



Office of the Special Inspector General
For the Troubled Asset Relief Program

1801 L Street, NW
Washington, D.C. 20220

LETTER FROM THE SPECIAL INSPECTOR GENERAL

SIGTARP's Quarterly Report (April 1, 2020 – June 30, 2020)

SIGTARP is an Office of Inspector General housed in Treasury conducting investigations and audits of the Troubled Asset Relief Program, which spent \$1.8 billion in Fiscal Year (FY) 2019, and \$620.5 million in FY 2020. We protect Americans and the Government, primarily by targeting crime, fraud, waste, and abuse, by TARP recipients. As required by the *Emergency Economic Stabilization Act*, this letter summarizes TARP's financials and SIGTARP's activities for the quarter ended June 30, 2020.

TARP programs have been impacted by the recent economic downturn in the time of COVID-19. TARP's ongoing \$33 billion foreclosure prevention programs are a critical tool at this time to help struggling homeowners. There remains \$2.8 billion available for spending through FY 2024.

Making Home Affordable: 750,000 homeowners are receiving mortgage payments lowered to affordable and sustainable levels in MHA – only slightly less than 811,520 homeowners in the program one year ago. The recent economic downturn may translate to increased delinquencies and defaults. Treasury has not yet released delinquency reporting for the quarter ended June 30, 2020. Treasury has paid \$21.2 billion in TARP to 153 financial institutions to administer the program, and is obligated or committed to pay \$2.3 billion. ***This quarter, Treasury distributed \$130.5 million, including \$27.4 million to Ocwen Financial, \$11.7 million to Wells Fargo, \$21.5 million to SPS, \$6.8 million to JP Morgan Chase, \$7.5 million to Bank of America, \$16.4 million to Nationstar, \$2.4 million to Citigroup, and \$580,000 to CIT Bank.*** Financial institutions must comply with the law and rules of the program, and are subject to Treasury's oversight and SIGTARP investigations and audits. Illegal acts or program rule violations harm Treasury, homeowners, and taxpayers.

Hardest Hit Fund: In response to unemployment caused by COVID-19, most of the 17 state agencies reopened or increased TARP mortgage assistance to unemployed homeowners. ¹ HHF helps 378 cities or counties in eight states with blight demolitions, using more than 2,000 contractors and partners (cities, land banks, non-profit and for-profit organizations). HHF also assists with down payments for homebuyers. As of March 30, 2020, 19 state agencies have

¹ The 17 currently participating states include Alabama, Arizona, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, North Carolina, New Jersey, Nevada, Ohio, Oregon, Rhode Island, South Carolina, and Tennessee. On May 29, 2020, the California agency closed its HHF program, giving back \$84.5 million to Treasury, rather than using those funds to address increased unemployment. The Florida agency closed its HHF program in January 2020, giving back \$6.5 million to Treasury.

spent \$9.5 billion in TARP (out of \$9.6 billion in funding plus hundreds of millions recovered from liens on properties receiving HHF assistance that were sold prior to the loan forgiveness period). There remains \$515.4 million available to be spent, in addition to any future lien recoveries, through FY 2022.

TARP Bank Programs: This quarter, one bank exited TARP, leaving five banks in TARP.

SIGTARP Quarterly Accomplishments and Results

SIGTARP has a 31 times return on investment of \$11 billion recovered (compared to our annual budgets), and has a 96 percent federal conviction rate supporting the Department of Justice – one of the highest in federal law enforcement. Courts have convicted 384 defendants that SIGTARP investigated and sentenced 303 of those to prison, including 77 bankers. Although SIGTARP's investigations are confidential, public activity from SIGTARP's investigations this quarter includes:

- A federal court sentenced a defendant for money laundering, resulting from Operation Phantom Bank that indicted 25 defendants. SIGTARP's investigation with the FBI found money laundering schemes orchestrated by the President of a bank in TARP to launder the proceeds of a cartel's international narcotics trafficking, including through the TARP bank.
- The Third Circuit heard argument on appeal by four officers of TARP bank Wilmington Trust, who were sentenced to a prison as a result of a SIGTARP investigation that found what the judge called the largest financial crime in the history of Delaware. The case has recovered \$270.8 million.
- A Detroit contractor was debarred for 20 years for bribery in TARP-funded contracts, after a court sentenced a Detroit city official and another contractor to prison for bribery.
- A chairman of a failed TARP applicant bank previously sentenced to 11 months prison for scheming to defraud Treasury out of \$13 million in TARP, was ordered to pay \$220,969 for securities fraud in related charges brought by the Securities and Exchange Commission. The bank's former President and CEO was previously sentenced to 14 months in prison.

I would welcome an opportunity to talk further with you about our important mission.

Respectfully,

CHRISTY GOLDSMITH ROMERO
Special Inspector General