



Taxpayer Complaints to Hotline Help SIGTARP  
Fight Fraud and Highlight Continuing Problems with  
TARP Housing Programs

Special Inspector General for the Troubled Asset Relief Program

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## INTRODUCTION<sup>i</sup>

As a criminal law enforcement agency, SIGTARP created its Hotline in 2009, soon after SIGTARP's inception, as a crime tip hotline for the public to call SIGTARP and offer leads on criminal investigations and suspected criminal activity related to the Troubled Asset Relief Program ("TARP"). Because SIGTARP honors all applicable whistleblower protections and provides confidentiality to the fullest extent possible, members of the public can maintain their anonymity when they report information that could be vital to stopping bailout-related crime. SIGTARP has received and reviewed 33,334 Hotline complaints as of December 31, 2013.

SIGTARP has investigated a range of criminal activities arising from Hotline tips, including fraud schemes in banking, housing, and securities trading TARP programs. Although for confidentiality reasons, SIGTARP does not normally discuss when a tip results in a criminal investigation, in an effort to educate homeowners about a particular type of scam in order to prevent further victimization, and to help homeowners know when to call SIGTARP's Hotline, SIGTARP is reporting that it has received complaints concerning suspected mortgage modification scams. These are fraudulent schemes that take advantage of homeowners struggling to keep their homes who want to apply to lower their mortgage payments through TARP's signature housing program, Home Affordable Modification Program ("HAMP"). Homeowner complaints to SIGTARP about these scams are vital to help SIGTARP identify and stop these scams. SIGTARP has been successful in identifying many of these criminals, putting them out of business, and actively supporting prosecutions and convictions, including court orders to repay victims. Of the 174 individuals charged with crimes as a result of a SIGTARP investigation, 66 of these were charged with mortgage modification fraud. Courts have already convicted 38 of the 66 charged. Twenty-two of those defendants convicted of the mortgage modification scams investigated by SIGTARP were sentenced to prison, six were sentenced to probation, and 10 await sentencing. Hotline tips from the public can significantly help SIGTARP combat this type of heinous crime.

Combating mortgage modification scams requires a coordinated effort among Federal and state agencies. As the co-chair of the President's Financial Fraud Enforcement Task Force Rescue Fraud Working Group, SIGTARP has taken the lead in coordinating investigations and training other agencies. SIGTARP leverages resources by partnering with other law enforcement agencies; refers relevant complaints to the Federal Trade Commission ("FTC"), which tracks these scams in a national database; works with regulators to ban convicted defendants (22 to date) from their industries; and has spearheaded preventive efforts to educate homeowners to help them avoid being victims in the first place. When a Hotline complaint does not rise to the level of a tip alleging crime, but rather describes a problem or issue the party is experiencing within a TARP program, it is referred to

*The SIGTARP Hotline can receive information anonymously. SIGTARP honors all applicable whistleblower protections and will provide confidentiality to the fullest extent possible. SIGTARP urges anyone aware of fraud, waste, or abuse involving TARP programs or funds, whether it involves the Federal Government, state and local entities, private firms, or individuals, to contact its representatives at 877-SIG-2009 or [www.sigtar.gov](http://www.sigtar.gov).*

<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. The report is based on SIGTARP internal information. It is not an audit or evaluation under the Inspector General Act of 1978 as amended.

Treasury or another appropriate agency so that those agencies that are set up to provide individual relief or assistance or have oversight of the TARP program can take action on the complaint. For example, if a homeowner reports problems with a servicer approving a HAMP mortgage modification, SIGTARP would refer the complaint to Treasury, which conducts oversight of HAMP servicers. In addition to these referrals, SIGTARP has found these complaints to be a valuable source of facts to inform SIGTARP audits and to develop recommendations that could prevent fraud, waste, and abuse related to TARP and to improve the effectiveness or efficiency of TARP programs.

