



## Treasury Should Use HAMP and HHF Together to Help as Many Homeowners as Possible Avoid Foreclosure

Special Inspector General for the Troubled Asset Relief Program

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## INTRODUCTION<sup>i</sup>

The Troubled Asset Relief Program (“TARP”), as initially proposed, did not pass Congress until it was amended to include assistance to homeowners. Help had been focused largely on aid to financial institutions, but Congress required an equal focus on housing programs to ensure TARP would assist homeowners and not just banks, AIG, and auto companies.<sup>1</sup> The promise of TARP was to be more than a bailout of Wall Street.

In early 2009, Treasury created the Making Home Affordable (“MHA”) program, to use TARP to help struggling homeowners, primarily through TARP’s signature foreclosure relief program known as the Home Affordable Modification Program (“HAMP”). HAMP was supplemented in 2010, when in an effort to help families in places hit hardest by the housing crisis, Treasury created the \$7.6 billion TARP-funded Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (“Hardest Hit Fund” or “HHF”). Funds originally obligated for all TARP housing programs totaled \$45.6 billion, of which Treasury has only spent \$12.8 billion to date. Treasury has the TARP financial resources to help more homeowners.<sup>2</sup> Currently, nearly \$22 billion is available for MHA, and another \$3.4 billion is available for the HHF program.<sup>3</sup> Homeowners who are struggling need that help now, and Treasury should be using every tool it has to extend that help. One simple and immediate improvement that Treasury can make right away is to ensure that homeowners get help from all available TARP programs. Treasury should improve coordination between these programs so that they work together as seamlessly as possible to provide effective, sustainable mortgage relief to as many struggling homeowners as possible.

After almost five years, HAMP continues to face considerable challenges, including getting new homeowners into permanent mortgage modifications and keeping homeowners in those modifications from redefaulting. Through June 30, 2014, only 1.4 million homeowners have received a permanent HAMP modification, while servicers rejected more than 5.5 million homeowners from HAMP.<sup>4</sup> Overall, only 1 in 6 homeowners that applied for HAMP received a permanent modification.<sup>5,ii</sup> Additionally, the number of homeowners entering HAMP has steadily declined from 512,712 in 2010 to just 141,920 in 2013.<sup>6</sup> If HAMP participation continues to decrease at its current pace (only 10,813 new homeowners received a modification last month, down from 17,323 a year ago), approximately 1.64 million homeowners will have entered into a permanent mortgage modification under HAMP before the program expires.<sup>7</sup> However, HAMP also faces a significant challenge of borrowers redefaulting out of HAMP. Already, 398,222 homeowners have not been able to keep up with their mortgage payments even though payments were lowered by HAMP. Overall 29% of homeowners in HAMP have already fallen out of the program. However, the bulk of homeowners in HAMP who started participating in the program in 2009 and

<sup>i</sup> The Office of the Special Inspector General for the Troubled Asset Relief Program (“SIGTARP”) is issuing this report under the Emergency Economic Stabilization Act. This report is not an audit or evaluation under the Inspector General Act of 1978, as amended.

<sup>ii</sup> Figures obtained from Treasury’s May 2014 “Application Activity by Servicer” report, which Treasury does not validate. Homeowners that applied more than once may be included more than once in these figures.

2010 are falling out of the program at ever more alarming rates. Approximately half of all homeowners who entered HAMP in 2009 have fallen out of the program. Homeowners who entered the program in 2010 have redefaulted at a rate of 40%.

Because TARP was also intended to help homeowners remain in their homes, Treasury should help homeowners get back on their feet with the same level of effort that it helped the banks get back on theirs. The unfortunate truth is that many homeowners in HAMP are still struggling. The redefault rates on HAMP mortgage modifications are evidence of that struggle. Additionally, for some homeowners, the initial five years of their mortgage modification will not be sufficient to stave off foreclosure. Those homeowners who entered HAMP in 2009 will see their mortgage payment increase, adding to homeowner challenges.<sup>8</sup> Although payments will rise incrementally, the scheduled payment increases can have a considerable impact on a family's budget, ranging from a maximum of \$730 per month in the state of Mississippi to more than \$1,700 per month in California.

