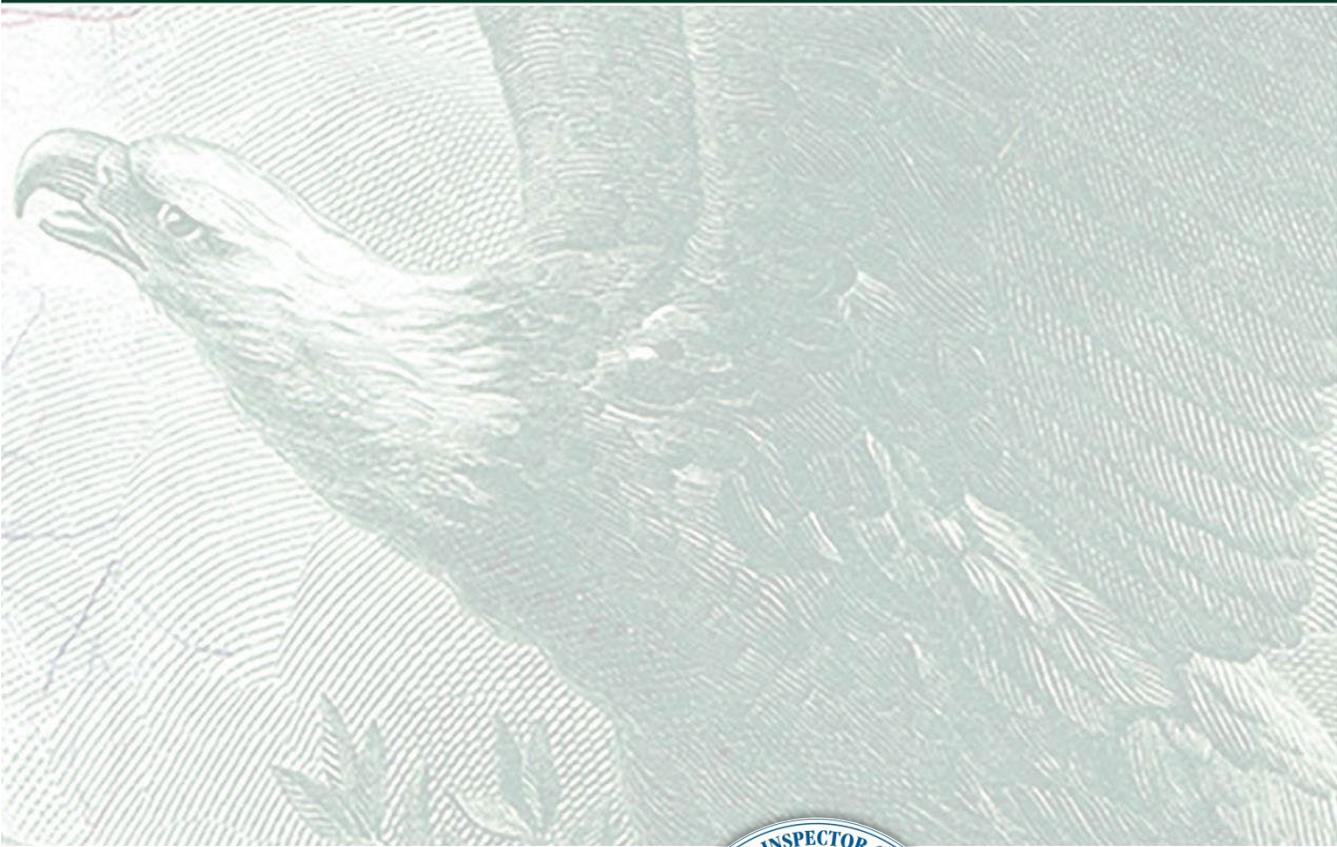




Evaluation Report

Analysis of SIGTARP's Issued HAMP and HHF Recommendations



SIGTARP



OFFICE OF THE SPECIAL
INSPECTOR GENERAL FOR
THE TROUBLED ASSET
RELIEF PROGRAM



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

March 31, 2023

MEMORANDUM FOR: The Honorable Janet L. Yellen – Secretary of the Treasury

FROM: Ms. Melissa Bruce – Principal Deputy Special Inspector General,
Performing the Duties of the Special Inspector General for the
Troubled Asset Relief Program

SUBJECT: Analysis of SIGTARP's HAMP and HHF Recommendations
(SIGTARP-23-001)

The Home Affordable Modification Program (HAMP) and the Hardest Hit Fund (HHF) are two of the largest housing programs Treasury implemented under the Emergency Economic Stabilization Act of 2008 (EESA). Both programs were created to help families keep their homes and stabilize communities in the wake of the 2007-2008 financial crisis. As part of its oversight of EESA, SIGTARP has issued multiple audit and evaluation reports and other products on HAMP and HHF. These reports and products included numerous findings and recommendations to Treasury that aimed to improve the efficiency and effectiveness of the two programs; enhance transparency and accountability; and reduce the risk of fraud, waste, and abuse.

The objectives for this evaluation were to summarize the findings and recommendations SIGTARP made in its reports and other products on HHF and HAMP, to assess the status of the recommendations, and to identify lessons learned for ongoing and future housing programs.¹

SIGTARP's products identified findings that led to 285 recommendations on the HHF (221) and HAMP (64) programs. SIGTARP organized its recommendations by three categories including (1) promote economy, efficiency, and effectiveness of the programs; (2) prevent and detect fraud, waste, and abuse; and (3) promote transparency and accountability. Nearly 50% of the recommendations aimed to promote economy, efficiency, and effectiveness of HHF and HAMP, while 40% of the recommendations sought to prevent and detect fraud, waste, and abuse.