Complaints about TARP housing programs dominate SIGTARP's Hotline. These complaints may not rise to the level of allegations of criminal conduct, but they do provide individual examples of American taxpayers, especially struggling homeowners, who continue to feel the ongoing effects of the financial crisis. Americans struggling to hold on to their homes while pursuing help through TARP housing programs have contacted the SIGTARP Hotline. The legacy of TARP includes:

- Complaints to SIGTARP alleging improper foreclosures, and difficulties with short sales that result in foreclosures, continue even while a homeowner is pursuing help through TARP housing programs.
- Individual homeowners continue to tell SIGTARP that they are unable to gain admittance into a TARP program because of some problem on the part of their mortgage servicer.
- Complaints regarding difficulty in communication with servicers regarding HAMP and regarding servicer mishandling of HAMP application documents persist, despite requirements that homeowners be assigned a servicer single point of contact.

Homeowner complaints to SIGTARP's Hotline evidence that some distressed homeowners have not received the help they need under TARP's housing programs, including HAMP, which, according to Treasury, was intended "to help as many as three to four million financially struggling homeowners avoid foreclosure by modifying loans to a level" that is affordable and sustainable.<sup>1</sup> Securing a permanent mortgage modification under HAMP is one of the last options available to many homeowners trying to save their home. However, with only 894,410 active permanent HAMP Tier 1 modifications as of December 31, 2013, HAMP is falling far short of the three to four million once predicted. SIGTARP's analysis of Hotline complaints reveals that the TARP programs that were supposed to help struggling homeowners have instead frustrated and angered individual homeowners who looked to the Government for help from TARP, some of whom lost their homes to foreclosure.

Treasury's recent decision to extend the deadline for homeowners to apply for HAMP through December 31, 2015, presents an opportunity for Treasury to improve efficiency and effectiveness of HAMP through its oversight of the mortgage servicers. Dating back to the earliest days of HAMP, SIGTARP has

made numerous recommendations to Treasury that are designed to improve servicer performance in HAMP, but Treasury has not fully implemented many of these recommendations. Treasury should fully implement SIGTARP's servicer performance recommendations and by not doing so is allowing poor servicer performance to continue to hurt homeowners who are struggling to stay in their homes.

## HOTLINE TIPS HELP SIGTARP FIGHT CRIME

SIGTARP's Hotline has provided SIGTARP with valuable tips from the public that have led to SIGTARP initiating criminal investigations. SIGTARP normally maintains the confidentiality of the identity of callers and of criminal actions that may result from a Hotline complaint. However, to educate homeowners, SIGTARP is revealing the circumstances of certain mortgage modification complaints to prevent the perpetration of future fraud. Typically, a mortgage modification scam will have one or more red flags: the con artists (1) will claim that they can help the homeowner get a mortgage modification because they have an expertise or that they are affiliated with HAMP or another Government housing program, and may even go so far as to display a Government seal; (2) will tell the homeowner to stop paying the mortgage servicer and stop all contact with the mortgage servicer; (3) will claim a high success rate of clients who have received a mortgage modification; (4) will charge an upfront fee whereas in many states an upfront fee is illegal; and (5) will offer a money-back guarantee. Although the majority of SIGTARP's investigative activity remains confidential, there have been some significant public developments related to investigations assisted by Hotline tips that could help inform the public about when they should call SIGTARP's Hotline:

- **Home Owners Protection Economics, Inc.:** SIGTARP received several separate calls to SIGTARP's Hotline from homeowners who reported mortgage modification schemes by a company called Home Owners Protection Economics, Inc., ("HOPE"). SIGTARP's subsequent investigation into the company included the Hotline complaints in support of the investigation. HOPE falsely misrepresented to homeowners that, with HOPE's assistance, the homeowners were virtually guaranteed to receive a loan modification under HAMP. HOPE lulled the distressed homeowners by telling them that HOPE had an almost perfect record of obtaining mortgage modifications, including under HAMP. Using these misrepresentations, HOPE induced thousands of financially distressed homeowners to pay up-front fees of up to \$900 each in exchange for home loan modifications, modification services, and "software licenses." However, HOPE did not help homeowners obtain a mortgage modification. In exchange for the fee, HOPE sent homeowners "software" that was nearly identical to the HAMP application provided free of charge by the U.S. Government. The HOPE customers had no advantage in the application

process, and, in fact, most of their applications were denied. The scams perpetrated by these criminals victimized thousands of struggling homeowners who lost more than \$4 million in fees to HOPE.

