Geithner urges bailout reforms, apologizes on taxes
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* Geithner vows to overhaul financial rescue program
* Treasury nominee apologizes for tax "mistakes"

* Nominee: Obama to lay out financial plan within weeks

(Recasts; adds quotes, background)

By Mark Felsenthal and David Lawder

WASHINGTON (Reuters) - U.S. Treasury Secretary-nominee Timothy Geithner Wednesday said the government's response to the financial crisis would be made in the coming weeks and he apologized for "careless mistakes" in underpaying taxes.

Appearing before a Senate panel that is considering his nomination, Geithner said President Barack Obama would lay out a comprehensive plan to stabilize banks, housing and consumer credit markets and municipal finance in the next few weeks to lay a foundation for economic recovery.

"He's going to lay out a comprehensive plan for addressing the housing crisis in this country which has been so central to the recession and its basic causes," Geithner told the Senate Finance Committee.

Geithner offered few details on the approach Obama, who took office Tuesday, was likely to take, but he said the new administration needed to act with "the strength, speed and care necessary to get our economy back on track."

U.S. stocks rose in choppy trade, with some traders noting the persistent questioning of Geithner's tax problems and others saying investors were disappointed that he said Obama's economic plan could take weeks to be laid.

Stocks had dropped sharply Tuesday, as bank shares were hammered over concerns about mounting losses and fears that the international banking crisis was out of control.

"Geithner said Obama's economic plan will come in the 'next few weeks' and I think people are hoping for an immediate package now but the fear is that it could take it could take two to three months," said Bret Barker, portfolio manager at Metropolitan West Asset Management in Los Angeles.

Geithner, currently president of the New York Federal Reserve Bank, said it was possible the administration could establish a "bad bank" to soak up toxic assets held by banks that are
discouraging from lending. "It is possible that something there will be part of the solution going forward," he said.

PUBLIC APOLOGY

While he is widely expected to win Senate confirmation, Geithner faced sharp questioning over his failure to pay some taxes when he worked for the International Monetary Fund earlier this decade.

The committee is expected to vote on his nomination Thursday, clearing the way for approval by the full Senate by the end of the week.

"You're going to be confirmed," Republican Sen. Pat Roberts of Kansas predicted.

The disclosure last week that Geithner underpaid self-employment taxes by around $34,000 has cast a cloud over his nomination. The errors, since corrected, were seen as particularly problematic because the Treasury oversees the Internal Revenue Service, the nation's tax collection agency.

"These were careless mistakes. They were avoidable mistakes. But they were unintentional," Geithner said. I want to apologize to the committee for putting you in the position of having to spend so much time on these issues."

Many of the lawmakers grilling Geithner said he was well qualified for the top Treasury post and showed little appetite for sinking his nomination at a time of crisis.

"Certainly we saw an initial (market) rebound this morning with hope that indeed Mr. Geithner was going to be confirmed," said David Dietze, chief investment strategist with Point View Financial Services in Summit, New Jersey.

"Basically that is what Wall Street wants because his learning curve is the most horizontal of the candidates out there. The endorsement by Paul Volcker, considered the senior statesman by all bankers throughout the world is considered meaningful.

BAILOUT PROGRAM REFORM

Geithner told lawmakers, many of whom are upset at how the government's $700 billion financial rescue program has been run, that the Obama administration would require banks receiving government money to document increased lending.

"We have to fundamentally reform this program to ensure that there is enough credit available to support recovery," he said.

Geithner pledged measures to ensure credit flows to consumers and businesses, but stopped short of offering specifics on how that might be done.
Deteriorating credit quality has hamstrung banks' ability to lend and attract private capital, and Geithner said the administration was carefully reviewing options.

"My personal view is that for us to get through this, and for us to make sure the recovery is supported by the flow of credit which is vital, is that we're going to have to do more to make sure that institutions at the core of our system are strong enough that they can lend," he said.

He also said the government would have to provide more direct support for credit markets to support small businesses, car loans, student loans and commercial real estate finance to get those markets working again.

As the head of the New York Fed, Geithner has been a key participant in government efforts to prop up financial markets and played a central role in decisions to organize an orderly sale of failing investment bank Bear Stearns and to shield insurer American International Group from collapse. (Additional reporting by Alister Bull, Lucia Mutikani, Emily Kaiser and Nancy Waitz; Editing by Leslie Adler)

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