SIGTARP’s Semiannual Report (April 1, 2022 – September 30, 2022)

Ever since Congress created the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) under the Emergency Economic Stabilization Act (EESA), we have consistently delivered for American taxpayers. As an independent watchdog, SIGTARP has a proven record of identifying waste, abuse, ineffectiveness, inefficiency, and risk in EESA programs.

As a law enforcement office, SIGTARP has a proven record of identifying and investigating fraud and other crimes. SIGTARP investigations have resulted in the recovery of more than $11.3 billion while coordinating with the Department of Justice (DOJ) and other law enforcement agencies to criminally prosecute 469 defendants - 318 of them sentenced to prison, including 74 bankers. Our investigations have also resulted in enforcement actions against 25 corporations/entities, including enforcement actions against many of the largest U.S. financial institutions.

We continue to support DOJ on prosecutions related to bankers and co-conspirators investigated by SIGTARP. During this reporting period, SIGTARP investigations led to new charges, convictions, and sentencings. For example, a former bank CEO was sentenced for using false documentation to steal TARP funds from the bank. Additionally, another former bank CEO, was convicted for taking hundreds of thousands of dollars of bribes in connection with guaranteed loans.

The Home Affordable Modification Program (HAMP) is the largest ongoing EESA program. According to the September 2022 data, HAMP is providing much needed foreclosure relief to more than 563,000 participating homeowners living in all 50 states. Treasury paid $332.8 million to over 100 financial institutions in fiscal year 2022 and has approximately $767 million remaining to provide assistance through 2023. SIGTARP’s investigations into the HAMP program have protected consumers seeking access to HAMP and who subsequently became the victims of scams. To date, SIGTARP has brought to justice 121 convicted scammers.

The fact that an EESA program closes, or the defendant is no longer taking part in the program while SIGTARP’s investigation is pending, will not stop SIGTARP or prosecutors (such as the DOJ and state Attorneys General) from bringing justice and accountability to individuals or entities that violated the laws and could do so again. The timeframe of our work is not tied to the timeframe of U.S. Department of the Treasury (Treasury) or other entities administering funds in these programs. For example, while the Hardest Hit Fund closed in December 2021, SIGTARP investigations led to a 20-year debarment of one demolition contractor for defrauding Treasury’s Blight Demolition Program and the sentencing of another contractor.
As investigations and audits are focused on past actions, ongoing activity in these programs adds to our future work. It is imperative that SIGTARP fulfills its mission to independently ensure that these programs are effective, and to bring accountability for fraud, waste, and abuse.

Respectfully,

MELISSA BRUCE
Principal Deputy Special Inspector General
Performing the Duties of the Special Inspector General
MISSION

Prevent and detect fraud, waste, and abuse in the more than $442 billion appropriated by Congress through the Emergency Economic Stabilization Act (EESA) and $2 billion appropriated through the Consolidated Appropriations Act of 2016, and promote economy, efficiency, effectiveness, and accountability in these economic stability programs. SIGTARP conducts investigations of suspected illegal activity, and also independently audits EESA long-term economic stability programs.

EESA has two parts:

1. Short-term Treasury purchases of "troubled assets," which led to investments in banks, insurance companies and automotive companies - these programs have been largely completed, as has SIGTARP's work in this area; and

2. Long-term programs intended to bring economic stability to the financial industry and communities by protecting home values and preserving homeownership programs projected to operate until 2024.

Under these long-term economic stability programs, the Treasury and Fannie Mae (with assistance from Freddie Mac) run a program that funds incentives to more than 150 financial institutions, including some of the largest in our nation, to lower mortgage payments to terms that are affordable and sustainable for homeowners at risk of foreclosure. Treasury also funded grant-like programs administered by housing finance agencies in 19 states, including programs providing foreclosure relief to homeowners unemployed or underemployed due to the COVID-19 pandemic.
ABOUT US

SIGTARP currently conducts criminal and civil investigations and independently audits and evaluates the EESA long-term economic stability programs - the Home Affordable Modification Program (HAMP) and the Hardest Hit Fund (HHF). Treasury, Fannie Mae, and state housing agencies respond to ongoing housing market issues through EESA programs, including national economic instability resulting from the COVID-19 pandemic.