¹ SIGTARP conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.



Treasury fully implemented 98, or 34 percent, of SIGTARP's recommendations and partially implemented 105, or 37 percent. Treasury's implementation of these recommendations resulted in program changes that enabled more eligible struggling homeowners to receive much needed assistance, recoveries of wasted program funds, and greater protections from fraud, waste, and abuse. Almost 30 percent of SIGTARP's recommendations remain unimplemented, representing missed opportunities to further enhance the programs and lessons learned for future housing and federal programs.

SIGTARP reviewed Treasury's comments on a draft of this report and made changes to the report, as appropriate. We appreciate the courtesies extended to our staff.



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Background

SIGTARP's mission is to prevent and detect fraud, waste, and abuse in the more than \$442 billion in Emergency Economic Stabilization Act of 2008 (EESA) funds and \$2 billion appropriated through the Consolidated Appropriations Act of 2016, and to promote economy, efficiency, effectiveness, and accountability of the economic stability programs implemented with these funds. SIGTARP was created by EESA and has the duty, among other things, to conduct, supervise, and coordinate audits and investigations of the purchase, management, and sale of assets under the Troubled Asset Relief Program (TARP). In addition, SIGTARP's mission is to advance the goal of economic stability through transparency, coordinated oversight, and robust enforcement, thereby being a voice for, and protecting the interests of those who fund the TARP programs — i.e., the American taxpayers. The Audit and Evaluation Division designs and conducts program audits, evaluations, or other projects with respect to the Department of the Treasury's (Treasury) operation of TARP and compliance by state agencies and recipients with their obligations under relevant laws and contracts.

A particular focus of the Audit and Evaluation Division is to ensure that appropriate internal controls are in place and are complied with, both by Treasury in its management of TARP and by the recipients of TARP funds. Where controls or compliance are found to be lacking, or where particular aspects or policies are found to be ineffective at reaching TARP's goals, the Audit and Evaluation Division assists the Special Inspector General in issuing recommendations to resolve such issues. One of SIGTARP's responsibilities is to provide recommendations to Treasury so that TARP programs can be designed or modified to facilitate transparency and effective oversight and prevent fraud, waste, and abuse. SIGTARP's audits ensure that EESA programs are operating effectively and efficiently, that federal dollars are used as Congress intended, and that the government does not pay more for EESA programs than is necessary. SIGTARP's Audit and Evaluation Division also issues products, including evaluations and alert letters in its oversight efforts.

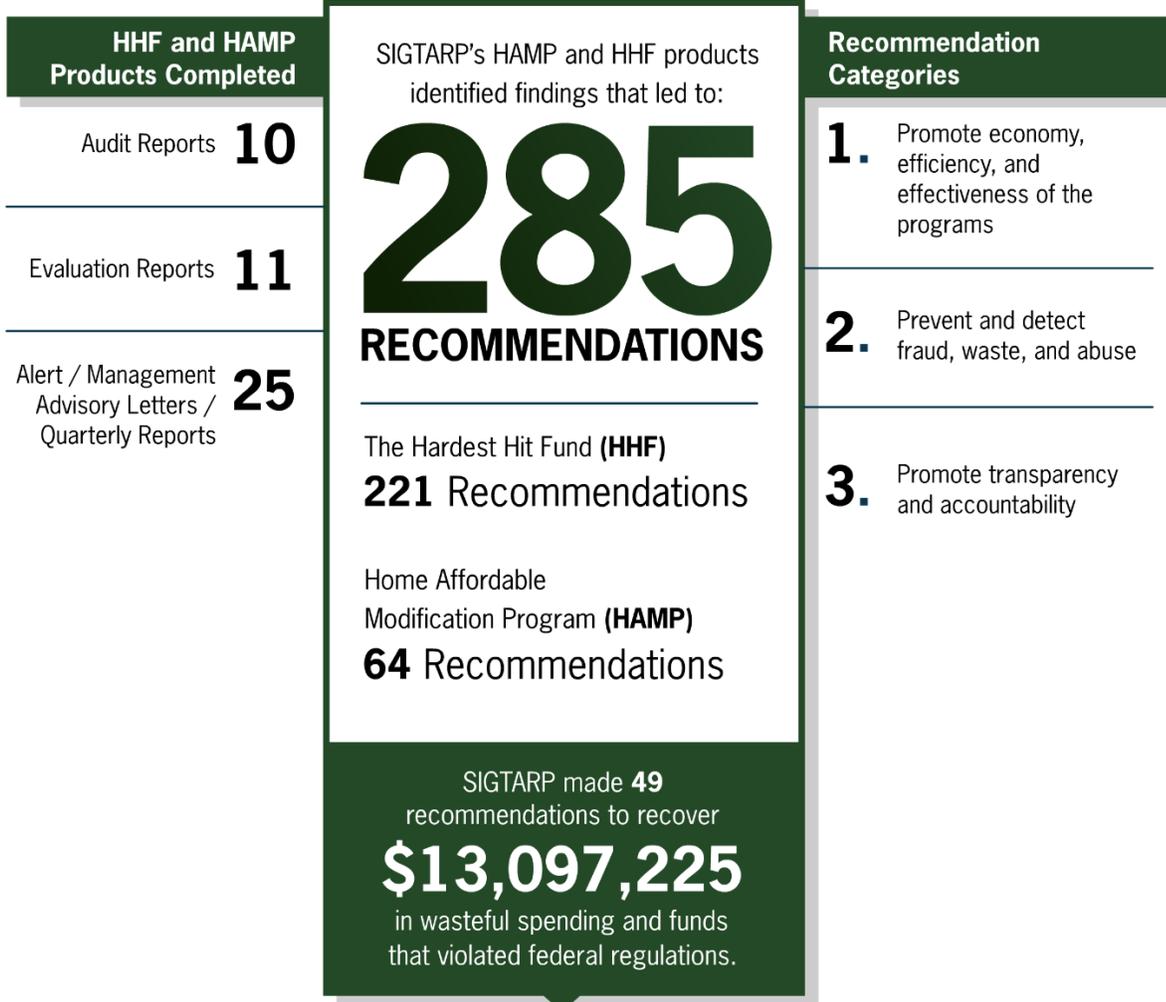
Since its creation in 2008, SIGTARP has issued 46 reports and other products examining the Hardest Hit Fund (HHF) and the Home Affordable Modification Program (HAMP), the two largest EESA housing programs. In February 2009, Treasury announced several home preservation initiatives under the Making Home Affordable program (MHA), including HAMP. HAMP's goal is to prevent avoidable foreclosures for at-risk homeowners by modifying their mortgages to be more affordable and sustainable. In early 2010, homeowners still faced a housing market under significant stress related to the foreclosure crisis. On February 19, 2010, Treasury announced the HHF. Under HHF, 19 state housing agencies developed tailored housing programs, approved and funded by Treasury, to help families stay in their homes and stabilize communities in states that were hit the hardest by the crisis.

