

**HOUSE COMMITTEE ON
OVERSIGHT & GOVERNMENT REFORM**

**OPENING STATEMENT OF
CHAIRMAN EDOLPHUS TOWNS**

**Hearing: “Bank of America and Merrill Lynch: How Did
a Private Deal Turn Into a Federal Bailout?” (Part 3)**

July 16, 2009

Good morning and thank you for being here.

Today we are continuing our investigation of Bank of America’s acquisition of Merrill Lynch.

When we held our first hearing on this merger, I called it a shotgun wedding. Now, it looks like a marriage of convenience. Ken Lewis got what he wanted, and the Treasury and Fed got what they wanted. All of this happened against a backdrop of unchecked government power, with no transparency or accountability.

Ken Lewis appears to have manipulated this unaccountable system to his benefit.

He started this bailout in motion when he made the first phone call to Mr. Paulson that got the government involved. He got the Treasury to cough up 20 billion dollars of taxpayer money to help finance his merger. He never had to disclose \$12 billion in Merrill Lynch losses to investors until it was over. He never had to ask the shareholders to reconsider the transaction. In the end, Mr. Lewis got everything he wanted.

Mr. Paulson and Mr. Bernanke also got what they wanted out of this marriage. They got an uninterrupted merger that they believed helped to stabilize the market.

The problem is that while all of this was going on, the American people, investors, and the Congress were kept in the dark. There was no oversight to determine whether this arrangement made sense. In my view, this is unacceptable and must be prevented from happening again.

That being said, significant issues need to be resolved today.

Was Bank of America really forced to go through with the deal, or was this just an old fashioned shakedown?

Did Ken Lewis threaten to back out of the deal in order to squeeze more money out of the Federal government?

If Mr. Paulson believed that Ken Lewis had demonstrated a “colossal lack of judgment”, why did he and Mr. Bernanke leave Lewis in charge of Bank of America?

Did government officials tell Ken Lewis to keep quiet about the escalating losses at Merrill Lynch and the government’s commitment to provide billions in Federal funding?

Did Congress make a mistake in conferring broad authority on the Fed and Treasury in October 2008 when the TARP fund program was created?

Should Congress have required more accountability, transparency, and checks and balances in the operation of the TARP fund?

Perhaps Mr. Paulson will help us shed some further light on this transaction and these questions.

I look forward to his testimony this morning.

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