SIGTARP | OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE
HOUSING AND LOCAL GOVERNMENT COMMITTEE

SUBMITTED WRITTEN TESTIMONY OF THE HONORABLE CHRISTY ROMERO SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM (SIGTARP)

BEFORE THE
NEW JERSEY STATE ASSEMBLY
FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE
HOUSING AND LOCAL GOVERNMENT COMMITTEE

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Chairman Schaer, Chairman Green, members of the Assembly, I want to thank you for holding this hearing. The Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") serves as the watchdog over the Federal bailout known as the Troubled Asset Relief Program ("TARP"). SIGTARP protects the interests of those who funded TARP programs – American taxpayers. Our mission is to promote economic stability through transparency, robust enforcement, and coordinated oversight.

SIGTARP is very concerned that after more than two years, TARP's housing program the Hardest Hit Fund ("HHF") has not helped enough homeowners. As part of SIGTARP's continuing oversight of TARP and in response to a Congressional request, SIGTARP performed a comprehensive review of Treasury's decision-making related to HHF which we released on April 12, 2012. Specifically, SIGTARP assessed whether Treasury applied consistent and transparent criteria in selecting the states and programs, assessed the extent to which Treasury determined that the programs were innovative and not duplicative of existing programs, and identified Treasury goals and metrics for the program. The following testimony provides a summary of SIGTARP's conclusions and recommendations from our review, an update on progress that has been made within HHF since our audit, and data on New Jersey's HHF program, known as New Jersey HomeKeeper Program. New Jersey's HHF program has experienced some of the most significant delays of any of the 19 participating states in getting help to homeowners. Although SIGTARP has not performed a comprehensive audit of New Jersey's program, SIGTARP reports quarterly to Congress and the public on the progress of each state's HHF program. In addition, the conclusions and findings in our nationwide review provide context that sheds light on New Jersey's delay in reaching struggling homeowners.

Conclusion Contained in SIGTARP's April 2012 Audit: Factors Affecting Implementation of the Hardest Hit Fund Program

The Hardest Hit Fund was announced in February 2010 when the housing market was still under significant stress, despite Government efforts to address record-high foreclosures with programs such as TARP's Home Affordable Modification Program ("HAMP"). A senior Treasury official told SIGTARP that the idea of the Hardest Hit Fund came from an examination of options to tackle home foreclosure economic challenges such as negative equity and unemployment not being addressed by HAMP. The Treasury official told SIGTARP that at the end of 2009 (when HHF was being developed), unemployment was hovering around 9%, and one in four homes was underwater.

Under HHF, TARP dollars fund "innovative measures" developed by state housing finance agencies ("HFAs") and approved by Treasury to help families in states that had been hardest hit by the economic crisis and the collapse of the housing bubble. HHF expanded from its original announcement of $1.5 billion in TARP funds for five states with 20% home price declines in four iterative rounds of funding. Each round had specific criteria, resulting in Treasury obligating a total of $7.6 billion in TARP funds to 18 states and Washington, D.C. The 19 HFAs could propose multiple programs within categories of assistance for Treasury approval. As of December 31, 2011, Treasury had approved 55 HHF programs, which have through 2017 to use TARP funds.

After two years, the Hardest Hit Fund has experienced significant delay in providing help to homeowners due to several factors, including a lack of comprehensive planning by Treasury and a delay and limitation in participation in the program by large servicers and the GSEs (Fannie Mae and Freddie Mac). As of December 31, 2011, the latest data available, HHF has spent only $217.4 million to provide assistance to 30,640 homeowners – approximately 3% of the TARP funds allocated to HHF and approximately 7% of the minimum number of homeowners whom the state HFAs estimate helping over the life of the program.[1] Nearly all (98%) of the help provided to homeowners under HHF has been related to unemployment assistance or reinstatement through payment of past due amounts, the only types of assistance for which the GSEs directed servicers to participate. The great bulk (78%) of the HHF help to homeowners has been for unemployment assistance. Unless there is a drastic change in the assistance the GSEs and their conservator, FHFA, will support, the Hardest Hit Fund may be much narrower in scope and scale than what was originally expected due to the lack of servicer and GSE support for certain programs. Without significant change, while the Hardest Hit Fund may be able to reach unemployed homeowners as was originally intended, it is likely to be limited in addressing negative equity for homeowners who are underwater.