Treasury can use its other TARP programs such as HHF to help homeowners who are facing difficulty getting into HAMP, staying in HAMP, or who are facing a rate increase on their HAMP modification. In an effort to provide additional assistance to states that were most affected during the crisis, Treasury created the Hardest Hit Fund program in 2010, primarily to address unemployment and underwater mortgages (the amount owed on a home exceeded its value), in 19 states.<sup>9</sup> When HHF was developed, 1 in 6 homes was underwater and unemployment was at 9%. Under the HHF Program, the 19 states most impacted by the housing crisis designed the programs detailed in Table 3.1, which used Treasury funds to help struggling homeowners within their borders.<sup>10</sup>

TABLE 3.1

HHF PROGRAMS BY STATE, AS OF 6/30/2014							
State	Unemployment <sup>a</sup>	Transition <sup>b</sup>	Modification <sup>c</sup>	Second Lien Reduction <sup>d</sup>	Past-Due Payment <sup>e</sup>	Blight Elimination <sup>f</sup>	Total Programs
ALABAMA	X	X	X				3
ARIZONA	X	X	X	X			4
CALIFORNIA	X	X	X	X	X		5
FLORIDA	X		XX		XX		5
GEORGIA	X		X		X		3
ILLINOIS	X		XX			X	4
INDIANA	X	X	X			X	4
KENTUCKY	X						1
MICHIGAN	X		XX		X	X	5
MISSISSIPPI	X						1
NEVADA	XX	X	XXX	X			7
NEW JERSEY	X						1
NORTH CAROLINA	XX		X	X			4
OHIO	X	X	XXXX		X	X	8
OREGON	X		XX		X		4
RHODE ISLAND	X	X	XX		X		5
SOUTH CAROLINA	X	X	X		X		4
TENNESSEE	X						1
WASHINGTON, DC	X						1
<b>Total Programs</b>	<b>21</b>	<b>8</b>	<b>24</b>	<b>4</b>	<b>9</b>	<b>4</b>	<b>70</b>

Legend:

- X: One program
- XX: Two programs
- XXX: Three programs
- XXXX: Four programs

Notes:

- <sup>a</sup> Monthly subsidy that reduces the unemployment homeowner's mortgage payment, in some cases paying it in full.
- <sup>b</sup> One-time benefit to help eligible homeowners relocate to new housing following a short sale or deed-in-lieu of foreclosure program
- <sup>c</sup> One-time benefit that reduces the principal and/or improves the terms of the mortgage to reduce the homeowner's payment to an affordable level.
- <sup>d</sup> One-time payment to incent servicers to extinguish 2nd mortgages or provide more affordable payments.
- <sup>e</sup> One-time benefit that pays off past due balances.
- <sup>f</sup> Programs that demolish vacant or condemned properties in order stabilize home values and improve neighborhoods.

Source: Treasury, response to SIGTARP data call, 7/8/2014.

HHF is a program that has also faced challenges in getting help to homeowners. To date, less than half (178,797 of 421,366, or 42%) of homeowners that applied for HHF have received any assistance.<sup>11</sup> HHF programs only have reached about one third of the estimated 546,562 homeowners they were expected to help. Subsequently, 18 of the 19 HHF states have reduced their estimates of how many homeowners they expect to help using HHF programs.<sup>12</sup> Not all HHF programs have been effective, particularly principal reduction or 2nd lien assistance.

Approximately 82% of HHF spending has been utilized for monthly mortgage payments to unemployed homeowners or repayment of past due balances (reinstatement).<sup>13</sup> However, HHF programs that provide such assistance do not require servicers to modify the terms of mortgages, as in HAMP, to better position homeowners to avoid the risk of default after they transition out of HHF. In most states, fewer than 20% of homeowners have recovered from their financial hardship before exiting HHF.<sup>14</sup> Although several states have mortgage modification programs that provide permanent relief, only 6.2% of homeowners have received such permanent modifications.<sup>15</sup>

## HHF CAN BE A BRIDGE TO MORE PERMANENT FORECLOSURE RELIEF FOR HOMEOWNERS THROUGH HAMP

Treasury appears to treat its housing programs as mutually exclusive, rather than complementary and reinforcing. There is a lack of coordination between the Hardest Hit Fund programs and HAMP. If better coordinated, HHF and HAMP could systemically help improve results for homeowners and better meet Treasury's obligation to assist a greater number of homeowners. Many HHF states continue to experience high rates of foreclosures, likely the result of continuing high levels of unemployment and underwater mortgages.<sup>16</sup> HHF can help support the HAMP program, which provides the best long-term affordable solution for homeowners under TARP.

