



Hardest Hit Fund: State Pension Obligations

Special Inspector General for the Troubled Asset Relief Program



OFFICE OF THE SPECIAL INSPECTOR GENERAL

FOR THE TROUBLED ASSET RELIEF PROGRAM

1801 L STREET, NW, 4TH FLOOR

WASHINGTON, D.C. 20220

December 17, 2015

MEMORANDUM FOR: The Honorable Jacob J. Lew – Secretary of the Treasury

FROM: **/Signed/**
The Honorable Christy Goldsmith Romero – Special Inspector
General for the Troubled Asset Relief Program

SUBJECT: Hardest Hit Fund: State Pension Obligations (SIGTARP 16-002)

We are providing this report for your information and use. It discusses the results of our evaluation of whether state housing finance agencies that received TARP funds from the Hardest Hit Fund are utilizing those monies to fund pension obligations.

The Office of the Special Inspector General for the Troubled Asset Relief Program conducted this evaluation (engagement code 006), under the authority of Public Law 110-343, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended.

We considered comments from the Department of the Treasury when preparing the report. Treasury's comments are addressed in the report, where applicable, and a copy of Treasury's response is included in the Management Comments – Appendix D.

We appreciate the courtesies extended to our staff. For additional information on this report, please contact Mr. Bruce S. Gimbel, Deputy Special Inspector General for Audit and Evaluation (Bruce.Gimbel@treasury.gov / 202-927-8978), or Ms. Jenniffer F. Wilson, Assistant Deputy Special Inspector General for Audit and Evaluation (Jenniffer.Wilson@treasury.gov / 202-622-4633.)

Introduction

The law authorizing the Troubled Asset Relief Program (“TARP”), the Emergency Economic Stabilization Act, limits the use of TARP funds for specific purposes. That law requires that the U.S. Department of the Treasury (“Treasury”) ensure that TARP funds are used to restore stability and liquidity, protect investments of families and individuals (including home values, life savings, retirement funds, and college accounts), preserve homeownership, or promote jobs and economic growth. In 2013, Treasury made the decision to use TARP funds through its Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (the “Hardest Hit Fund” or “HHF”) program for the demolition of vacant and abandoned homes, which Treasury refers to as the blight elimination program. Rather than allocating new TARP funds, Treasury shifted funds already allocated to certain states under HHF from foreclosure prevention assistance direct to homeowners to instead be used for demolition activities.

As previously reported by the Special Inspector General for the Troubled Asset Relief Program (“SIGTARP”), Treasury’s Economic Policy group conducted an economic analysis to estimate that demolitions in the City of Detroit would result in a stabilization of home prices and a decrease in foreclosures.¹ Michigan’s state housing finance agency (“HFA”) proposed to Treasury in May 2013 that it be allowed to use HHF funds for blight elimination.² Michigan’s HFA was already participating in the Neighborhood Stabilization Program, a U.S. Department of Housing and Urban Development grant program for blight elimination, as well as state-funded blight elimination. In June 2013, Treasury approved TARP’s blight elimination program for properties in Michigan to be funded with \$100 million of HHF funds, reallocating those funds from other HHF programs as Michigan’s HFA had proposed. Treasury later approved, in October 2014, Michigan’s request for an additional \$75 million for blight elimination. In October 2015, Treasury increased Michigan’s blight elimination allocation by \$32.7 million and, therefore, Michigan’s total HHF allocation for blight elimination was \$207.7 million. As of June 30, 2015, Michigan’s HFA had spent approximately \$65 million to demolish 4,677 properties. Treasury also approved use of HHF funds for blight elimination in six other HHF states: Ohio, Indiana, Illinois, South Carolina, Alabama, and Tennessee.

After Treasury approved HHF funds for demolition activities, some newspapers reported that HHF funds may have been used to help fund Detroit’s shortfall in its pension obligations. Consequently, Congress recently included a provision in the written statement by the House Committee on Appropriations requesting that SIGTARP monitor and alert Congress if any HHF funds are used to fund state or local pension obligations. When a state receives federal funds it may have the flexibility to free up state money previously committed for other purposes.

¹ See SIGTARP, “Treasury Should Do Much More To Increase the Effectiveness of the TARP Hardest Hit Fund Blight Elimination Program,” April 21, 2015.

² For purposes of this report, the term HFA covers both state “housing finance agencies” and “eligible entities.”

However, those federal funds, such as HHF funds, are to be used for their required purpose. The payment of state pension obligations is not listed as a required purpose of TARP funds. SIGTARP asked each of the 19 state housing finance agencies participating in HHF to certify under penalty of perjury whether they segregated HHF funds from other state funds for similar purposes and whether HHF funds were used to fund pension obligations. SIGTARP also reviewed financial reporting on the use of HHF funds from the state housing finance agencies to Treasury. For a discussion of the evaluation's scope and methodology, see Appendix A.

All 19 State Housing Finance Agencies Participating in the Hardest Hit Fund Certified to SIGTARP Under Penalty of Perjury that HHF Funds Were Not Used To Fund State Pension Obligations

On June 2, 2015, pursuant to SIGTARP's oversight authority of the Hardest Hit Fund, SIGTARP requested information from each of the 19 housing finance agencies participating in the Hardest Hit Fund, requesting narrative responses to: (1) whether HHF funds received by the HFA were segregated from other state funds for similar purposes and (2) whether HHF funds were used for funding pension obligations. SIGTARP informed the state HFAs in the letter that their responses were required to be certified under penalty of perjury with the express knowledge that false statements, omissions, and fictitious or fraudulent representations could be criminally prosecuted under 18 U.S.C § 1001 or other Federal law.

All 19 housing finance agencies participating in the Hardest Hit Fund certified to SIGTARP under penalty of perjury that HHF funds were not used to fund state pension obligations. Each of the 19 HFAs' certified narrative responses is located in Appendix B, and further discussion of and excerpts from selective responses follow. Three HFAs certified to SIGTARP that they did not use HHF funds for pensions in any capacity. These were the District of Columbia HFA, Illinois Housing Development Authority ("IHDA"), and the Nevada Affordable Housing Assistance Corporation ("NAHAC"). Specifically, the District of Columbia HFA stated, "The Agency has not used any of the HHF program resources to fund directly or indirectly its pension obligations." The Illinois HFA stated, "IHDA employees do not participate in the State Retirement System and HHF funds are not used to fund pension obligations." The Nevada HFA stated, "HHF funds have not been used by NAHAC for the purpose of funding pension obligations, either directly or indirectly."

The other 16 housing finance agencies certified to SIGTARP that they used HHF funds to pay the employer portion of pension benefits for employees who support HHF programs.³ All 16 HFAs provided descriptions of the use of HHF funds for pension-related employee expenses. Several examples from the various HFAs are detailed below.

- Alabama Housing Finance Authority ("AHFA") stated, "AHFA employees who charge all or a portion of their time to HHF activities participate in AHFA's pension plan. The portion of their salaries and benefits (including pension contributions) attributed to HHF activities are reimbursed with HHF administrative funds."

³ Generally, an employer participating in a pension plan pays a percentage of an employee's salary for a pension.

- State of Arizona Department of Housing stated, “HHF funds were used indirectly to fund pension obligations only to the extent that HHF funds covered employee related expenses which include pension (e.g., retirement) contributions, paid on behalf of employees commensurate with the hours spent working directly on HHF matters.”
- Florida Housing Finance Corporation stated, “Florida Housing is not part of the state’s pension system; HHF funds are not used for the purpose of funding pension obligations. Florida Housing does provide a retirement plan for employees and deposits a percentage of each eligible employee’s salary to that plan. HHF administrative funds are used for this purpose to the extent the salaries are related to the HHF program.”
- Michigan State Housing Development Authority stated, “Included in the payroll-related costs are actual salary and wages (hourly rate x hours worked on HHF program) along with an allocation for employees insurance and retirement costs. Some of the reimbursements are for MSHDA staff that are under the State of Michigan’s defined benefit plan; therefore, the MHA would be using HHF to indirectly fund pension obligations for a small number of employees, through the fringe benefit allocation paid to MSHDA for monthly administrative billings.”
- New Jersey Housing and Mortgage Finance Agency stated, “...while the Agency does not directly use HHF funds for the purpose of funding pension obligations, the mandatory State pension is deducted from the HHF employees gross pay which is paid from the allocated HHF administrative funds and thus could be considered an indirect funding of the employees’ pension obligation.”
- Oregon Housing and Community Services (“OHCS”) stated, “All staff working on HHF programs are employees of the State of Oregon. All state employees receive employee fringe benefits including contributions to a pension fund. As a result of paying administrative costs of staff and overhead to OHCS, Hardest Hit Funds are used for the purpose of funding employer contributions to the Oregon Public Employees Retirement System. HHF funds are not used for any other pension obligations.”
- North Carolina Housing Finance Agency’s (“NCHFA”) response stated that direct and indirect expenses incurred by NCHFA for administering HHF are substantiated by a Cost Allocation Plan that allocates employer pension contribution expenses to the HHF program directly for employees who work on the program and indirectly for overhead costs. NCHFA’s response discusses the cost allocation plan in detail and includes spreadsheets containing indirect costs allocated to programs, including HHF.

All 19 State Housing Finance Agencies' Financial Reports to Treasury Show No Use by HFAs of HHF Funds for Pension Obligations

Treasury tracks HHF spending through unaudited Quarterly Financial Reports (“QFRs”) that state housing finance agencies are required to provide to Treasury, as well as audited annual financial statements. Each HFA, in accordance with its Housing Participation Agreements (“HPAs”) with Treasury, is required to submit, among other filings, unaudited quarterly financial reports to Treasury no later than 45 days after the end of each quarter, and audited financial statements on an annual basis. HFAs provide Treasury a standardized financial reporting template for the QFR comprised of approximately 80 lines of financial information, including a balance sheet and an income statement.

