



OFFICE OF THE SPECIAL INSPECTOR GENERAL

FOR THE TROUBLED ASSET RELIEF PROGRAM

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WASHINGTON, D.C. 20220

LETTER FROM THE SPECIAL INSPECTOR GENERAL

SIGTARP's Quarterly Report (October 1, 2019 – December 31, 2019)

SIGTARP is an Office of Inspector General housed in Treasury specializing in the Troubled Asset Relief Program, which spent \$1.8 billion in Fiscal Year (FY) 2019. We are both a federal law enforcement agency and independent auditor. As a Special OIG, we conduct investigations and audits over a federal program, rather than a federal agency. We use our expertise in TARP's unique programs to protect Americans and the Government by targeting crime, fraud, waste, and abuse, by TARP recipients.

As required by the *Emergency Economic Stabilization Act*, this letter summarizes a current estimate of the amount of "troubled assets" purchased under TARP, the amount of troubled assets on the books of Treasury, other quarterly TARP financials, and the quarterly activities of our office for the quarter ended December 31, 2019.

TARP spending continues because TARP's \$33 billion in foreclosure prevention programs—the Making Home Affordable (MHA) and the Hardest Hit Fund (HHF)—continue, after Treasury extended them many times. Treasury considers contracts under these programs "troubled assets." More than 150 banks or other mortgage servicers, 19 state agencies, and thousands of contractors, homeowners, homebuyers and other recipients have already received \$30 billion in these two programs. There remains an additional \$3.3 billion for spending through FY 2024.

Ongoing \$33 Billion in TARP Programs

Making Home Affordable: This quarter in MHA, Treasury paid \$221.7 million to 148 financial institutions to modify mortgage payments to a level that is affordable and sustainable for nearly 800,000 homeowners at risk of foreclosure. ***For example, this quarter, Treasury distributed \$51.1 million to Ocwen Financial, \$28.1 million to Wells Fargo, \$33.1 million to SPS, \$14.7 million to JP Morgan Chase, \$11.7 million to Bank of America, \$29.5 million to Nationstar, \$4.6 million to Citigroup, and \$987,000 to CIT Bank.*** Treasury has cumulatively paid \$20.9 billion in MHA, and is obligated or committed to pay an additional \$2.6 billion. These are not automated payments, but instead require that banks and other servicers comply with the law and rules of the program. Their decisions are subject to oversight through SIGTARP investigations and audits. Decisions that are illegal or violate program rules result in harm to Treasury, homeowners, and taxpayers.

Hardest Hit Fund: HHF helps Americans in 19 states pay their mortgages, helps 378 communities demolish blighted properties by paying more than 1,700 demolition-related contractors, and assists with down payments for homebuyers. The 19 states include Alabama, Arizona, California, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, North Carolina, New Jersey, Nevada, Ohio, Oregon, Rhode Island, South Carolina, and Tennessee. Through the Hardest Hit Fund as

of September 30, 2019, 19 state housing finance agencies, which are similar to grantees, have spent \$9.32 billion in TARP. The state agencies have another \$685 million to be spent into FY 2022.

Capital Purchase Program (CPP) & Community Development Capital Initiative (CDCI): There are six banks in TARP, with an outstanding principal investment of \$39.795 million.

SIGTARP Quarterly Accomplishments and Results

With a 31 times return on investment of \$11 billion recovered (compared to our annual budgets), SIGTARP is a good investment. At SIGTARP, we root out and stop crime, fraud, waste and abuse that is costly, and can have a devastating impact on those the program are intended to help. SIGTARP special agents and investigators uncover crimes, and search, seize, and arrest. Auditors identify costly waste, prevent future waste, and recommend cost-savings and improvements to efficiency and effectiveness. SIGTARP has two pending evaluations – one on the MHA program and the other on HHF blight demolition in Detroit, Michigan.

SIGTARP's federal conviction rate supporting the Department of Justice is 96 percent, one of the highest in federal law enforcement. Courts have convicted 381 defendants that SIGTARP investigated and sentenced 300 of these convicted defendants to prison, including 76 bankers. Our nation's criminal justice system takes time, with SIGTARP investigations leading to indictments, trials, convictions, and sentencings that occur years after Treasury disbursed TARP dollars. This quarter:

- SIGTARP released on its website the Financial Institution Crimes & Fines Database listing the hundreds of defendants convicted of a crime or fined for violations of civil laws, and the dozens of corporate enforcement actions by DOJ, the Securities and Exchange Commission or others, as a result of investigations by SIGTARP.
- The Council of Inspectors General on Integrity and Efficiency awarded SIGTARP "Excellence in Investigations" for a \$300 million fraud by officers of TARP recipient Wilmington Trust Corp. The court sentenced the bank president, and the CFO, to six years in prison, and sentenced to four and half years in prison the chief credit officer, and the controller to three years. The judge called the case, "the biggest financial crime in Delaware, at least in the past 35 years."
- Prison sentencing of 41 and 15 months for two officials at HOPE Services, a company whose name was changed to HAMP Services, for their role in a scam that defrauded more than 550 homeowners in at least 20 states, out of \$2.5 million.
- Sentencing to two years of probation and a \$15,000 fine of Craig On, former CFO of United Commercial Bank, one of the first TARP banks to fail and one of the largest bank failures since the Great Depression, costing taxpayers \$300 million, after his conviction for making a materially false and misleading statement to an accountant. The CFO testified at the trial of bank COO who the court sentenced to eight years in prison. The FDIC fined the CFO \$150,000 and banned him from banking.
- Prison sentencing to 3 years for Raymond Tan and 16 months for Richard Cheung for their part in a wide-ranging money laundering conspiracy. The DOJ charged 25 defendants in a scheme to launder the proceeds of narcotics trafficking, including through a TARP bank.
- Sentencing to three years of probation of California man for fraud in HHF. He repaid \$52,000 at sentencing.
- Conviction of California man for embezzling HHF dollars.

- Indictment and arrest of an Ohio man and his wife charged with Conspiracy to Commit Theft of Government Property of HHF dollars.
- Indictment and arrest of Georgia homeowner for allegedly obtaining HHF dollars through fraud.
- Criminal charge of an Indiana homeowner for allegedly obtaining HHF dollars through fraud.
- Criminal charge and conviction of Dana Frye, former executive vice president and chief loan officer, at failed TARP bank Country Bank of Aledo, Illinois, for false statements to the bank. Criminal charge and conviction of loan officer Andrew Frye for receiving payment to obtain a bank loan.
- Prison sentencings of two defendants in multi-million dollar short sale scheme that defrauded TARP banks and other banks.

SIGTARP is grateful for the support of Congress. I would welcome an opportunity to talk further with you about our important mission.¹

Respectfully,

CHRISTY GOLDSMITH ROMERO
Special Inspector General

¹ Your staff may also contact SIGTARP's legislative team: Erin Zickafoose (erin.zickafoose@treasury.gov) or Janet Drew (janet.drew@treasury.gov) are available.