Contributing to Treasury's mutually exclusive treatment of MHA and HHF is the fact that Treasury designed HAMP to be administered by servicers and HHF to be administered by state housing finance agencies. It is Treasury who is responsible for these programs. Treasury regularly meets with servicers and HHF states. Treasury issued separate guidance to each.

On August 2, 2010, Treasury issued guidance to HAMP-participating servicers to clarify how the Making Homes Affordable ("MHA") programs were supposed to interact with HHF programs.<sup>17</sup> Treasury made it clear in this guidance that HHF was intended to not only be a safety net for homeowners not eligible for HAMP, but also to help more homeowners qualify for a HAMP modification. Treasury's MHA Supplemental Directive (10-07) states:

*“When submitting proposals for funding, HFAs were encouraged to design programs that target borrowers who are not eligible for, or otherwise did not complete, a HAMP modification or other MHA program. Nevertheless, the Hardest Hit Fund (HHF) programs may interact with aspects of MHA as HFAs try to leverage the resources provided by the MHA programs to expand the pool of borrowers that are eligible for HAMP or other MHA options. In some cases, the assistance the HFAs provide under HHF can supplement and extend assistance provided through MHA.” ... “Servicers may not deny or delay consideration of a borrower for any MHA program pending acceptance of that borrower into an HHF program and may not require borrowers first request HFA program assistance through an HFA or housing counselor as a condition of consideration for an MHA program.”*

Treasury only requires that the agencies running each state’s HHF programs provide a brief description of program interaction with HAMP, but does not require the states to actually coordinate their efforts with HAMP. As a result, HHF states appear to be missing significant opportunities to work to provide homeowners help to enter HAMP, which could help thousands of more homeowners receive affordable and sustainable assistance.

## HHF AND HAMP COORDINATION OPPORTUNITIES

Each HHF state provided Treasury with descriptions of how their programs are designed to interact with HAMP. Although each state’s description varied, it’s clear that HHF programs can be designed to help homeowners obtain or keep their HAMP modifications in a number of ways, including:

- **HAMP Application Help:** HHF programs can help homeowners apply for HAMP, either when they apply for HHF assistance or as they transition out of it.
- **Cash:** HHF programs can provide cash to pay off past due mortgage balances and provide forgiveness to overturn denials related to insufficient income or negative NPV.
- **Prevent HAMP Redefaults:** HHF programs can help homeowners stay in HAMP by working with servicers to identify and provide assistance to homeowners struggling to meet their HAMP obligations due to changes in financial circumstances, such as job loss.
- **Transition to HAMP-UP:** HHF programs can help unemployed homeowners transition to HAMP-UP to provide a total of 12 months of mortgage assistance to such homeowners. Once the homeowner is in HAMP-UP, servicers are required to re-evaluate them for HAMP if they are unable to recover from their financial hardship while in the program.

As shown in Table 3.2, none of the states designed their programs to employ all four methods of HAMP coordination, and 10 states designed programs that did not employ any coordination, despite Treasury encouraging states to coordinate with HAMP. None of the states indicated that their programs would be proactive in providing HHF assistance to those unemployed or underemployed who participate in HAMP or helping homeowners transition from HHF unemployment programs to HAMP-UP. Additionally, no state even discussed helping homeowners who will see their HAMP modified mortgage payments escalate before HHF funding expires.

TABLE 3.2

HHF COORDINATION WITH HAMP <sup>a</sup>				
State	Helps Homeowners Apply for HAMP	Provides Cash to Overturn HAMP Denials	Helps Prevent HAMP Default <sup>b</sup>	Helps Homeowners Transition to HAMP UP <sup>b</sup>
Alabama				
Arizona				
California	✓	✓		
District of Columbia				
Florida				
Georgia	✓			
Illinois	✓			
Indiana	✓			
Kentucky	✓			
Michigan				
Mississippi				
North Carolina				
New Jersey	✓	✓		
Nevada	✓	✓		
Ohio				
Oregon	✓	✓		
Rhode Island				
South Carolina	✓			
Tennessee				

Source: Based on a review of the most recent amendments to each HFAs agreement with Treasury, which we obtained from [www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/Pages/Program-Documents.aspx](http://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/Pages/Program-Documents.aspx)

<sup>a</sup> Some states may actually coordinate with HAMP in ways the chart above does not give them credit for because the descriptions they provided to Treasury did not address such coordination or they only indicated their programs “may” or “could” coordinate with HAMP. Only the states that clearly stated how their programs were designed to coordinate with HAMP received credit.

