OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW
WASHINGTON, D.C. 20220

April 8, 2020

Secretary Steven Mnuchin
Office of the Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Mnuchin:

I am recommending that Treasury put to better use all remaining $685 million in the Hardest Hit Fund, to be used for HHF's traditional form of assistance – mortgage assistance related to unemployment – including the significant recent unemployment caused by the coronavirus. I am also recommending that Treasury expand HHF by any amounts that will be unspent in TARP's HAMP program for that same purpose, given that Treasury has deobligated $4.3 billion in that program in the last two years. These measures, if done with urgency, will assist unemployed homeowners, lenders, and communities, when it is most needed.

As of Treasury's latest public reporting, the Hardest Hit Fund has $685 million available. HHF has traditionally provided mortgage assistance for unemployed homeowners in 19 states (Alabama, Arizona, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, and Washington, D.C.) directly to the homeowner's lender. As unemployment improved, Treasury began allowing state agencies to shift some remaining funds to blight demolition and down payment assistance for first time homeowners. While those are still important areas, there is immediate significant unemployment. Treasury could allocate some amount for administrative costs, keeping that cost under 8%, which is a reasonable amount based on past reporting of administrative cost percentages in HHF and the urgent need.

Accordingly, SIGTARP recommends:

Treasury act with urgency to put to better use the remaining $685 million in unspent Hardest Hit Funds (as of Treasury's latest reporting), for HHF's traditional form of assistance – unemployment mortgage assistance – in light of significant recent unemployment. Treasury should keep administrative costs to be paid from these funds under 8%.

Additionally, in 2019 and 2018, Treasury deobligated $4.3 billion from TARP’s Making Home Affordable program, including the HAMP program ($304 million in fiscal year 2019 and $4 billion in fiscal year 2018). Rather, than deobligate additional funds, Treasury should shift the funds to the Hardest Hit Fund. If it needs Congressional authority to do so, Treasury could seek it out. This is not unprecedented. In the fiscal year 2016 appropriations law, Congress shifted $2 billion in expected unspent funds from HAMP to the Hardest Hit Fund.

Accordingly, SIGTARP recommends:

Treasury act with urgency to put to better use all funds from the Making Home Affordable program (including HAMP) that are, or will be in the future, estimated to be unspent, shifting the funds to the Hardest Hit Fund to be solely used for unemployment mortgage assistance in light of significant recent unemployment. Treasury should keep administrative costs to be paid from these funds under 8%.

I am available to answer any questions.

Respectfully,

CHRISTY GOLDSMITH ROMERO
Special Inspector General

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 14, 2020

The Honorable Christy Goldsmith Romero
Special Inspector General
for the Troubled Asset Relief Program
1801 L Street, NW, 4th Floor
Washington, DC 20036

Re: SIGTARP Recommendations Regarding the Hardest Hit Fund and Deobligated Funds from Making Home Affordable

Dear Ms. Romero:

I write in response to your April 8, 2020 letter, which sets forth two recommendations from the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) regarding potential uses and expansion of the Hardest Hit Fund (HHF) Program to address the "significant recent unemployment caused by the coronavirus." We share SIGTARP's concern for those who have lost employment due to the current pandemic, and we note that Treasury is working diligently to implement a number of provisions of the recently passed Coronavirus Aid, Relief, and Economic Security Act in order to get much-needed relief to millions of Americans and businesses as quickly as possible.

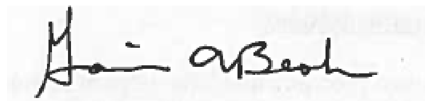
Taking each recommendation in turn, SIGTARP first calls for Treasury to put unspent HHF funds toward unemployment mortgage assistance programs. The HHF program is nearly concluded and, as of December 31, 2019, only $150 million remains unspent out of the $9.6 billion allocated to the program. On the week of April 6, 2020, we provided information to your staff regarding program changes that Treasury had recently approved for Indiana, Kentucky, Mississippi, and Nevada that are intended to assist homeowners experiencing financial hardships due to the coronavirus pandemic. We also informed SIGTARP that several other states are considering how their programs can assist homeowners impacted by the coronavirus pandemic. We are in close contact with the HHF states and will continue to work diligently with them as they determine the most appropriate use of the limited remaining funds for their locally tailored programs.

Second, SIGTARP recommends that Treasury use all funds from the Making Home Affordable (MHA) program "that are, or will be in the future, estimated to be unspent, shifting the funds to the Hardest Hit Fund." But, as SIGTARP also appears to acknowledge, Treasury does not have the statutory authority to "shift" funds from MHA to HHF. Indeed, such action would require an act of Congress.

* * *

Please feel free to contact Treasury's Office of Financial Stability at (202) 622-4421 if you have any questions about this letter.

Sincerely,



Gavin Beske
Deputy Assistant Secretary for Community and Economic Development