Quarterly Financial Reports, which track spending of HHF funds for all 19 HFAs from the first quarter of 2012 to the second quarter of 2015, do not show payments to fund state pension obligations. For example, one QFR SIGTARP reviewed contained 24 administrative line items for building, equipment, professional services, supplies, website development, travel, and training. None of the line items are for state pension plan expenses. This includes initial start-up “personnel expenses” (that would have been incurred at the start of HHF) and “salary expenses” beyond the initial start-up. For example, the QFR for Michigan’s HFA shows salary expenses of \$14.9 million for HHF from the start of the program (2010) until the second quarter 2015.

Audited annual financial statements of the state HFAs, which present the HFAs’ net positions, and HHF and other HFA component revenues, expenses, changes in net positions, and cash flows for 2012 through 2015,⁴ do not show payments to fund state pension obligations other than for employees as applicable to their pension plans.⁵ For example, one audited annual financial statement, specifically the Statement of Revenue, Expenses, and Changes in Net Position, contained five operating expense line items for Federal and state assistance programs, salaries and benefits, other general operating expenses, loan servicing and insurance costs, and provision for possible losses on loans. None of the line items are for state pension expenses. For example, the Statement of Revenue, Expenses, and Changes in Net Position for Michigan’s HFA shows salaries and benefits expenses of \$33.3 million in 2012 and a gradual increase in 2015 to \$36.3 million.⁶

⁴ Not all of the audited financial statements for 2015 for each HFA were available because of different financial reporting periods.

⁵ Each HFA indicates in notes to their financial statements where such employee contributions are included.

⁶ Michigan State Housing Development Authority Financial Reports with Supplemental Information, dated June 30, 2012 and June 30, 2015.

Segregation of HHF Funds from Other Funds

Treasury's Agreements with State Housing Finance Agencies for the Hardest Hit Fund Require State HFAs To Account for HHF Funds Separately from Other Funds

Each state housing finance agency participating in the Hardest Hit Fund is required to segregate HHF Funds in a separate bank account. Specifically, Section 3(G) of Treasury's agreement with each state HFA requires that the state HFA draw down HHF funds from Treasury and deposit those funds in an account held by The Bank of New York Mellon or another depository institution chosen by Treasury. This account, according to Treasury's agreements with the state HFAs, shall be used as the operating account for the performance of HHF programs.

Officials from three state HFAs (Indiana, Michigan, and Ohio), which had spent TARP money on blight elimination during SIGTARP's work on this evaluation, told SIGTARP in interviews that they do not commingle HHF funds with other funds. A Michigan HFA official told SIGTARP that Bank of New York Mellon accounts are used solely for HHF programs and that the bank releases funds in batches that are segregated by specific HHF program. An Ohio HFA official told SIGTARP that accounts at a particular financial institution are used only for processing HHF funds. That official told SIGTARP that the organization (Ohio Homeowner Assistance LLC, a subsidiary of the non-profit Ohio Capital Corporation for Housing) is separate from Ohio's HFA, and processes payments on Ohio HFA's behalf. An Indiana official told SIGTARP, "...there's no commingling of these funds. They have their separate bank accounts."

State Housing Finance Agencies Participating in the Hardest Hit Fund Certified to SIGTARP Under Penalty of Perjury that They Segregate HHF Funds from Other Funding Sources

Eighteen of 19 HFAs certified to SIGTARP that they segregated HHF funds from other funding sources. The 19th – Nevada HFA – certified to SIGTARP, "NAHAC [the Nevada Affordable Housing Assistance Corporation] is a Nevada non-profit corporation and is independent of the State of Nevada. Therefore, it cannot respond to your inquiry on the segregation of the TARP funds allocated through HHF from any other funding for similar programs in the State of Nevada." The state HFAs participating in HHF provided descriptions that they did not commingle HHF funds. Several examples of HFAs' responses follow.

- California Mortgage Assistance Corporation stated, "CalHFA MAC [Mortgage Assistance Corporation] established accounts with The Bank of New York Mellon (BNYM)...BNYM is the only bank CalHFA MAC utilizes

and these BNYM accounts are solely used by CalHFA MAC. Only HHF funds are deposited into the HHF accounts. At no time are funds comingled with CalHFA...CalHFA funds, and other funding for similar programs in California, are held in accounts separate from the BNYM accounts of CalHFA MAC.”

- District of Columbia HFA stated, “All of the funds received by the Agency within the HHF program have been properly segregated from all other Agency funds and activities. The HHF program funds are received and disbursed through a separate bank account controlled by the Agency and the U.S. Department of the Treasury. The HHF program undergoes annual audit by an independent audit firm and separate audited financial statements and internal controls verification report are prepared and submitted to the U.S. Department of the Treasury annually. All of the assets and liabilities as well as expenditures and revenues attributable to the HHF program are accounted for under a separate fund in the Agency’s accounting system.”
- Georgia Department of Community Affairs stated, “The HHF program dollars are segregated from any other funding for similar programs within the state...The funds are treated as a separate program on the accounting books with a unique program identifier and are audited by an external auditor annually.”
- Indiana Housing and Community Development Authority stated, “The TARP funds allocated to the State of Indiana through HHF are segregated from other funding for similar programs in the State. Indiana administers the HHF program as an independent foreclosure prevention program.”
- Michigan State Housing Development Authority stated, “The Michigan Homeowners Assistance Nonprofit Housing Corporation (“MHA”) was created specifically for the purpose of being the “eligible entity” designated by the Michigan State Housing Development Authority (“MSHDA”) to participate in the HHF Program...All HHF program funds are held in MHA’s name and solely held in designated accounts with the Bank of New York Mellon, the depository institution chosen by U.S. Treasury and in accordance with Section 3(G) of the HFA participation agreement. Other program funds used by MSHDA are not co-mingled with the bank accounts established for the Hardest Hit program.”

Conclusion

When Congress authorized the TARP bailout, it required that Treasury ensure that TARP only be used for Congressionally-mandated purposes. Congress required that TARP funds only be used to restore stability and liquidity, protect investments of families and individuals (including home values, life savings, retirement funds, and college accounts), preserve homeownership, or promote jobs and economic growth. Announced in early 2010 by the Administration as a program to help the hardest hit states, the Hardest Hit Fund uses TARP monies to fund foreclosure prevention programs in 19 states by providing assistance to homeowners. However, the program was slow in getting assistance to homeowners. In late 2012, Treasury officials explored expanding the focus of HHF beyond direct assistance to homeowners to the demolition of vacant and abandoned properties. Michigan's state housing finance agency that administers HHF approached Treasury in 2013 requesting to use some of the HHF funds already allocated for HHF programs to fund demolition activities. Michigan's state housing finance agency was already conducting these activities with other federal money and state money. In June 2013, Treasury approved Michigan's housing finance agency to reallocate \$100 million of HHF funds for this demolition activity. Treasury created TARP's Blight Elimination Program in HHF, after deciding that the purposes of the law creating TARP were met – foreclosure prevention and stabilization of home prices. Treasury would later expand to \$207.7 million for Michigan and allow six other states to reallocate a total of \$225.4 million in HHF funds for blight elimination. Michigan's HFA has spent approximately \$65 million in HHF funds to demolish 4,677 properties as of June 30, 2015. Approximately 10 months after Treasury authorized Michigan to use \$100 million in allocated HHF funds for blight elimination, it was reported in the press that HHF funds may have been used to help fund Detroit's shortfall in its pension obligations.

Requested by Congress to determine whether TARP funds allocated to the Hardest Hit Fund program have been used to fund pension obligations, SIGTARP evaluated whether the 19 state housing finance agencies that administer HHF used HHF funds to pay pension obligations. All 19 state housing finance agencies certified to SIGTARP under penalty of perjury that they do not use HHF funds for pension obligations, other than 16 state housing finance agencies paying the employer's pension contribution for their employees who work on HHF. Each of the 19 state housing finance agencies participating in HHF are also required to report unaudited financial information that shows HHF spending on a quarterly basis to Treasury including a balance sheet and income statement. These Quarterly Financial Reports show no payment of pension obligations as expenses, other than personnel/salary expenses. In addition, each state housing finance agency is required to provide an audited annual financial statement to Treasury accompanied by an independent auditor's report. These financial statements do not show that state housing agencies used HHF funds to pay state pension obligations.

Treasury requires that state housing finance agencies account for HHF funds separately. The contract between Treasury and state housing finance agencies administering HHF requires that the HFA draw HHF funds into an account held at The Bank of New York Mellon or other depository institution chosen by Treasury. All but one of the 19 state housing finance agencies certified to SIGTARP under penalty of perjury that they segregate HHF funds from other funding sources. That one was Nevada's housing finance agency which uses a non-profit corporation that Treasury contracted with, that certified to SIGTARP that the non-profit is independent from the State of Nevada. Officials from state housing finance agencies from Indiana, Michigan, and Ohio – three states that had already expended HHF funds for blight elimination during SIGTARP's evaluation – told SIGTARP in interviews that they do not commingle HHF funds with other funds.

Although all 19 state housing finance agencies certified to SIGTARP that no HHF funds went to state pension obligations, any time that a state receives federal funding for an activity for which the state set aside state funds, those state funds may be free for other uses. For example, when Michigan was already participating in blight elimination using U.S. Department of Housing and Urban Development funds and state funds, and then was approved to use TARP funds for those activities, Michigan may have been able to utilize state funds, including funds that may have been previously set aside for blight elimination, for other state uses.

