

# SIGTARP

SEMIANNUAL REPORT TO CONGRESS  
APRIL 1, 2023 - SEPTEMBER 30, 2023



# LETTER FROM THE PRINCIPAL DEPUTY SPECIAL INSPECTOR GENERAL

## **SIGTARP's Semiannual Report (April 1, 2023 - September 30, 2023)**

Ever since Congress created the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) under the Emergency Economic Stabilization Act (EESA), we have consistently delivered for American taxpayers. As an independent watchdog, SIGTARP has a proven record of identifying waste, abuse, ineffectiveness, inefficiency, and risk in EESA programs.

As a law enforcement office, SIGTARP has a proven record of identifying and investigating fraud and other crimes. SIGTARP investigations have resulted in the recovery of more than \$11.4 billion while coordinating with the Department of Justice (DOJ) and other law enforcement agencies to criminally prosecute 474 defendants - 326 of them sentenced to prison, including 75 bankers. Our investigations have also resulted in enforcement actions against 25 corporations/entities, including enforcement actions against many of the largest U.S. financial institutions.

We continue to support DOJ and states on prosecutions related to bankers and co-conspirators investigated by SIGTARP. During this reporting period, SIGTARP investigations led to new charges, convictions, and sentencing. For example, an attorney from Southern California was sentenced to twelve months and a day in prison and two years of supervised release and ordered to pay a \$50,000 fine. This attorney previously pled guilty to a money laundering conspiracy in which a participating TARP bank was used to launder illicit funds.

The Home Affordable Modification Program (HAMP) ended on April 28, 2023. According to April 2023 data, HAMP is still providing much needed foreclosure relief to more than 550,000 participating homeowners living in all 50 states. Treasury paid \$124.7 million in fiscal year 2023, including a \$1.8 million true-up payment made before the program closed. SIGTARP's investigations into the HAMP program have protected consumers seeking access to HAMP and who subsequently became the victims of scams. To date, SIGTARP has brought to justice 121 convicted scammers.

The fact that an EESA program closes, or the defendant is no longer taking part in the program while SIGTARP's investigation is pending, will not stop SIGTARP or prosecutors (such as the DOJ and state Attorneys General) from bringing justice and accountability to individuals or entities that violated the laws and could do so again. The time frame of our work is not tied to the time frame of U.S. Department of the Treasury or other entities administering funds in these programs. For example, while the Hardest Hit Fund closed in December 2021, SIGTARP investigations led to a \$1.5 million civil settlement with the Detroit Land Bank Authority for claims related to unsubstantiated backfill costs in connection with the Blight Elimination Program.

As you can see, SIGTARP continues to address illegal conduct within EESA programs. SIGTARP remains committed to fulfilling its mission to bring accountability for fraud, waste, and abuse through the agency's anticipated closure in March 2024.

This is SIGTARP's last semi-annual report. SIGTARP's last quarterly report will be submitted to Congress in January 2024. We greatly appreciate the opportunity we have had since 2008 to safeguard the public's interest.

Respectfully,

**MELISSA BRUCE**

Principal Deputy Special Inspector General

Performing the Duties of the Special Inspector General

## MISSION

Prevent and detect fraud, waste, and abuse in the more than \$442 billion appropriated by Congress through the Emergency Economic Stabilization Act (EESA) and \$2 billion appropriated through the Consolidated Appropriations Act of 2016, and promote economy, efficiency, effectiveness, and accountability in these economic stability programs. SIGTARP conducts investigations of suspected illegal activity, and also independently audits EESA long-term economic stability programs.

### **EESA has two parts:**

1. Short-term Treasury purchases of "troubled assets," which led to investments in banks, insurance companies and automotive companies - these programs are now complete, as is SIGTARP's work in this area; and
2. Long-term programs intended to bring economic stability to the financial industry and communities by protecting home values and preserving homeownership programs.

Under these long-term economic stability programs, which are now complete, Treasury and Fannie Mae (with assistance from Freddie Mac) ran a program that funded incentives to more than 150 financial institutions, including some of the largest in our nation, to lower mortgage payments to terms that were affordable and sustainable for homeowners at risk of foreclosure. Treasury also funded grant-like programs administered by housing finance agencies in 19 states, including programs providing foreclosure relief to homeowners unemployed or underemployed due to the COVID-19 pandemic.