SIGTARP found that Treasury consistently applied its criteria to choose states to participate in the first three rounds of funding for HHF. However, in the second round, it was unclear why Treasury determined that states with high percentages of their population in counties with an unemployment rate greater than 12% were economically distressed, but that states with 11% unemployment were not. The cutoff for Treasury's selection of states in Round Two was not transparent because one percentage point divided Ohio (with 22% of its population living in counties with an unemployment rate higher than 12%), which was selected, and Tennessee (with 21%), which was not selected until five months later, when Treasury made another round of funding to all states, including Tennessee, with above-average unemployment. For the fourth round, no new states were selected. Rather, Treasury nearly doubled the funds available for HHF four days before the expiration of Treasury's TARP investment authority.

[1] The figures contained in this section are reprinted from SIGTARP's publicly released audit and were based on the latest data available at that time.

Treasury determined that the five categories of assistance it approved were compliant with TARP's requirement that programs prevent avoidable foreclosures and rejected other proposed programs for not having a sufficient link to this requirement. The five categories Treasury approved are: (1) principal reduction; (2) second lien; (3) reinstatement through payment of past due amounts; (4) unemployment; and (5) transition assistance.

SIGTARP was unable to analyze whether Treasury consistently applied its criteria for rejecting individual state programs because Treasury has not provided additional explanation of the rejection except for its rationale for rejecting legal and housing counseling programs as not being specifically authorized by EESA or necessary for the implementation of HHF. Treasury did not define "innovative" or perform an analysis of whether proposed programs were innovative or duplicative of other programs, instead considering the design of the program to be innovative because it provides locally tailored solutions. The GSEs, FHA, three of the largest servicers, and an academic told SIGTARP that they generally agreed that HHF has innovative aspects because it provides different types of assistance at a local level, helps homeowners for longer periods of time, or provides greater funding to respond to the housing crisis.

Treasury has not set measurable goals and metrics that would allow Treasury, the public, and Congress to measure the progress and success of HHF. Treasury set a single goal for HHF: to prevent avoidable foreclosures and help preserve homeownership. Treasury instead deferred to individual states to set goals but did not require states to set measurable goals. Most states' goals are high-level expectations with no measurable targets, such as Florida's "preserving homeownership" and "protecting home values." Treasury does require states to estimate the number of households to be assisted by their HHF programs, but this number has limited usefulness because states can, and have, changed estimates, creating a shifting baseline that makes it difficult to measure performance against expectations. The states' estimated number of homeowners to be assisted by HHF has steadily decreased over the last year. As of December 31, 2011, the 19 HFAs collectively estimate helping between 458,632 and 486,536 homeowners over the lifetime of HHF, which will end in 2017. Treasury has not adopted this estimate or even reported it. Consistent with best practices, Treasury should have set meaningful and measurable goals at the start of the program. However, it is not too late for Treasury to set measurable goals, including at a minimum, adopting the HFAs' collective estimate or developing its own goal of how many homeowners Treasury expects HHF to help.

The 19 individual HFAs have provided a significant amount of transparency on their 55 HHF programs on their websites as required by Treasury; however, Treasury can do more to improve transparency. Tracking performance of all HHF programs would require a taxpayer to gather information from 19 separate HFA websites. Treasury aggregates the number of homeowners assisted and dollars expended by all states on HHF programs, but SIGTARP, not Treasury, publishes this information. Treasury should publish this information, along with other useful information on HHF's performance, on its website and in the monthly Housing Scorecard that reports on the Administration's efforts in housing programs, such as HAMP. A Treasury official told SIGTARP that it is appropriate to leave reporting of the data to the states: "This is not our program. These are their programs." However, HHF is a TARP program, the source of the funds is TARP, and Treasury is the steward over TARP. Congress and the public rightfully expect Treasury to administer the program and ensure that TARP funds are appropriately spent and are achieving the desired goals.

SIGTARP found that several factors contributed to the Hardest Hit Fund's significant delay in getting assistance to homeowners, some of which have been successfully resolved, and some of which are likely to continue to affect the program:

- HHF lacked comprehensive planning by Treasury, which rushed out the program without appropriate collaboration of key stakeholders, including state HFAs, large mortgage servicers, and the GSEs (Fannie Mae and Freddie Mac). In the creation of HHF, Treasury solicited input from mortgage industry participants, but in planning the program, it did not gather all key stakeholders together to anticipate and assess needs, participation, and barriers for effective implementation of the program. HHF suffered from a rushed rollout of state HHF programs without a comprehensive implementation plan by Treasury that would ensure success. Treasury delegated program development to state HFAs, but generally gave one to two days' notice to state housing officials before announcing that they would receive TARP funds and would have approximately six to eight weeks to develop programs. Despite the fact that the states could not reach a significant amount of homeowners unless large servicers agreed to participate, Treasury did not contact some of the largest servicers to gain their support until April 2010, and did not resolve large servicers' issues sufficiently for them to participate with states until November 2010, after a Treasury-convened Servicer Summit. Treasury opened discussions with the GSEs early on, but did not do enough initially to secure support for some HHF programs. SIGTARP found in its March 25, 2010, audit of HAMP that "taking more time at the outset to adequately plan" may have resulted in assisting more homeowners more quickly. Similarly, had Treasury taken more time to adequately plan HHF, it may have helped the state HFAs gain support for their programs from large servicers and GSEs, and resulted in more homeowners receiving help during the first two years of the program. One large servicer said it best: "Anytime all the parties can be involved in a program, the more success you will have. I think that if Treasury, the states, and the servicers were involved earlier on, that the program would be more successful and further along."

- Treasury's decision to give one to two days' notice to states and six to eight weeks to develop programs caught several states off guard. One HFA official told SIGTARP that 10 minutes after the program was announced, the HFA began receiving phone calls from the public asking when the money would be available. The office received 200 calls in the first 24 hours. HFAs had six to eight weeks to develop their programs. Treasury provided informal guidance throughout these weeks and the HFAs gathered public input. The HFAs also had to build or change their processes and hire and train staff. One HFA had seven employees dedicated to HHF and had to increase its staff for HHF by 500%. Another state HFA said that it had to scramble and get a network into place. One HFA official explained to SIGTARP that the HFA "was not prepared to deal with the tsunami of the HHF."

- Several states delayed HHF programs because the large mortgage servicers were not participating. One great shortcoming in HHF's implementation was Treasury's lack of timely action to enlist large servicer support for and participation in state HHF programs. Treasury officials told SIGTARP that it was up to the HFAs to negotiate with the servicers. HFAs reported to SIGTARP that they were rebuffed by the large servicers. Several HFAs told SIGTARP that their primary challenge with the implementation of HHF was the lack of participation by the large servicers, with one HFA official explaining that on a scale of one to 10, "this was a 10." Without the participation of the large servicers, the HFAs' programs could not reach a large portion of struggling homeowners. One HFA explained, "Without big servicers, it would take much, much longer to get the funds out, with just community banks and credit unions. It would be a trickle of eligible applicants." Some HFAs told SIGTARP that without the largest servicers, they would have been able to help only 20% to 50% of applicants. Another HFA told SIGTARP, "Our biggest complaint is we were provided these funds, and we have such a need here, but we weren't able to handle the mass numbers because of no participation from the large lenders." One HFA told SIGTARP that "without the servicers' participation, it would have been disastrous."
- Large servicers did not participate for the first nine months of the program citing administrative burden of more than 50 different programs, lack of program uniformity, and lack of GSE guidance. One large servicer said that

its experience with HAMP, a national program, was less complex than HHF. Servicers told SIGTARP that the large number of HHF programs and their complexity posed an operational challenge for servicers to develop and implement HHF infrastructure and properly train staff. One servicer explained to SIGTARP that with each state's differing eligibility and coding requirements, "the volume was unprecedented." In addition, servicers cited the need for GSE guidance before they could begin participating in HHF programs so they could ensure that they acted correctly in obeying investor rules, processing loans, and applying funds received from the states. One servicer explained that the states designed their HHF programs "in a vacuum," without knowing whether the servicers would be able to execute the programs.

- Treasury did not initially use its influence on the largest servicers to gain their support. By leaving the responsibility of recruiting large servicers to the states and not taking more aggressive efforts to gain servicer support for the state programs, Treasury failed to recognize the lack of bargaining power that states had for recruiting servicers. Florida's HFA official explained to SIGTARP, "The one billion dollars has been a nice carrot to use for servicers in Florida, but there is no stick with the carrot to force servicers to participate." One HFA told SIGTARP that it would have been helpful if Treasury had been more aggressive in getting large lenders to participate. Treasury officials chose to decentralize program development with the HFAs, but their lack of comprehensive planning, such as involving servicers early on, resulted in Treasury not anticipating and initially not addressing the implementation issues that approximately 50 non-uniform programs created for servicers. SIGTARP found that Treasury's experience with HAMP should have provided a better understanding of servicers' needs and the effect that servicers' participation would have on a program's success. Several state HFAs delayed programs until the large servicers came on board, which did not happen until the GSEs issued guidance on October 29, 2010. One large servicer told SIGTARP that 80% of its portfolio is with the GSEs, explaining, "… We had to hold up on certain programs, waiting for Fannie and Freddie."