Recommendation

In order to ensure that Hardest Hit Funds are used only for foreclosure prevention activities as required by the Emergency Economic Stabilization Act, SIGTARP recommends that Treasury ensure, on a continuous basis, that state housing finance agencies participating in HHF do not use TARP funds to pay state pension obligations that are unrelated to employees who work on HHF, including but not limited to: (1) as part of Treasury's on-site compliance review process, (2) review of all financial reporting from state HFAs to Treasury, and (3) biannual surveys asking each state housing finance agency to certify that no TARP funds were used for state pension obligations.

Management Comments and SIGTARP's Response

Treasury provided comments to the draft report. SIGTARP addressed those comments where applicable. Treasury generally agreed with SIGTARP's findings, stating "The Report does not find any evidence of waste, fraud, or abuse and notes that the 19 HFAs have certified to SIGTARP that they have not improperly used HHF funds for pension obligations." Treasury also reiterated the importance of Section 3(G) of HFA Participation Agreements between each HFA and Treasury, which requires HFAs to use designated depository institutions. Additionally, Treasury stated, "Each HFA is required to submit periodic financial reporting to Treasury for review, which has thus far not revealed any evidence of HHF funds improperly used to fund state pension obligations."

Treasury did not agree to implement SIGTARP's recommendation, stating, "Pursuant to our customary protocol, we will review SIGTARP's recommendation and respond in the ordinary course but we are happy to note that expenditures are already reviewed on a sample basis as part of the on-site compliance process, Treasury reviews HFA financial reporting on a quarterly basis, and each HFA annually submits a certification, confirming adherence to its internal controls."

Appendix A – Objective, Scope, and Methodology

SIGTARP performed this evaluation under authority of Public Law 110-343, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. SIGTARP performed this evaluation, in part, because of a written statement by the House Committee on Appropriations regarding the Consolidated and Further Continuing Appropriations Act of 2015. The evaluation's objective was to evaluate whether state housing finance agencies receiving TARP funds from the Hardest Hit Fund are utilizing those monies to fund pension obligations.

SIGTARP requested information from each of the 19 state housing finance agencies in HHF on whether HFAs segregated HHF funds from other state funds for similar programs and whether HHF funds were used for funding pension obligations. SIGTARP reviewed the following: (1) HFAs' certified narrative responses to SIGTARP's June 2, 2015 request for information, (2) State Housing Finance Agencies' QFRs from the first quarter of 2012 to the second quarter of 2015, (3) State Housing Finance Agencies' annual audited financial statements from 2012 to 2015, (4) Treasury's Housing Participation Agreements with each of the 19 HFAs, and (5) Interviews of Michigan, Ohio, and Indiana HFA officials that SIGTARP conducted from June to July 2015 under a separate audit of HHF Blight Elimination Program. SIGTARP conducted this evaluation from October 2015 through November 2015.

SIGTARP conducted this evaluation in accordance with the "Quality Standards for Inspection and Evaluation," January 2012 edition, established by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that SIGTARP plan and perform the evaluation to obtain evidence sufficient to provide a reasonable basis for findings and conclusions based on the evaluation objectives. 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 information provided by state HFAs in interviews, Quarterly Financial Reports, audited annual financial statements, and through certified narrative responses to SIGTARP. To the extent the information SIGTARP relied upon is not accurate, it presents a limitation.

Use of Computer-Processed Data

SIGTARP relied on computer-processed data for this evaluation. Specifically, SIGTARP relied on quarterly financial reports and audited annual financial statements. SIGTARP did not validate the accuracy of the data.

Internal Controls

SIGTARP reviewed the audited annual financial statements for all 19 HFAs from 2012 to 2015 that were available and, where available, reviewed the accompanying Report on Internal Controls

over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Prior Coverage

SIGTARP has covered the HHF program under three previous reports. On April 12, 2012, SIGTARP released an audit report titled, “Factors Affecting Implementation of the Hardest Hit Fund Program.” On April 21, 2015, SIGTARP released an audit report titled, “Treasury Should Do Much More to Increase the Effectiveness of the TARP Hardest Hit Fund Blight Elimination Program.” On October 6, 2015, SIGTARP released an evaluation report titled, “Factors Impacting the Effectiveness of Hardest Hit Fund Florida.”

Appendix B – State Housing Finance Agencies' Certified Responses to SIGTARP's Request for Information

P.O. Box 242967	334.244.9200 phone
Montgomery, AL 36124-2967	334.244.9214 fax



June 24, 2015

Office of the Special Inspector General
Deputy Special Inspector General Peggy Ellen
1801 L Street NW
Washington, DC 20220

Dear Peggy Ellen:

This is in response to your letter dated June 2, 2015 requesting information on the administration of the Hardest Hit Fund (HHF) for the State of Alabama. The requested information and required certification are enclosed.

1(a) The funds received through HHF are segregated from all AHFA funds. The HHF funds are not commingled with any other federally funded program funds either. The HHF funds are held in a separate account at a separate bank (Bank of New York Mellon).

1(b) All 100 percent-dedicated HHF workers (except one) at AHFA are contracted through an employment agency and are not employees of AHFA. No AHFA employee benefits (including pension obligations) are paid to these workers.

AHFA employees who charge all or a portion of their time to HHF activities participate in AHFA's pension plan. The portion of their salaries and benefits (including pension contributions) attributed to HHF activities are reimbursed with HHF administrative funds.

Sincerely,



Robert Strickland
Executive Director

RS/kpt
Enclosure

Come on home, Alabama.

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DOUGLAS A. DUCEY
Governor



MICHAEL TRAILOR
Director

STATE OF ARIZONA
DEPARTMENT OF HOUSING
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(602) 771-1000 WWW.AZHOUSING.GOV
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June 10, 2015

Peggy Ellen
Deputy Special Inspector General
Office of the Special Inspector General
For the Troubled Asset Relief Program
1801 L Street, NW
Washington, DC 20220

RE: Letter dated June 2, 2015

Dear Ms. Ellen:

This letter responds to your letter dated June 2, 2015 requesting a narrative response specifically outlining (a) whether the TARP funds allocated through HHF were segregated from any other funding for similar programs in the state and (b) whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly. Below is our response to these questions:

- (a) All TARP funds allocated to Arizona through HHF were segregated from other funding for similar programs in Arizona; and
- (b) HHF funds were used indirectly to fund pension obligations only to the extent that HHF funds covered employee related expenses which include pension (e.g., retirement) contributions, paid on behalf of employees commensurate with the hours spent working directly on HHF matters.

Our signed certification is attached as requested. Should you have any further questions concerning this matter, please contact Carol Ditmore, Assistant Deputy Director/Operations at (602) 771-1062 or carol.ditmore@azhousing.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Trailor".

Michael Trailor
Director

Enclosure



June 25, 2015

Deputy Special Inspector General Peggy Ellen
1801 L Street, NW
Washington, DC 20220

Dear Ms. Peggy Ellen:

The following is a narrative response to the requests made by the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) in the letter dated June 2, 2015. Attached is an original signed certification indicating, to the best of my knowledge and belief, that this narrative response is true, correct, and complete.

A narrative response specifically outlining (a) whether TARP funds allocated through HHF were segregated from any other funding for similar programs in your state:

TARP funds allocated to California through Hardest Hit Fund (HHF) have been segregated from any other funding for similar programs in California.

As required by the Emergency Economic Stabilization Act of 2008 (EESA) and our HFA Participation Agreement (HPA) with the United States Department of Treasury (Treasury), California Housing Finance Agency (CalHFA) established an "Eligible Entity" as the financial institution to receive the HHF Program funds. CalHFA formed "CalHFA Mortgage Assistance Corporation" (CalHFA MAC), a California non-profit public benefit corporation, to act as the Eligible Entity. CalHFA submitted the CalHFA MAC Articles of Incorporation to the California Secretary of State on May 21, 2010 and established corporate bylaws on June 8, 2010. CalHFA MAC established an independent and separate board of directors of the corporation from that of CalHFA.

As per Treasury guidance, CalHFA MAC established accounts with The Bank of New York Mellon (BNYM), located in Pittsburg Pennsylvania, beginning in July 2010. BNYM is the only bank CalHFA MAC utilizes and these BNYM accounts are solely used by CalHFA MAC. Only HHF funds are deposited into the HHF accounts. At no time are funds comingled with CalHFA. On July 16, 2010, the first deposit of HHF funds was received into the CalHFA MAC BNYM account. The BNYM accounts are managed by CalHFA MAC and are utilized only for the support and management of California's HHF program or as benefits to homeowners found eligible for HHF benefits. CalHFA funds, and other funding for similar programs in California, are held in accounts separate from the BNYM accounts of CalHFA MAC.

P.O. BOX 4034 · Sacramento, CA 95812 · www.KeepYourHomeCalifornia.com

A narrative response specifically outlining (b) whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly:

CalHFA MAC utilizes no HHF funds for the purpose of directly funding pension obligations.

CalHFA MAC utilizes contractors and CalHFA employees to fulfill the roles and functions necessary to successfully administrate the California HHF program. The contractors are independent of, and not an agent or employee of, CalHFA MAC and are paid for the services provided to CalHFA MAC as per their Services Agreement with CalHFA MAC. Select CalHFA employees also fulfill roles and/or provide services to CalHFA MAC directly in support of the California HHF program. When working on the HHF program, CalHFA employees document their work efforts and hours worked in direct support of CalHFA MAC. CalHFA pays the CalHFA employees and CalHFA MAC reimburses CalHFA, on a monthly basis, the allocated percentage of each employee's actual monthly wages and benefits expense commensurate with the percentage of monthly work effort the CalHFA employee expended in direct support of CalHFA MAC. A component of the CalHFA employee benefits paid by CalHFA is a retirement benefit administered by CalPERS.

