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Press Statement

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\$320 Million Non-Prosecution Agreement Reached with TARP Recipient SunTrust Bank for Harming Homeowners Who Sought HAMP Home Loan Modifications

I am Christy Romero, Special Inspector General at SIGTARP, a federal law enforcement agency that investigates crime related to the taxpayer-funded bailout known as TARP. Late yesterday evening, a settlement with TARP recipient SunTrust Banks., Inc., was reached following a criminal investigation into the bank's slipshod and negligent administration of the federal Home Affordable Modification Program, popularly known as HAMP.

The financial crisis produced a mortgage crisis that was among the most severe in our nation's history. In response, the federal government, in an attempt to aid struggling homeowners and help them keep their homes, launched a number of mortgage assistance and economic relief programs, one of which was HAMP. HAMP was designed to be a beacon of hope and opportunity for homeowners in dire straits, but TARP recipient SunTrust, rather than assist homeowners in need, financially ruined many through an utter dereliction of its HAMP program.

When SunTrust was underperforming peers in the number of HAMP participants it was assisting, in an attempt to save face rather than do the right thing and genuinely seek to help struggling homeowners, the bank launched a massive advertising campaign to lure additional program participants. The strategy worked, but this criminal investigation uncovered that SunTrust so bungled its administration of its HAMP program, that many homeowners would have been exponentially better off having never applied through the bank in the first place.

SunTrust severely under-resourced and under-funded its HAMP program. Unwilling to put resources into HAMP despite holding billions in TARP funds, SunTrust simply placed piles of unopened homeowners' HAMP applications and paperwork on an office floor until at one point, the floor buckled under the sheer weight of the document packages. Documents and paperwork were lost. SunTrust issued "mass denials" to HAMP applicants and lied to the Treasury Department about the reasons for the denials. SunTrust's statements to customers were false. Rather than reviewing HAMP applications in 20 days and rendering modification decisions within an "as advertised" three- to four-month trial period, in the worst cases, some homeowners were confined to extended trial periods of two or more years. Additionally, SunTrust misreported current borrowers as delinquent to major credit bureaus. In other instances, SunTrust denied HAMP modifications to eligible homeowners and instead placed the homeowners in alternative, private modifications that were less favorable to borrowers. SunTrust also improperly capitalized amounts of interest onto borrowers' unpaid principal balances. Other borrowers who were transferred from SunTrust to another servicer while on active HAMP trial modifications were penalized. In the worst cases, SunTrust improperly commenced foreclosure proceedings on homeowners in active HAMP trial periods, and some of those homeowners saw their homes listed by SunTrust for sale in local newspapers.

The negligence with which SunTrust administered its HAMP program is appalling, miserable, inexcusable, and repulsive. Real people lost their homes, and many others faced financial ruin. SunTrust's management of the program harmed the homeowners that HAMP was designed specifically to assist. This type of behavior is precisely the type of behavior that undermines taxpayers' confidence in banks and the financial system. Ending this behavior and, where necessary, forcing institutions to change their culture through law enforcement by SIGTARP and our partners will help begin the process of restoring faith in financial institutions and healing public trust.

Americans should know that SIGTARP is on watch and protecting their bailout dollars and ensuring that justice is served for crime and nefarious behavior involving TARP. I would like to thank our law enforcement partner on this investigation, the Federal Housing Finance Agency Office of Inspector General, and the dedication of their team in helping us reach today's outcome. I also want to commend United States Attorney Timothy Heaphy for standing united with SIGTARP to fight bailout-related crime, as well as Stephen Pflieger, Chief of the U.S. Attorney's Office Criminal Division, and Assistant U.S. Attorney Laura Day Rottenborn, who have prosecuted this case.

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