- **HAMP**: HAMP continues to prevent foreclosures for more than 563,000 Americans after the lapse of the foreclosure moratorium in the CARES Act. Treasury and Fannie Mae pay incentives to financial institutions to lower mortgages to affordable and sustainable terms. Payments are not automatic but require institutions to follow the law and HAMP rules.

- **HHF**: In the Consolidated Appropriations Act of 2016, Congress authorized an additional $2 billion and amended HHF from responding to the financial crisis to respond to ongoing housing market needs. State housing agencies used HHF to provide mortgage assistance for Americans facing unemployment and underemployment due to the pandemic. The HHF program closed in December 2021.

**SIGTARP Investigations**: Primarily a law enforcement agency, SIGTARP delivers justice and accountability for fraud, corruption, or other illegal acts that harm EESA programs and put taxpayer dollars at risk. SIGTARP has concurrent jurisdiction with the Federal Bureau of Investigation (FBI) and supports U.S. Department of Justice's (DOJ) prosecutions.

469 defendants have been criminally charged as a result of SIGTARP investigations. SIGTARP has a 96 percent DOJ conviction rate. To date, 411 defendants have been convicted, 318 of them sentenced to prison, while others await trial/sentencing. SIGTARP’s investigations have led to prosecutions of more than 108 bankers (including 74 sentenced to prison) and DOJ enforcement actions against the largest banks. This proven record gives us the expertise to investigate financial institutions in HAMP. SIGTARP also found defendants who scammed nearly 31,000 homeowners trying to access HAMP, including 121 criminally convicted. SIGTARP also investigates fraud, corruption, and environmental crimes in EESA-funded blight demolitions, and investigates homeowners who stole from HHF.

More than $11 billion has been recovered, yielding a cumulative 29 times return on investment. SIGTARP has one of the highest returns on investment of any Inspector General. Cumulatively, dollars recovered from SIGTARP’s work far exceed our cost. In FY 2022, the government recovered $304,771.

**SIGTARP Audits**: SIGTARP’s audits and evaluations identify roadblocks and obstacles to increase the speed of assistance to Americans, bring transparency, and prevent future fraud, waste, and abuse. In 2017, SIGTARP worked with the late Congressman John Lewis and Atlanta Legal Aid to identify mismanagement by a Georgia state agency that “guarded” federal mortgage assistance, denying federal assistance to high percentages of homeowners, including many homeowners in minority neighborhoods. More homeowners received assistance after the state agency implemented SIGTARP’s recommendations. SIGTARP has warned about the risk of corruption, lack of competition, and environmental and safety issues in federally funded demolitions of blighted properties.
The Making Home Affordable (MHA) program pays lenders to lower mortgage payments for homeowners at risk of foreclosure.

$22.1 billion has been spent, including $332.8 million in FY 2022. Up to $767 million is available to be paid into FY 2024.

The Hardest Hit Fund (HHF) helped unemployed and underemployed Americans pay their mortgages, demolished blighted homes, and funded homebuyer down payments.

As of the program closure in December 2021:
- $9.6 billion was obligated in the program
- SIGTARP Audits and Evaluations completed
  - 18 reports
  - 4 alerts/management advisory letters
  - Made 221 recommendations
    - 78/35% implemented by Treasury
    - 96/43% partially implemented by Treasury

Recepients Includes:
- JPMorgan Chase & Co.
- citi mortgage
- Bank of America.
- Wells Fargo
- Nationstar
- SPS Select Portfolio (servicing)
- CIT Bank
- OneWest Bank

Recepients Includes:
- 19 state agencies
- 378 cities or counties and 503 local partners
- More than 1,700 demolition contractors
- Homeowners & homebuyers
As of September 30, 2022 | Convictions include four vacated due to death or cooperation | Charges are not evidence of guilt | Many defendants await trial and sentencing

Return on investment based on SIGTARP’s annual budget 2010 – 2022
SIGTARP investigations have led to enforcement actions against **TWENTY FIVE** institutions.
SIGTARP AUDITS IDENTIFY FRAUD, WASTE AND ABUSE, AND DETER FUTURE WRONGDOING

Nevada's Hardest Hit Fund wasted $8.2 million while all but stopping admitting new homeowners $3 million in Hardest Hit Fund administrative expenses were squandered by state housing agencies.