If you have any questions regarding my response, please contact me at (916) 326-8082.

Sincerely,



Diane Richardson
California Housing Finance Agency, Legislative Director
CalHFA Mortgage Assistance Corporation, President



District of Columbia Housing Finance Agency
815 Florida Avenue, NW Washington, DC 20001-3017

June 8, 2015

Office of the Special Inspector General
For the Troubled Asset Relief Program
Attn: Ms. Peggy Ellen
Deputy Special Inspector General
1801 L Street, NW
Washington, DC 20220

Dear Ms. Ellen:

Per the request outlined in your letter received on June 2, 2015, we are providing the following responses and certifications:

1. (a) The District of Columbia Housing Finance Agency was awarded the Hardest Hit Fund ("HHF") allocation for the District of Columbia. All of the funds received by the Agency within the HHF program have been properly segregated from all other Agency funds and activities. The HHF program funds are received and disbursed through a separate bank account controlled by the Agency and the U.S. Department of the Treasury. The HHF program undergoes annual audit by an independent audit firm and separate audited financial statements and internal controls verification report are prepared and submitted to the U.S. Department of the Treasury annually. All of the assets and liabilities as well as expenditures and revenues attributable to the HHF program are accounted for under a separate fund in the Agency's accounting system.
(b) The Agency has not used any of the HHF program resources to fund directly or indirectly its pension obligations.
2. The attached certification is executed by the duly authorized senior official of the Agency.

If you have any further questions regarding this letter or the HHF program administered by the Agency, please let us know by calling at (202) 777-1604.

Sincerely,

Maria K. Day-Marshall
Interim Executive Director

Enclosure

Phone: 202-777-1600 Fax: 202-986-6705 www.dchfa.org



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June 30, 2015

Ms. Peggy Ellen
Deputy Special Inspector General
Office of the Special Inspector General
For the Troubled Asset Relief Program
1801 L Street NW
Washington, D.C. 20220

Dear Ms. Ellen,

In response to your letter dated June 2, 2015, please find enclosed a narrative response to your questions as well as the required certification. If you have any questions, please do not hesitate to contact me at (850) 488-4197.

Very truly yours,

David R. Westcott
Director of Homeownership Programs

Enclosures as stated

Rick Scott, Governor

Board of Directors: Bernard "Bamey" Smith, Chairman • Natacha Munilla, Vice Chairman
Renier Diaz de la Portilla • Ray Dubuque • John David Hawthorne Jr. • Brian Katz • Leonard Tyika • Howard Wheeler
Bill Killingsworth, Florida Department of Economic Opportunity

Executive Director: Stephen P. Auger

Florida Housing's primary program account for HHF at the Bank of New York Mellon (BNY Mellon) contains only HHF Funds. Capital draws from Treasury are deposited there, and program and administrative disbursements are made directly from this account. Most repayments of loans, and infrequently, funds returned to Florida Housing by servicers are deposited to Florida Housing's general operating account. Florida Housing's operating account is a pooled cash account, however, HHF funds are specifically segregated in the general ledger.

Returned funds are sometimes (on average two to three times per quarter) transferred via wire or ACH by servicers directly to the operating account. Florida Housing is working with these servicers to direct returned funds to the BNY Mellon account. Repayments are often received in the form of a check from borrowers, title companies or attorneys. Florida Housing does not have a mechanism in place to deposit checks directly to the BNY Mellon account, so they are deposited to the operating account then transferred to BNY Mellon. At any given time, Treasury's interest in these funds is secured by the much larger amounts of administrative expenses that are advanced by Florida Housing. These amounts are settled at least quarterly.

Florida Housing is not part of the state's pension system; HHF funds are not used for the purpose of funding pension obligations. Florida Housing does provide a retirement plan for employees and deposits a percentage of each eligible employee's salary to that plan. HHF administrative funds are used for this purpose to the extent the salaries are related to the HHF program.

Nathan Deal
Governor



Camila Knowles
Commissioner

July 1, 2015

Office of Inspector General
1801 L Street, NW
Washington, D.C. 20220

Dear Peggy Ellen:

We received your inquiry regarding the segregation of TARP funds and its use for funding pension obligations in the State of Georgia. We offer the comments below as our response to your inquiry.

In August 2010, the State of Georgia was awarded \$339 million for the Hardest Hit Fund Program (HHF). The HHF program dollars are segregated from any other funding for similar programs within the state. These funds are being administered by the Georgia Housing and Finance Authority Affordable Housing Inc. (AHI), which was organized to act as an instrumentality of the State of Georgia and the Georgia Housing and Finance Authority (GHFA). AHI was organized to promote nonprofit affordable housing and a system of affordable housing financing for persons in Georgia of low to moderate income or of special housing needs including, but not limited to, the elderly and the mentally and physically disabled. The funds are treated as a separate program on the accounting books with a unique program identifier and are audited by an external auditor annually.

HHF funds are used to fund pension obligations indirectly. Georgia Housing and Finance Authority, for administrative purposes only, is assigned to the Department of Community Affairs (DCA), which is a legislatively created executive branch department of the State. All personnel of the Authority are employees of DCA and not of the Authority. DCA/GHFA employees participate in the State sponsored retirement plan. The plan is a defined benefit plan that is administered by the Employees' Retirement System of Georgia. The Authority is not responsible for contributions to the Plan but rather funds a portion of the Plan's cost through cost reimbursement payments to DCA for DCA employees utilized by the Authority.

Attached, as requested, is the original signed certification.

If you have any questions, please contact me at john.ellis@dca.ga.gov or (404) 679-4833.

Sincerely,

A handwritten signature in blue ink that reads "John Ellis".

Deputy Commissioner

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866.324.4431 TDD
www.ihda.org

Bruce Rauner, Governor

June 15, 2015

Peggy Ellen
Deputy Special Inspector General
Office of the Special Inspector General
1801 L Street, NW
Washington, D.C. 20220

Re: Illinois Hardest Hit Fund

Ms. Ellen:

This letter is in response to your letter, dated June 2, 2015, requesting information on administration of Hardest Hit Fund (HHF) funds at the Illinois Housing Development Authority (IHDA). Our responses are as follows:

- 1(a) Response: IHDA segregates HHF funds from other funding sources, and uses Bank of New York Mellon accounts to administer program funds.
- 1(b) Response: IHDA employees do not participate in the State Retirement System and HHF funds are not used to fund pension obligations.
- 2/3 Response: Enclosed is an original signed certification.

Feel free to contact me with any other questions.

Sincerely,

A handwritten signature in cursive script that reads "Peter Selke".

Peter Selke,
Assistant Director, Hardest Hit Fund

Cc: Bryan Zises
Ari Flemenbaum
Kevin O'Connor
Nicki Pecori

Enclosure



June 29, 2015

Peggy Ellen, Deputy Special Inspector General
Office of the Special Inspector General
For the Troubled Asset Relief Program
1801 L Street, NW
Washington, D.C. 20220

Dear Ms. Ellen:

The Indiana Housing and Community Development Authority ("IHCDA"), in response to your June 2, 2015 letter seeking information relating to IHCDA's administration of the Hardest Hit Fund Program ("HHF"), states the following:

- a) The TARP funds allocated to the State of Indiana through HHF are segregated from other funding for similar programs in the State. Indiana administers the HHF program as an independent foreclosure prevention program.
- b) The Indiana HHF program's administrative budget reimburses the IHCDA for wages paid to employees for specified time spent working on the HHF program. As a State of Indiana governmental agency, IHCDA is required to pay a percentage of its HHF employees' pre-tax wages into a state pension fund, as part of their normal benefits package. Thus, a nominal portion of HHF funds may be considered as having funded pension obligations indirectly.

Enclosed, please find the required completed Certification, as required by your June 2, 2015 letter.

Please contact me at mneyland@ihcda.in.gov if you have questions.

Regards,

Mark A. Neyland
Director Asset Preservation

Enclosure



ADDRESS 30 South Meridian Street, Suite 1000, Indianapolis, IN 46204
PHONE 317 232 7777 TOLL FREE 800 872 0371 WEB www.ihcda.IN.gov

EQUAL OPPORTUNITY EMPLOYER AND HOUSING AGENCY

State of Indiana
Lieutenant Governor
Sue Ellspermann





June 26, 2015

Ms. Peggy Ellen
Deputy Special Inspector General
1801 L Street, NW
Washington, DC 20220

RE: Administration of Hardest Hit Funds in Kentucky

Dear Ms. Ellen,

I am writing in regard to your letter, received by Kentucky Housing Corporation (KHC) on June 2, 2015, where you asked for a narrative response that specifically outlines (a) whether the Troubled Asset Relief Program (TARP) funds allocated to Kentucky for the Treasury's Hardest Hit Fund (HHF) program were (a) segregated from any other funding for similar programs in the state, and (b) whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly.

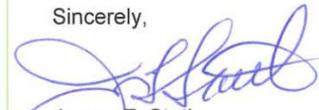
Pursuant to your request, please find our response as follows:

- a) Kentucky Housing Corporation directly receives HHF funds from Treasury. From the start of the HHF program in Kentucky, KHC has always segregated those funds from any other funding. Additionally, the state of Kentucky, and specifically, KHC, did not develop or administer other programs similar to the HHF program nor were any other sources of funding provided for the HHF program in Kentucky.
- b) Kentucky Housing Corporation pays for all administrative costs for the HHF program through its own general operating account. On a monthly basis, staff reimburses this general operating account from the HHF Operating account (at the Bank of New York Mellon) for the total HHF expenditures for the prior month. These administrative costs include salaries and benefits for KHC employees working on the HHF program. As a quasi-state agency, KHC is a participating employer in the Kentucky Employees Retirement System (Retirement System). Therefore, a portion of the benefits for KHC employees working on the HHF program does include KHC's required contribution to the Retirement System.