As a result of the investigation by SIGTARP and its law enforcement partners, on August 9, 2011, SIGTARP agents arrested four Florida men connected with the fraudulent HOPE schemes, concurrent with a 20-count indictment filed in Federal court in Boston, charging Christopher S. Godfrey, Dennis Fischer, Vernell Burris, Jr., and Brian M. Kelly with conspiracy, wire fraud, mail fraud, and misuse of a Government seal. On November 28, 2012, Burris pled guilty to conspiracy and wire fraud for his role in the scheme. On May 2, 2013, Kelly pled guilty to conspiracy, nine counts of wire fraud, and nine counts of mail fraud for his role in the scheme. On November 14, 2013, a Federal jury in Massachusetts convicted Godfrey and Fischer of defrauding homeowners in the home loan modification scam. Both Godfrey and Fischer were convicted of conspiracy, wire fraud, mail fraud, and misuse of a Government seal. All four defendants are scheduled to be sentenced in February 2014 and face a maximum sentence of up to 20 years in prison on each count, a fine, and restitution. [U.S. v. Christopher S. Godfrey, *et al.*, 11-CR-10279 (D. Mass.)]

- **Shutdown of Internet marketing of websites suspected of mortgage modification scams:** While interviewing victims of suspected mortgage modification scams, SIGTARP learned that many homeowners fell prey to these scams after being enticed by Internet advertisements and web banners that promised help in lowering mortgage payments. The Internet ads increased the scope and scale of these frauds. SIGTARP took a proactive approach to stop homeowners from being victimized in the first place and to deter those who may be contemplating or starting these scams. In November 2011, SIGTARP worked with Google, Yahoo, and Bing so that these search engines suspended Internet advertising relationships with more than 900 web advertisers and agents associated with advertisers that used the hallmarks of these fraud scams.
- **21st Century Real Estate Investment Corp.:** On August 18, 2009, a homeowner from Southern California called SIGTARP's Hotline to report that he had attempted to modify his mortgage through a company he heard advertised on the radio, 21st Century Real Estate Investment Corp. ("21st Century"). The company allegedly instructed him to make payments directly to the company and to not make monthly payments to his mortgage servicer. SIGTARP initiated an investigation that uncovered allegations that mortgage modification scams run out of 21st Century and related companies had victimized more than 4,000 struggling homeowners who lost at least \$7 million in fees, and many of the victims lost their homes to foreclosure as well. The investigation by SIGTARP and its law enforcement partners resulted in the September 2012 indictment of 11 individuals who had been charged by a Federal grand jury in Riverside, California, with allegedly running a massive fraudulent mortgage modification scheme through 21st Century and several related companies. According to the indictment, during an 18-month period

that began in June 2008, under the leadership of Andrea Ramirez, 21st Century “defrauded financially distressed homeowners by making false promises and guarantees regarding 21st Century’s ability to negotiate loan modifications from the homeowners’ mortgage lenders, falsely representing that 21st Century was operating a loan modification program sponsored by the United States government, instructing homeowners to cease communication with their mortgage lenders and to cease making their mortgage payments.” Ramirez and her 10 co-conspirators face trial in August 2014, each charged with nine felony counts: five counts of mail fraud, three counts of wire fraud, and one count of conspiracy.<sup>ii</sup> [U.S. v. Andrea R. Ramirez, *et al.*, 12-CR-0065 (C.D. Cal.)]

