Evaluation Report

Treasury Can Take Steps to Enhance Its Oversight of the Home Affordable Modification Program
MEMORANDUM FOR:  The Honorable Janet L. Yellen – Secretary of the Treasury  
FROM:  Ms. Melissa Bruce – Acting Special Inspector General for the Troubled Asset Relief Program  
SUBJECT:  Treasury Can Take Steps to Enhance Its Oversight of the Home Affordable Modification Program (SIGTARP-22-003)

The Home Affordable Modification Program (HAMP) aims to prevent avoidable foreclosures by modifying mortgages for struggling homeowners to make their payments more affordable and sustainable. HAMP provides incentive payments to mortgage servicers and lenders (i.e., the entities who hold the mortgages) to modify mortgages, and to homeowners who make timely payments on their modified mortgages. Since 2009, 1.7 million homeowners have had their mortgages modified under HAMP.

Treasury conducts oversight of HAMP mortgage servicers’ compliance with their contracts and program rules and guidelines. To assist with these efforts, Treasury signed agreements with the Federal National Mortgage Association (also known as Fannie Mae) and the Federal Home Loan Mortgage Association (also known as Freddie Mac) to act as the Program Administrator and Compliance Agent, respectively, for HAMP. As part of its role as Program Administrator, Fannie Mae manages various program data from the servicers, such as the status of homeowners’ monthly mortgage payments, and completes reports on incentive payments. Freddie Mac conducts periodic compliance reviews of servicers to monitor whether the servicers are meeting their obligations under HAMP requirements.

As of June 2022, approximately 42,000 homeowners were still eligible for HAMP incentive payments. Treasury expects to pay the final incentive payments in September 2023, and the program is projected to close in December 2023.

The objective of this evaluation was to review Treasury’s oversight of servicers participating in HAMP.¹ SIGTARP focused on Treasury’s oversight since 2018.

¹ SIGTARP conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency’s Quality Standards for Inspection and Evaluation.
SIGTARP found that Treasury has not established objectives or metrics to assess HAMP’s performance in meeting its goal of preventing avoidable foreclosures. Treasury collects a variety of data on HAMP. For example, Treasury tracks and reports the delinquency rates for 60- and 90-day late payments. In addition, Treasury collects data from Freddie Mac, through reports on its compliance reviews of servicers, that could be useful in assessing HAMP’s performance, such as the number of homeowners in good standing and the number of homeowners who redefaulted and were disqualified from HAMP. However, Treasury has not used this data to set objectives or metrics to measure what constitutes success towards achieving the program’s goal. As SIGTARP previously reported, Treasury data suggests that HAMP may not be achieving its goal.

SIGTARP also found that Treasury performs limited verification of HAMP servicer data on homeowner mortgages. Freddie Mac verifies some data during its compliance reviews of the servicers. However, these reviews rely primarily on servicers’ self-reporting and testing on a small number of mortgages. Fannie Mae takes steps to ensure the data servicers report is complete and performs logic checks to flag anomalies and errors, but Fannie Mae does not verify the accuracy of the data. Instead, Treasury and Fannie Mae rely primarily on the servicers to provide accurate data. By not performing more robust verification of servicer data, Treasury has fewer assurances that only eligible homeowners and lenders receive incentive payments, and that the payments are accurate. Furthermore, Treasury may be missing opportunities to require servicers to correct errors that harm homeowners.

Finally, SIGTARP found that Treasury assessed HAMP’s risk for improper payments as required. However, this risk assessment lacked detail to support the department’s determination that HAMP is at low risk for improper payments. For example, the justifications for questions under the risk factor asking whether payment eligibility decisions are made outside of the agency did not have supporting documentation or quantitative support, as required. Because HAMP will not undergo another improper payment risk assessment before it closes, Treasury should keep this in mind if it implements any housing programs in the future.

SIGTARP recommends that Treasury develop measurable objectives and metrics to assess HAMP’s performance in meeting its goal of preventing avoidable foreclosures by modifying mortgages to be more affordable and sustainable. SIGTARP also recommends that Treasury increase its verifications of HAMP servicer data to ensure the remaining homeowners in the program receive accurate incentive payments and are not harmed by servicer errors.