SIGTARP's objectives for this evaluation were to summarize the findings and recommendations it made in its reports and other products on HHF and HAMP, to assess

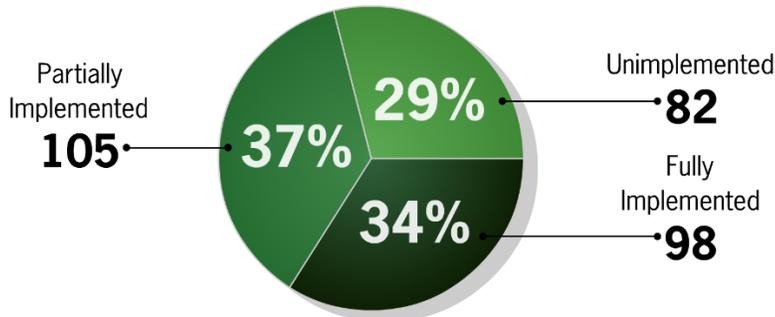


the status of the recommendations, and to identify lessons learned for ongoing and future housing programs.²

Audit and Evaluations at a Glance



Recommendation Outcomes



Source: Analysis of SIGTARP issued HAMP and HHF recommendations through September 2022

² For a discussion of the evaluation's objectives, scope, and methodology, see Appendix A.



SIGTARP's Recommendations to Treasury

SIGTARP's products identified findings that led to 285 recommendations on the HHF (221) and HAMP (64) programs. SIGTARP organized its recommendations by three categories including (1) promote economy, efficiency, and effectiveness of the programs; (2) prevent and detect fraud, waste, and abuse; and (3) promote transparency and accountability. Nearly 50% of the recommendations aimed to promote economy, efficiency, and effectiveness of HHF and HAMP, while 40% of the recommendations sought to prevent and detect fraud, waste, and abuse. The remaining recommendations were intended to promote transparency and accountability. SIGTARP further organized recommendations by themes within each category. These themes provided further context for the recommendations. The graph below displays the number of recommendations for each category and theme.

Figure 1. SIGTARP HAMP and HHF Recommendation by Categories and Themes.

Promote Economy, Efficiency, and Effectiveness

HHF Total: 95 MHA Total: 42 Total: 137



Prevent and Detect Fraud, Waste, and Abuse

HHF Total: 109 MHA Total: 4 Total: 113



Promote Transparency and Accountability

HHF Total: 17 MHA Total: 18 Total: 35



HHF: 221 MHA: 64 GRAND TOTAL: 285

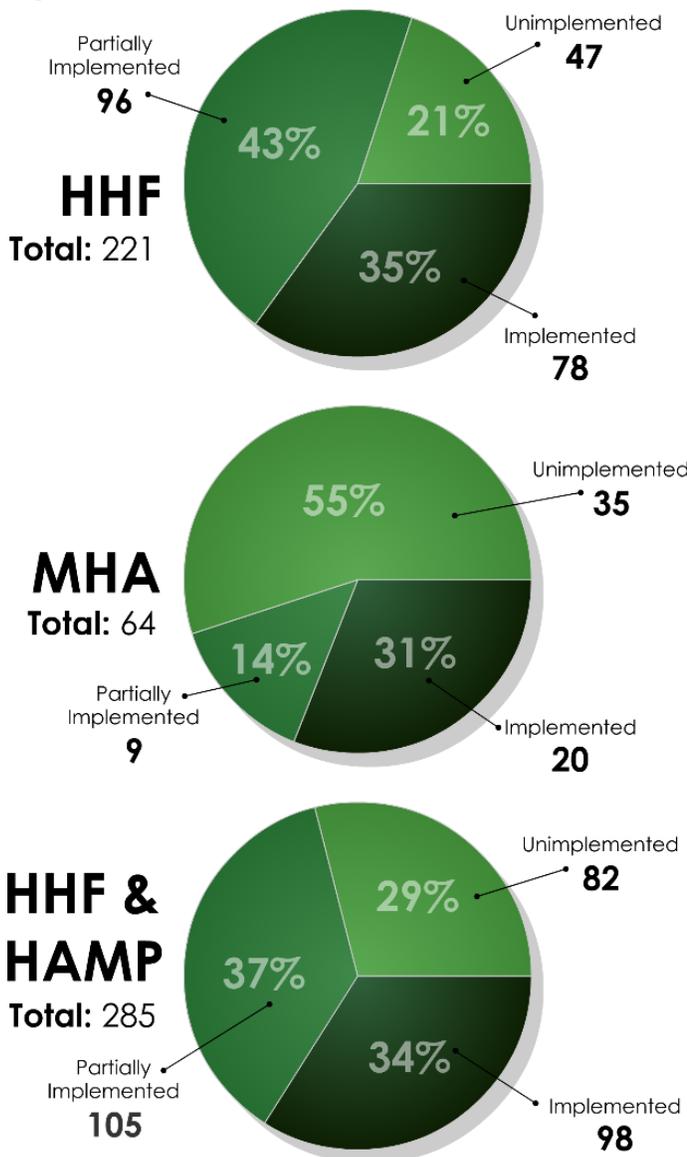
Source: Analysis of SIGTARP issued HAMP and HHF recommendations through September 2022