<sup>b</sup> Some states indicated that their programs “could” or “may” help homeowners avoid HAMP redefault or transition to HAMP-UP.

There are many opportunities for improved coordination. Several states have programs that are designed to work with HAMP. There are already 9 states with programs designed to help homeowners with their HAMP application. For example, New Jersey’s HomeKeeper program amendment states: “Homeowners shall be

provided all available options for assistance during their sessions with participating housing counseling agencies. This includes assistance available under HAMP. Determination of homeowner eligibility for HAMP or UP will be made and utilized before any determination of homeowner eligibility for HomeKeeper.<sup>18</sup> Moreover, Georgia’s HHF Mortgage Payment Assistance program is designed to “coordinate with eligible homeowners’ servicers to assist them in obtaining a loan modification from HAMP, if needed after program completion.”<sup>19</sup> Only 4 states provide cash to overturn HAMP denials due to insufficient income or negative net present value (“NPV”). California HFA’s Mortgage Reinstatement Assistance Program is a reinstatement program designed to “serve as a gateway to HAMP, which may include principal reduction of homeowner’s mortgage.”<sup>20</sup> Additionally, Nevada’s Principal Reduction Program was designed so that “Participating servicers will screen their databases for HAMP eligible borrowers on a regular basis and make referrals as appropriate.”<sup>21</sup> Unfortunately, only one state, North Carolina, even addressed using HHF funds to provide assistance to help those struggling in HAMP modifications, and it was unclear in doing so. North Carolina HFA’s Mortgage Payment Assistance Programs stipulate that “Homeowner assistance may be available to a borrower who has received a permanent loan modification if the borrower has a need.”<sup>22</sup> Most states that addressed HAMP-UP in their agreements with Treasury simply noted that homeowners may also be eligible for HAMP-UP, before or after receiving HHF assistance.

### HHF Can Help Homeowners Get into HAMP

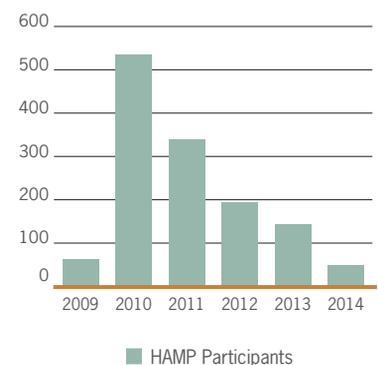
Despite encouraging HHF states to coordinate with HAMP, Treasury does not actively require HHF states to report on how they helped homeowners through HAMP. Therefore, Treasury does not know whether homeowners are getting all the help available to them under TARP. While HHF can provide much needed immediate assistance to struggling homeowners, by providing mortgage assistance to unemployed homeowners or paying off past due balances, it can also serve as a bridge to more permanent assistance through HAMP.

Overall statistics of TARP housing programs show that much more can be done for homeowners. Since January 1, 2011, approximately 166,000 homeowners in HHF states were denied HAMP modifications due to incomplete applications, and another 75,000 were denied HAMP due to insufficient income or negative net present value.<sup>iii</sup> (see Table 3.3 for details).<sup>23</sup> With a little extra help from HHF programs, many of these homeowners could have obtained HAMP modifications. Over the past four years, HHF housing counselors could have assisted homeowners in completing applications and helped to lower the number of rejected modifications due to incomplete applications.

<sup>iii</sup> When servicers evaluate homeowners for HAMP, they attempt to get the homeowners monthly mortgage payment to 31% of their income using interest rate reductions, term extensions, and then principal forbearance. When servicers are unable to reach the 31% threshold because the homeowner’s income is too low, they may deny the homeowner due to “Excess Forbearance.”

FIGURE 3.1

HAMP TIER 1 MODIFICATIONS STARTED BY YEAR (THOUSANDS), AS OF 6/30/2014



Source: Treasury, response to SIGTARP data call, 7/24/2014.

