

## Bailout Watchdog Probes Suspected TARP Fraud at 64 Banks

Article By:

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The government watchdog charged with overseeing the \$700 billion bank bailout fund is claiming broad success in cracking down on individual and institutions that tried to misuse the money.

Neil Barofsky, the special inspector general of the controversial Troubled Asset Relief Program (TARP), told the Center for Public Integrity that his office is conducting 142 ongoing criminal and civil investigations, many in partnership with other law enforcement agencies.

In the past two years, the watchdog has recovered \$152 million in stolen assets and saved another \$555 million through fraud prevention. Barofsky said his office is investigating the potential fraudulent use of TARP money at 64 separate financial institutions, which he said ranged in size from small banks to big ones.

But for the most part, Barofsky won't say who he is investigating, for what crimes, or when charges might be filed. Nor would he comment on broader criticisms leveled at federal authorities for failing to bring the architects of the financial collapse to justice.

"I understand that criticism that people want to see more people put in jail and locked up for these crimes," he said. "In the TARP world I think we are doing a good job... These cases take time."

Barofsky discussed his TARP investigations and what he described as a "doomsday cycle of boom, bust, and bailout" spawned by assistance to mega-banks in a [wide-ranging videotaped interview](#) with the Center on Tuesday. On Wednesday, he testified about his latest [quarterly report](#) to Congress at a House Oversight and Government Reform Committee [hearing](#).

Barofsky's most prominent public investigation led to civil securities fraud charges last year by former New York Attorney General Andrew Cuomo against Bank of America Corp. former chief executive officer Ken Lewis for failing to disclose to shareholders major losses at Merrill Lynch. The [complaint](#) alleges that the bank and its officers hid losses at Merrill in order to complete the 2008 merger of the two institutions, and that the defendants also lied to the government to obtain tens of millions of dollars in TARP funds.

That case is pending in New York state court. Barofsky declined to comment on the status of the

case.

Critics of the bailout program failed to recognize that TARP likely prevented a major financial collapse, and that the cost to taxpayers, now an estimated \$25 billion, is far less than originally projected, he said. The program was created in the final months of the Bush administration in late 2008, and has been largely carried out by the Obama administration.

Barofsky also claims success in investigating TARP recipients that fraudulently obtained or misused the money. For example, he said that he expects overall level of fraud in the program to be less than what some federal authorities initially projected.

“I expect this program to be far below what you usually expect in a government-run program,” he said. “I’ve seen FBI estimates that were anywhere from 8 to 12 percent. And I don’t think we are going to come close.”

The watchdog’s latest quarterly report says TARP investigations had led to civil or criminal actions against 45 individuals, including 22 senior bank officers. The examples cited in the report mostly involve fraud at smaller banks.

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