



Evaluation Report

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

SIGTARP



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



OFFICE OF THE SPECIAL INSPECTOR GENERAL

FOR THE TROUBLED ASSET RELIEF PROGRAM

WASHINGTON, D.C. 20220

August 9, 2022

MEMORANDUM FOR: The Honorable Janet L. Yellen – Secretary of the Treasury

FROM: Ms. Melissa Bruce – Acting Special Inspector General for the Troubled Asset Relief Program

SUBJECT: Data on Treasury's Home Affordable Modification Program Show Homeowners May Be Vulnerable to Current Economic Conditions (SIGTARP-22-001)

The Home Affordable Modification Program (HAMP) is the largest ongoing program launched as part of the Emergency Economic Stabilization Act of 2008. The program aims to prevent avoidable foreclosures by modifying mortgages for struggling homeowners to make their payments more affordable and sustainable over the long term. Since its inception in 2009, 1.7 million homeowners have had their mortgages modified under HAMP. Although HAMP terminated for new applicants in December 2016, mortgage servicers continue to perform several functions for homeowners who were already in the program. These functions include receiving and disbursing incentive payments for homeowners and investors (i.e., lenders), processing interest rate increases, and reporting to the Department of the Treasury (Treasury) on the status of modified mortgages.

As of April 2022, there are 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.¹

The objective of this evaluation was to identify key characteristics of homeowners in HAMP using Treasury's data.² SIGTARP analyzed 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

¹ This represents the total number of homeowners with HAMP-modified mortgages. It includes homeowners who have paid off their mortgages, withdrawn from HAMP after refinancing, or are no longer eligible for incentive payments. Servicers are no longer required to report monthly on the status of these loans. According to Treasury, about 42,000 homeowners were still in HAMP and eligible to receive incentive payments as of June 2022.

² SIGTARP conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.



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 application, 59% of HAMP homeowners reported that their income was below \$50,000.
- Using state median incomes from 2016, when HAMP closed to new applicants, 78% of homeowners reported incomes below their state’s median income at the time they submitted their applications. Eighty-two percent of HAMP homeowners had incomes below their state’s median income when compared to median income data for 2020.
- 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 that result in rising inflation and consumer expenditure prices. 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.
- HAMP homeowners represent different ethnic and racial groups. For example, of the homeowners who provided their race on their applications, 68% self-identified as White, 23% as Black, 6% as Asian, 1% as Native Hawaiian or Pacific Islander, and 1% as Native American or Alaska Native.

SIGTARP recommends 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 recommends 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.



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



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Background

Congress made foreclosure mitigation an express part of the Emergency Economic Stabilization Act of 2008 (EESA), which created the Troubled Asset Relief Program.³ EESA's largest ongoing program is the Home Affordable Modification Program (HAMP). Launched in 2009, HAMP aims to prevent avoidable foreclosures by modifying mortgages for struggling homeowners to make their payments more affordable and sustainable over the long term. As part of the program, the Department of the Treasury (Treasury) provides incentive payments to mortgage servicers and investors (i.e., the lenders) to modify mortgages, and homeowners who make timely payments on their modified mortgages. Since its inception, 1.7 million homeowners have had their mortgages modified under HAMP.

The Consolidated Appropriations Act, 2016 terminated HAMP for new applicants as of December 31, 2016, exempting existing participants.⁴ Mortgage servicers continue to perform several functions, such as receiving and disbursing incentive payments, processing interest rate increases, and reporting to Treasury on the status of modified mortgages for homeowners in the program.

Many homeowners are still using HAMP assistance to stay in their homes. As of April 2022, over 580,000 homeowners had mortgages modified under the program from across all 50 states, Washington D.C., Puerto Rico, Guam, and the U.S. Virgin Islands (see Figure 1).⁵

The objective of this evaluation was to identify key characteristics of homeowners in HAMP using Treasury's data.⁶ SIGTARP analyzed data on homeowners with mortgages modified under the program as of April 2022.