## ABOUT US

SIGTARP conducts criminal and civil investigations and independently audits and evaluates the EESA long-term economic stability programs - the Home Affordable Modification Program (HAMP) and the Hardest Hit Fund (HHF). Treasury, Fannie Mae, and state housing agencies respond to ongoing housing market issues through EESA programs, including national economic instability resulting from the COVID-19 pandemic.

- **HAMP:** HAMP continues to prevent foreclosures for more than 550,000 Americans after the lapse of the foreclosure moratorium in the CARES Act. Treasury and Fannie Mae pay incentives to financial institutions to lower mortgages to affordable and sustainable terms. Payments are not automatic but require institutions to follow the law and HAMP rules. HAMP ended in April 2023.
- **HHF:** In the Consolidated Appropriations Act of 2016, Congress authorized an additional \$2 billion and amended HHF from responding to the financial crisis to respond to ongoing housing market needs. State housing agencies used HHF to provide mortgage assistance for Americans facing unemployment and underemployment due to the pandemic. The HHF program closed in December 2021.

**SIGTARP Investigations:** Primarily a law enforcement agency, SIGTARP delivers justice and accountability for fraud, corruption, or other illegal acts that harm EESA programs and put taxpayer dollars at risk. SIGTARP has concurrent jurisdiction with the Federal Bureau of Investigation (FBI) and supports U.S. Department of Justice's (DOJ) and state prosecutions.

*474 defendants have been criminally charged as a result of SIGTARP investigations.* SIGTARP has a 96 percent DOJ conviction rate. To date, 419 defendants have been convicted, 326 of them sentenced to prison, while others await trial/sentencing. SIGTARP's investigations have led to prosecutions of more than 108 bankers (including 75 sentenced to prison) and DOJ enforcement actions against the largest banks. This proven record gives us the expertise to investigate financial institutions in HAMP. SIGTARP also found con artists who scammed nearly 31,000 homeowners trying to access HAMP, including 121 criminally convicted. SIGTARP also investigates fraud, corruption, and environmental crimes in EESA-funded blight demolitions, and investigates homeowners who stole from HHF.

*More than \$11 billion has been recovered, yielding a cumulative 27 times return on investment.* SIGTARP has one of the highest returns on investment of any Inspector General. Cumulatively, dollars recovered from SIGTARP's work far exceed our cost. In FY 2023, the government has recovered \$37,462,964.

**SIGTARP Audits:** SIGTARP's audits and evaluations previously identified roadblocks and obstacles to increase the speed of assistance to Americans, bring transparency, and prevent future fraud, waste, and abuse. The team's final product, released in March 2023, was a capping evaluation highlighting significant recommendations made by SIGTARP throughout the TARP program and the implementation status of these recommendations by Treasury.



# SIGTARP

SIGTARP CONDUCTS INVESTIGATIONS AND AUDITS OF LONG-TERM ECONOMIC STABILITY PROGRAMS MORE THAN **\$11 BILLION** RECOVERED

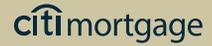
September 30, 2023

### The Making Home Affordable (MHA)

program pays lenders to lower mortgage payments for homeowners at risk of foreclosure.

\$22.3 billion has been spent, including \$124.7 million in FY 2023. Treasury made its final advance payment (\$22.7M) of all eligible incentives in March 2023, and made a small true-up payment (\$1.8M) prior to closing the program on April 28, 2023.

### Recipients Include:



### The Hardest Hit Fund (HHF)

helped unemployed and underemployed Americans pay their mortgages, demolished blighted homes, and funded homebuyer down payments.