SIGTARP reviewed Treasury’s comments on a draft of this report and made changes to the report, as appropriate. We appreciate the courtesies extended to our staff.
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Background

Congress made foreclosure mitigation an express part of the Emergency Economic Stabilization Act of 2008 (EESA), which created the Troubled Asset Relief Program. EESA's largest ongoing program is the Home Affordable Modification Program (HAMP), which aims to prevent avoidable foreclosures by modifying mortgages for struggling homeowners to make their payments more affordable and sustainable. HAMP has three components—HAMP Tier 1, HAMP Tier 2, and Streamline HAMP—with different eligibility requirements. Since 2009, 1.7 million homeowners have had their mortgages modified under HAMP.

HAMP provides incentive payments to mortgage servicers and lenders (i.e., the entities who hold the mortgages) to modify mortgages, and to homeowners who make timely payments on their modified mortgages. Homeowners with mortgages backed by the Federal National Mortgage Association (also known as Fannie Mae) and the Federal Home Loan Mortgage Association (also known as Freddie Mac), also referred to as government-sponsored enterprises (GSE), receive a lump sum payment of $5,000 for eligible loans if the homeowners make their payments on time during their sixth year in the program. Homeowners with non-GSE mortgages who remain current on their payments are eligible for up to $1,000 in incentives annually for five years. These homeowners are also eligible for a $5,000 incentive if they pay all their monthly payments on time during the sixth year. If a homeowner’s mortgage payment is 90 or more days delinquent, the homeowner is in redefault and disqualified from HAMP.

The Consolidated Appropriations Act, 2016 terminated HAMP for new applicants as of December 31, 2016, exempting existing participants. Servicers continue to perform certain functions for homeowners who were in the process of completing the six-year program. These functions include receiving and disbursing incentive payments for homeowners and lenders, processing interest rate increases, and reporting to Treasury on the status of modified mortgages.

Treasury conducts oversight of HAMP mortgage servicers’ compliance with their contracts and program rules and guidelines. In its 2021 annual agency financial report, Treasury states that compliance is one of its operational goals for EESA programs, explaining that the department “continues to monitor servicer compliance with MHA [Making Home Affordable Program, which includes HAMP] guidelines that pertain to post-modification activities and which require remedial action,” and “all mortgage servicers participating in MHA are subject to program guidelines that require the servicer to offer MHA assistance to all eligible borrowers and to have effective systems, processes, and controls to administer the programs.”

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2 P.L. 110-343.
3 Lenders are also referred to as “investors.”
4 Homeowner incentives are paid as a reduction to the mortgage principal, thus reducing the amount owed. Eligible homeowners in HAMP Tier 1 receive the annual incentives and the sixth-year incentive, while eligible homeowners in HAMP Tier 2 and Streamline HAMP only receive the sixth-year incentive.
5 P.L. 114-113.
To assist with these efforts, in 2009, Treasury signed agreements with Fannie Mae and Freddie Mac to act as the Program Administrator and Compliance Agent, respectively, for HAMP. As part of its role as Program Administrator for HAMP, Fannie Mae maintains a variety of program data, including data provided by the servicers, in the Investor Reporting (IR2) database, the system of record for HAMP. Fannie Mae also produces reports from the database on incentive payments to be paid each month prior to disbursement. Treasury then works with Fannie Mae to disburse the incentive payments to servicers to distribute to eligible homeowners and lenders. Freddie Mac, through a separate division called Making Home Affordable-Compliance (MHA-C), conducts periodic compliance reviews of servicers to monitor whether the servicers are meeting their obligations under HAMP requirements.

As of June 2022, approximately 42,000 homeowners were still eligible for HAMP incentive payments. Treasury expects to pay the final incentive payments in September 2023, and the program is projected to close in December 2023.

The objective for this evaluation was to review Treasury’s oversight of servicers participating in HAMP. SIGTARP focused on Treasury’s oversight since 2018.