Mortgage servicers have wrongfully terminated homeowners out of the Home Affordable Modification Program.

The average cost of demolitions in Michigan and Ohio have skyrocketed in the last few years.

Georgia mismanaged the state's Hardest Hit Fund, failing to meet the urgent needs of Georgian homeowners and wasting $18.6 million.

Blight demolition program faces asbestos exposure, illegal dumping and contaminated soil risks.

Most of the Hardest Hit Fund has no federal competition requirements for contract awards.

Hardest Hit Fund travel and conference expenses
Blight demolition greening and maintenance activities

RECENT FINDINGS

OPEN AUDITS

Fiscal Year 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars Recovered (Thousands)</td>
<td>$304.8</td>
</tr>
<tr>
<td>Criminal Charges</td>
<td>6</td>
</tr>
<tr>
<td>Arrests</td>
<td>5</td>
</tr>
<tr>
<td>Convictions</td>
<td>11</td>
</tr>
<tr>
<td>Sentenced to Prison</td>
<td>5</td>
</tr>
<tr>
<td>Debarments</td>
<td>6</td>
</tr>
<tr>
<td>Justice Department Referrals</td>
<td>4</td>
</tr>
<tr>
<td>State Referrals</td>
<td>1</td>
</tr>
<tr>
<td>Prosecutor Declinations</td>
<td>7</td>
</tr>
</tbody>
</table>

Through September 30, 2022 | BY THE NUMBERS
SIGTARP’S OVERSIGHT OF MAKING HOME AFFORDABLE AND HOME AFFORDABLE MODIFICATION PROGRAMS
SIGTARP’s top law enforcement priority is to investigate and bring to justice unlawful conduct by financial institutions in HAMP. Our nation cannot have a resilient housing market if financial institutions and consumers violate the law. SIGTARP’s top audit priority is to identify risk/vulnerabilities in HAMP that would hurt homeowners and impede Treasury’s goal to provide affordable and sustainable homeownership.

HAMP IS PREVENTING FORECLOSURES FOR MORE THAN 563,000 PARTICIPANTS WHO LIVE IN ALL 50 STATES

HAMP remains critical to the economic growth and recovery of 563,105 Americans as of September 2022. HAMP provides fair access to home ownership by financial institutions modifying mortgages to be affordable and sustainable.
SIGTARP’S OVERSIGHT OF HAMP

SIGTARP conducts criminal and civil investigations and independent audits and evaluations of HAMP. SIGTARP has a number of open, confidential investigations in this area, several of which have been referred to DOJ. SIGTARP also found defendants who scammed nearly 31,000 homeowners trying to access HAMP, resulting in 101 sentenced to prison.

Federal payments are not automatic and require the financial institutions administering HAMP to follow the law and rules.

**TOP 10 FINANCIAL INSTITUTIONS AND TOTAL SPENT IN FY 2022**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Institution</th>
<th>Total Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ocwen Loan Servicing, LLC</td>
<td>$88,928,439.40</td>
</tr>
<tr>
<td>2</td>
<td>Select Portfolio Servicing, Inc.</td>
<td>$66,195,192.07</td>
</tr>
<tr>
<td>3</td>
<td>Nationstar Mortgage, LLC</td>
<td>$45,021,485.82</td>
</tr>
<tr>
<td>4</td>
<td>Wells Fargo Bank, N.A.</td>
<td>$19,511,343.11</td>
</tr>
<tr>
<td>5</td>
<td>Specialized Loan Servicing</td>
<td>$15,951,844.13</td>
</tr>
<tr>
<td>6</td>
<td>JPMorgan Chase Bank, NA</td>
<td>$15,722,530.90</td>
</tr>
<tr>
<td>7</td>
<td>MidFirst Bank</td>
<td>$14,846,656.59</td>
</tr>
<tr>
<td>8</td>
<td>Bank of America, N.A.</td>
<td>$14,671,410.99</td>
</tr>
<tr>
<td>9</td>
<td>Carrington Mortgage Services, LLC</td>
<td>$8,415,869.98</td>
</tr>
<tr>
<td>10</td>
<td>CitiMortgage, Inc.</td>
<td>$5,198,295.73</td>
</tr>
</tbody>
</table>