As of the program closure in December 2021:

- \$9.5 billion was obligated to the program including \$96.7 million de-obligated in November 2022
- SIGTARP Audits and Evaluations completed
  - 18 reports
  - 4 alerts/management advisory letters
  - Made 221 recommendations
    - 78/35% implemented by Treasury
    - 96/43% partially implemented by Treasury

### Recipients Include:



19 state agencies



378 cities or counties and 503 local partners



More than 1,700 demolition contractors



Homeowners and homebuyers



# SIGTARP



**\$11.4 Billion** =  
Recovered from Investigations

**27x**  
Return on Investment

As of September 30, 2023 | Convictions include four vacated due to death or cooperation | Charges are not evidence of guilt | Many defendants await trial and sentencing  
Return on investment based on SIGTARP's annual budget 2010 - 2023



# SIGTARP

SIGTARP investigations have led to enforcement actions against

# TWENTY FIVE

institutions





# SIGTARP

Through September 30, 2023 | BY THE NUMBERS

Fiscal Year 2023 <sup>1</sup>	
Dollars Recovered (Thousands)	\$37,463
Criminal Charges	5
Arrests	0
Convictions	8
Sentenced to Prison	8
Debarments	0
Justice Department Referrals	1
State Referrals	6
Prosecutor Declinations	4

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<sup>1</sup> Pursuant to the Trafficking Victims Prevention and Protection Reauthorization Act of 2022, Pub. L. No. 117-348, S. 3949, 117th Cong. (2023), SIGTARP reports that it received no reports of human trafficking and conducted no investigations into human trafficking during FY 2023.

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SIGTARP'S OVERSIGHT OF MAKING HOME  
AFFORDABLE AND HOME AFFORDABLE  
MODIFICATION PROGRAMS

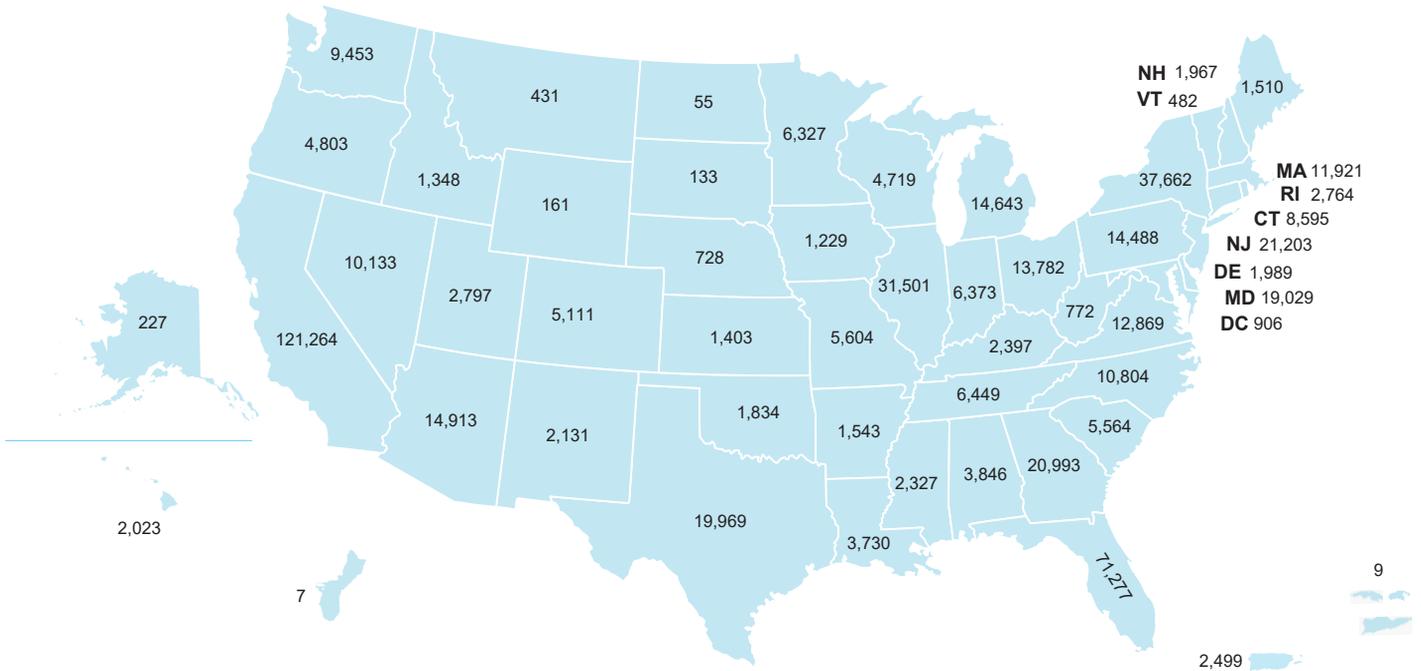
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SIGTARP's top law enforcement priority is to investigate and bring to justice unlawful conduct by financial institutions in HAMP. Our nation cannot have a resilient housing market if financial institutions and consumers violate the law. SIGTARP's top audit priority is to identify risk/vulnerabilities in HAMP that would hurt homeowners and impede Treasury's goal to provide affordable and sustainable homeownership.