TABLE 3.3

**POTENTIALLY PREVENTABLE HAMP DENIALS IN HHF STATES  
(BY TYPE) - JANUARY 1, 2011 TO MAY 31, 2014**

State	Incomplete Application	NPV/Insufficient Income	Total
Alabama	2,616	393	3,009
Arizona	4,947	1,639	6,586
California	42,868	33,090	75,958
District of Columbia	758	234	992
Florida	34,436	14,410	48,846
Georgia	8,944	2,467	11,411
Illinois	13,088	5,390	18,478
Indiana	4,094	645	4,739
Kentucky	1,665	293	1,958
Michigan	7,025	1,560	8,585
Mississippi	1,693	328	2,021
North Carolina	6,679	1,639	8,318
New Jersey	13,016	6,334	19,350
Nevada	3,670	1,383	5,053
Ohio	7,475	1,466	8,941
Oregon	3,066	1,402	4,468
Rhode Island	1,088	504	1,592
South Carolina	4,134	760	4,894
Tennessee	4,391	959	5,350
<b>Total</b>	<b>165,653</b>	<b>74,896</b>	<b>240,549</b>

Source: SIGTARP Analysis of Treasury HAMP Data.

Most HHF programs have eligibility requirements very similar to HAMP, including qualifying financial hardships, minimum debt-to-income requirements, and residency requirements.<sup>24</sup> As with HAMP, when homeowners apply for HHF they typically fill out an application, provide an explanation of their financial hardship, and provide documented evidence showing they are eligible for assistance.<sup>25</sup> HHF application intake personnel, which are often HUD-certified counseling agencies, could use the information and documentation to help struggling homeowners complete HAMP applications.<sup>26</sup>

All HHF states have mortgage reinstatement programs that help pay off past due mortgage balances.<sup>27</sup> These programs could help reduce the number of homeowners denied HAMP due to insufficient income or negative NPV because they reduce the outstanding mortgage to be modified using HAMP. HHF principal forgiveness programs could also be used to help homeowners get into HAMP by further reducing the outstanding principal balances that servicers would modify using HAMP. To date though, only about 11,000 homeowners have received principal forgiveness through HHF programs.<sup>28</sup>

Housing Finance Agencies frequently emphasize how their programs can work with HAMP- Unemployment Program (HAMP-UP); however, success has been limited. Each HHF state provides assistance to homeowners who have lost their jobs or experienced significant pay cuts.<sup>29</sup> The HAMP-UP program, reduces an unemployed homeowner’s payment to 31% of their income for up to 12 months using principal forbearance. Although the HHF unemployment and HAMP-UP programs appear very similar, most homeowners will not transition from HHF to HAMP-UP because Treasury does not require servicers to offer HAMP-UP to homeowners that received at least 12 months of HHF unemployment, and most HHF unemployment programs offer assistance for at least that long.<sup>30</sup> Given that only about 40,000 homeowners have received HAMP-UP assistance since its inception, it makes no sense to continue with that approach. Treasury should require servicers to offer HAMP-UP to all homeowners.<sup>31</sup>

### HHF Can Help Homeowners Stay in HAMP

More than 220,000 homeowners in HHF states have redefaulted on their HAMP permanent modifications since January 1, 2011 (see Table 3.4), accounting for 58% of all homeowners who have redefaulted in HAMP.<sup>32</sup> The number of homeowners who have redefaulted range from a low of 23% in California to a high of 39% in Mississippi.<sup>33</sup> Many of these redefaults could have been prevented had Treasury ensured better coordination between servicers and states running the HHF programs.

Working with homeowners, HAMP servicers could notify HFAs of homeowners who fall behind at least one payment or request additional assistance after HAMP due to a post modification hardship. Servicers could also share information and documentation obtained during the HAMP evaluation with HFAs in order to fast-track HHF evaluations.

### HHF Can Help Homeowners After a HAMP Re-set

When Treasury designed HAMP, it chose to freeze homeowners’ modified payments for five years before they would begin increasing, not knowing how long and difficult the housing recovery would be.<sup>34</sup> However, 5 years later, the housing recovery has been much slower than ever contemplated. Homeowners continue to struggle; nearly 50% of homeowners that received HAMP modifications in 2009 redefaulted, and more than 40% of homeowners that received HAMP modifications in 2010 redefaulted.<sup>35</sup> These rates are likely to increase as the majority of the HAMP modifications are scheduled for mortgage payment increases in the coming years. Table 3.5 shows the mortgage payments will increase for homeowners in HAMP modifications where the homeowner lives in a state that offers HHF.