- Treasury did not gain GSE support for HHF programs until eight months after the announcement of the program. Treasury, responsible for HHF oversight and accountable for HHF results, should have been the driving force to ensure that the GSEs and large servicers supported the HFAs' programs. Although Treasury sought GSE guidance in creating the program, it did not use its influence to gain GSE support for state HHF programs for the first eight months of the program. One Treasury official told SIGTARP that after HHF expanded from $2.1 billion for 10 HFAs to $4.1 billion for 19 HFAs in August 2010, "it became clear that servicer and GSE support would be critical to the full utilization of program funds." However, HFAs in the first two rounds told SIGTARP that because the large servicers were not involved, they were able to assist only a small percentage of applicants. SIGTARP found that, based on Treasury's experience with HAMP and the sheer volume of mortgages held or guaranteed by the GSEs, it should have been clear before the announcement of HHF that large servicers and GSE support would be critical.[2] In addition, Treasury was aware before August that no large servicers had signed on.

The largest servicers did not participate in HHF and the GSEs did not issue guidance to servicers on HHF until Treasury formally interceded by holding a Servicer Summit in September 2010, when it brought all of the key stakeholders together. This summit was a turning point, and out of it came the resolution of several issues such as process standardization and GSE guidance that had prevented GSEs and large servicers from participating in HHF.

The GSEs' guidance issued on October 29, 2010, to servicers stated that the GSEs supported mortgage assistance programs for unemployed or underemployed homeowners and programs to reinstate past due amounts on mortgages. These two programs require no financial sacrifice from the servicers or investors. GSEs examined principal reduction in connection with HHF and concluded that principal reduction could increase moral hazard by incentivizing homeowners to become delinquent on their mortgages. Without GSE buy-in, large servicers generally would not agree to participate in HHF principal reduction, and transition assistance programs for those loans with the GSEs. Although some servicers have signed on to HHF second-lien programs, participation has been very low. One large servicer told SIGTARP that 80% of its portfolio is with the GSEs. Another large servicer told SIGTARP that 60% to 80% of its servicing book is GSE loans, and because the GSEs are not participating in principal reduction, the servicer cannot process GSE loans in HHF principal reduction programs. Treasury approved 16 HHF principal reduction programs, knowing that the GSEs did not support

[2] The GSEs own or guarantee 56% of the 53 million outstanding first-lien mortgages in the United States as of June 2011, according to Freddie Mac.

principal reduction. Treasury encouraged HFAs to work on principal reduction programs with servicers' mortgages that were not owned by the GSEs, but so far the results of those efforts have been minimal. As of December 31, 2011, the latest data available, approximately 436 homeowners have received principal reductions under HHF.

HHF eventually may be effective in the areas where there is broad GSE and large servicer support such as unemployment and reinstatement through payment of past due amounts. Unless there is a drastic change in the assistance the GSEs and their conservator, FHFA, will support, HHF may be limited in the types of homeowners it can reach. While it may be able to reach homeowners who are unemployed, underemployed, or have past due amounts that can be reinstated, without a significant change by the GSEs or servicers, it is likely to be limited in reaching homeowners who are underwater, have mortgages with second liens, or need transition assistance, including a short sale or deed-in-lieu of foreclosure.

Because Treasury does not set performance metrics for the various programs under HHF, it is not clear whether providing approximately 436 homeowners with principal reduction assistance meets performance expectations for the first two years of the program. However, at this rate it is unlikely that Treasury will spend the $1.4 billion allocated to HHF principal reduction without taking other actions. Treasury should seek to apply lessons learned from HAMP to give state HFAs the support that they need. For example, Treasury recently announced that it will triple its incentives for principal reduction in HAMP. Treasury should work with the state HFAs to determine whether a change is appropriate in any of the 16 state HHF principal reduction programs.

In order to reach the number of homeowners that the HFAs collectively estimate helping over the life of HHF, there needs to be a dramatic increase in the number of homeowners helped.

As was clear in the beginning of HHF, states need Treasury's help and support to increase the number of homeowners helped. Treasury should do all that it can to ensure the program's success. Treasury should set measurable goals, measure progress against those goals, and develop an action plan to ensure that the next five years result in the HHF program fulfilling TARP's goal to preserve homeownership.

