SIGTARP | Office of the Special Inspector General For The Troubled Asset Relief Program

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STATE HOUSING AGENCIES CHARGED $3 MILLION IN UNNECESSARY EXPENSES TO THE HARDEST HIT FUND

Instead of Helping Struggling Homeowners, TARP Funds Went to Barbeques, Employee Bonuses, Legal Expenses, Car Allowances and Other Unnecessary Expenses

The Hardest Hit Fund (HHF) primarily acts as a temporary safety net so the American working class who find themselves now unemployed or underemployed can save their homes. But SIGTARP has found that state housing agencies have charged $3 million in unnecessary expenses to HHF.

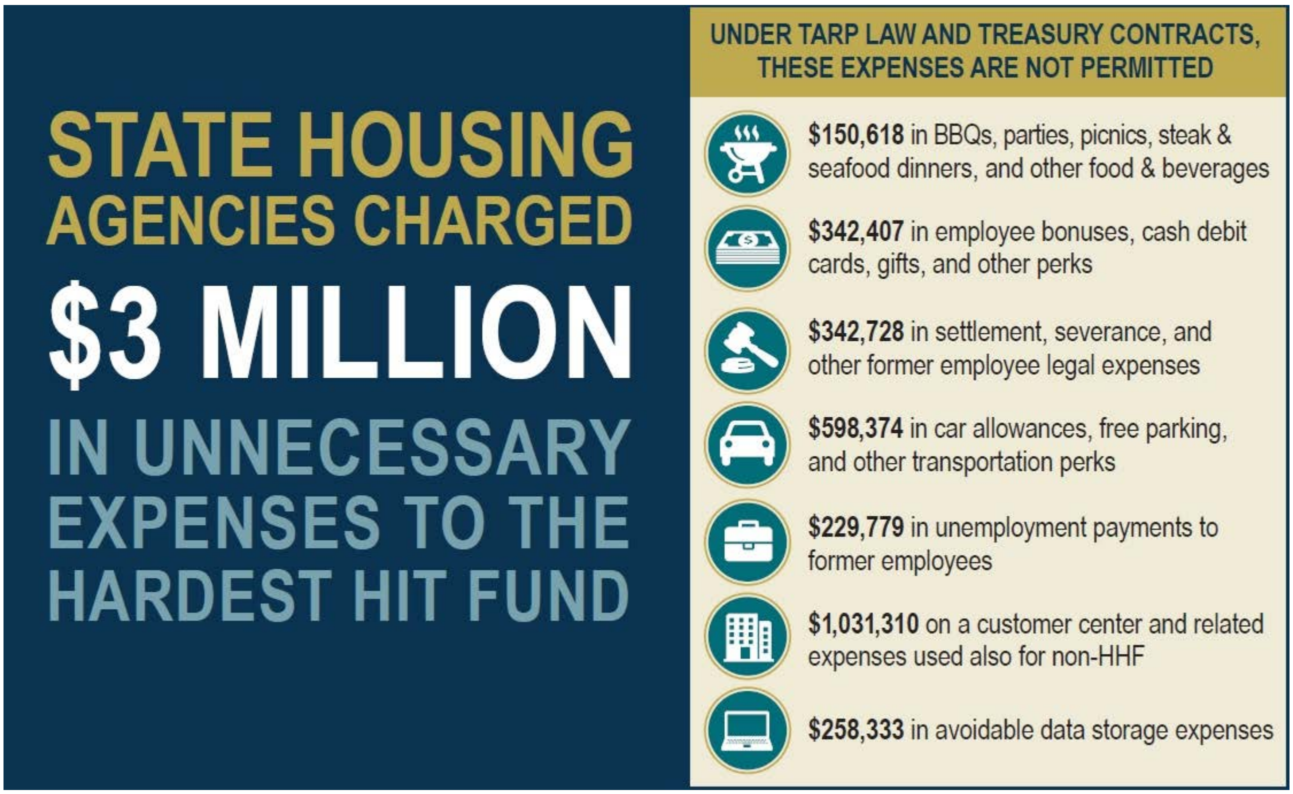
"Congress did not authorize TARP dollars for barbeques, steak and seafood dinners, gift cards, flowers, gym memberships, employee bonuses, litigation, celebrations, cars, and other unnecessary expenses of state housing agencies, but those are some of the charges SIGTARP's forensic analysis uncovered," said Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program. "SIGTARP previously reported on scores of people who earn under $30,000 a year, but were turned down for the Hardest Hit Fund. Now we find that some state housing agencies are more willing to keep TARP dollars for themselves than distribute it to low-earning homeowners, a violation of TARP contracts and inconsistent with TARP law. With more than $1 billion to be spent on HHF administrative expenses, the mindset must change at state agencies and Treasury. Otherwise taxpayers will continue to pay more for these services than is necessary. TARP is not a source to fund state agency's general operations, boost state employees' morale, or throw catered barbeques when Treasury employees visit. TARP is not a windfall."