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6 Servicers report data to IR2 through the HAMP reporting tool, a web-based interface. Fannie Mae subcontracted with Black Knight, Inc. to develop and maintain the reporting tool.
7 For a discussion of the evaluation’s objective, scope, and methodology, see Appendix A.
Treasury Has Not Established Objectives or Metrics to Assess HAMP’s Performance in Meeting Its Goal of Preventing Avoidable Foreclosures

SIGTARP found that Treasury has not developed measurable performance objectives or metrics for HAMP that would allow the department to determine whether the program is achieving its goal of preventing avoidable foreclosures. Treasury collects data on HAMP homeowners’ mortgage payment activities. For example, Treasury tracks and reports the delinquency rates for homeowners who are 60 or more and 90 or more days late on their payments for HAMP Tier 1, HAMP Tier 2, and Streamline HAMP. However, it is unclear what these rates mean for the program’s performance. Treasury also collects various program data from MHA-C, through reports on its compliance reviews of servicers, that could be useful in assessing HAMP’s performance, such as:

- the number of homeowners in good standing;
- the number of homeowners who redefaulted and were disqualified from HAMP;
- the number of homeowners referred for foreclosure; and
- the number of homeowners referred to financial counseling and their subsequent performance.

When SIGTARP asked Treasury officials to provide performance objectives or metrics for HAMP, an official only provided information on compliance testing and delinquency rates.

The U.S. Government Accountability Office’s (GAO) Internal Control Standards in the Federal Government calls for management to set objectives to meet the entity’s mission, strategic plan, and goals. Management should define the objectives in specific and measurable terms to enable management to identify, analyze, and respond to risks related to achieving those objectives, and assess performance toward achieving those objectives. Likewise, Treasury requires that its components, including Office of Financial Stability (OFS), develop outcome-oriented performance measures in their annual performance plans to drive or inform decisions at the component, agency, or congressional level.

As SIGTARP previously reported, Treasury data suggests that HAMP may not be achieving its goal. For example, the department’s performance summary for the fourth quarter of 2021 shows that delinquency rates substantially increased over time for all three HAMP components. Approximately 45% of homeowners in HAMP Tier 1 and 55% percent in HAMP Tier 2 were delinquent on their mortgage payments by 90 days or more after six years in the program. In addition, about 59% of homeowners in Streamline HAMP were

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9 OFS is the office in Treasury that administers and oversees EESA programs, including HAMP.
delinquent on their mortgage payments by more than 90 days after five years. Furthermore, the average redefault rate for the 14 largest HAMP servicers—which accounted for approximately 95% of homeowners in HAMP as of May 17, 2022—exceeded 45%. In other words, almost half of the homeowners missed three mortgage payments in a row and were disqualified from HAMP. Homeowners who redefault and are disqualified from HAMP are at higher risk of losing their homes to foreclosure.
Treasury Performs Limited Verification of Servicer Data on HAMP Homeowner Mortgages

Treasury, through MHA-C’s compliance reviews, verifies some servicer data on HAMP homeowner mortgages. However, these reviews rely primarily on servicers’ self-reporting and testing on a small number of mortgages. Furthermore, although Fannie Mae takes steps to ensure the data servicers report in the IR2 database is complete and conducts logic checks to flag anomalies and errors, neither Treasury nor Fannie Mae verifies the accuracy of the data. Instead, Treasury relies primarily on the servicers to provide accurate data.

GAO’s Federal internal control standards call for agencies to use quality information from reliable sources to achieve intended objectives and perform ongoing monitoring. In addition, agencies should design control activities to achieve objectives and respond to risks. These activities include ensuring transactions are completely and accurately recorded.\(^1\)

By not performing more robust verification of servicer data, Treasury has fewer assurances that only eligible homeowners and lenders receive incentive payments, and that the payments are accurate. Furthermore, Treasury may be missing opportunities to require servicers to correct errors that harm homeowners. For example, homeowners may have trouble making payments that are set too high or have increased risk of being disqualified from HAMP when servicers incorrectly mark them as delinquent.

Treasury Performs Some Data Verification During Its Compliance Reviews, but These Reviews Rely Largely on Servicers’ Self-Reporting and Testing on a Small Number of Mortgages

As SIGTARP previously reported, Treasury’s compliance system for HAMP only tests a small sample of mortgages from the top 14 servicers, which include PHH Mortgage, Nationstar Mortgage, Wells Fargo, Specialized Loan Servicing, and Bank of America.\(^12\)

The initial step of the compliance reviews for the top 14 servicers involves testing 150 mortgages, 25 mortgages in each of six areas.\(^13\) Each servicer’s internal quality assurance team conducts these tests and compares the results to information in the IR2 database, noting discrepancies. The servicer then submits test results and supporting documentation to MHA-C for review. MHA-C then tests a sub-sample of 10 mortgages. If MHA-C identifies

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\(^12\) See SIGTARP, “Treasury’s Public Reporting on the Home Affordable Modification Program,” SIGTARP-21-002, August 26, 2021.