Treasury Fully or Partially Implemented Over 70% of SIGTARP's Recommendations

Treasury fully implemented 98, or 34%, of SIGTARP's recommendations and partially implemented 105, or 37%. Treasury's implementation of these recommendations resulted in program changes that enabled more eligible struggling homeowners to receive much needed assistance, recoveries of wasted program funds, and greater protections from fraud, waste, and abuse. SIGTARP determined a recommendation fully implemented when corrective action was made to address the recommendation. Twenty-nine percent of SIGTARP recommendations were unimplemented.

Figure 2. Status of SIGTARP HAMP and HHF Recommendations.



Source: Analysis of SIGTARP issued HAMP and HHF recommendations through September 2022



Top Implemented Recommendations

- **Program Eligibility Revisions to Assist Additional Homeowners:** SIGTARP identified challenges within the housing programs that limited the number of eligible homeowners receiving assistance. These challenges included restrictive eligibility requirements and a cumbersome application process. For example, SIGTARP recommended that the Georgia Housing Finance Agency (HFA) revise its HHF program to accept tax returns rather than tax transcripts; extend the hardship date back to 2008; and remove the 90-day mortgage delinquency requirement. SIGTARP also recommended eliminating the criteria that underwater homeowners who owe more than their house is worth (also called “negative equity”) cannot be more than 90 days delinquent. Treasury and the Georgia HFA implemented these recommendations to modify the HHF program.
- **Putting to Better Use \$685 Million of Available Funds:** In April 2020, considering the COVID-19 pandemic, SIGTARP recommended Treasury put to better use the remaining \$685 million of HHF, such as, for unemployment mortgage assistance. In response, Treasury extended the HHF program underwriting deadline by six months and approved Indiana, Kentucky, Mississippi, and Nevada to reopen HHF programs and continue assisting homeowners. Treasury’s efforts helped approximately 12,000 additional homeowners stay in their homes and avoid the effects of foreclosures.
- **Recovery of Funds Related to Waste and Abuse:** SIGTARP’s products identified waste and abuse in the HHF program. Examples of wasteful practices included using TARP funds for holiday parties at a casino and country club, company picnics, gift certificates for movies and restaurants, and employee cash bonuses. SIGTARP made 49 recommendations to recover \$13,097,225 in wasteful spending and funds that violated federal regulations. Treasury agreed to recover amounts expended in violation of HHF program requirements; however, only recovered \$1,072,986.³
- **Ensuring Blight Funds are Fair and Reasonable:** SIGTARP found that Treasury had no requirement that Federal funds would only cover costs related to blight elimination activities that are necessary and reasonable. SIGTARP recommended that Treasury require HFAs involved in HHF blight elimination to conduct and provide a written analysis of what demolition and other related costs were necessary and reasonable. In response to the recommendation, Treasury issued guidance requiring states to document their practices for ensuring that HHF funds are only used for costs that are both necessary and reasonable for blight elimination activities.

³ Treasury stated that the unrecovered funds complied with federal cost principles for administrative expenses; however, SIGTARP disagrees.



- **Full and Open Competition Blight Contracting:** SIGTARP found that the lack of a Federal requirement for full and open competition in the HHF Blight Elimination Program made the program vulnerable to fraud, waste, and abuse. SIGTARP recommended that Treasury require full and open competition for the hundreds of millions of TARP dollars available in the HHF for blight elimination, and make that requirement pass through the layers of funding and reimbursement. Treasury noted that most states document a policy for use of full and open competition in the awarding of contracts for demolition and other blight elimination activities funded through HHF, including by program partners.
- **Ensuring Property Vacancy Prior to Demolition:** SIGTARP found that Indiana's HFA selected and approved lived-in homes and used TARP funds to reimburse their demolition. SIGTARP recommended that Treasury direct state HFAs that they should not allow the HHF to be used strategically to select lived-in residences for demolition and should instead be used solely to select vacant properties for demolition. Treasury issued guidance requiring that properties not be legally occupied at the time of review or approval by the HFA for blight elimination under HHF.
- **Developing HAMP Early Warning Detection:** SIGTARP identified that Treasury does not require servicers to flag and proactively reach out to homeowners who are more likely to redefault and work to prevent them from redefaulting on their HAMP permanent modification. SIGTARP recommended that Treasury should require servicers to develop and use an "early warning system" to identify and reach out to homeowners who may be at risk of redefaulting on a HAMP mortgage modification. Treasury agreed with this recommendation and required that servicers contact homeowners regarding delinquencies.
- **Fraud Awareness Updates on the HAMP Website:** To educate homeowners and help them avoid becoming victims to mortgage modification fraud, SIGTARP recommended that Treasury prominently display all of the information contained in the Consumer Fraud Alert "Tips for Avoiding Mortgage Modification Scams" on the home page of websites related to HAMP. Treasury immediately added a link from MHA's webpage to a page containing information from the SIGTARP/Consumer Financial Protection Bureau (CFPB)/Treasury "Tips for Avoiding Mortgage Modification Scams." Treasury also added a similar alert page on the housing section of FinancialStability.gov. Furthermore, Treasury added a prominent "Consumer Fraud Alert" on the MHA homepage in the rotator box.
- **Informing the Public about HAMP Fraud:** SIGTARP recommended that Treasury proactively educate homeowners about the nature of the program, warn them about potential predators, and publicize that no fee is necessary to participate in the program. Treasury took important actions to educate homeowners about MHA. First, the MHA website prominently featured fraud



warnings. Also, the Treasury Secretary, along with other executives, announced a coordinated and detailed outreach effort to educate homeowners about the dangers of such fraud, as well as efforts to detect and prosecute scams.