145 Other Institutions $38,296,735.45

$ Spent in FY 2022 $332,759,804.17

Source: SIGTARP’s September 28, 2022 analysis of Treasury’s most recent MHA data; Treasury, Aggregate Cap Monitor - September 2022
### CUMULATIVE SPENDING IN THE MAKING HOME AFFORDABLE PROGRAM

<table>
<thead>
<tr>
<th>Institution</th>
<th>Dollars paid</th>
<th>Obligated or Available to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>WELLS FARGO</td>
<td>$135 Million</td>
<td></td>
</tr>
<tr>
<td>JPMorganChase</td>
<td>$94 Million</td>
<td></td>
</tr>
<tr>
<td>Bank of America</td>
<td>$57 Million</td>
<td></td>
</tr>
<tr>
<td>SPS Select Portfolio Servicing, Inc.</td>
<td>$32 Million</td>
<td></td>
</tr>
<tr>
<td>Nationstar Mortgage</td>
<td>$67 Million</td>
<td></td>
</tr>
<tr>
<td>citi Mortgage</td>
<td>$83 Million</td>
<td></td>
</tr>
<tr>
<td>Bank OneWest</td>
<td>$43 Million</td>
<td></td>
</tr>
<tr>
<td>147 Financial Institutions</td>
<td>$239 Million</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$767 Million</td>
<td></td>
</tr>
</tbody>
</table>

Source: SIGTARP’s September 2022 analysis of Treasury and Fannie Mae’s most recent MHA data; Aggregate Cap Monitor Report - September 2022. A total of 155 Institutions have been paid or are eligible to be paid future funds through MHA, of which 83 will still receive payments subsequent to 9/16/2022.
SIGTARP’S INVESTIGATIVE RESULTS IN THE LAST SIX MONTHS

DC Woman Convicted of Two Counts of Fraudulently Using Over $523,000 in Government Benefits Intended for Veterans and the Disabled

On June 27, 2022, Rosemary Ogbenna of the District of Columbia was convicted of one count each of mail fraud and false statements. Ogbenna operated a rooming house for retired and disabled individuals for over a decade, during which Ogbenna used over $523,000 in government payments from the Social Security Administration and the Veterans Administration for her own benefit that were intended for the care of elderly, mentally ill, disabled, and veteran beneficiaries. This case was prosecuted by the U.S. Attorney’s Office for the District of Columbia.

Nearly 31,000 Homeowners across all 50 States were Victims of Scammers
SIGTARP’S OVERSIGHT OF TREASURY’S TARP INVESTMENTS IN BANKS AND SECURITIES TRADING
RESULTS OF SIGTARP’S BANK INVESTIGATIONS

SIGTARP continues to support criminal prosecutions by DOJ of TARP bankers and co-conspirators, as well as parallel civil actions by the Securities and Exchange Commission (SEC). The bank fraud, securities fraud, money laundering, and other crimes and civil violations of law uncovered by SIGTARP hurts banks’ stability and their ability to lend to communities.

As of September 31, 2022

*B includes two convictions vacated due to death or subsequent cooperation with the Government.
INVESTIGATIONS AND PROSECUTIONS
DO NOT END WHEN A BANK EXITS TARP

Just as a bank robber cannot escape prosecution by returning the stolen money, a banker defrauding a TARP bank cannot escape prosecution by DOJ simply because the bank exited TARP. The bankers that SIGTARP investigates have engaged in money laundering, fraud, or other crimes against the bank. These are not victimless crimes. These crimes destabilize the bank, often cause losses, and hurt the bank’s ability to lend to its communities. Bankers committing these crimes must be held accountable through the criminal justice system and removed from the bank. The same is true for civil charges by the SEC against bankers at public companies.

SIGTARP has brought landmark cases that changed the Federal Government’s bank prosecutions. Since the Savings & Loan Crisis, the DOJ has largely limited prosecutions to cases where the banker had some conflict of interest and made a personal profit. SIGTARP found that during the Great Recession, some bankers fraudulently inflated the bank’s financial condition so that bank regulators, Treasury, and the investing public would not know about the decline in the financial condition. Some of these banks failed. Some raised capital from investors based on false financials. Some used those artificially inflated financials to obtain TARP funding.