\(^13\) The six review areas are (1) interest rate step-up notices and changes, (2) accepted recast offers, (3) disqualified mortgages, (4) recast offers sent, (5) sixth-year incentive payments for non-GSE mortgages, and (6) sixth-year incentive payments for GSE mortgages.
discrepancies between its results and the servicers for two or more mortgages in any test area, it expands its testing to include all 25 mortgages in that category.

If Treasury determines from a servicer’s compliance review that there are systemic issues causing the discrepancies, it requires the servicer to review additional mortgages to determine the extent of the issue. Treasury also requires the servicer to correct the deficiencies. This could involve the servicer reinstating a homeowner who was incorrectly disqualified from HAMP or repaying a wrongful incentive payment. However, Treasury does not require the additional review for non-systemic issues, even if the discrepancies occurred over multiple reviews and may have harmed additional homeowners.

Furthermore, Treasury relies on self-reporting for the 78 remaining servicers. Although the remaining servicers only accounted for about 5% of HAMP homeowners as of May 2022, any errors they make that are not identified and corrected could harm homeowners.

Treasury Relies on Servicer Data and Reporting to Make Incentive Payments

Fannie Mae officials told SIGTARP that they take steps to ensure the servicers’ data on non-GSE mortgages is complete and use a list of data submissions and logic checks that flag anomalies and identify errors. However, they do not verify the accuracy of the data and instead rely on the servicers to report the data correctly. This data is used to determine whether homeowners and lenders are eligible for incentive payments, and how much those payments should be. When SIGTARP requested Fannie Mae’s procedures for non-GSE mortgages, officials said Fannie Mae did not have any documented procedures.

With respect to GSE mortgages, during its compliance reviews of the top 14 mortgage servicers, MHA-C reviews a sample of mortgages for homeowners who received the sixth-year incentive payment to verify that they were eligible for the payment. However, MHA-C must assume that the homeowners made timely payments during the first five years of the program, and that the servicers paid the incentive to all eligible homeowners.
Treasury Lacks Support for Its Determination that HAMP Is at Low-Risk for Improper Payments

SIGTARP found that Treasury assessed HAMP’s risk for improper payments as required. However, this risk assessment lacked detail to support the department’s determination that HAMP is at low risk for improper payments.

The Improper Payments Elimination and Recovery Act of 2010 requires agencies to assess a program’s risk for improper payments at least once every three years if the agency has deemed the program to be not susceptible to significant improper payments. Office of Management and Budget guidance implementing the Act states that agency assessments should consider various factors, such as the complexity of the program under review, the volume of payments made annually, and whether payments or payment eligibility decisions are made outside of the agency. Agencies are permitted to use quantitative or qualitative methods to assess their programs’ risks for improper payments.

To comply with these requirements, Treasury requires offices, such as OFS, to complete a qualitative risk assessment questionnaire on HAMP every three years based on program outlays from the previous fiscal year. For each question, offices are required to provide justification for their response. According to the questionnaire, “the justification should be specific and cite quantitative and/or qualitative support for the risk assessment answer (i.e., supporting documentation (e.g., statutes, policies, and procedures) or quantitative support used to answer the question.).”

OFS submitted its most recent qualitative risk assessment questionnaire for HAMP in July 2021. The office’s overall rating was that the program is not susceptible to improper payments. However, the questionnaire lacks detail and support to determine how OFS made this determination. For example, OFS rated HAMP as not susceptible to improper payments for the risk factor asking whether payment eligibility decisions are made outside of the agency. However, its justifications for the questions under this risk factor do not have supporting documentation or quantitative support. For example,

- When asked how payment and payment eligibility decisions are made, OFS’s justification is that payment decisions are made at the Federal level. However, while incentive payment decisions are made at the Federal level, they are based on servicer-reported data on homeowner mortgage payments, which is subject to limited verification.

14 The Office of Management and Budget defines an improper payment as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
15 P.L. 111-204.
16 Office of Management and Budget, M-21-19 Memorandum for the Heads of Executive Departments and Agencies, “Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement,” March 5, 2021.
In response to a question on whether the agency can override decisions made at the state/entity level, OFS stated that it monitors payments and requires entities that report incorrect payment data to correct the data and offset any improper payments. Although Treasury requires servicers to correct discrepancies identified during the compliance review process, the process only involves the review of a small sample of mortgages.