Please find enclosed with this response the original, signed Certification form that was sent with your letter, as requested.

Should you have any questions, please do not hesitate to contact me.

Sincerely,



James F. Statler
Chief Financial Officer
Deputy Executive Director

encl.

1231 Louisville Road • Frankfort, Kentucky 40601-6191 • 800-633-8896 • 502-564-7630 • TTY 711 • Fax 502-564-5708 • www.kyhousing.org





Helping Michigan's Hardest-Hit Homeowners

A step forward when you're a step behind

June 25, 2015

Office of Special Inspector General
For the Troubled Asset Relief Program
Deputy Special Inspector Peggy Ellen
1801 L Street, N.W.
Washington DC 20220

Dear Peggy Ellen:

Our office is in receipt of your request for Michigan's certification regarding administration of Treasury's Hardest Hit Fund ("HHF"). Two responses have been requested; 1) whether the TARP funds allocated through HHF were segregated from any other funding for similar programs and; 2) whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly.

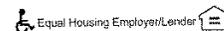
The Michigan Homeowners Assistance Nonprofit Housing Corporation ("MHA") was created specifically for the purpose of being the "eligible entity" designated by the Michigan State Housing Development Authority ("MSHDA") to participate in the HHF Program, a program pursuant to Emergency Economic Stabilization Act of 2008. All HHF program funds are held in MHA's name and solely held in designated accounts with the Bank of New York Mellon, the depository institution chosen by U.S. Treasury and in accordance with Section 3(G) of the HFA participation agreement. Other program funds used by MSHDA are not co-mingled with the bank accounts established for the Hardest Hit program.

MSHDA bills the MHA monthly for administrative costs; those costs include but are not limited to information technology, office space, office supplies, travel, legal, indirect costs, and payroll-related costs. Included in the payroll-related costs are actual salary and wages (hourly rate x hours worked on HHF program) along with an allocation for employees insurance and retirement costs. Some of the reimbursements are for MSHDA staff that are under the State of Michigan's defined benefit plan; therefore, the MHA would be using HHF to indirectly fund pension obligations for a small number of employees, through the fringe benefit allocation paid to MSHDA for monthly administrative billings.

Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) is acting through the Michigan State Housing Development Authority



Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA)
Step Forward Michigan
PO Box 30632 • Lansing, MI 48909-8132
Phone (866) 946-7432 • Fax (517) 335-9890
www.stepforwardmichigan.org



Per your request the Certification to accompany these statements has been attached. If you have any further questions, please feel free to contact my office at (517) 373-6864.

Sincerely,



Mary Townley
Vice President of the MHANC
Director of Homeownership MSHDA

Cc: Moseng, Will
Lagrand, Chris
Harlin, Edwin

Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) is acting through the Michigan State Housing Development Authority



Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA)
Step Forward Michigan
PO Box 30632 • Lansing, MI 48909-8132
Phone (866) 946-7432 • Fax (517) 335-9890
www.stepforwardmichigan.org





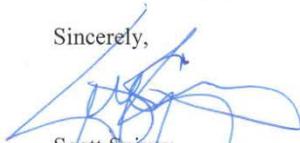
July 23, 2015

Peggy Ellen
Deputy Special Inspector General
Office of the Special Inspector General
For the Troubled Asset Relief Program
1801 L Street, NW
Washington, DC 20220

Dear Peggy Ellen:

Mississippi's response to your request for information on the use of TARP funds by the State of Mississippi is enclosed. If you have questions about our response, contact Ben Mokry, 601-718-4611, ben.mokry@mshc.com.

Sincerely,



Scott Spivey
Executive Director

Enclosures (2)

Mississippi Home Corporation Response

1. TARP funds are segregated from any other funding for similar programs in Mississippi.
2. Mississippi Home Corporation (MHC) participates in the State of Mississippi Public Employees Retirement System. Public employees and their employers are required to contribute toward retirement benefits for covered employees. MHC uses TARP funds to fund pensions in two ways.

Direct - Staff time charged to the grant includes salary and fringe benefits; the employer share of PERS is included in the fringe benefit calculation.

Indirect - MHC indirect cost percentage includes the employer share of PERS. MHC charges indirect costs to the TARP/HHF program and one of the costs covered with the funds received is to pay toward an employee's retirement obligation.



June 17, 2015

A self-supporting
public agency

A. Robert Kucab
Executive Director

PO Box 28066
Raleigh, NC
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FAX: 919-877-5701
www.nchfa.com

Ms. Peggy Ellen
Office of Special Inspector General
For the Troubled Asset Relief Program
1801 L Street, NW
Washington, DC 20220

Dear Ms. Ellen,

Attached please find North Carolina Housing Finance Agency's response to your request dated June 2, 2015.

Also attached please find a signed certification per your request.

If you have any questions regarding the attached information, please contact me at (919) 877-5687 or eirozakis@nchfa.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth I. Rozakis".

Elizabeth I. Rozakis
Chief Financial Officer

Enclosures

NC HOUSING FINANCE AGENCY
 Narrative Response
 SIGTARP Request dated 6-2-15

This narrative addresses the following request from the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP):

A narrative response specifically outlining (a) whether the TARP funds allocated through HHF were segregated from any other funding for similar programs in your state and (b) whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly.

Segregation of Funds:

The North Carolina Housing Finance Agency (NCHFA) was allocated \$482,781,786 for the Hardest Hit Fund (HHF). The funds were allocated into three groups. The first group (HHF A) provided administrative funding and program funding for applicants that had experienced a hardship due to unemployment or other hardship such as illness. The second group (HHF B) provided program funding limited to unemployment hardships. The final group (HHF C) provided administrative funding and program funding limited to unemployment hardships. The groups are accounted for each in a separate fund as follows:

	HHF A	HHF B	HHF C	Total
Program Funding	123,200,000	120,874,221	176,507,565	420,581,786
Admin. Funding	35,800,000	0	26,400,000	62,200,000
Total	159,000,000	120,874,221	202,907,565	482,781,786

HHF funds are held in three different cash accounts within each of the funds above. The primary cash account is a trust account held at Wells Fargo. HHF draws are wired from Treasury directly into the trust account. Program disbursements are made directly from the trust account at the direction of NCHFA. NCHFA is reimbursed for HHF administrative expenses from the trust account. A bank account is used to deposit funds contributed by borrowers. These funds are transferred to the trust account before a disbursement is made (usually within a week). A second bank account is used to deposit HHF funds returned directly to NCHFA and repayment of assistance loans. These funds are transferred to the trustee account monthly. Below is a chart of the cash accounts. All accounts are with Wells Fargo Bank. The chart below summarizes the bank accounts used to hold HHF funds.

Account	Type	Description
HHF Trust	Trust Account	Primary account for holding and disbursing HHF funds.
Short Term Investment Fund 2 (STIF 2)	Bank Account	The account used to temporarily hold non-federal funds contributed by borrower. Transferred to trust account weekly.
Short Term Investment Fund2 (STIF 3)	Bank Account	The account used to temporarily hold Federal Funds returned to NCHFA and program income pending transfer to Trustee Account. Transferred to trustee account monthly.

NC HOUSING FINANCE AGENCY
 Narrative Response
 SIGTARP Request dated 6-2-15

6-12-15
 6-12-15
 6-12-15

Use of Funds to Fund Pension Obligations:

Direct and indirect expenses incurred by NCHFA for administering HHF are substantiated by a Cost Allocation Plan (CAP) prepared in accordance with OMB Circular A-87. The cost allocation plan is prepared by an independent national firm, MGT of America (MGT). This plan allocates employer pension contribution expenses to the HHF program directly for employees that work on the program and indirectly for overhead costs. A detailed narrative on the Cost Allocation Plan is included below.

Cost Allocation Plan Overview

MGT prepares the CAP semiannually as of December 31 and June 30. To start the process, NCHFA provides MGT with the costs incurred during fiscal year to date. MGT then groups the expenses by cost centers called Departments. The appropriate methods are applied to the expenses in the Departments to move these costs from the Departments to individual programs. The final report is returned to NCHFA and transfers are booked in the general ledger reimbursing NCHFA for expenses allocated to programs. A detailed description of this process follows.

Source Data for the CAP provided by NCHFA:

Expenses incurred by NCHFA are paid through the Accounts Payable Process. NCHFA maintains a separate general ledger fund, Operating Fund 10101, to record expenses. When an invoice is processed, it is assigned a Program and Project code. The Program Codes correspond generally to a cost center called Department in the CAP. For example, the Program Code FIN is the Finance Department. The Project Code begins with the three letter Program Code followed by additional characters that further classify the expense. For example, Project Code FIN2101 is used to code expenses directly to the program called the State Home Foreclosure Prevention Project (SHFPP). Expenses with this code will be allocated directly from the Finance Department to the SHFPP program. The Project Code FIN2002 is used to code general accounting expenses such as staff salaries for financial statement preparation, which are indirectly allocated to programs. The following chart shows the Program Codes.

Program Code	Program Name	Cost Allocation Department(s)
ADM	Administration	1.) General Administration and 2.) Building Rent
FIN	Finance	1.) Finance and 2.) Professional Services (external audit costs.)
HHF*	Hardest Hit Fund	Finance
HMO	Home Ownership	Home Ownership
PPT	Policy, Planning & Technology	Policy, Planning & Technology
RTI	Rental Investment	Rental Investments
STI	Strategic Investment	Strategic Investments

*The Hardest Hit Fund makes up a large portion of the Agency's expenses. A Department was created for HHF to help segregate and efficiently allocate expenses to HHF. Costs in the HHF Department are allocated directly to the HHF Program. In summary section of the CAP, the HHF Department is reported within the Finance Department of the CAP.