## HAMP PREVENTED FORECLOSURES FOR MORE THAN 550,000 PARTICIPANTS WHO LIVE IN ALL 50 STATES

HAMP remains critical to the economic growth and recovery of over 550,000 Americans as of the program's closure in April 2023. HAMP provided fair access to home ownership by financial institutions modifying mortgages to be affordable and sustainable.

### OVER 550,000 HOMEOWNERS REMAIN IN HAMP AS OF PROGRAM CLOSURE



## SIGTARP'S OVERSIGHT OF HAMP

SIGTARP conducts criminal and civil investigations and independent audits and evaluations of HAMP. SIGTARP has a number of open, confidential investigations in this area, several of which have been referred to DOJ. SIGTARP also found con artists who scammed nearly 31,000 homeowners trying to access HAMP, resulting in 101 sentenced to prison.

Federal payments are not automatic and require the financial institutions administering HAMP to follow the law and rules.

### TOP 10 FINANCIAL INSTITUTIONS AND TOTAL SPENT IN FY 2023

1	PHH Mortgage, subsidiary of Ocwen Loan Servicing, LLC	\$27,450,524
2	Select Portfolio Servicing, Inc.	\$27,406,437
3	Nationstar Mortgage, LLC	\$18,135,904
4	Specialized Loan Servicing	\$6,503,959
5	JPMorgan Chase Bank, N.A.	\$6,499,684
6	Wells Fargo Bank, N.A.	\$5,690,187
7	MidFirst Bank	\$5,430,873
8	Bank of America, N.A.	\$4,591,982
9	NewRez LLC D/B/A Shellpoint Mortgage Servicing	\$3,755,205
10	Rushmore Loan Management Services LLC	\$2,958,173
	157 Other Institutions	\$16,196,622
	<b>\$ Spent in FY 2023</b>	<b>\$124,619,552</b>

Source: SIGTARP's September 2023 analysis of Treasury's most recent MHA data; Treasury, Housing Transaction Report - April 2023

### CUMULATIVE SPENDING IN THE MAKING HOME AFFORDABLE PROGRAM



**\$22.3 Billion** *Dollars paid*

Source: SIGTARP's September 30, 2023 analysis of Treasury's most recent MHA data; Treasury, Housing Transaction Report - April 2023

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SIGTARP'S OVERSIGHT OF TREASURY'S  
TARP INVESTMENTS IN BANKS AND  
SECURITIES TRADING

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## RESULTS OF SIGTARP'S BANK INVESTIGATIONS

SIGTARP continues to support criminal prosecutions by DOJ and state Attorneys General of TARP bankers and co-conspirators, as well as parallel civil actions by the Securities and Exchange Commission (SEC). The bank fraud, securities fraud, money laundering, and other crimes and civil violations of law uncovered by SIGTARP hurts banks' stability and their ability to lend to communities.



**BANKERS**  
108 INDICTED  
95 CONVICTED\*  
75 SENTENCED  
TO PRISON  
81 INDUSTRY BANS

**BANKER  
CO-CONSPIRATORS**  
100 INDICTED  
87 CONVICTED  
74 SENTENCED  
TO PRISON

**BORROWERS  
DEFAUDING BANKS**  
58 INDICTED  
54 CONVICTED  
43 SENTENCED  
TO PRISON

As of September 30, 2023

\*Includes two convictions vacated due to death or subsequent cooperation with the Government.