TABLE 3.4

<b>HAMP REDEFAULTS BY HHF STATE - JANUARY 1, 2011 THROUGH MAY 31, 2014</b>	
<b>State</b>	<b>HAMP Redefaults</b>
Alabama	2,602
Arizona	13,369
California	61,890
District of Columbia	575
Florida	40,101
Georgia	13,789
Illinois	19,928
Indiana	3,940
Kentucky	1,615
Michigan	9,864
Mississippi	1,785
North Carolina	7,446
New Jersey	13,895
Nevada	8,715
Ohio	8,082
Oregon	3,356
Rhode Island	1,890
South Carolina	3,760
Tennessee	4,722
<b>Total</b>	<b>221,324</b>

Source: SIGTARP Analysis of Treasury HAMP Data.

TABLE 3.5

**SELECTED HAMP PAYMENT INCREASE STATISTICS, BY HHF STATE,  
AS OF 5/31/2014**

<b>State</b>	<b>Homeowners Whose Payment Will Increase</b>	<b>Median Monthly Payment Increase<sup>a</sup></b>	<b>Maximum Monthly Payment Increase<sup>a</sup></b>
Alabama	3,616	\$95	\$928
Arizona	29,220	185	1,208
California	215,407	299	1,724
District of Columbia	1,377	254	1,096
Florida	99,032	162	1,168
Georgia	26,441	133	1,061
Illinois	41,002	174	1,072
Indiana	6,346	93	1,022
Kentucky	2,568	91	865
Michigan	21,755	121	1,273
Mississippi	2,174	86	730
North Carolina	13,035	115	1,060
New Jersey	26,823	235	1,100
Nevada	17,146	212	1,042
Ohio	15,167	97	886
Oregon	9,062	192	1,052
Rhode Island	3,878	192	905
South Carolina	6,514	116	1,105
Tennessee	6,751	95	1,075

Notes:

<sup>a</sup> Analyses to compile these figures excluded 50,603 HAMP permanent modifications with incomplete records.

Source: SIGTARP Analysis of Treasury HAMP Data.

As of May 31, 2014, the latest data available, there were more than 793,000 homeowners in HAMP modifications that will see their mortgage payments rise after 5 years in HAMP.<sup>36</sup> Although the payments will rise incrementally over time, homeowners will see their monthly mortgage payments go up by a median of \$197.<sup>37</sup> As the majority of HAMP homeowners will start experiencing payment increases before December 31, 2016, there is still time for them to get help from HHF. HHF programs will be active until the end of 2017. Given that Treasury has already determined that those homeowners are worth investing TARP funds, Treasury and the HFAs should look for ways that HHF programs can assist homeowners that may struggle with payment increases.<sup>38</sup> Providing HHF unemployment assistance to HAMP homeowners that struggle with chronic unemployment or underemployment may be one way to prevent foreclosures.

## PREVIOUS SIGTARP RECOMMENDATIONS TO TREASURY FOR IMPROVEMENTS IN TARP HOUSING PROGRAMS

SIGTARP has made a total of 50 recommendations to Treasury regarding HAMP (and related programs) and HHF that would improve the functioning of TARP programs, 44 were related to HAMP and 6 were related to HHF. The 44 HAMP recommendations cover such areas as servicer controls and compliance, improvement of servicer management, setting anti-fraud measures, creating homeowner awareness, and redefault management.

The five HHF recommendations include: setting measurable goals by Treasury on estimated number of homeowners to be helped, requiring state HFAs to set measurable goals, setting milestones for the state HFAs, publishing program usage for all HHF states on fund management, fund distribution, and homeowner assistance, as well as aggregated reports for all state HHF funds.

Significant among these recommendations, SIGTARP recommended that Treasury identify the number of homeowners that each HHF program should reasonably be expected to help and measure performance against those goals. Instead, Treasury allowed states to reduce the estimated number of homeowners that their programs will help. Since HHF and HAMP are both serving fewer homeowners than anticipated, SIGTARP recently recommended that Treasury consider increasing homeowner incentives and allowing these incentives to be used to reduce the homeowner's monthly payment, thereby allowing a greater number of homeowners access to the program.