Bank investigations and prosecutions are complex and lengthy. The ten-year statute of limitations recognizes the time it takes for the government to find the crime, investigate it, and bring criminal charges. Once SIGTARP refers the case to DOJ for prosecution, SIGTARP works with the prosecutors until the prosecution is complete, which can take years.

The bank may exit TARP during the investigation and/or prosecution, which has no bearing on SIGTARP’s work. Currently, there is one bank and two credit unions in TARP. One United Bank received $12.06 million in TARP and has missed dividends of $8.99 million. Cooperative Center Federal Credit Union owes $559,000 and D.C. Federal Credit Union owes $500,000 in TARP.

While some of our bank investigations remain confidential, we are reporting on the public results.
SIGTARP’S INVESTIGATIVE RESULTS IN THE LAST SIX MONTHS

Georgia Woman Sentenced in Connection with Defrauding TARP Recipient Bank

On August 3, 2022, Ladonna Barton was sentenced to time served, three years of supervised release and ordered to pay restitution of $46,947 for her role in defrauding River City Bank (RCB) in Rome, Georgia, a TARP recipient bank. Barton received loan proceeds through materially false and fraudulent pretenses, representations and promises, as well as material omissions during her participation in the scheme. The U.S. Attorney's Office for the Northern District of Georgia prosecuted this matter.

CEO of Louisiana Federal Credit Union Sentenced for Filing a False Document in Connection with TARP

On April 6, 2022, Helen Godfrey-Smith, former Chief Executive Officer of the Shreveport Federal Credit Union, was sentenced to one year of probation and ordered to pay a fine of $5,000 for making and using a false document in connection with the TARP funds the Shreveport Federal Credit Union received from the Treasury. She pled guilty to this crime in December 2021. In December 2016, Godfrey-Smith signed a document stating the credit union was financially healthy, when in fact the credit union was in dire fiscal condition. Due to its dismal financial condition, the credit union was placed into a conservatorship in April 2017 and was liquidated in October 2017. The U.S. Attorney's Office for the Western District of Louisiana was responsible for the prosecution of this case.

Bank CEO Convicted For Taking Bribes In Connection With Loans Guaranteed By The Small Business Administration

Edward Shin, a former Pennsylvania-based bank CEO, was convicted after trial for taking hundreds of thousands of dollars of bribes in connection with loans guaranteed by the Small Business Administration and with causing the bank to issue SBA-guaranteed and commercial loans to companies in which Shin had a secret financial interest.

These charges were brought about by a joint investigation with SIGTARP, the Federal Deposit Insurance Corporation – Office of Inspector General, Homeland Security Investigations, and the SBA Office of the Inspector General. This case was prosecuted by the U.S. Attorney's Office for the Southern District of New York.¹

¹ On October 6, 2022, Shin was sentenced to 14 months in prison, three years of supervised release, and ordered to pay forfeiture of more than $5.5 million.
SIGTARP'S OVERSIGHT OF THE HARDEST HIT FUND
SIGTARP’S OVERSIGHT

SIGTARP conducts oversight through investigations, audits, and evaluations of EESA’s $9.6 billion HHF, announced by President Obama in 2010 and expanded in 2016 by Congress (which moved $2 billion to HHF from HAMP). HHF provided $9.6 billion to 19 state housing finance agencies to address ongoing local housing needs. Treasury allowed state agencies to recycle back into the program interest and recoveries from liens. Recoveries from SIGTARP investigations and audits were also recycled back into the program.

SIGTARP investigates and supports the prosecution of corruption, fraud, and environmental crimes in demolitions of blighted properties under HHF. We continue to bring justice to individuals who defrauded the HHF mortgage assistance program, even after closure of the program in December 2021.