- **Nations Housing Modification Center:** On March 20, 2009, a homeowner contacted SIGTARP’s Hotline about a seemingly suspicious letter he received in the mail. The letter was a solicitation to homeowners who were delinquent on mortgage payments; it purported to be the result of a bill passed by Congress. A SIGTARP investigation found that, using the names “Nations Housing Modification Center” (“NHMC”) and “Federal Housing Modification Department,” the conspirators used false and fraudulent statements and representations to induce customers to pay advance fees of \$2,500 to \$3,000 each to purchase loan-modification services from NHMC. Included among the misrepresentations of the scam was that NHMC was affiliated with the Federal Government or HAMP and that it was located on Capitol Hill in Washington, DC. The fraud grossed at least \$900,000 from more than 300 homeowners. Michael Trap, Roger Jones, and Glenn Rosofsky pled guilty in Federal court in San Diego, California, to their involvement in the fraudulent loan-modification scheme. The three have since been sentenced to 30, 33, and 63 months in Federal prison, respectively, as well as subsequent supervised release of three years, and were ordered to pay a total of \$456,749 in restitution. [U.S. v. Michael Trap, 10-CR-00913 (S.D. Cal.); U.S. v. Roger T. Jones, 10-CR-05046 (S.D. Cal.); U.S. v. Glenn S. Rosofsky, 10-CR-00978 (S.D. Cal.)]
- **Federal Loan Modification Law Center:** On May 6, 2009, a homeowner contacted SIGTARP’s Hotline with a tip that the Federal Loan Modification Law Center (“FLMLC”) was engaged in the fraudulent use of the HAMP program to fleece homeowners from \$995 to \$3,400 for loan modification services that were never performed. It was the first of a number of complaints that SIGTARP received about the company. SIGTARP teamed with the Federal Trade Commission (“FTC”) to investigate FLMLC as well as affiliated companies and individuals operating the companies. The investigation found that the company lured in struggling homeowners with promises of mortgage modifications in exchange for upfront fees of \$1,000 to \$4,000. In several instances the company falsely claimed that it was part of or affiliated with the Federal Government. After taking the upfront fees from homeowners, the company was not reachable by the homeowners, and little or no contact was actually made with the servicers of the mortgages. In July 2010, the

<sup>ii</sup> Criminal charges are not evidence of guilt. A defendant is presumed innocent until proven guilty.

FTC settled with FLMLC and others for charging homeowners upfront fees and falsely claiming that they could get homeowners' mortgage loans modified. The order imposed an \$11.5 million judgment. In December 2010, a Federal court in Santa Ana, California, issued a final judgment and order for permanent injunction against one more individual, Boaz Minitzer, for similar fraudulent conduct. The civil judgment ordered \$10.4 million in restitution and permanently prohibits everyone involved with the company from advertising or selling mortgage modification and foreclosure relief services. Any money collected to satisfy the judgment was to be paid to injured consumers. [Federal Trade Commission v. Federal Loan Modification Law Center LLP, *et al.*, 09-CV-401 (C.D. Cal.)]

## GRIEVANCES RELATED TO TARP HOUSING PROGRAMS DOMINATE COMPLAINTS TO SIGTARP

Complaints about TARP housing programs, particularly HAMP, dominate Hotline complaints to SIGTARP. Homeowners contacted SIGTARP to allege mistreatment by mortgage servicers in the following categories: access to TARP housing programs; lack of communication or misplaced application documents by servicers; foreclosures and short sales; and trial modification problems including extended trials, payment issues, and negative credit reporting. Some people who contacted SIGTARP had multiple related complaints.

Homeowners have reported problems getting into the HAMP program, where callers said that they believed servicers prevented them from getting modifications for which they believed they were eligible. These included cases where callers told SIGTARP that their mortgage servicer did not properly process their application, or did not properly calculate their monthly income. For struggling homeowners, the Government-created housing programs are a chance for them to save their homes. Frustrated homeowners expressed anger to SIGTARP over the possibility of losing their homes as a result of issues with mortgage servicers, when these programs exist to help the homeowners.

Homeowners also reported to SIGTARP that their mortgage servicer was not communicating with them or was providing inaccurate or contradictory information about their HAMP mortgage modification status, or that their mortgage servicer had lost or misplaced documents related to their HAMP mortgage modification application. Misplaced documents and lack of communication from servicers add to the frustration and difficulty of people who are trying to save their homes.

Homeowners reported to SIGTARP that they had lost their home to foreclosure even while applying for a HAMP mortgage modification or applying to participate in a TARP short-sale program. Homeowners report to SIGTARP that while they are attempting to save their homes by applying to HAMP, they have encountered delays in their application process, and mortgage servicers have simultaneously initiated foreclosure proceedings. Other homeowners are attempting to participate in the

TARP housing program to facilitate short sales, but report finding their mortgage servicers uncooperative or incompetent in administering their applications for this program.