## TREASURY SHOULD ENSURE THAT HOMEOWNERS GET ALL THE HELP AVAILABLE TO THEM UNDER TARP

Fewer HAMP modifications have been initiated in recent months, many of those in HAMP continue to redefault, and those not redefaulting face the prospect of increased monthly payments. To help address these problems Treasury should ensure that MHA and HHF programs work together as seamlessly as possible to provide effective, sustainable mortgage relief to the greatest number of struggling homeowners.

HAMP is TARP's flagship housing program, and a more sustainable solution than HHF. While HHF provides homeowners with immediate short-term assistance, it should also be viewed as a potential bridge to a more permanent solution for homeowners through HAMP.

Treasury's responsibility does not end when a homeowner receives a HAMP modification or HHF assistance, nor when funding goes to the servicers for HAMP incentives or states for administering the HHF programs. Treasury must continue

to oversee these programs to ensure that the greatest number of homeowners are provided assistance, and that those receiving assistance have the best possible chance of staying in their homes.

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# ARMED SERVICES MORTGAGE FRAUD ALERT



SIGTARP



Consumer Financial  
Protection Bureau



## Avoiding HAMP Mortgage Modification Scams; Resources for Servicemembers

### FRAUD ALERT:

Mortgage modification fraud schemes targeting struggling homeowners and which exploit the federal Home Affordable Modification Program (HAMP) have become increasingly common, and members of the Armed Services community struggling to make their mortgage payments should beware of con artists and scams that promise to save their homes and lower their mortgage debt or payments. A number of these scams are specifically targeting members of the Armed Services community.

### FACTS:

For servicemembers having trouble paying their mortgage, free help is available. Advice from U.S. Department of Housing and Urban Development (HUD)-approved housing counselors is always **FREE**, as are mortgage modifications under HAMP. In most cases, charging fees in advance for a mortgage modification is illegal. HUD-approved housing counselors can help you avoid scams and better understand your options.

### RESOURCES:

**Consumer Fraud Alert** – For tips on how to identify and avoid mortgage modification scams and to view the Consumer Fraud Alert issued by the HAMP Mortgage Modification Fraud Taskforce, visit [www.SIGTARP.gov/documents/Consumer\\_Fraud\\_Alert.pdf](http://www.SIGTARP.gov/documents/Consumer_Fraud_Alert.pdf).

**U.S. Department of Veterans Affairs** – If you are an active-duty servicemember or veteran and have a VA loan, call the U.S. Department of Veterans Affairs at 1-877-827-3702 or visit the Loan Guaranty Service Home Loan Program Web site at [www.HomeLoans.VA.gov](http://www.HomeLoans.VA.gov).

**Making Home Affordable Program** – For free mortgage-related advice and assistance from HUD-approved housing counselors or to apply for HAMP, call the **Homeowner's HOPE™ Hotline** at **1-888-995-HOPE** (1-888-995-4673) or visit [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov). You can apply to HAMP on your own or with free help from a HUD-approved housing counselor. Applying to HAMP is always **FREE**.

**Consumer Financial Protection Bureau** – For additional help and more information about mortgages, dial 1-855-411-2372 or visit [www.ConsumerFinance.gov/mortgagehelp](http://www.ConsumerFinance.gov/mortgagehelp).

**Fannie Mae** – If your mortgage is owned by Fannie Mae, for help and more information, dial 1-800-7Fannie or visit [www.FannieMae.com/portal/helping-homeowners-communities/veterans-outreach.html](http://www.FannieMae.com/portal/helping-homeowners-communities/veterans-outreach.html).

**Freddie Mac** – If your mortgage is owned by Freddie Mac, for help and more information, dial 1-800-Freddie (option 2) or visit [www.FreddieMac.com/avoidforeclosure/military\\_assistance.html](http://www.FreddieMac.com/avoidforeclosure/military_assistance.html).

**U.S. Department of Agriculture** – If your mortgage was issued by the USDA, for help and more information, contact the Centralized Servicing Center at 1-800-414-1226 or visit [RDHomeLoans.USDA.gov](http://RDHomeLoans.USDA.gov).