Making its improper payment risk assessment more rigorous by providing more detail and support for responses would have given Treasury a better understanding of HAMP’s susceptibility to improper payments, and areas that could benefit from additional controls. This is true even if it did not change the program’s overall rating.

In accordance with the law, HAMP’s next improper payment risk assessment would occur in 2024. Because HAMP is expected to close in 2023, Treasury does not anticipate that OFS will complete another assessment of the program.
Conclusion

As the largest ongoing EESA program, HAMP aims to prevent avoidable foreclosures by modifying mortgages for struggling homeowners to make their payments more affordable and sustainable. To achieve this, HAMP provides incentive payments to mortgage servicers and lenders to modify mortgages, and to homeowners who make timely payments on their modified mortgages. Since the program’s inception in 2009, 1.7 million homeowners have had their mortgages modified under HAMP. As of June 2022, approximately 42,000 homeowners were still in the program and eligible for incentive payments. Treasury, with support from Fannie Mae and Freddie Mac, has processes in place to oversee mortgage servicers participating in the program. However, these processes could be enhanced to provide greater assurances that the servicers are complying with program rules and guidelines, and that eligible homeowners received the benefits to which they are entitled.

Treasury collects a variety of data on HAMP but has not established objectives or metrics to assess the program’s performance. Doing so would better enable the department to determine the extent to which the program is achieving its goal of preventing avoidable foreclosures. This is particularly important because data on homeowner delinquencies and redefaults suggests that the program may be falling short of its goal.

Furthermore, Treasury performs limited verification of servicer data on homeowner mortgages through its compliance reviews, checks of data completeness, and logic checks to flag anomalies and errors. This includes data that is used to determine whether homeowners are eligible for incentive payments. Instead, Treasury relies primarily on servicers to report accurate data and identify and correct deficiencies on their own. Treasury requires servicers to correct deficiencies identified during its compliance reviews. However, these reviews only involve small samples of homeowner mortgages and generally do not result in servicers reviewing additional mortgages to determine whether other homeowners may be affected by the same deficiencies. Without more robust verification of servicer data, Treasury has fewer assurances that eligible homeowners and lenders receive incentive payments and other benefits. There is also an increased risk that deficiencies harming other homeowners are not found and resolved.

In addition, although Treasury completed an improper payment risk assessment for HAMP as required, the assessment lacks supporting documentation or qualitative support justifying the department’s determination that the program is at low risk for improper payments. Providing more detailed support might not have changed HAMP’s overall risk rating, but it would have better enabled Treasury to identify whether and what additional controls might be needed. Because HAMP will not undergo another improper payment risk assessment before it closes, Treasury should keep this in mind if it implements any housing programs in the future.

Even though HAMP is winding down with final incentives expected to be paid in September 2023, there is still time for Treasury to take steps to enhance its oversight of the program.
Recommendations

1. Treasury should develop measurable objectives and metrics to assess HAMP’s performance in meeting its goal of preventing avoidable foreclosures by modifying mortgages to be more affordable and sustainable.

2. Treasury should increase its verifications of HAMP servicer data to ensure the remaining homeowners in the program receive accurate incentive payments and are not harmed by servicer errors.
Appendix A – Objective, Scope, and Methodology

SIGTARP performed this evaluation under the authority of EESA, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. SIGTARP initiated the evaluation as part of its continuing oversight of HAMP. The objective of this evaluation was to review Treasury’s oversight of servicers participating in HAMP.

The scope of this evaluation covered Treasury’s oversight of HAMP servicers from January 2018 through August 2022. SIGTARP reviewed HAMP rules and requirements, and Treasury’s reporting on the program, such as the Troubled Asset Relief Program annual financial report, the HAMP quarterly performance summary, and compliance reports. SIGTARP reviewed requirements for agencies to conduct improper payments risk assessments in the Improper Payments Elimination and Recovery Act of 2010 and the Office of Management and Budget’s appendix to Circular A-123. SIGTARP compared Treasury’s improper payment risk assessment for HAMP to these requirements and the department’s requirements. In addition, SIGTARP reviewed performance assessment guidance for government agencies in the Government Accountability Office's *Internal Control Standards in the Federal Government*. SIGTARP also interviewed officials from OFS, Fannie Mae, Freddie Mac, and Black Rock, Inc.