Homeowners also reported to SIGTARP issues relating to HAMP trial modifications, including extended trial periods, payment issues, and negative credit reporting. When a homeowner begins a trial period in HAMP but fails to obtain a permanent modification, he can find himself in even worse condition than when he began the HAMP application process. That is because when a homeowner is cancelled out of a HAMP trial modification, he is left with the original terms of the mortgage and is responsible for making up the difference between the original monthly mortgage payment and any HAMP modified payment that he had made during the trial period. In some cases this results in a big balloon payment. Additionally, servicers can also charge late fees on principal and interest that was not paid during the HAMP trial modification. In the worst case scenario, the homeowner can lose his home to foreclosure.

## COMPLAINTS ABOUT FORECLOSURES CONTINUE

Homeowners continue to make complaints to SIGTARP regarding short sales or foreclosures. The following are examples of complaints homeowners made to SIGTARP. In August 2012, a man from Arizona contacted SIGTARP to report that his mortgage servicer misrepresented his income in the review of his application for TARP's Home Affordable Foreclosure Alternatives ("HAFA") program, thus denying him the opportunity to participate in the program with a short sale of his house. He alleged that the servicer refused to explain the discrepancy, citing the proximity of an upcoming scheduled foreclosure date, even though the forms with the correct proof of income were submitted much earlier. In another instance, in April 2013, a man from Northern California contacted SIGTARP to report that his mortgage servicer allegedly inflated the price of his house when it was set for a short sale so that the company could foreclose on the property instead. A foreclosure can hurt a homeowner's credit rating more than a short sale would, and it also prevents the homeowner from receiving incentives under HAFA.

One common type of complaint to SIGTARP regarding foreclosures is what is known as dual tracking—that is, that servicers begin foreclosure proceedings against a homeowner at the same time that the homeowner is attempting to save that house through a HAMP modification. Treasury prohibits dual tracking. Often, a homeowner's application for a HAMP modification has been delayed by the servicer due to circumstances such as misplaced documents or backlogs in processing. While the homeowner is trying to avail himself of TARP programs that the Government set up to help him save his home, the servicer nonetheless continues its foreclosure process, even though the servicer should be aware that the homeowner has applied for HAMP. If the foreclosure process moves more quickly than the servicer review of the HAMP modification (which often is reviewed in a separate department than foreclosures), the homeowner can lose his

home before he is ever fully reviewed for a HAMP modification.

Complaints about dual tracking by servicers have surfaced since the earliest days of HAMP, and recent calls to SIGTARP show that this serious problem continues. For example, in July 2010, a homeowner from Southern California contacted SIGTARP to report that she had applied for a HAMP modification and was awaiting final income verification. The caller told SIGTARP that there was a delay in processing the HAMP modification due to a backlog at the servicer, and in that time the bank moved to foreclose on and sell the house. Now, years later, SIGTARP continues to receive similar complaints. In July 2012, a woman from Ohio contacted SIGTARP to report that even though she was making timely trial modification payments, her servicer had initiated foreclosure proceedings. In December 2012, a 76-year-old woman from Illinois called SIGTARP to say that she had spent six months applying for a HAMP modification from one servicer, and then her mortgage was transferred to a new servicer that immediately sent notice that it was beginning foreclosure proceedings. Also, in December 2012, a woman from Southern California contacted SIGTARP to say that she had been participating in a trial modification and making timely payments, but that she had received a letter from her servicer stating that it had initiated foreclosure proceedings. In January 2013, a man from Florida contacted SIGTARP to report that he had repeatedly filed application documents with his servicer and that the servicer kept misplacing them. Sometimes the servicer would later find the documents after they had expired and the homeowner would have to send in the application documents again. Ultimately, the bank filed to foreclose on the homeowner's home while he was still in the process of re-filing documents that the servicer had lost or had allowed to expire. In July 2013, a woman from Southern California contacted SIGTARP to report that while she was in the process of applying for a loan modification, her mortgage servicer kept changing and delaying the application process, and that at the same time she was approved for a modification she also received a notice of foreclosure. Also in July 2013, a woman from Florida contacted SIGTARP to report that she had been making timely trial modification payments for eight months when her loan was sold to a new servicer and that the new servicer started foreclosure proceedings. In October 2013, a man from Virginia contacted SIGTARP to report that he had turned in a HAMP modification package in January 2013, but it was not reviewed by his servicer until February 2013 and the servicer did not begin the processing of the application until September 2013. In the meantime, the servicer began foreclosure proceedings against him.