## INVESTIGATIONS AND PROSECUTIONS DO NOT END WHEN A BANK EXITS TARP

Just as a bank robber cannot escape prosecution by returning the stolen money, a banker defrauding a TARP bank cannot escape prosecution by DOJ simply because the bank exited TARP. The bankers that SIGTARP investigates have engaged in money laundering, fraud, or other crimes against the bank. These are not victimless crimes. These crimes destabilize the bank, often cause losses, and hurt the bank's ability to lend to its communities. Bankers committing these crimes must be held accountable through the criminal justice system and removed from the bank. The same is true for civil charges by the SEC against bankers at public companies.

SIGTARP has brought landmark cases that changed the Federal Government's bank prosecutions. Since the Savings & Loan Crisis, the DOJ has largely limited prosecutions to cases where the banker had some conflict of interest and made a personal profit. SIGTARP found that during the Great Recession, some bankers fraudulently inflated the bank's financial condition so that bank regulators, Treasury, and the investing public would not know about the decline in the financial condition. Some of these banks failed. Some raised capital from investors based on false financials. Some used those artificially inflated financials to obtain TARP funding.

Bank investigations and prosecutions are complex and lengthy. The ten-year statute of limitations recognizes the time it takes for the government to find the crime, investigate it, and bring criminal charges. Once SIGTARP refers the case to DOJ for prosecution, SIGTARP works with the prosecutors until the prosecution is complete, which can take years.

While some of our bank investigations remain confidential, we are reporting on the public results.

## SIGTARP'S INVESTIGATIVE RESULTS IN THE LAST SIX MONTHS

### **Two Defendants in California Sentenced in Operation Phantom Bank**

SIGTARP's investigation of former TARP recipient Saigon National Bank, based in Westminster, CA, resulted in the sentencing of two additional defendants. On April 24, 2023, Jack Nguyen, an attorney from Southern California was sentenced to twelve months and a day in prison and two years of supervised release, and also ordered to pay a \$50,000 fine. On July 25, 2023, co-defendant Lien Tran was sentenced to six months of home confinement and 36 months of probation. Both previously pled guilty to money laundering charges in connection with this investigation.

"Operation Phantom Bank" was a long-term money laundering investigation conducted by SIGTARP and its law enforcement partners, the FBI and Internal Revenue Service-Criminal Investigation. This case resulted in six indictments that charged a total of twenty-five defendants. Convictions to date include a former shareholder of Saigon Bank, an East West Bank Vice President, a high-level Mexican money launderer, the former president of the Chinese Consolidated Benevolent Association, and several domestic money launderers with ties to Armenian Power and Chinese Triads organized crime groups. This case is being prosecuted by the U.S. Attorney's Office in the Central District of California.

### **Nomura Securities International Agrees to Pay \$35 Million Penalty in Connection with Securities Fraud Scheme**

On August 22, 2023, Nomura Securities International (NSI) entered into a non-prosecution agreement with the U.S. Attorney's Office, District of Connecticut, in relation to the fraudulent trading of Residential Mortgage-Backed Securities (RMBS). NSI traders misrepresented material facts to buyers and sellers of RMBS bond prices to deceive and cheat their clients, which increased profits for the firm. As part of this settlement, NSI agreed to pay a monetary penalty to the U.S. Department of the Treasury in the amount of \$35 million, and an additional amount of \$807,718 in restitution to victim clients. The victim clients include firms investing as fiduciaries on behalf of pension funds, charitable and education endowments, insurance companies and others, many of which were recipients of bailouts from the Troubled Asset Relief Program.

### **New Jersey Attorney Sentenced for Role in Scheme to Defraud Bank and Bank Regulators**

On September 29, 2023, Donna Conroy, an attorney who conspired with the former CEO of First State Bank to defraud the bank and its regulator, the Federal Deposit Insurance Corporation (FDIC), was sentenced to time served and ordered to pay a \$25,000 fine. Conroy participated in a scheme in which material misrepresentations were made to obtain millions of dollars in loans from First State Bank, which were then fraudulently made into a capital infusion by other co-conspirators to deceive the FDIC on the financial strength of the bank. First State Bank had previously applied for TARP funding to bolster their financial position, but later withdrew their application. This case was prosecuted by the U.S. Attorney's Office in New Jersey.