NC HOUSING FINANCE AGENCY
 Narrative Response
 SIGTARP Request dated 6-2-15

To establish a starting point for the CAP, the cost centers are initially populated with data provided by NCHFA. Semiannually, a report from the NCHFA accounting system is run by Program Code and Project Code for the expense balances in the Operating Fund. The time period for the report is fiscal year to date, so the December 31 report covers six months and the June 30 report covers the entire fiscal year. The costs to be allocated to programs are initially assigned to Departments within the CAP. Most of the expense are mapped directly from the Program Code with some exceptions. The following chart details each Department and the source for each.

Cost Allocation Department	Initial Source
Equipment Depreciation	NCHFA Fixed Asset Ledger that tracks depreciation at the asset level. This is an exception separate from G/L Operations Fund 10101.
Building Rent	G/L Operations Fund 10101: Program ADM Separated from Administration (ADM) by general ledger expense account: building rent.
Professional Services	External auditing Costs separated from Finance (FIN) based on invoice from external auditor
General Administration	G/L Operations Fund 10101: Program ADM
Policy, Planning & Technology	G/L Operations Fund 10101: Program PPT, less amounts allocated to Info Technology
Info Technology	G/L Operations Fund 10101: Program PPT, separated by Project Codes
Finance	G/L Operations Fund 10101: Program FIN
Home Ownership	G/L Operations Fund 10101: Program HMO
Rental Investments	G/L Operations Fund 10101: Program RTI
Strategic Investments	G/L Operations Fund 10101: Program STI
SWCAP Costs	Costs allocated by State of NC to NCHFA. Relatively small amount about \$1,000

Methodology used by the CAP to Allocate Cost from Departments to Programs:

Once the source data has been transferred to MGT, the CAP preparer, the costs are allocated according to the methodology of each Department. The CAP is divided into sub-reports detailing the flow of costs between Departments and finally to the programs. Each Department may have in-flows and out-flows from other Departments. For example, Departments with employees are allocated costs from Human Resources in General Administration. Some Departments such as Building Rent and Depreciation have no in-flows from other Departments and allocate all costs as out-flows to other Departments. Below are summaries of allocation methodologies by Department used in the CAP.

NC HOUSING FINANCE AGENCY
Narrative Response
SIGTARP Request dated 6-2-15

6-2-15
6-2-15
6-2-15

EQUIPMENT DEPRECIATION

NCHFA maintains a fixed asset inventory and calculates depreciation for the Agency's financial statements. The depreciation expense is allocated to all Departments based on the total amount of cost of assets assigned to each Department. The costs of the assets are taken from the Fixed Asset Ledger. The Agency capitalizes internally developed software to include employee wages and benefits, as well as contractor costs.

BUILDING RENT

The NCHFA is located entirely in rented space. The rental payment for is allocated to all divisions in the Agency based on square footage occupied calculated from an analysis of floor plans. The rental payment of dedicated Hardest Hit Fund space is directly assigned to that program.

PROFESSIONAL SERVICES

The Agency engages the CPA firm of BDO to conduct an annual financial audit. A portion of the fee is assigned directly to Section 8. The remaining cost is allocated to Departments based on the number of accounting transactions processed. The costs are allocated to Departments based on the number of accounting transactions processed with a portion for the Hardest Hit Fund directly assigned.

GENERAL ADMINISTRATION

General Administration is responsible for the day-to-day operations of the Agency and for providing support to other divisions. Functions are described below.

Agency Coordination – The executive director is responsible for the operation of the Agency and the administration of the various housing and housing related programs assigned to the Agency. Costs are allocated based on the number of Agency employees.

Human Resource Management – This function includes costs associated with salary administration, fringe benefit coordination, performance appraisals, Affirmative Action, EEO, ADA, training and other personnel management services. Costs are allocated based on the number of Agency employees.

Communications – This function includes preparation of speeches, news releases, television spots, brochures, and general information regarding the services and programs provided by the Agency. Costs are allocated based on the number of Agency employees.

Other costs are direct assigned to benefiting agencies.

NC HOUSING FINANCE AGENCY
Narrative Response
SIGTARP Request dated 6-2-15

POLICY, PLANNING & TECHNOLOGY

The Policy, Planning & Technology cost center is responsible for the development of housing policy, managing the Agency's business planning process and managing the technology needs of the Agency. Efforts of the Agency's employees are identified and assigned to the funding source of the program in which that employee worked based on an analysis of employee time sheets. Costs are allocated based on staff effort.

INFORMATION TECHNOLOGY

Costs associated with data processing support are allocated to this Department from other Departments: Depreciation; Rental of Property; Professional Services; General Administration; Finance; and Policy, Planning & Technology cost centers. Costs are then allocated again back to other Departments based on employees

FINANCE

Finance is responsible for maintaining financial records for the Housing Finance Agency and for the various bond issues and housing assistance programs administered by the Agency. The general accounting function is responsible for preparation of financial statements, collection of receivables, payment and reporting of accounts payable, preparation of bond issuance packages, and routine monitoring and reporting of all revenues and expenditures. Costs are allocated based on the number of accounting transactions processed. Other time spent by staff for special programs is identified and assigned to the appropriate benefiting area. Personnel and other costs for Foreclosure Prevention Programs, such as, the Hardest Hit Fund, the State Housing Foreclosure Prevention Program and the AG Settlement are in the Finance Area.

HOME OWNERSHIP

Home Ownership includes various programs to assist first time homebuyers and low-income buyers in purchasing a new home. Assistance is offered through cities, non-profit organizations, and for-profit builders to provide affordable housing. Various types of assistance are offered to include down payment assistance, low interest loans, employer assistance loans, no interest loans, and mortgage credit certificates. Several programs are identified in this cost center and efforts of the Agency's employees are assigned to each program based on staff effort.

RENTAL INVESTMENTS

The Rental Investments cost center includes various programs to assist elderly and low-income wage earners in securing a safe and affordable place to rent. Assistance is offered through non-profit corporations and/or developers and includes tax credits, low interest loans, rent subsidies, and community assistance. Each type has a separate program to provide assistance. Several programs are identified and efforts of the Agency's employees are assigned based on staff effort.

NC HOUSING FINANCE AGENCY
Narrative Response
SIGTARP Request dated 6-2-15

STRATEGIC INVESTMENT

The Strategic Investment cost center is responsible for the development of housing production and rehabilitation. This is accomplished through programs funded from various sources including the North Carolina Housing Trust Fund and the HOME Program. Efforts of Agency employees are identified and assigned directly to the funding source of the appropriate program.

The Final CAP Report:

The CAP report will have a summary section that shows the final allocation from Departments to programs. Following the summary section are detailed sections showing the flow of costs by Department. The attached chart is the summary section from the CAP fiscal year FY14.

Once the CAP report is provided to NCHFA and the CFO approves it, transfers are posted in the general ledger to reimburse NCHFA for expenses incurred for programs subject to the terms of the program.

NC HOUSING FINANCE AGENCY
 Cost Allocation Narrative
 6-30-15

SUMMARY SCHEDULE

NC HOUSING FINANCE AGENCY
 A-87 PLAN

FY 14
 7/8/2014

Department	HARDEST HIT FUND	HOME	H/O MRB	M/F MRB	SECTION 8	HSG TRUST FD	DUKE POWER FD	TAX CREDIT DEV	TAX CREDIT MON	MORT CRED CERT
1 SWCAP COSTS	\$1,020	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 EQUIPMENT DEPRECIATION	302,132	0	0	0	0	0	0	0	0	0
3 BUILDING RENT	126,982	0	0	0	2,000	0	0	0	0	0
4 PROFESSIONAL SERVICES	26,000	0	0	0	0	336	0	2,895	28,055	48,887
5 GENERAL ADMINISTRATION	690,326	336	22,848	0	0	191,393	0	0	28,661	0
6 POLICY, PLANNING, & TECHNOLOGY	214,733	303,002	0	0	0	0	0	0	0	0
7 INFO TECHNOLOGY	665,204	0	0	0	0	55,311	0	1,495	1,495	2,243
8 FINANCE	4,387,022	340,484	0	14,575	1,899	11,565	0	0	0	0
9 HOME OWNERSHIP	11,555	159,983	0	180,839	0	2,294	0	0	0	339,545
10 RENTAL INVESTMENTS	221,099	274,988	0	17,810	17,852	337,450	0	947,967	1,732,283	0
11 STRATEGIC INVESTMENTS	1,105	981,287	0	220	0	874,481	11,730	0	0	0
TOTAL CURRENT ALLOCATIONS	6,346,188	2,040,050	875,773	32,385	21,721	1,461,275	23,315	952,318	1,790,474	390,675

Amount allocated to Program

NC HOUSING FINANCE AGENCY
 Cost Allocation Narrative
 6-30-15

NC HOUSING FINANCE AGENCY
 A-87 PLAN

FY 14
 7/8/2014

SUMMARY SCHEDULE

Department	SECT 8 CONTR ADM	REV/MORT COUNSEL	HPE PROGRAM	KEY PROGRAM	NATL FORECL MITIG	ST TAX CREDIT	NSP	HPRP COUNS GRT	COMP HSG COUNS GRT	RHEID GRANT
1 SMCAP COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 EQUIPMENT DEPRECIATION	0	0	0	0	0	0	0	0	0	0
3 BUILDING RENT	0	0	0	0	0	0	0	0	0	0
4 PROFESSIONAL SERVICES	18,000	0	0	0	0	0	0	0	0	0
5 GENERAL ADMINISTRATION	0	0	0	66,730	4,255	1,792	3,135	0	0	0
6 POLICY PLANNING & TECHNOLOGY	14,556	0	0	0	0	0	0	0	0	0
7 INFO TECHNOLOGY	0	0	0	0	0	0	0	0	0	0
8 FINANCE	7,474	0	8,731	2,245	68,767	2,245	7,101	0	0	461
9 HOME OWNERSHIP	0	0	0	0	0	0	777	0	0	0
10 RENTAL INVESTMENTS	26,390	0	0	169,727	0	9,314	1,105	0	0	48,845
11 STRATEGIC INVESTMENTS	0	91	0	0	0	0	0	0	0	0
TOTAL CURRENT ALLOCATIONS	66,430	91	8,731	175,700	73,022	13,349	12,118	0	0	48,306