## COMPLAINTS ABOUT SERVICERS PERSIST

### **Communication Problems Continue Despite Single Point of Contact Requirement**

Homeowner calls to SIGTARP about miscommunication and lack of communication, or servicers losing and misplacing documents, continue to persist. When HAMP was introduced, SIGTARP reported on homeowner complaints related to miscommunication or lack of communication by the servicer. After a request by certain members of Congress, Treasury instituted a rule in May 2011 that servicers establish a single point of contact—a single individual responsible for managing a borrower’s HAMP application process and communicating with the borrower. However, despite this rule, SIGTARP’s Hotline has continued to receive homeowner complaints about servicers relating to single point of contact issues. In the period from the implementation of the single point of contact rule through December 31, 2013, 143 homeowners who had applied for a HAMP mortgage modification reported to SIGTARP that they had not even been assigned a functional single point of contact. For example, a woman from Arizona contacted SIGTARP in January 2013 to report that she had been assigned eight different single points of contact and while she was being shuffled around to different single points of contact her application documents had gone missing. She reported that most of the servicer representatives had been unresponsive and one of them actually yelled at her over the phone when she was finally able to get in touch with him. A man from Southern California contacted SIGTARP in March 2013 to report that his servicer had lost his modification application documents and had sent a series of conflicting letters, and that he was currently being foreclosed upon without explanation. He reported that he had been assigned 12 single points of contact in the previous nine months. A woman from Texas contacted SIGTARP in April 2013 to report a lack of communication from her servicer as she was applying for a HAMP modification. She reported that the single point of contact assigned to her never answered the phone or kept phone appointments. When she requested that the servicer reassign her a new single point of contact, according to the homeowner, the servicer refused. In December 2013, a woman from Nevada contacted SIGTARP to report that in addition to miscommunication from her mortgage servicer over the start date of a trial modification, the servicer kept changing her single point of contact month after month, thus adding to the miscommunication.

### **Homeowners Continue to Report HAMP Access and Trial Modification Issues**

Homeowner complaints to SIGTARP also persist about servicer errors in the HAMP application process and servicer errors related to trial modifications. These homeowners contact SIGTARP to report that they believe they meet HAMP requirements, but are not being admitted into the program due to alleged servicer error. For example, in August 2010, a struggling homeowner in California

contacted SIGTARP to report that the servicer of his mortgage had inflated his gross income in a HAMP modification application, making him ineligible for a HAMP modification, but the servicer refused to let the homeowner know how that figure had been calculated, even though this is a basic right of applicants under HAMP rules. Years later, homeowners continue to make similar complaints to SIGTARP. For example, a woman from Kansas contacted SIGTARP in January 2013 to report that after she made five trial modification payments, the servicer of her mortgage denied her modification even though there was no change in her circumstances, and the servicer provided no rationale for why she was suddenly ineligible. A woman from Northern California contacted SIGTARP in May 2013 to report that she had made three HAMP trial payments, asserting that she has proof of timely payment, but was rejected by her servicer for a permanent modification because the servicer claimed she had made late payments. In July 2013, a man from Florida contacted SIGTARP to report that after the servicer of his mortgage prequalified his loan for a HAMP modification and he completed the HAMP modification loan application, the servicer of his loan offered him a less favorable non-HAMP modification.

Additionally, SIGTARP continues to receive complaints about servicers relating to HAMP trial modifications, including extended trial periods, payment issues, and negative credit reporting, although less so than in earlier years. For example, in August 2013, a man from Arizona contacted SIGTARP to report that he had made three timely trial modification payments when his servicer transferred his mortgage to another servicer. The new servicer did not recognize his modification agreement and was expecting payment of his full mortgage amount, even though the previous servicer reported sending modification information to the new servicer. Another common complaint to SIGTARP by homeowners is that their trial modification, originally designed to last three months, had been extended for several more months. According to Treasury, as of December 31, 2013, 20% of active trial modifications had lasted more than six months. A woman from Arizona contacted SIGTARP in January 2013 to report that after an application process and trial modification period that combined lasted for 17 months, she was ultimately declined for a permanent modification.