SIGTARP conducted this evaluation from November 2021 to August 2022 in Washington, D.C., in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*. Those standards require that SIGTARP plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the evaluation objective. SIGTARP believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the evaluation objective.

Limitations on Data

SIGTARP relied on Treasury, Fannie Mae, and Freddie Mac to provide complete and relevant supporting documentation on HAMP in response to SIGTARP’s requests. To the extent that the documentation provided did not reflect a comprehensive response to SIGTARP’s requests or questions, this evaluation may have been limited.

Use of Computer-Processed Data

SIGTARP relied on computer-processed data for this evaluation. Specifically, SIGTARP reviewed Treasury’s quarterly performance summaries to determine the percentages of homeowners with delinquent mortgage payments, and data on the number of homeowners with mortgages modified under HAMP. SIGTARP did not validate the accuracy of the data, but determined the data was sufficiently reliable for the purposes of this evaluation.
Internal Controls

SIGTARP reviewed Treasury’s internal controls for HAMP by reviewing program requirements, policies, and procedures, and applicable Federal laws, requirements, and guidance. SIGTARP also interviewed officials from Treasury, Fannie Mae, Freddie Mac, and Black Rock, Inc. The results of this review are included in the body of the report.

Prior Coverage

SIGTARP has covered HAMP in its quarterly and semiannual reports to Congress, and in 10 other reports:

- August 15, 2022, “Many Homeowners Using the Largest Mortgage Servicers in Treasury's Home Affordable Modification Program Are At Risk of Losing Their Homes”

- August 9, 2022, “Data on Treasury’s Home Affordable Modification Program Show Homeowners May Be Vulnerable to Current Economic Conditions”


- January 27, 2016, “Mortgage Servicers Have Wrongfully Terminated Homeowners Out of the HAMP Program”


- October 29, 2014, “Homeowners Can Get Lost in the Shuffle and Suffer Harm When Their Servicer Transfers Their Mortgage but Not the HAMP Application or Modification”

- July 30, 2014, “Treasury Should Use HAMP and HHF Together to Help as Many Homeowners as Possible Avoid Foreclosure”

- July 24, 2013, “Rising Redefaults of HAMP Mortgage Modifications Hurt Homeowners, Communities, and Taxpayers”


Appendix B – Management Comments

Ms. Melissa Bruce
Acting Special Inspector General
for the Troubled Asset Relief Program
1801 L Street NW, 4th Floor
Washington, DC 20036

Dear Ms. Bruce:

I write in response to the Special Inspector General for the Troubled Asset Relief Program’s (SIGTARP’s) draft report of September 2, 2022 (Draft), regarding an evaluation of Treasury’s oversight of the Home Affordable Modification Program (HAMP). We are pleased SIGTARP has found that HAMP has assisted hundreds of thousands of homeowners who faced hardships including unemployment and underemployment. This letter provides Treasury’s official response to the Draft.

Background of HAMP

In early 2009, Treasury launched the Making Home Affordable (MHA) program to help struggling homeowners avoid foreclosure and stabilize the housing market. MHA is aimed at helping homeowners experiencing financial hardships to remain in their homes until their financial position improves or they relocate to a more sustainable living situation. At the same time, MHA protects the interests of taxpayers by disbursing funds only when transactions are completed and only as long as contracts remain in place.

The cornerstone of MHA has been HAMP, which provided eligible homeowners the opportunity to reduce their monthly mortgage payments to more affordable and sustainable levels to avoid foreclosure. When a permanent mortgage modification was completed, and provided that the borrower continued to make payments on the mortgage, Treasury paid monthly incentives to the borrower (for a period of up to 6 years), the mortgage servicer (for 3 years), and the mortgage investor (for up to 5 years), depending on the type of modification. HAMP was successful in facilitating the completion of 1.7 million permanent mortgage modifications.