- **HHF Blight Environmental Safeguards:** SIGTARP's work with the U.S. Army Corps of Engineers identified environmental and safety risks and failure to follow industry best practices that could put residents of Flint, Michigan and other cities at risk of exposure to hazardous materials and other harm. SIGTARP recommended Treasury and state HFAs (1) ensure the proper removal and storage of asbestos and other hazardous material; (2) fill in demolition holes with only clean soil from approved sources; and (3) install safeguards by determining technical requirements to require that all materials removed are disposed at an appropriate waste or recycling facility. These recommendations were implemented by the Michigan HFA and Treasury worked with the U.S. Environmental Protection Agency to advise the state agencies on best practices.
- **HHF Blight Internal Control Updates:** SIGTARP found that Treasury did not assess the new potential risks specific to the HHF Blight Elimination Program. SIGTARP recommended that Treasury assess in writing all potential risks associated with demolition and other blight elimination activities under HHF. Treasury enhanced its guidance to states regarding the internal controls that states must maintain for HHF programs. The guidance identified key risks associated with state HHF programs, including blight elimination programs, and described controls to mitigate such risks. Among other things, the revised guidance strengthened controls designed to detect and remediate inappropriate or illegal behavior, potential fraudulent activities, or conflicts of interest.



Treasury Missed Opportunities to Further Enhance HHF and HAMP

Almost 30 percent of SIGTARP's recommendations remain unimplemented, representing missed opportunities to further enhance the programs and lessons learned for future housing and federal programs. SIGTARP found areas of improvement for the TARP housing programs that Treasury failed to act upon and recommendations related to those areas remain unimplemented. For example, SIGTARP made recommendations to develop performance targets, improve program transparency, and improve its program oversight.

Missed Opportunities

- **Treasury Missed Opportunities for Developing Performance Targets and Metrics:** SIGTARP identified that Treasury collects housing program data; however, they do not provide performance metrics to measure program success. The U.S. Government Accountability Office's (GAO) Internal Control Standards calls for management to set objectives to meet the entity's mission, strategic plan, and goals. Management should define the objectives in specific and measurable terms to enable management to identify, analyze, and respond to risks related to achieving those objectives, and assess performance toward achieving those objectives. In many cases, Treasury did not follow this guidance.
 - SIGTARP recommended Treasury set meaningful and measurable performance goals for the HHF program including, at a minimum, the number of homeowners Treasury estimates will be helped by the program and measure the program's progress against those goals. Also, Treasury should set milestones at which the state HFA must review the progress of individual state HHF programs and make program adjustments from this review. Treasury stated that they believe establishing static numeric targets is not well suited for the dynamic nature of HHF.
 - SIGTARP recommended Treasury develop measurable objectives and metrics to assess HAMP's performance in meeting its goal of preventing avoidable foreclosures by modifying mortgages to be more affordable and sustainable. Treasury stated that they have been publicly reporting on various program areas including the number of borrowers who successfully completed trial modifications and entered permanent modifications. However, Treasury added that setting a numerical benchmark that would constitute success for HAMP as a program (e.g., a target for the number of permanent modifications, or a target for delinquency rates), would not be a useful exercise for the program at the time of the recommendation.



- **Treasury Missed Opportunities to Enhance its Oversight Efforts:** SIGTARP identified that Treasury's oversight of the TARP housing programs could be strengthened. Treasury worked with state HFAs and their program partners to implement the HHF program. Treasury also worked with mortgage servicers, Fannie Mae, and Freddie Mac to implement the HAMP program. SIGTARP's audit products found that state HFAs needed greater Treasury oversight to improve the HHF program's ability to assist homeowners. Also, the HAMP program struggled to reach homeowners.
 - SIGTARP recommended Treasury increase its oversight by holding its servicer summit with the 19 HHF states on a bi-annual, instead of an annual, basis to keep proactively apprised of the obstacles and limitations the HHF states are experiencing. This recommendation was based on state HFAs that struggled to initially launch HHF programs due to the lack of mortgage servicer participation. SIGTARP found this delay was caused by a lack of comprehensive planning by Treasury that led to delays and limitations in participation in the program by large servicers and the Government Sponsored Enterprises (Fannie Mae and Freddie Mac). Treasury replied stating they believed this would hamper progress and slow the pace of assistance by substantially increasing the administrative burden to operate these programs.
 - SIGTARP recommended Treasury ensure that all servicers participating in MHA comply with program requirements by vigorously enforcing the terms of the servicer participation agreements, including using all financial remedies such as withholding, permanently reducing, and clawing back incentives for servicers who fail to perform at an acceptable level. SIGTARP found that HAMP was struggling to reach homeowners and homeowners were frustrated with the performance of HAMP mortgage servicers. In response, Treasury did not fully implement this recommendation stating that it has "succeeded in improving servicer performance" with non-financial remedies and withholding payments from two servicers.
- **Treasury Missed Opportunities to Increase Program Transparency and Reporting:** SIGTARP found Treasury captured TARP housing program data; however, it did not report several data points. The GAO Standards for Internal Control in the Federal Government emphasizes the importance of communicating quality information to external parties, including regulators and the public, throughout the lifecycle of a program. In its fiscal year 2020 Agency Financial Report on EESA, Treasury committed to "operating with the highest possible standards of transparency, accountability, and integrity" and "operating its investments and housing programs in full view of the public."