SIGTARP auditors and evaluators helped ensure that the assistance effectively reached those intended to be helped by identifying obstacles, roadblocks, waste, abuse, and risks of violating program rules.
SIGTARP INVESTIGATIONS

As with all investigations, SIGTARP investigations for criminal and civil violations of the law are backwards-looking, seeking justice and accountability for past violations of the law, and assisting in recovering dollars lost to fraud. Fraud, waste, and abuse cannot happen while federal funds are unspent and safe in a government account. Criminal and civil law enforcement actions take time to investigate and prosecute though the courts. A non-complex criminal investigation and prosecution of crime in HHF can take three to five years, which is extended for more complex cases. The fact that a state agency may close its HHF program while SIGTARP’s investigation is pending will not stop SIGTARP or prosecutors (such as the DOJ and state Attorneys General) from bringing justice and accountability to individuals or entities that violated the laws and could do so again. Prosecutions have already resulted in prison sentences, convictions, payment of losses and fines, and contractor bans.

SIGTARP INVESTIGATIONS IN THE HHF BLIGHT DEMOLITION SUBPROGRAM

SIGTARP investigates corruption, bribery, other anti-competitive acts, fraud, environmental, safety and other crimes, as well as civil violations of the law or program rules in the HHF blight demolition subprogram. SIGTARP spends significant resources investigating crimes that could have been deterred if: (1) Treasury had implemented SIGTARP’s prior audit recommendations, (2) Treasury had implemented controls to mitigate the risk of contaminated dirt, asbestos exposure, and illegal dumping in HHF blight demolitions, and (3) Treasury had mitigated anti-competitive actions in demolition contracts.

SIGTARP has a number of ongoing confidential criminal investigations and is working actively with the DOJ and state Attorneys General offices. Public results of our investigations include:

Demolition Contractor Barred for 20 Years in Blight Elimination Fraud

On July 14, 2022, Kevin Woods, president of BBEK Environmental, a major Detroit demolition subcontractor, was barred for 20 years from contracts in Detroit for defrauding the Treasury’s Blight Elimination Program and putting residents of Michigan at risk by violating asbestos abatement air monitoring regulations. In April 2022, Kevin Woods pled guilty to one count of false pretenses for a violation of the Michigan Asbestos Abatement Contractors Licensing Act. In June 2022, he was sentenced to two years of probation, ordered to pay more than $21,000 in restitution for underreported Michigan Department of Licensing and Regulatory Affairs (LARA) fees, and one hundred hours of community service. Michigan’s Attorney General prosecuted the case.

The Detroit OIG issued the contractor bar after partnering with SIGTARP. Previously, the Detroit OIG had issued a suspension because the contractor provided asbestos abatement services that could impact the health, safety, and welfare of Detroit residents.

Indiana Demolition Contractor sentenced in Federal Court for Defrauding the Blight Elimination Program

On September 15, 2022, demolition contractor, Gary Hayden, was sentenced to two years of probation and ordered to pay more than $159,000 in restitution on one count of theft of government funds as charged in a 2020 federal grand jury indictment. The indictment charged Hayden with improperly disposing of blight demolition debris on-site and submitting false and fraudulent documents asserting proper disposal between 2015 and 2017. The case was prosecuted by the U.S. Attorney’s Office in the Northern District of Indiana.
Columbus Residents Indicted for CARES Act Fraud

On June 15, 2022, Jabari Ogbanna Edwards and Antwann Richardson, Mississippi residents, were indicted in connection with defrauding the CARES Act of more than $2 million. The defendants are charged with conspiracy to commit wire fraud, wire fraud, false statements and money laundering. These charges stem from a SIGTARP investigation that uncovered the fraud scheme while investigating properties that were eligible for federal TARP funds under the Treasury’s Blight Elimination Program. This case is being prosecuted by the U.S. Attorney’s Office for the Northern District of Mississippi.
SIGTARP’S INVESTIGATIVE RESULTS IN THE LAST SIX MONTHS

SIGTARP Investigations of Fraud in HHF Mortgage Assistance Programs

SIGTARP investigates and supports the prosecution by federal, state, or local prosecutors of individuals who defrauded the program and received mortgage assistance to which they were not entitled. In some instances, these individuals were also defrauding other federal assistance programs. It is important to bring justice to these fraudsters to deter them from defrauding other programs in the future. Additionally, court sentencing after conviction includes an order of repayment of illegally obtained HHF mortgage.