Homeowner relief was so important to Congress that it rejected initial TARP legislation that solely focused on recapitalizing financial institutions. It was only after funds were allotted to foreclosure prevention that the legislation passed. And the need for a temporary safety net to save the homes of unemployed or underemployed Americans and demolish blighted homes remains so critical that in December 2015, Congress added $2 billion to the HHF, one of the primary homeowner relief programs.

To ensure that the HHF program complies with TARP law and funds reach their intended recipients, Treasury set significant limits in its HHF contracts with state agencies: all expenses must be "necessary" to facilitate loan modifications. A lesser, "reasonable" standard was not used. Treasury's contracts with the state agencies administering HHF also included a schedule of permitted expenses, which listed specific categories of necessary expenses and dollar limits. SIGTARP's audit found that state agencies lumped unnecessary expenses into permitted expenses categories, elevating the risk of fraud, waste, abuse, and overpayment throughout the program.

Some of the unnecessary expenses SIGTARP identified are large: Rhode Island charged to TARP hundreds of thousands for the construction of a customer center even though it is also used for non-HHF purposes—years after billing TARP for the build-out of an office in 2010.

Others are relatively small but numerous: TARP gift cards for employees, TARP barbeques, TARP flowers, TARP gym memberships, TARP balloons—even a TARP piñata. All these unnecessary expenses violate TARP law and Treasury's contracts. And, most importantly, it means that taxpayers are spending more than they need to on programs.



Unnecessary spending by state includes, for example:

- **North Carolina Housing Finance Agency**. $107,578 for barbeques with Treasury employees, parties, celebrations, Visa gift cards, flowers, restaurant outings including steak and seafood dinners, gifts, gym memberships, regular employee meals, and employee cash bonuses, customized Lands' End shirts, and a CVS gift card to recognize new HHF funding in 2016.

- **Rhode Island Housing.** $1,031,210 for a new customer center with a new kitchen and new furniture in 2016, marketing, systems and rent that were fully charged to HHF but also used for other purposes, backdated "rent" for three years when the HHF program was closed, and a monthly employee payment to defray transportation costs.

- **Nevada Housing Division.** $43,497 in bonuses, of which nearly all went to the chief executive officer who was later terminated, and employee picnics.

- **Florida Housing Finance Corporation**. $106,774 in bonuses approved by the now terminated executive director. Gift certificates to employees and a barbeque.

- **District of Columbia's Housing Finance Agency.** $258,333 to prepay for five years of avoidable online storage access and data two years after the HHF program was closed to homeowner applications.

- **Illinois Housing Development Authority**. $98,305 in employee cash retention awards. HHF funds were also spent for lunch at a pizza restaurant to "to celebrate getting new HHF funds and an employee's upcoming wedding."

- **Alabama Housing Finance Authority.** A TARP barbeque with Treasury employees Visa gift cards, and fruit baskets.

- **Kentucky Housing Corporation.** Picnic with food trucks, an employee gelato outing, catered lunches with Treasury employees.

- **Ohio Housing Finance Agency.** More than $13,000 in events with housing counselors, including admissions to three zoos and catering

- **South Carolina State Housing Finance and Development Authority.** An executive's use of a car for more than four years.

For TARP and taxpayers to be made whole, these state agencies must pay back their ill-gotten gains. SIGTARP recommends a series of controls to prevent future waste. These 30 recommendations, which are detailed in the audit, will help ensure that taxpayers only pay state agency expenses necessary to modify loans or demolish blighted homes in HHF.

These controls to prevent waste and mitigate the risk of fraud and overcharging are much needed: state agencies will spend $1.1 billion in administrative expenses to distribute $8.5 billion in assistance. Other SIGTARP audits have found unnecessary and wasteful spending. Last September, SIGTARP found millions in waste and abuse in HHF at Nevada's state housing agency—including holiday parties, luxury office rent, employee gift cards, and even a car allowance for a Mercedes Benz.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets crime at financial institutions or in TARP housing programs and is an independent watchdog protecting the interests of the America people. As of August 18, 2017, SIGTARP investigations have resulted in the recovery of $10 billion to the government and 231 defendants sentenced to prison.

To report a suspected crime related to TARP, call SIGTARP's Crime Tip Hotline: 1-877-744-2009. To receive alerts about reports, audits, media releases, and other SIGTARP news, sign up at www.SIGTARP.gov. Follow SIGTARP on Twitter @SIGTARP.

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