Recommendations in SIGTARP's April 2012 Audit: Factors Affecting Implementation of the Hardest Hit Program

In light of these findings and conclusions, and out of great concern that the program was not reaching homeowners, SIGTARP made the following recommendations:

1. Treasury should set meaningful and measurable performance goals for the Hardest Hit Fund program including, at a minimum, the number of homeowners Treasury estimates will be helped by the program, and measure the program's progress against those goals.
2. Treasury should instruct state housing finance agencies in the Hardest Hit Fund to set meaningful and measurable overarching and interim performance goals with appropriate metrics to measure progress for their individual state programs.
3. Treasury should set milestones at which the state housing finance agencies in the Hardest Hit Fund must review the progress of individual state programs and make program adjustments from this review.
4. Treasury should publish on its website and in the Housing Scorecard on a quarterly basis the total number of homeowners assisted, funds drawn down by states, and dollars expended for assistance to homeowners, assistance committed

to homeowners, and cash on hand, aggregated by all state Hardest Hit Fund programs.

5. Treasury should develop an action plan for the Hardest Hit Fund that includes steps to increase the numbers of homeowners assisted and to gain industry support for Treasury-approved HHF programs. Treasury should set interim metrics for how many homeowners it intends to assist in a Treasury-defined time period in each particular program (such as principal reduction, second-lien reduction, or reinstatement). If Treasury cannot achieve the desired level of homeowners assisted in any one program area in the defined time period, Treasury should put the funds to better use toward programs that are reaching homeowners.

Progress Made in HHF since SIGTARP's April 2012 Audit: Factors Affecting Implementation of the Hardest Hit Program

Since our April audit, SIGTARP has seen some progress being made in HHF; however, we remain very concerned by the overall lack of homeowners assisted under the program. SIGTARP reported in its April audit that only 30,640 homeowners had been assisted under the program representing seven percent of the homeowners that states had expected to help nationwide. As of June 30, 2012, 58,519 homeowners have been assisted under HHF representing approximately 14 percent of the homeowners that states eventually expect to help nationwide. SIGTARP reported in its April audit that the states had drawn down $828.6 million representing 11 percent of the total TARP funds available under HHF.   Since our audit, the draw down figure has increased to $1.5 billion representing 20 percent of the total TARP funds available. However, not all funds drawn down are used for direct assistance to homeowners. HFAs also use drawn down funds for administrative expenses and cash on hand. In its April

2012 audit, SIGTARP reported that $217 million of HHF funds had been spent assisting homeowners, representing only three percent of the total TARP funds available. Since our audit, the funds used to assist homeowners has increased, but still remains low at $511.4 million, representing seven percent of the $7.6 billion in TARP funds available, as of June 30, 2012.[3]

HHF ESTIMATED AND ACTUAL NUMBER OF BORROWERS ASSISTED AND ASSISTANCE PROVIDED, BY STATE, AS OF 6/30/2012

Recipient	Estimated Number of Participating Households to be Assisted by 12/31/2017	Actual Borrowers Receiving Assistance as of 6/30/2012	Assistance Provided as of 6/30/2012
ALABAMA	8,500	1,886	$ 12,862,891
ARIZONA	7,303	703	$ 3,770,118
CALIFORNIA	77,670	10,501	$100,900,621
FLORIDA	90,000	5,559	$27,888,868
GEORGIA	18,300	1,243	$7,198,894
ILLINOIS	17,000 to 29,000	2,814	$29,651,362
INDIANA	13,392	867	$6,357,775
KENTUCKY	6,250 to 13,000	1,953	$16,861,090
MICHIGAN	22,570	5,728	$24,080,297
MISSISSIPPI	3,800	557	$4,942,120
NEVADA	10,787	1,263	$8,756,861
NEW JERSEY	6,900	498	$3,354,564
NORTH CAROLINA	22,290	6,815	$69,578,687
OHIO	57,300	6,486	$68,601,386
OREGON	13,630	4,846	$60,200,929
RHODE ISLAND	2,921	1,678	$16,183,308
SOUTH CAROLINA	21,600 to 26,100	3,008	$28,780,913
TENNESSEE	13,500	1,763	$16,624,549
WASHINGTON, DC	520 to 1,000	351	$4,791,822
TOTAL	**414,233 to 437,963**	**58,519**	**$511,387,057**

[3] Treasury obligated $7.6 billion in TARP funds for HHF. This includes administrative expenses of more than $872 million, leaving approximately $6.7 billion remaining to assist homeowners.

