contributed to the deal."