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# SIGTARP'S OVERSIGHT OF THE HARDEST HIT FUND

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## SIGTARP'S OVERSIGHT

SIGTARP conducts oversight through investigations, audits, and evaluations of EESA's \$9.6 billion HHF, announced by President Obama in 2010 and expanded in 2016 by Congress (which moved \$2 billion to HHF from HAMP). HHF provided \$9.6 billion to 19 state housing finance agencies to address ongoing local housing needs. Treasury allowed state agencies to recycle back into the program interest and recoveries from liens. Recoveries from SIGTARP investigations and audits were also recycled back into the program.

SIGTARP investigates and supports the prosecution of corruption, fraud, and environmental crimes in demolitions of blighted properties under HHF. We continue to bring justice to individuals who defrauded the HHF mortgage assistance program, even after closure of the program in December 2021.

SIGTARP auditors and evaluators helped ensure that the assistance effectively reached those beneficiaries by identifying obstacles, roadblocks, waste, abuse, and risks of violating program rules.

## SIGTARP INVESTIGATIONS

As with all investigations, SIGTARP investigations for criminal and civil violations of the law are backwards-looking, seeking justice and accountability for past violations of the law, and assisting in recovering dollars lost to fraud. Fraud, waste, and abuse cannot happen while federal funds are unspent and safe in a government account. Criminal and civil law enforcement actions take time to investigate and prosecute through the courts. A non-complex criminal investigation and prosecution of crime in HHF can take three to five years, which is extended for more complex cases. The fact that a state agency may close its HHF program while SIGTARP's investigation is pending will not stop SIGTARP or prosecutors (such as the DOJ and state Attorneys General) from bringing justice and accountability to individuals or entities that violated the laws and could do so again. Prosecutions have already resulted in prison sentences, convictions, payment of losses and fines, and contractor bans.

### **SIGTARP INVESTIGATIONS IN THE HHF BLIGHT DEMOLITION SUBPROGRAM**

SIGTARP investigates corruption, bribery, other anti-competitive acts, fraud, environmental, safety and other crimes, as well as civil violations of the law or program rules in the HHF blight demolition subprogram. SIGTARP spends significant resources investigating crimes that could have been deterred if: (1) Treasury had implemented SIGTARP's prior audit recommendations, (2) Treasury had implemented controls to mitigate the risk of contaminated dirt, asbestos exposure, and illegal dumping in HHF blight demolitions, and (3) Treasury had mitigated anti-competitive actions in demolition contracts.

SIGTARP has a number of ongoing confidential criminal investigations and is working actively with the DOJ and state Attorneys General offices. Public results of our investigations include:

#### ***Michigan Contractor Charged in Fraudulent Scheme related to U.S. Department of the Treasury Blight Elimination Program***

On April 18, 2023, Richard Berg, Vice President of Environmental Specialty Services (ESS), a Detroit based asbestos abatement contractor that was charged with submitting false invoices to defraud the Michigan Department of Licensing and Regulatory Affairs. These false invoices related to work performed in conjunction with the Blight Elimination Program and resulted in the underpayment of fees to the State of Michigan Asbestos Fund. Berg and ESS were both subject to a previous 20-year debarment by the City of Detroit after it was determined by SIGTARP that Berg previously bribed Detroit Building Authority officials to get inside bid information for demolition contracts. On August 29, 2023, the Michigan Attorney General's Office received restitution from Berg's company, ESS, in the amount of \$2,534. This investigation was conducted by SIGTARP and was prosecuted by the Michigan Attorney General's Office.