HAMP is nearly concluded. All MHA programs, including HAMP, closed to new applications on December 31, 2016, in accordance with the provisions of the Consolidated Appropriations Act, 2016. At this stage of the HAMP program (as of August 31, 2022), there are approximately 35,000 homeowners who continue to receive borrower incentive payments; a number that decreases monthly. Put another way, less than two percent of borrowers who had their mortgage modified through HAMP remain in the program. Borrower incentive payments are currently

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1 Specifications regarding incentive payments and the time period over which they are provided, depending on the type of modification, may be found in the MHA Handbook (version 5.3), available at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_53.pdf
scheduled to conclude by September 2023. Because HAMP has been closed to new applicants for more than five years, the remaining tasks for Treasury are to monitor servicer compliance with MHA guidelines pertaining to post-modification activities, to continue incentive payments, provide transparency on the program, and implement the successful wind-down of HAMP.

SIGTARP’s Draft and Recommendations

The Draft notes that Treasury collects significant program data on homeowners who participate in HAMP, and publicly reports on the delinquency rates for homeowners who are late on their payments for HAMP Tier 1, HAMP Tier 2, and Streamline HAMP. The Draft also notes that Treasury conducts compliance reviews of the largest HAMP servicers, which account for 95 percent of all homeowners remaining in HAMP. As the Draft describes, Treasury’s Compliance Agent (MHA-C) conducts additional testing when discrepancies arise, and Treasury requires servicers to correct any identified discrepancies and conducts broader reviews where systemic issues are identified. The Draft further notes that Treasury’s Program Administrator (MHA-PA) takes steps to verify the completeness of data provided by servicers, including the use of data submission and logic checks to flag anomalies and identify errors.

SIGTARP recommends that Treasury create objectives or metrics to determine the extent to which HAMP is achieving its goal of preventing avoidable foreclosures. Treasury believes in program transparency and agrees that interested parties should be able to understand the degree to which HAMP is preventing foreclosures. Indeed, since the beginning of HAMP, Treasury has been publicly reporting on the number of borrowers who were offered trial modifications under HAMP, the number of borrowers who successfully completed their trial modifications and entered into permanent modifications, the number of current modifications, delinquency rates of current participants in HAMP, the total amount of incentives paid by Treasury to borrowers, investors and servicers, and a quarterly data file that provides a comprehensive view of the MHA programs. As such, a significant amount of public reporting exists regarding the success of HAMP in preventing foreclosures. We note, however, that setting a numerical benchmark of what would constitute success for HAMP as a program (i.e., a target for the number of permanent modifications, or a target for delinquency rates), would not be a useful exercise at this late stage of the program. Treasury has no ability to change the population of HAMP participants and only limited ability to alter the terms of the program for the few remaining participants.

SIGTARP also recommends that Treasury increase its verifications of HAMP servicer data. We agree with SIGTARP that it is important to verify that homeowners are receiving incentive payments for which they are eligible and confirm that such payments are accurate. MHA-PA already monitors data submissions and reports issues and anomalies to Treasury on an as-needed basis and via quarterly meetings to discuss servicer reporting and monitoring, data corrections and remediation, and servicer outreach activities. In addition, MHA-C tests individual loan files for accurate application of incentives, timeliness, and completeness of required borrower notifications, including interest rate step-up changes, eligibility, and accuracy of loan recasts. SIGTARP has not recommended specific enhancements to Treasury’s current processes and, given the late stage of the program, Treasury is focused on winding down HAMP and providing
the final payments to the remaining participants rather than implementing additional data verification procedures.²

* * *

We look forward to working with SIGTARP as we continue to wind down the remaining programs funded through TARP, including HAMP. Please feel free to contact Treasury’s Office of Financial Stability at (202) 622-4421 if you have any questions about this letter.

Sincerely,

Noel Poyo
Deputy Assistant Secretary for Community and Economic Development

² The Draft also asserts that Treasury’s internal improper payments risk assessment for HAMP lacked detail and support to determine how Treasury made its determinations. The Draft does not contain any recommendations on this topic because HAMP will have concluded before its next scheduled risk assessment in 2024. While SIGTARP asserts that Treasury did not provide documentation to justify two answers on the questionnaire, SIGTARP does not contend that Treasury’s responses were inaccurate. And as the Draft implicitly acknowledges, even if Treasury had provided different answers to those questions, HAMP would still have been rated as low risk for improper payments.
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: See “Hotline” tab on www.SIGTARP.gov

By Phone: (877) 744-2009 (toll free)

By Mail: Office of the Special Inspector General for the Troubled Asset Relief Program
1032 15th Street, NW
Washington, DC 20005

Inquiries

If you have any inquiries, please contact (202) 308-5060.

Obtaining Copies of Testimony and Reports

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