NC HOUSING FINANCE AGENCY
 A-87 PLAN

FY 14
 7/8/2014

SUMMARY SCHEDULE

Department	SHEFP	AG SETTLEMENT	811 PROGRAM	NC HOME AD	HLTH HSG CONT UNIT	MHA COUNSELING	TBRA CARRYOVER LOAN PROG	CONSTRUCT TRNG	HUD NOFA
1 SMCAP COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 EQUIPMENT DEPRECIATION	4,373	0	0	0	0	0	0	0	0
3 BUILDING RENT	0	0	0	0	0	0	0	0	0
4 PROFESSIONAL SERVICES	0	105	0	41,990	0	0	0	0	0
5 GENERAL ADMINISTRATION	0	6,404	0	9,405	0	447	0	0	3,357
6 POLICY PLANNING & TECHNOLOGY	54,635	0	36,408	0	0	0	46,798	0	0
7 INFO TECHNOLOGY	0	0	0	0	0	0	0	0	0
8 FINANCE	1,043,707	242,151	0	102,774	0	10,080	461	0	21,676
9 HOME OWNERSHIP	0	0	0	686,822	0	0	0	0	0
10 RENTAL INVESTMENTS	1,941	2,718	8,538	12,420	0	0	13,197	0	0
11 STRATEGIC INVESTMENTS	0	0	0	4,421	0	0	0	2,219	0
TOTAL CURRENT ALLOCATIONS	1,104,656	251,558	44,946	857,941	0	10,537	60,456	2,219	25,033

NC HOUSING FINANCE AGENCY
 Cost Allocation Narrative
 6-30-15

NC HOUSING FINANCE AGENCY
 A-87 PLAN

FY 14
 7/8/2014

SUMMARY SCHEDULE

Department	ALL OTHERS	2nd Allocation Orphans	Total
1 SWCAP COSTS	\$0	\$0	\$1,020
2 EQUIPMENT DEPRECIATION	0	0	306,505
3 BUILDING RENT	0	0	126,982
4 PROFESSIONAL SERVICES	0	0	45,000
5 GENERAL ADMINISTRATION	0	0	735,838
6 POLICY PLANNING & TECHNOLOGY	0	0	985,801
7 INFO TECHNOLOGY	0	0	685,204
8 FINANCE	0	0	6,896,804
9 HOME OWNERSHIP	0	0	1,391,451
10 RENTAL INVESTMENTS	0	0	2,731,451
11 STRATEGIC INVESTMENTS	0	0	1,903,494
TOTAL CURRENT ALLOCATIONS	0	0	16,891,257

Final amounts allocated to Departments. These amounts are allocated to programs above.

Las Vegas Office
(702) 570-5662
3016 W. Charleston Blvd., Suite 160
North Las Vegas, NV 89102
Mailing Address:
P.O. Box 15142
Las Vegas, NV 89114



Reno Office
(775) 284-0302
760 Margave Drive, Suite 100
Reno, NV 89502

June 23, 2015

Via Federal Express

Peggy Ellen
Deputy Special Inspector General
Office of the Special Inspector General (TARP)
1801 L. Street, NW
Washington, D.C. 20220

Re: Response to Request for Narrative on TARP Fund Segregation – Nevada Hardest Hit Fund

Dear Ms. Ellen:

This correspondence serves as the narrative response you requested from the Nevada Affordable Housing Assistance Corporation ("NAHAC") in your undated letter received by NAHAC on or about June 2, 2015 outlining:

- (a) Whether TARP funds allocated through HHF were segregated from any other funding for similar programs in the State of Nevada; and
- (b) Whether any HHF funds were used for the purpose of funding pension obligations, either directly or indirectly.

Segregation of TARP Funds.

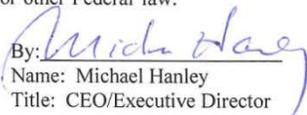
NAHAC is a Nevada non-profit corporation and is independent of the State of Nevada. Therefore, it cannot respond to your inquiry on the segregation of the TARP funds allocated through HHF from any other funding for similar programs in the State of Nevada.

Funding of Pension Obligations.

HHF funds have not been used by NAHAC for the purpose of funding pension obligations, either directly or indirectly.

CERTIFICATION

I, certify, under penalty of perjury, that to the best of my knowledge and belief, the accompanying narrative statement is true, correct, and complete and I acknowledge that any material omission or false, fictitious, or fraudulent statement or representation is a crime and could be the basis for criminal penalties under 18 U.S.C. § 1001 or other Federal law.

By: 
Name: Michael Hanley
Title: CEO/Executive Director

Date: June 23, 2015

cc: Nevada Housing Division (via U.S. Mail)



Charles A. Richman
Acting Chairman

Anthony L. Marchetta
Executive Director

June 26, 2015

Office of the Special Inspector General
For the Troubled Asset Relief Program
1801 L Street, NW
Washington, DC 20220
ATTN: Deputy Special Inspector General Peggy Ellen

RE: Request Relating to New Jersey's Administration of HHF Funds

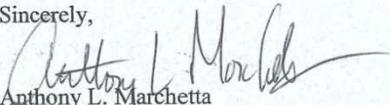
Dear Ms. Peggy Ellen:

This letter is to confirm that (a) the New Jersey Housing and Mortgage Finance Agency ("Agency") segregates the TARP funds allocated through the Hardest Hit Fund ("HHF") from all other funding for similar programs administered by the Agency and (b) while the Agency does not directly use HHF funds for the purpose of funding pension obligations, the mandatory State pension is deducted from the HHF employees gross pay which is paid from the allocated HHF administrative funds and thus could be considered an indirect funding of the employees' pension obligation.

Please see the attached certification certifying the accuracy of the above statements.

If you have any questions regarding the above, please feel free to contact me at (609) 278-7440.

Sincerely,


Anthony L. Marchetta
Executive Director

Attachment

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY

637 South Clinton Avenue • P.O. Box 18550 • Trenton, NJ 08650-2085

TELEPHONE: (609) 278-7400 • WEB: www.nj-hmfa.com



John R. Kasich Governor of Ohio | Douglas A. Garver Executive Director

57 East Main Street | Columbus OH 43215

June 10, 2015

Peggy Ellen, Deputy Special Inspector General
Office of the Special Inspector General
For the Troubled Asset Relief Program
1801 L Street, NW
Washington, D.C. 20220

Dear Ms. Ellen:

The Ohio Housing Finance Agency ("OHFA") is in receipt of your June 2, 2015 letter seeking information relating to OHFA's administration of the Hardest Hit Fund ("HHF").

Please accept this letter as our response to the following, as outlined in your request:

(1) A narrative response specifically outlining (a) whether the TARP funds allocated through HHF were segregated from any other funding for similar programs in your state and (b) whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly.

a) OHFA administers the HHF program as a standalone foreclosure mitigation program. Therefore, the TARP funds allocated through HHF are segregated from other similar programs in the State of Ohio.

b) The HHF program, through the administrative portion of the HHF budget, reimburses the State of Ohio for wages paid to employees for specified time spent working on the HHF program. State of Ohio employees are required to pay a percentage of their pre-tax wages into a state pension fund, as part of their normal benefits package. Consequently, a small portion of HHF dollars could be identified as having indirectly funded pension obligations.

 **web** www.ohiohome.org | **tollfree** 888.362.6432

The Ohio Housing Finance Agency is an Equal Opportunity Housing entity. Loans are available on a fair and equal basis regardless of race, color, religion, sex, familial status, national origin, military status, disability or ancestry. Please visit www.ohiohome.org for more information.

June 10, 2015
Peggy Ellen
Page Two

In addition, the Certification attached to your June 2, 2015 letter is signed and included in its original form with this letter.

Should you have any additional questions regarding this matter, please feel free to contact me directly at 614-728-5718.

Sincerely,



Jeremy M. Myers
Director of Homeownership Preservation

Enclosure as stated



Oregon

Governor Kate Brown

Housing and Community Services

North Mall Office Building
725 Summer St NE, Suite B
Salem, OR 97301-1266
PHONE: (503) 986-2000
FAX: (503) 986-2020
TTY: (503) 986-2100
www.ohcs.oregon.gov

June 12, 2015

Office of Special Inspector General
For the Troubled Asset Relief Program (TARP)
1801 L Street, NW
Washington, C.C. 20220
Attn: Peggy Ellen
Deputy Special Inspector General

Dear Ms. Ellen:

As requested in your letter dated June 2, 2015, Oregon Housing and Community Services (OHCS) is providing a narrative response to your questions. OHCS created a non-profit corporation, the Oregon Affordable Housing Assistance Corporation (OAHAC) to receive and administer the TARP Hardest Hit Funds (HHF) for the State of Oregon.