New Jersey's HHF HomeKeeper Program

Treasury selected New Jersey in the third round of HHF in August 2010, based on the state unemployment rate, and obligated approximately $300 million TARP dollars to New Jersey out of $7.6 billion obligated nationwide for HHF. Like the great bulk of the HHF programs (78% as found in SIGTARP's audit), New Jersey's HomeKeeper Program is an unemployment assistance program. The HomeKeeper Program provides 0% interest rate payments up to a maximum of $48,000 for a period not to exceed 24 months. The funds are used for a one-time payment to settle mortgage arrearages during a period of unemployment or substantial underemployment for homeowners who lost employment income and have since found work and/or payment of arrearages or mortgage payment while the homeowner actively seeks work or participates in an approved job training program.

The HomeKeeper Program's high level goal is to promote neighborhood stability in New Jersey communities by providing assistance with mortgage arrears and mortgage payments to eligible homeowners who, through no fault of their own, are in danger of foreclosure due to a temporary loss of employment or unexpected substantial underemployment and are in the process of seeking work or job training that will enable them to resume making their mortgage payments in full. New Jersey's HFA estimates helping 6,900 borrowers throughout the lifetime of the program.

Although nationwide HHF has experienced significant delay in reaching homeowners, SIGTARP is concerned that New Jersey's HHF program has experienced more delay than other states in getting HHF help to homeowners, and has only recently begun making progress. SIGTARP reported in our April audit that as of December 31, 2011, more than one year after New Jersey's program started, New Jersey's HHF program had assisted only 54 homeowners, by far the lowest number of any of the 19 participating states. SIGTARP reported in its April audit that the New Jersey HomeKeeper Program had drawn down $7.5 million representing 2.5 percent of the total funds available to the state program. However, only $218,032 of these funds (less than one percent of the total money available) was spent on direct assistance to homeowners. One quarter later, as of March 31, 2012, the number of homeowners assisted had risen to 171 (as reported in SIGTARP's July 25, 2012 report to Congress).

In April 2012, SIGTARP released its audit and recommended among other things, that Treasury instruct state housing finance agencies in the Hardest Hit Fund to set meaningful and measurable overarching and interim performance goals with appropriate metrics to measure progress for their individual state programs. SIGTARP recommended that Treasury set milestones at which the state housing finance agencies in the Hardest Hit Fund must review the progress of individual state programs and make program adjustments from this review. SIGTARP also recommended that Treasury develop an action plan for the Hardest Hit Fund that includes steps to increase the number of homeowners assisted.

Treasury has made some progress in implementing SIGTARP's recommendations for New Jersey's HHF program. This progress has resulted in New Jersey's HomeKeeper Program making the most significant progress in its history, although much more is needed. As of June 30, 2012, New Jersey's HHF program has helped 498 homeowners (up from 54 homeowners as reported in SIGTARP's audit). While this shows some progress, as of June 30, 2012, New Jersey was still the second lowest state for the number of homeowners assisted in HHF. As of June 30, 2012, New Jersey's HFA has drawn down $22.5 million from Treasury (7.5 percent of available funds), but only spent $3.35 million (one percent of available funds) on assisting homeowners.

While the recent progress in New Jersey's HHF program is important, there needs to be a dramatic increase in the number of homeowners assisted for New Jersey HFA to meet its estimate of 6,900 homeowners helped. The 498 homeowners helped by New Jersey's HHF program as of June 30, 2012, represent only 7 percent of the 6,900 homeowners that the state HFA estimates helping. Just as important as the number of homeowners assisted is the number of homeowners denied for assistance. The number of homeowners denied for assistance under New Jersey's HHF program has significantly increased from 432 in March 31, 2012, to 1,929 as of June 30, 2012.

Treasury and New Jersey's HFA should be analyzing the reasons why so many homeowners are being denied assistance and why so few have received assistance under New Jersey's HomeKeeper Program. It is not too late for Treasury and New Jersey's HFA to make effective and meaningful changes to the program as a result of that analysis – changes that could make a difference in the lives of New Jersey homeowners. Treasury and the New Jersey HFA need to have a sense of urgency in conducting this analysis and making program changes or they risk that the program will not achieve its goal of promoting neighborhood stability in New Jersey communities.

I want to thank you for allowing SIGTARP to submit testimony on this important issue.