## BIGGEST SERVICERS DRAW THE MOST SIGTARP HOTLINE COMPLAINTS

The majority of complaints to SIGTARP concern TARP housing programs, and the two mortgage servicers with the biggest TARP portfolios were also the subjects of the most complaints reviewed, Bank of America Corporation (“Bank of America”) and JP Morgan Chase & Co. (“JP Morgan Chase”). Complaints against Bank of America and JP Morgan Chase in the following categories were proportionally greater than among all servicers as a group: complaints related to lack of communication or misplaced application documents; complaints about foreclosures and short sales; and complaints about trial modification problems.

## CALIFORNIA AND FLORIDA LEAD NATION IN SIGTARP HOTLINE COMPLAINTS

While SIGTARP's Hotline has received taxpayer complaints from all over the country, a disproportionately large share of complaints in relation to their population comes from California and Florida. Their outsized share of complaints is meaningful because California and Florida were two of the states most affected by the mortgage crisis, with some of the steepest drops in home prices and sharpest increases in foreclosure rates. The content of the complaints from California and Florida is similar to that of complaints nationally: lack of communication or misplaced application documents by servicers; foreclosures and short sales; trial modification problems including extended trials, payment issues, and negative credit reporting; and mortgage modification scams. Although SIGTARP has received complaints from all states, after California and Florida, the largest numbers of Hotline complaints have come from homeowners in Michigan, Virginia, Arizona, Maryland, Texas, Illinois, and Ohio.

## TREASURY SHOULD MOVE MORE AGGRESSIVELY TO IMPROVE SERVICER PERFORMANCE

Homeowners continue to complain to SIGTARP about issues with their mortgage servicers related to the HAMP program and other TARP housing programs. SIGTARP has made numerous recommendations to Treasury that are designed to improve servicer performance in HAMP and increase Treasury oversight of HAMP servicers. Many of those recommendations, dating back to the earliest days of HAMP, call for Treasury to set meaningful and measurable performance metrics and goals for servicers, and then to publicly report on servicer performance against those benchmarks. Treasury has not fully implemented these recommendations, leaving HAMP and homeowners vulnerable to abuse by servicers.

With the Administration's June 13, 2013, extension of HAMP through December 31, 2015, Treasury has an opportunity to take more aggressive steps to ensure that all servicers act in accordance with the program rules and the contracts they signed, for which they are being paid by taxpayers.

SIGTARP recommended in October 2011 that Treasury use all financial remedies such as withholding, permanently reducing, and clawing back incentive payments for servicers who fail to perform at an acceptable level. Treasury rejected SIGTARP's recommendation. Although Treasury has told SIGTARP that it believes remedies enacted against servicers have been appropriate, servicer problems persist. Treasury has told SIGTARP that it plans to take no further action to implement this recommendation.

In May and August 2011, SIGTARP made five recommendations to Treasury with the goal of improving mortgage servicer compliance. These recommendations focused on mortgage servicers' poor treatment of homeowners and serious failures

by servicers to follow program rules. SIGTARP recommended that Treasury establish detailed guidance and internal controls governing how the MHA Servicer Compliance Assessment is conducted and how each compliance area is weighted. Treasury has only partially implemented this recommendation. SIGTARP recommended that Treasury increase the detail and quality of MHA Compliance Committee meeting minutes; SIGTARP recommended that Treasury require that servicer communications to homeowners relating to changes in the status or terms of a homeowner's modification application, trial or permanent modification, HAFA agreement, or any other significant change, be in writing; SIGTARP recommended that Treasury establish benchmarks and goals for acceptable program performance for servicers, including length of trial modifications, conversion rates from trial to permanent modifications, length of time to resolve escalated homeowner complaints, and the percentage of required modification status reports that are missing; and SIGTARP recommended that Treasury publicly assess the top 10 MHA servicers' program performance against acceptable performance benchmarks in these same areas. Treasury has not implemented these four recommendations.