- SIGTARP recommended Treasury keep itself informed and gain insight of critical activities taking place under HHF blight elimination by requiring reporting on program activity (e.g., location of demolitions and identities of program partners). SIGTARP determined that Treasury required very little reporting on HHF blight demolition activity. Treasury's response to this recommendation did not address the specifics of reporting on the Blight Elimination Program.
- SIGTARP recommended that Treasury should publicly report on its oversight of HAMP mortgage servicers, including, at a minimum, any Treasury response to enforcement actions and Treasury findings and action taken in compliance reviews. SIGTARP reviewed Treasury's compliance reports and found that mortgage servicers (1) wrongfully redefaulted homeowners out of HAMP, (2) wrongfully labeled current homeowners as delinquent, and (3) incorrectly set mortgage payments too high. Treasury disagreed with this recommendation saying this would undermine its compliance reviews.



Conclusion

Since its creation in 2008, SIGTARP has issued over 46 reports and other products examining HHF and HAMP, the two largest TARP housing programs. HAMP's goal is to prevent avoidable foreclosures for at-risk homeowners by modifying their mortgages to be more affordable and sustainable. The HHF's goal is to help families stay in their homes and stabilize communities in states that were hit the hardest by the housing crisis. One of SIGTARP's responsibilities is to provide recommendations to Treasury so that TARP programs can be designed or modified to facilitate transparency and effective oversight and to prevent fraud, waste, and abuse. SIGTARP's reports ensure that EESA programs are operating effectively and efficiently, that federal dollars are used as Congress intended, and that the government does not pay more for EESA than is necessary. The Audit and Evaluation Division reviewed the HAMP and HHF programs to ensure that appropriate internal controls were in place and complied with, both by Treasury in its management of TARP and by the recipients of TARP funds.

SIGTARP's products included 285 recommendations on the HHF and HAMP programs. 221 recommendations were issued on HHF, and 64 recommendations were issued on HAMP. SIGTARP organized its recommendations by three categories including enhance the efficiency and effectiveness of the programs; prevent fraud, waste, and abuse; and promote transparency and accountability. Nearly 50% of the SIGTARP issued recommendations aimed to promote economy, efficiency, and effectiveness of HHF and HAMP, while 40% of the recommendations sought to prevent and detect fraud, waste, and abuse.

Treasury fully implemented 98, or 34%, of SIGTARP's recommendations and partially implemented 105, or 37%. Implementation of SIGTARP's recommendations resulted in several changes including:

- program eligibility revisions to assist additional homeowners;
- putting to better use available HHF funds to assist homeowners during the COVID-19 pandemic;
- recovery of TARP funds related to waste and abuse; and
- ensuring full and open competition in blight HHF contracting.

Nearly 30% of SIGTARP's recommendations remain unimplemented, representing missed opportunities to further enhance the programs and lessons for future housing and federal programs. For example, Treasury did not implement recommendations that would have (1) established HHF and HAMP performance targets; (2) strengthened program oversight; and (3) improved transparency of program data. SIGTARP hopes that Treasury and other entities who may implement such programs in the future take these recommendations as lessons learned and use them to make those programs efficient, effective, and accountable.



Appendix A – Objective, Scope, and Methodology

SIGTARP performed this evaluation under the authority of EESA, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. SIGTARP initiated the evaluation as part of its continuing oversight of HAMP and HHF, the largest housing programs implemented under EESA. The objectives were to (1) summarize the findings SIGTARP made in its reports and other products on HAMP and HHF, (2) assess the status of the recommendations in those products, and (3) identify lessons learned for ongoing and future housing programs.

The scope of this evaluation covers SIGTARP's reports and other products with findings and recommendations on HAMP and HHF issued through September 2022. This consists of audit, evaluation, quarterly, and special reports, and alert, recommendation, and management advisory letters. SIGTARP summarized its findings on HAMP and HHF by reviewing the reports and letters and grouping the findings and their corresponding recommendations by categories and themes. SIGTARP identified the status of the recommendations as of January 2023 by reviewing Treasury's responses and supporting documentation in the Joint Audit Management Enterprise System (JAMES). SIGTARP also reviewed Treasury's responses to the recommendations in management comments, letters to the Special Inspector General, and other documents obtained during follow-up activities. SIGTARP assessed the extent to which Treasury took corrective actions to implement the recommendations and the results of those actions. Using the results of the analysis of the findings and recommendations, SIGTARP identified lessons learned that Treasury, other federal agencies, state and local governments, and other entities can apply to ongoing and future housing and federal programs.

SIGTARP conducted this evaluation from October 2022 to March 2023 in Washington, D.C., in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that SIGTARP plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the evaluation objectives. SIGTARP reviewed Treasury's comments provided on a draft of this report on March 30, 2023 and made changes to the report, as appropriate. SIGTARP believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the evaluation objectives.

Limitations on Data

SIGTARP relied on Treasury to provide complete and relevant supporting documentation on actions the Department has taken to address the findings and recommendations in SIGTARP's reports and other products on HAMP and HHF in response to SIGTARP's requests. To the extent that the documentation provided did not reflect a comprehensive response to SIGTARP's requests or questions, this evaluation may have been limited.