Northern California Woman Sentenced For Defrauding Keep Your Home California

On August 1, 2022, Sheena Devi Heer, was sentenced to 30 days in jail, two years of felony probation, and ordered to pay $29,634 in restitution for defrauding the Keep Your Home California (KYHC) program. Heer received $29,634 from the KYHC Unemployment Mortgage Assistance (UMA) program for 18 months, from January 30, 2015 to June 24, 2016. Investigators found Heer was actually employed, beginning on October 27, 2014, as a Loan Processor for a mortgage company, when she subsequently applied for KYHC UMA benefits beginning on November 3, 2014. In 2015, she earned a total of $86,924, for employment at two financial services/mortgage companies, and in 2016 she earned a total of $143,719. During her career, Heer has worked as a Loan Processor, Branch Operations Lead, Underwriter, Home Loan Consultant, and Branch Manager at several financial institutions.

California Man Sentenced for Defrauding the Keep Your Home California Mortgage Assistance Program

On April 4, 2022, Brandon Corey Smith of Menifee, California was sentenced to three years of probation and ordered to pay $29,784 in restitution for one count of theft of government property in the Central District Court of California. In September 2015, Smith was approved and began receiving mortgage assistance benefits from the U.S. Department of the Treasury through the KYHC Program. As required by the program, Smith failed to notify KYHC when he became re-employed in April 2016 at Edwards Life Sciences. Between approximately April 2016 and February 2017, Smith received benefits to which he was not entitled, totaling approximately $30,000.

This case was prosecuted by the Riverside Branch of the U.S. Attorney’s Office in the Central District of California.

California Residents Repay Treasury’s Hardest Hit Fund Mortgage Assistance Program administered by Keep Your Home California

Three California residents repaid funds to the KYHC Mortgage Assistance Program to which they became unentitled.

Dominic Simonton received a total of $53,254 in Unemployment Mortgage Assistance benefits for 17 months from May 2017 through August 2018. Simonton failed to report when he became re-employed in June 2017 and continued to receive benefits. In August 2022, Simonton repaid $47,254 to the Treasury.

Sherrye Turner received $79,000 in Principal Reduction Plan benefits in February 2015. Turner moved out of the residence and began renting the property for profit to a third party during the benefit period. Starting in August 2022, Turner repaid $30,000 in benefit funds and will continue to make repayments into fiscal year 2023 to the Treasury.

These cases were investigated and brought to resolution with SIGTARP’s California prosecution partners in the Attorney General and local District Attorney’s Offices.
SIGTARP AUDITS

SIGTARP audits and evaluations have improved the effectiveness and efficiency of HHF mortgage assistance programs by reporting on poor performance and, in one case, mismanagement by individual state agencies and identifying obstacles to the timely distribution of assistance. SIGTARP audits and evaluations of HHF blight demolition programs have identified abuse of the program. For example, it was used to demolish lived-in houses on the desired relocation site of a car dealership. Additionally, SIGTARP warned Treasury about risks to the health and safety of communities, and risks of anti-competitive behavior in the bidding and awarding of contracts. SIGTARP made recommendations that, if implemented, could have deterred fraud and other crimes found by SIGTARP investigations.

SIGTARP also audits administrative costs of participating state housing agencies. SIGTARP audits have found $11 million in waste, abuse, and questioned costs. This backwards-looking work on past spending has resulted in Treasury recovering and deterring funds lost to waste and abuse. Although Treasury only recovered a small fraction of the waste identified by SIGTARP, Treasury implemented some of the SIGTARP’s important recommendations to improve Treasury’s review of administrative expenses.

Data on Treasury’s Home Affordable Modification Program Show Homeowners May Be Vulnerable to Current Economic Conditions

As of April 2022, there were approximately 580,000 homeowners with mortgages modified under HAMP from across all 50 states, Washington D.C., Puerto Rico, Guam, and the U.S. Virgin Islands. SIGTARP’s evaluation analyzed Treasury data on homeowners with mortgages modified under the program as of April 2022 and found that:

- Most homeowners with HAMP-modified mortgages reside in states hit hardest by the 2008 financial crisis. Six states—California, Florida, New York, Illinois, New Jersey, and Georgia—had more than 318,000 (55%) of the 580,000 homeowners in the program.
- Unemployment and underemployment were the primary reasons homeowners applied for HAMP assistance. Most homeowners (60%) cited a reduction of income as the hardship that caused them to apply for HAMP. Ten percent cited “excessive obligation” and 5% cited unemployment.
- At the time of their applications, 59% of HAMP homeowners reported that their income was below $50,000.
- When HAMP closed in new applicants in 2016, 78% of homeowners reported incomes below their state’s median income level at the time they submitted their applications.
- Prior to receiving HAMP assistance, 64% of homeowners reported spending 40% or more of their income on housing expenses. Furthermore, 18% reported spending at least 60% of their income on housing expenses.
- HAMP homeowners initially sought mortgage assistance because they were experiencing financial difficulties in the years following the 2008 financial crisis. These homeowners may continue to be more sensitive to economic downturns due to rising inflation. According to Bureau of Labor Statistics, the Consumer Price Index rose 8.3% for the year ending April 2022. During that same time, food prices increased 10.8%, and energy prices rose 30.3%.
These increases in inflation and essential living costs may put homeowners who are still in HAMP at greater risk of falling behind on their mortgage payments and being disqualified from the program, which would impact the program’s goal of preventing avoidable foreclosures. As of May 2022, Treasury had not reviewed how these ongoing economic conditions are impacting HAMP homeowners.

SIGTARP recommended that Treasury complete an assessment to determine the extent to which current economic conditions, particularly increased inflation and essential living costs, are impacting HAMP homeowners. SIGTARP also recommended that Treasury take action, within its authority, to address any findings from its assessment that indicate economic conditions are impacting HAMP homeowners and increasing the risk that the program will not achieve its goal of preventing avoidable foreclosures.

Many Homeowners Using the Largest Mortgage Servicers in Treasury’s Home Affordable Modification Program Are At Risk of Losing Their Homes

As of May 17, 2022, 92 servicers were handling HAMP-modified mortgages for approximately 525,000 homeowners. SIGTARP’s evaluation found that as of May 2022, 14 servicers accounted for approximately 95% of the homeowners with mortgages modified under HAMP. These servicers included banks, such as JPMorgan Chase and Wells Fargo, and non-banks, such as Select Portfolio Servicing and PHH Mortgage Corporation. Treasury paid over $19.6 billion in incentives to the 14 servicers with $3.2 billion going directly to the servicers, many of which have homeowner redefault and delinquency rates of almost 40% or higher. More than 45% of homeowners using these servicers have redefaulted on their mortgages since HAMP’s inception. In addition, approximately 40% to 60% of homeowners were 90 or more days delinquent on their mortgage payments. Redefaults and delinquencies put homeowners at an increased risk of being disqualified from HAMP and losing their homes. This, in turn, may prevent HAMP from achieving its goal of preventing avoidable foreclosures.

SIGTARP also found that Treasury has not conducted any recent studies to determine the causes of HAMP’s redefault and delinquency rates. According to a Treasury official, the department is conducting an analysis of HAMP delinquency data. Over the past two years, the rate at which homeowners have paid off or refinanced their mortgages has increased significantly, possibly because of low mortgage interest rates and the strength of the housing market. The official stated that it is possible that homeowners in better financial positions have refinanced or paid off their mortgages and exited HAMP. Meanwhile, homeowners who are worse off have not and remain in the program, thus skewing the redefault rate. Determining the reasons for HAMP’s redefault and delinquency rates would better enable Treasury to take steps to help homeowners remain in the program and avoid foreclosure.

SIGTARP recommended that Treasury use the results and findings of its ongoing analysis of HAMP delinquency data to identify the causes of homeowner redefaults and delinquencies, and take action to address them. Additionally, SIGTARP recommended that Treasury publicly report the results of its analysis and the actions it plans to take to address the findings.
Treasury Can Take Steps to Enhance Its Oversight of the Home Affordable Modification Program

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 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, 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.

SIGTARP’s evaluation 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 recommended 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 recommended 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.
PEER REVIEWS
SIGTARP PEER REVIEWS

Investigations

The Quality Assessment Review of Investigative Operations is scheduled for 2023.

Audits

The Inspections and Evaluations Review of Audit Operations is scheduled for March 2023.

The most recent review is available on SIGTARP’s website at www.SIGTARP.gov, under “Peer Review Report.”
The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency and an independent audit watchdog that targets financial institution crime and other fraud, waste, and abuse.