#### ***Detroit Contractor Charged with Fraudulently Overbilling \$1 Million in Backfill Costs related to U.S. Department of the Treasury Blight Elimination Program***

On April 25, 2023, David MacDonald, a project manager for a demolition firm, was charged with orchestrating a scheme to fraudulently bill the City of Detroit over \$1 million for backfill dirt used at demolished properties. MacDonald obtained the backfill dirt at no cost and from contaminated sources, which led to the subsequent false billing charges. The Blight Elimination Program was used to pay for these fraudulent backfill expenses. This investigation was conducted jointly by SIGTARP and the City of Detroit Office of Inspector General and is being prosecuted by the Michigan Attorney General's Office.

## SIGTARP'S INVESTIGATIVE RESULTS IN THE LAST SIX MONTHS

### **Northern California Man Pleads Guilty to Fraud Charges in connection with Keep Your Home California (KYHC) Mortgage Assistance Program**

On May 12, 2023, Velimir Mlaker of Fairfield, California pled to fraud charges involving the KYHC mortgage assistance program. The KYHC program was funded by the U.S. Department of the Treasury's HHF, to help prevent foreclosure for homeowners who were unemployed. Mlaker admitted to fraudulently receiving \$23,942 in mortgage assistance benefits from this program while being employed as a software engineer. He was sentenced to 12 months of probation, 100 hours of community service and paid \$23,942 in restitution prior to his sentencing. This case was prosecuted by the California Attorney General's Office.

### **Southern California Man Pleads Guilty to Fraud Charges in connection with KYHC Mortgage Assistance Program**

On July 11, 2023, Steven DeForest of Hermosa Beach, California pled to fraud charges involving the KYHC mortgage assistance program. DeForest admitted to fraudulently receiving \$53,351 in mortgage assistance benefits from this program while being employed as a Chief Operating Officer of a private company. He was sentenced to 12 months of probation, 100 hours of community service and paid \$53,351 in restitution prior to his sentencing. This case was prosecuted by the Los Angeles District Attorney's Office in California.

### **Former D.C. Resident Pleads Guilty to Defrauding Mortgage Assistance and Foreclosure Prevention Program**

On September 18, 2023, Maron Moss Jr. of Miami, Florida pled guilty to fraud charges involving the District of Columbia's HomeSaver Program. Moss Jr., a former D. C. resident admitted to fraudulently receiving \$31,920 in mortgage assistance benefits from this program while being employed and earning \$240,000 during the time he received these benefits. This investigation was conducted by SIGTARP and the D.C. Inspector General and is being prosecuted by the U. S. Attorney's Office in the District of Columbia.

## SIGTARP AUDITS

SIGTARP audits and evaluations have improved the effectiveness and efficiency of HHF mortgage assistance programs by reporting on poor performance and, in one case, mismanagement by individual state agencies and identifying obstacles to the timely distribution of assistance. SIGTARP audits and evaluations of HHF blight demolition programs have identified abuse of the program. SIGTARP made recommendations that, if implemented, could have deterred fraud and other crimes found by SIGTARP investigations. SIGTARP also audits administrative costs of participating state housing agencies.

In addition to oversight of loan disbursements, SIGTARP also identified administrative and non-administrative costs that could be recovered for the HHF program. This retrospective work on past spending resulted in Treasury recovering and deterring funds lost to waste and abuse. Although Treasury only recovered a small fraction of the waste identified by SIGTARP, Treasury implemented some of SIGTARP's important recommendations to improve Treasury's review of administrative expenses.

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PEER REVIEWS

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## SIGTARP PEER REVIEWS

### **Investigations**

There is no scheduled Quality Assessment Review of Investigative Operations due to SIGTARP's closure in March 2024.

### **Audits**

The Consumer Product Safety Commission OIG conducted a peer review of SIGTARP's Inspections and Evaluations Audit Operations from April 5, 2023, through July 14, 2023. The Reviewing OIG determined that SIGTARP's policies and procedures generally were consistent with the Blue Book standards addressed in the external peer review. Of the two reports reviewed, both generally complied with the Blue Book standards.

The most recent review is available on SIGTARP's website at [www.SIGTARP.gov](http://www.SIGTARP.gov), under "Peer Review Report."

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The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency and an independent audit watchdog that targets financial institution crime and other fraud, waste, and abuse.

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