Use of Computer-Processed Data

SIGTARP relied on computer-processed data for this evaluation. Specifically, SIGTARP reviewed Treasury's data in the JAMES management website to determine the status of issued recommendations. SIGTARP did not validate the accuracy of the database, but determined the data was sufficiently reliable for the purposes of this evaluation.

Internal Controls

SIGTARP reviewed Treasury's internal controls by reviewing Treasury's management comments and Treasury's JAMES database. SIGTARP also contacted officials from Treasury. The results of this review are included in the body of the report.

Prior Coverage

SIGTARP has covered HAMP and HHF 46 prior reports and other products (see Appendix B).



Appendix B – SIGTARP Products with Findings and Recommendations on HAMP and HHF

Date	Product Type	Title	Program
4/21/2009	Quarterly Report	Quarterly Report to Congress	HAMP
3/25/2010	Audit	Factors Affecting Implementation of the Home Affordable Modification Program	HAMP
4/20/2010	Quarterly Report	Quarterly Report to Congress	HAMP
7/28/2011	Quarterly Report	Quarterly Report to Congress	HAMP
10/27/2011	Quarterly Report	Quarterly Report to Congress	HAMP
1/26/2012	Quarterly Report	Quarterly Report to Congress	HHF
4/12/2012	Audit	Factors Affecting Implementation of the Hardest Hit Fund Program	HHF
4/25/2012	Quarterly Report	Quarterly Report to Congress	HAMP
6/18/2012	Audit	The Net Present Value Test's Impact on the Home Affordable Modification Program	HAMP
4/24/2013	Quarterly Report	Quarterly Report to Congress	HAMP
7/24/2013	Quarterly Report	Quarterly Report to Congress	HAMP
10/29/2013	Quarterly Report	Quarterly Report to Congress	HAMP & HHF
10/30/2013	Special Report	Treasury Approved Decrease in Estimated Homeowners to be Helped	HAMP
1/29/2014	Quarterly Report	Quarterly Report to Congress	HAMP
4/30/2014	Quarterly Report	Quarterly Report to Congress	HAMP
7/30/2014	Quarterly Report	Quarterly Report to Congress	HAMP & HHF
7/30/2014	Special Report	Treasury should Use HAMP and HHF Jointly	HHF & HAMP
10/29/2014	Quarterly Report	Quarterly Report to Congress	HAMP
4/21/2015	Audit	Treasury Should Do Much More to Increase the Effectiveness of the TARP Hardest Hit Fund Blight Elimination Program	HHF
4/29/2015	Quarterly Report	Quarterly Report to Congress	HAMP
7/29/2015	Quarterly Report	Quarterly Report to Congress	HAMP & HHF
10/6/2015	Evaluation	Factors Impacting the Effectiveness of Hardest Hit Fund Florida	HHF
10/28/2015	Quarterly Report	Quarterly Report to Congress	HHF
12/14/2015	Alert Letter	SIGTARP Alert: Hardest Hit Fund (HHF) Blight Elimination Risk	HHF
12/17/2015	Evaluation	Hardest Hit Fund: State Pension Obligations	HHF
12/24/2015	Alert Letter	SIGTARP HHF Blight Elimination Risk Lived in Residences	HHF
1/27/2016	Quarterly Report	Quarterly Report to Congress	HAMP
1/28/2016	Special Report	Mortgage Servicers Wrongfully Terminated Homeowners out of HAMP	HAMP
6/16/2016	Audit	Treasury's HHF Blight Elimination Program Lacks Important Federal Protections Against Fraud, Waste, and Abuse	HHF
9/9/2016	Audit	Waste and Abuse in the Hardest Hit Fund in Nevada	HHF
1/11/2017	Evaluation	Improving TARP's Investment in American Workers	HHF
8/25/2017	Audit	State Housing Agencies Charged \$3 Million in Unnecessary Expenses to the Hardest Hit Fund	HHF
10/13/2017	Audit	Mismanagement of the Hardest Hit Fund in Georgia	HHF

ANALYSIS OF SIGTARP’S HAMP AND HHF RECOMMENDATIONS



Date	Product Type	Title	Program
11/21/2017	Evaluation	Risk of Asbestos Exposure, Illegal Dumping, and Contaminated Soil Found in Federal Blight Elimination Program	HHF
3/8/2018	Interim Audit	Most of the \$9.6 Billion Hardest Hit Fund Has No Federal Competition Requirements for Contract Awards	HHF
3/7/2019	Audit	Travel and Conference Charges to the Hardest Hit Fund that Violated Federal Regulations	HHF
7/2/2019	Evaluation	Improvements in State Agency Oversight Needed to Prevent Asbestos Exposure and Fraud in Blight Demolitions	HHF
8/13/2019	Recommendation Letter	Hardest Hit Fund Important Fraud and Waste Prevention Control	HHF
3/20/2020	Evaluation	Progress in Protecting Against Asbestos Exposure, Contaminated Soil, and Illegal Dumping in the TARP-Funded Demolition Program in Detroit	HHF
4/8/2020	Recommendation Letter	SIGTARP Recommends Treasury Put to Better Use Unspent Funds in TARP To Enhance Existing Unemployment Mortgage Assistance Through Hardest Hit Fund in Light Of Recent Significant Unemployment	HHF
6/8/2021	Evaluation	Treasury Has Been Effective at Shifting the Hardest Hit Fund to Assist Homeowners Suffering Pandemic Related Hardships, Efforts That Could Be Further Enhanced	HHF
6/24/2021	Management Advisory Letter	SIGTARP Management Advisory Backfill Costs in Michigan Blight Program	HHF
8/26/2021	Evaluation	Treasury’s Public Reporting on the Making Home Affordable Program’s Home Affordable Modification Program	HAMP
8/9/2022	Evaluation	Data on Treasury’s Home Affordable Modification Program Show Homeowners May Be Vulnerable to Current Economic Conditions	HAMP
8/15/2022	Evaluation	Many Homeowners Using the Largest Mortgage Servicers in Treasury’s Home Affordable Modification Program Are At Risk of Losing Their Homes	HAMP
9/27/2022	Evaluation	Treasury Can Take Steps to Enhance Its Oversight of the Home Affordable Modification Program	HAMP