In June 2012, SIGTARP made four recommendations to Treasury relating to mortgage servicers. Again, homeowners were continuing to experience challenges accessing HAMP. SIGTARP recommended that Treasury should stop allowing servicers to add a risk premium to Freddie Mac's discount rate in HAMP's present value test; SIGTARP recommended that Treasury require servicers to use accurate information when evaluating net present value test results for homeowners applying to HAMP, that servicers be required to maintain documentation of all net present value inputs, and that Treasury should permanently withhold incentives from servicers that do not; SIGTARP recommended that Treasury require servicers to improve communication with homeowners regarding a denial of HAMP modification and to withhold incentives from servicers that do not follow these requirements; and SIGTARP recommended that Treasury require that Making Home Affordable Compliance Committee meeting minutes capture more detail regarding the substance of servicer compliance, specifically listing specific problems encountered by servicers, remedial options discussed, and requisite actions taken to remedy the situation. Treasury has not implemented these recommendations.

Continued calls to SIGTARP's Hotline about foreclosures, in addition to the constant stream of complaints about servicers, have raised SIGTARP's concerns. SIGTARP made a recommendation to Treasury on April 1, 2013, that Treasury ensure that homeowners in HAMP get sustainable relief from foreclosure by researching and analyzing whether and to what extent the conduct of HAMP mortgage servicers may contribute to homeowners redefaulting on HAMP permanent mortgage modifications, and that Treasury provide transparency and accountability by publishing its conclusions and determinations. Treasury has not fully implemented this recommendation. It is imperative that Treasury better understand the factors affecting the ability of homeowners to remain in HAMP, particularly where Treasury can exercise control and oversight and, once that

research and analysis has been completed, that it publish the results.

After investigating mortgage modification scams, SIGTARP created a joint task force with the Consumer Financial Protection Bureau and Treasury to leverage resources in investigating, combating, and shutting down mortgage modification scams related to HAMP and to provide awareness to at-risk homeowners. The Task Force has issued two fraud alerts: (1) an alert to educate homeowners on how to recognize and avoid these scams and (2) an alert specifically to warn members of the Armed Services community. Treasury has also worked with SIGTARP to identify websites bearing the hallmarks of these scams. In an effort to make sure these warnings reached vulnerable homeowners, SIGTARP made a recommendation to Treasury in April 2012, as Treasury announced an expansion of HAMP to include a second tier of qualifying homeowners. SIGTARP recommended that Treasury: a) require that servicers provide the SIGTARP/CFPB/Treasury Joint Task Force Consumer Fraud Alert to all HAMP-eligible borrowers as part of their monthly mortgage statement until the expiration of the application period for HAMP, and b) undertake a sustained public service campaign as soon as possible both to reach additional borrowers who could potentially be helped by HAMP Tier 2 and to arm the public with complete, accurate information about the program to avoid confusion and delay, and to prevent fraud and abuse. Treasury has not implemented this recommendation. It is important that Treasury educate as many homeowners as possible with accurate information about HAMP in an effort to prevent homeowners from being victims of mortgage modification fraud.

SIGTARP's analysis of complaints reveals that more needs to be done to address the continuing problems facing homeowners. Without Treasury requiring greater accountability of servicers and servicer-related improvements, homeowners are likely to continue feeling the frustrations of dealing with TARP housing programs.

*SIGTARP's Consumer Fraud Alert and its Armed Services Mortgage Fraud Alert are reproduced inside the back cover of this report.*

1. Treasury, "Home Affordable Modification Program: Overview," no date, [www.hmpadmin.com/portal/programs/hamp.jsp](http://www.hmpadmin.com/portal/programs/hamp.jsp), accessed 9/4/2013.



# 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



SIGTARP



Consumer Financial  
Protection Bureau



## 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:

Troy Gravitt  
Director of Communications  
[Troy.Gravitt@treasury.gov](mailto:Troy.Gravitt@treasury.gov)  
202-927-8940

## LEGISLATIVE AFFAIRS

For Congressional inquiries, please contact our Legislative Affairs Office:

Joseph Cwiklinski  
Director of Legislative Affairs  
[Joseph.Cwiklinski@treasury.gov](mailto:Joseph.Cwiklinski@treasury.gov)  
202-927-9159

## 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).