- (1) All of the TARP funds allocated to Oregon as Hardest Hit Funds have been segregated from all other funding sources intended for similar programs in the State of Oregon. As required by US Treasury, OAHAC created two separate bank accounts for the sole use of TARP HHF proceeds. OAHAC undergoes an annual audit of its financial statements and a verification of its internal controls by an independent auditing firm; the reports of the audits are submitted to US Treasury.
- (2) OAHAC contracts services including personnel through OHCS. All staff working on HHF programs are employees of the State of Oregon. All state employees receive employee fringe benefits including contributions to a pension fund. As a result of paying administrative costs of staff and overhead to OHCS, Hardest Hit Funds are used for the purpose of funding employer contributions to the Oregon Public Employees Retirement System. HHF funds are not used for any other pension obligations.

If you have any questions regarding this request, please feel free to contact me at (503) 986-2005.

Sincerely,

Margaret S. Van Vliet, Director





June 17, 2015

Ms. Peggy Ellen, Deputy Special Inspector General
Office of the Special Inspector General
1801 L. Street, NW
Washington, DC 20220

Dear Ms. Ellen:

We are in receipt of your information request dated June 2, 2015. Our response to your request is as follows:

1. (a) TARP funds allocated for Hardest Hit Fund assistance in Rhode Island were segregated from other funding for similar programs administered by Rhode Island Housing.

(b) Most of Rhode Island's Hardest Hit Fund administrative expense allocation for staff was used for "Temporary" employees who did not receive any pension benefits. Some Rhode Island Housing "Full Time" administrative/management staff provided support and oversight for the HHH temporary employees. Full Time employee support services included financial oversight, program management and human resources. A portion or percentage of these manager's salaries was charged to HHH administrative expenses. Rhode Island Housing contributes 10% of its Full Time employee salaries to a Defined Contribution Pension Plan.
2. This response is accompanied by a signed certification as requested.
3. I certify that an original copy of the signed certification was mailed to the above address via regular mail on this date.

I hope this answers your questions. Please let me know if you need further information. I can be reached at 401-457-1258.

Thank you


Jo-Ann Ryan
Program Compliance Officer

44 Washington Street, Providence, RI 02903-1721 • Phone: 401 457-1234 • www.rhodeislandhousing.org



South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd., Columbia, South Carolina 29210
Telephone: 803.896.9001 TTY: 803.896.8831
SCHousing.com

Christopher N. Union
Chairman

Valarie M. Williams
Executive Director

June 30, 2015

Deputy Special Inspector General Peggy Ellen
1801 L Street, NW
Washington, DC 20220

Dear Ms. Ellen

Enclosed are the following items in response to your letter to Steve Clements requesting information relating to our state's administration of HHF funds:

1. Copy of the letter to Steve Clements,
2. The narrative response to items (1)(a) and (1)(b) in your letter, and
3. The signed Certification by Richard Hutto, Deputy Director of Administration and Finance Director.

If you should have any questions, feel free to contact me at (803) 896-8577 or by email at jay.wise@schousing.com.

Sincerely,

A handwritten signature in blue ink that reads "B. Jay Wise".

B. Jay Wise
Controller

Enclosures

Cc: Richard Hutto

Financing Housing. Building SC.

**S.C. State Housing Finance and Development Authority
Narrative Responses to SIGTARP Request on HHF Funds
June 30, 2015**

Request:

- (1) "A narrative response specifically outlining (a) whether the TARP funds allocated through HHF were segregated from any other funding for similar programs in your state and (b) whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly."

Response:

- (1) (a) - The HHF funds were segregated from all other funding for similar programs in South Carolina. First the S.C. HHF program was set up in a separate, non-profit legal entity, SC Housing Corp. Second, the TARP funds allocated through HHF were held by SC Housing Corp in a Bank of New York Mellon account (as specified in the *Commitment to Purchase Financial Instrument and HFA Participation Agreement* paragraph 3.G.) separate from all other funds of S.C. or any other entity.
- (1) (b) – HHF funds were used for administrative expenses, which included salaries and fringe benefits. The fringe benefits included annual retirement plan contributions for each years' annual contributions. The future pension obligation ("net pension liability," as defined by Statement No. 68 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Pensions*) has not been funded by the HHF program.

Ralph M. Perrey, Executive Director



June 12, 2015

Office of the Special Inspector General
For the Troubled Asset Relief Program
1801 L Street, NW
Washington, DC 20220
Attn: Peggy Ellen, Deputy Inspector General

Dear Ms. Ellen,

In response to your letter dated June 2, 2015, the Tennessee Housing Development Agency (THDA) is pleased to submit the following response:

Your letter inquired whether the TARP funds allocated through HHF were segregated from any other funding for similar programs in Tennessee. As required by the United States Treasury, THDA opened two bank accounts with the Bank of New York Mellon (BNYM) solely for the use of the US Treasury HHF program. These accounts are not used for any other purposes, nor are TARP HHF funds used for any other purpose. THDA also administers a similar, state-funded program that provides mortgage payment assistance under certain hardships that are not covered under the TARP HHF program. These funds are processed through a separate BNYM account, and are not comingled with TARP HHF funds.

In addition, your letter inquired whether any HHF funds were used for the purpose of funding pension obligations directly or indirectly. Full-time THDA employees assigned to the HHF program participate in the Tennessee Consolidated Retirement System (TCRS), a defined benefit pension plan. Currently, THDA contributes 15.03% of employee's gross salary toward TCRS. For employees hired on or after July 1, 2014, a new retirement plan for employees was established that limits the agency's TCRS contribution to 9%. These retirement plans are available to all full-time State of Tennessee employees, and THDA's participation in these programs are identical to that of all other State of Tennessee departments and agencies. The TCRS contributions for employees assigned to the HHF program are deemed employee fringe benefits, and therefore are administrative expenses for the HHF program. HHF funds are not used for any other pension obligations, either directly or indirectly, and are not used to contribute to any unfunded pension liability of the State of Tennessee.

Should you have any further questions and or concerns, please feel free to contact Cynthia Peraza at (615) 815-2112.

Sincerely,


Ralph M. Perrey
Executive Director

Andrew Jackson Building Third Floor - 502 Deaderick St. - Nashville, TN 37243
www.THDA.org - (615) 815-2200 - Toll Free: 800-228-THDA

Appendix C – Acronyms and Abbreviations

19 jurisdictions or states	18 states and the District of Columbia
HFA	Housing finance agency
HHF	Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (also “Hardest Hit Fund”)
HPA	Housing Participation Agreement
OFS	Office of Financial Stability
QFR	Quarterly Financial Report
SIGTARP	Office of the Special Inspector General for the Troubled Asset Relief Program
TARP	Troubled Asset Relief Program
Treasury	U.S. Department of the Treasury

Appendix D – Management Comments



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 3, 2015

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

Re: Treasury Response to SIGTARP Report

Dear Ms. Romero:

I write in response to the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP) draft report titled "Hardest Hit Funds: State Pension Obligations" (Report). We thank you for conducting this review and look forward to working with SIGTARP as we continue to support the programs designed and administered by the various state Housing Finance Agencies (HFAs) that participate in the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (HHF).

The Report does not find any evidence of waste, fraud, or abuse and notes that the 19 HFAs have certified to SIGTARP that they have not improperly used HHF funds for pension obligations. As SIGTARP references in its report, Section 3(G) of the HFA Participation Agreement, entered into between each of the HFAs and Treasury, requires that HHF funds received by the HFA be deposited in a Treasury designated depository institution and that the account shall be used for HHF services. Each HFA is required to submit periodic financial reporting to Treasury for review, which has thus far not revealed any evidence of HHF funds improperly used to fund state pension obligations. Each HFA submits an annual certification to Treasury confirming adherence to its internal controls, which govern the administration of the HHF programs and related expenditures. Finally, Treasury's compliance team conducts periodic on-site reviews, which also have thus far not revealed evidence of HHF funds improperly used to fund state pension obligations.

SIGTARP has recommended that Treasury ensure that HHF funds are not used to pay state pension obligations that are unrelated to employees who work on HHF by (i) including the issue as part of Treasury's on-site compliance review process, (ii) reviewing all financial reporting from the HFAs to Treasury, and (iii) requiring HFAs to submit a biannual certification to Treasury, stating that no TARP funds were used for state pension obligations. Pursuant to our customary protocol, we will review SIGTARP's recommendation and respond in the ordinary course but we are happy to note that expenditures are already reviewed on a sample basis as part of the on-site compliance process, Treasury reviews HFA financial reporting on a quarterly basis, and each HFA annually submits a certification, confirming adherence to its internal controls.

Sincerely,

Mark McArdle
Deputy Assistant Secretary
Office of Financial Stability

Appendix E – Evaluation Team Members

This evaluation was conducted and the report was prepared under the direction of Bruce S. Gimbel, Deputy Special Inspector General for Audit and Evaluation, and Jenniffer F. Wilson, Assistant Deputy Special Inspector General for Audit and Evaluation, Office of the Special Inspector General for the Troubled Asset Relief Program. Staff members who conducted the evaluation and contributed to the report include Leslye Burgess, Craig Meklir, Kamruz Zaman, and Joshua Barnhart.

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*: www.SIGTARP.gov

By *Phone*: Call toll free: (877) SIG-2009

By *Fax*: (202) 622-4559

By *Mail*: **Office of the Special Inspector General
for the Troubled Asset Relief Program**
1801 L Street., NW
Washington, D.C. 20220

Press Inquiries

If you have any inquiries, please contact our Press Office:

Kyra Daley
Deputy Director of Communications
Kyra.daley@treasury.gov
202-927-1852

Legislative Affairs

For Congressional inquiries, please contact our Legislative Affairs Office:

Joseph Cwiklinski
Director of Legislative Affairs
Joseph.Cwiklinski@treasury.gov
202-927-9159

Obtaining Copies of Testimony and Reports

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