Source: SIGTARP



Appendix C – Management Comments



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March __, 2023

Ms. Melissa Bruce
Acting Special Inspector General
for the Troubled Asset Relief Program
1801 L Street NW, 4th Floor
Washington, DC 20036

Dear Ms. Bruce:

I write in response to the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP's) draft report of March 14, 2023 (Draft), regarding an evaluation of Treasury's implementation of SIGTARP's previously issued recommendations regarding two housing programs – the Home Affordable Modification Program (HAMP) and the Hardest Hit Fund (HHF). This letter provides Treasury's official response to the Draft.

Background of Treasury's TARP Housing Programs

In early 2009, Treasury launched the Making Home Affordable (MHA) program to help struggling homeowners avoid foreclosure and stabilize the housing market. MHA is aimed at helping homeowners experiencing financial hardships to remain in their homes until their financial position improves or they relocate to a more sustainable living situation. At the same time, MHA protects the interests of taxpayers by disbursing funds only when transactions are completed and only as long as contracts remain in place.

The cornerstone of MHA has been HAMP, which provided eligible homeowners the opportunity to reduce their monthly mortgage payments to more affordable and sustainable levels to avoid foreclosure. When a permanent mortgage modification was completed, and provided that the borrower continued to make payments on the mortgage, Treasury paid monthly incentives to the borrower (for a period of up to six years), the mortgage servicer (for three years), and the mortgage investor (for up to five years), depending on the type of modification.¹ HAMP was successful in facilitating the completion of 1.7 million permanent mortgage modifications.

Treasury established HHF in February 2010 to help prevent foreclosures and stabilize housing markets in areas hardest hit by the housing crisis. State housing finance agencies in 18 states and the District of Columbia used these funds to design and implement 91 programs tailored to the specific needs and conditions of their respective communities. Such programs included mortgage payment assistance, mortgage reinstatement, short sale assistance, principal reduction and modification assistance, down payment assistance, and residential blight elimination programs. HHF programs assisted 418,670 homeowners, and were effective in preventing the

¹ Specifics regarding incentive payments and the time period over which they are provided, depending on the type of modification, may be found in the MHA Handbook (version 5.3), available at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_53.pdf.



loss of a home to foreclosure, deed in lieu of foreclosure, or short sale for at least two years after the assistance for nearly 97% of homeowners who received assistance.

Both programs are now effectively concluded. HAMP closed to new applications on December 31, 2016, and the final incentive payments under HAMP concluded this month. The state HFAs operating HHF programs completed all assistance payments, closed their programs, and returned any remaining funds to Treasury by March 2022.

SIGTARP's Draft

The Draft notes that, over the past 14 years, SIGTARP has issued 285 recommendations regarding the HHF and HAMP programs, and that Treasury fully or partially implemented more than 70% of those recommendations. Treasury appreciates the work by SIGTARP auditors throughout the life of these programs to provide analysis and recommendations. Treasury has generally sought to implement SIGTARP recommendations whenever those recommendations have been statutorily permissible and feasible.

As the Draft notes, there have been occasions when Treasury has declined to implement SIGTARP's recommendations. In some cases, this was because SIGTARP's recommended actions were not permitted by existing law or regulations.² In other cases, Treasury considered the recommendations and determined that they would not further the goals of the programs or would not be feasible to implement.³ In every case, Treasury has explained its reasoning in response letters appended to the audit reports or in other public correspondence. When we have disagreed with a SIGTARP recommendation, we have reached that decision only after careful consideration and with full appreciation for the spirit in which the recommendation was offered. In many cases when a recommendation was not implemented, we took other actions to address the underlying issue that SIGTARP identified.

* * *

Treasury's TARP-funded housing programs have now concluded. We greatly appreciate the efforts of SIGTARP over the years to help us improve those programs. We should all be proud of these efforts, which collectively provided much-needed assistance to more than 2 million American homeowners.

² For example, in April 2020, SIGTARP recommended that Treasury shift unspent funds from the HAMP program to the HHF program. As we noted in our response to that recommendation, Treasury lacked the statutory authority to do so. SIGTARP also issued recommendations that Treasury claw back certain funds spent by HHF states out of their administrative expense budgets; in each case, Treasury examined the expenses under the administrative expense regulations promulgated by the Office of Management and Budget and recovered 100% of all funds that did not meet those requirements.

³ For example, when SIGTARP recommended in November 2021 that Treasury impose new requirements on HHF blight elimination programs, Treasury declined to do so because the HHF program was closing only a few weeks later.



Please feel free to contact Treasury's Office of Financial Stability if you have any questions about this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Noel Poyo".

Noel Poyo
Deputy Assistant Secretary for Community and
Economic Development

SIGTARP Hotline

If you are aware of fraud, waste, abuse, mismanagement, or misrepresentations associated with the Troubled Asset Relief Program, please contact SIGTARP.

By Online Form: See “Hotline” tab on www.SIGTARP.gov

By Phone: (877) 744-2009 (toll free)

By Mail: **Office of the Special Inspector General
for the Troubled Asset Relief Program**
1032 15th Street, NW
Washington, DC 20005

Inquiries

If you have any inquiries, please contact (202) 622-1419.

Obtaining Copies of Testimony and Reports

To obtain copies of testimony and reports, please log on to our website at www.SIGTARP.gov.