**Federal Housing Administration** – If your mortgage is insured by FHA, for help and more information, contact the National Servicing Center at 1-877-622-8525 or visit [www.HUD.gov/offices/hsg/sfh/nsc/nschome.cfm](http://www.HUD.gov/offices/hsg/sfh/nsc/nschome.cfm).

### REPORT FRAUD:

**Special Inspector General for the Troubled Asset Relief Program** – If you believe that you or someone you know has been a victim of a mortgage modification scam exploiting HAMP, dial the SIGTARP Hotline at 1-877-744-2009 or visit [www.SIGTARP.gov/pages/hotline.aspx](http://www.SIGTARP.gov/pages/hotline.aspx) to submit a tip, which can be done anonymously.

**Consumer Financial Protection Bureau** – To report mortgage modification issues unrelated to HAMP, visit [Help.ConsumerFinance.gov/app/mortgage/ask](http://Help.ConsumerFinance.gov/app/mortgage/ask) to submit a complaint.

This message is courtesy of the Office of the Special Inspector General for the Troubled Asset Relief Program, the Consumer Financial Protection Bureau, and the U.S. Department of the Treasury. For more information, visit [www.SIGTARP.gov](http://www.SIGTARP.gov), [www.ConsumerFinance.gov](http://www.ConsumerFinance.gov), and [www.Treasury.gov](http://www.Treasury.gov).

# CONSUMER FRAUD ALERT



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## Tips for Avoiding Mortgage Modification Scams

Homeowners struggling to make their mortgage payments should beware of con artists and scams that promise to save their homes and lower their mortgage debt or payments.

If you are struggling to pay your mortgage and are seeking a mortgage modification, keep the following tips in mind:

- You can apply to the federal Home Affordable Modification Program (HAMP) on your own or with free help from a housing counselor approved by the U.S. Department of Housing and Urban Development (HUD). Applying to the program is always **FREE**. For more information on how to apply, call the **Homeowner's HOPE™ Hotline** at **1-888-995-HOPE** (1-888-995-4673) or visit [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov).
- Only your mortgage servicer has discretion to grant a loan modification. Therefore, no third party can guarantee or pre-approve your HAMP mortgage modification application.
- Beware of anyone seeking to charge you in advance for mortgage modification services – in most cases, charging fees in advance for a mortgage modification is illegal.
- Paying a third party to assist with your HAMP application does not improve your likelihood of receiving a mortgage modification. Accordingly, beware of individuals or companies that ask you for payment and tout success rates or claim to be “experts” in HAMP.
- If an individual or company claims to be affiliated with HAMP or displays a seal or logo representing the U.S. government in correspondence or on the Web, you should check the connection by calling the Homeowner's HOPE™ Hotline.
- Beware of individuals or companies that offer money-back guarantees.
- Beware of individuals or companies that advise you as a homeowner to stop making your mortgage payments or to not contact your mortgage servicer.

Financially troubled homeowners can avoid scams by working with a HUD-approved housing counselor to understand their options and to apply for assistance. Assistance from HUD-approved housing counselors is free, and homeowners can reach them by calling the **Homeowner's HOPE™ Hotline** at **1-888-995-HOPE** (1-888-995-4673) or by visiting [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov).

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This message is courtesy of the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Consumer Financial Protection Bureau, and the U.S. Department of the Treasury. To report illicit activity involving HAMP, dial the **SIGTARP Hotline** at **1-877-SIG-2009** (1-877-744-2009). For more information, visit [www.SIGTARP.gov](http://www.SIGTARP.gov) and [www.ConsumerFinance.gov](http://www.ConsumerFinance.gov).

## SIGTARP HOTLINE

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

By Online Form: [www.SIGTARP.gov](http://www.SIGTARP.gov)  
By Phone: Call toll free: (877) SIG-2009  
By Fax: (202) 622-4559  
By Mail: Hotline: Office of the Special Inspector General  
for the Troubled Asset Relief Program  
1801 L Street., NW, 3rd Floor  
Washington, D.C. 20220

## PRESS INQUIRIES

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

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## LEGISLATIVE AFFAIRS

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## OBTAINING COPIES OF TESTIMONY AND REPORTS

To obtain copies of testimony and reports, please log on to our website at [www.SIGTARP.gov](http://www.SIGTARP.gov).