³ P.L. 110-343.

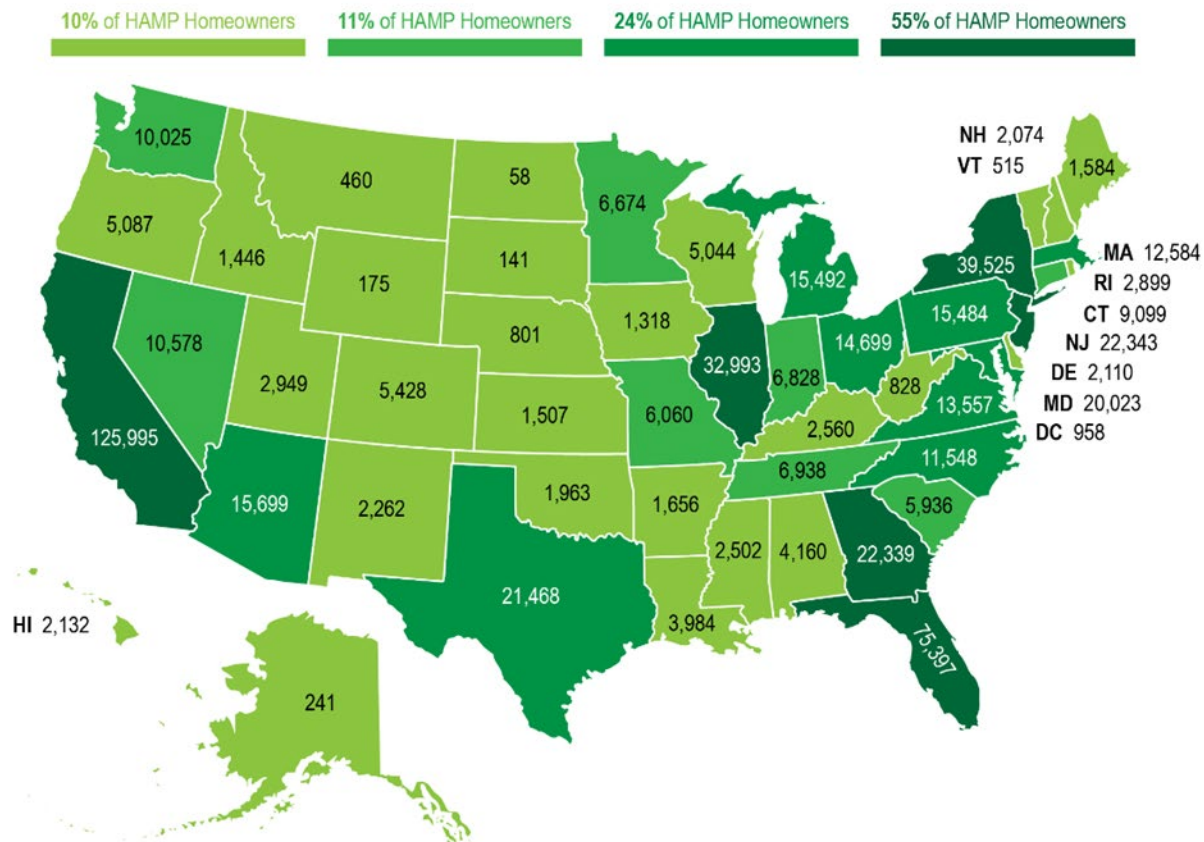
⁴ P.L. 114-113.

⁵ This represents the total number of homeowners with HAMP-modified mortgages. It includes homeowners who have paid off their mortgages, withdrawn from HAMP after refinancing, or are no longer eligible for incentive payments. Servicers are no longer required to report monthly on the status of these loans. According to Treasury, about 42,000 homeowners were still in HAMP and eligible to receive incentive payments as of June 2022.

⁶ For a discussion of the evaluation's objective, scope, and methodology, see Appendix A.



Figure 1. Locations of Homeowners with Mortgages Modified under HAMP.



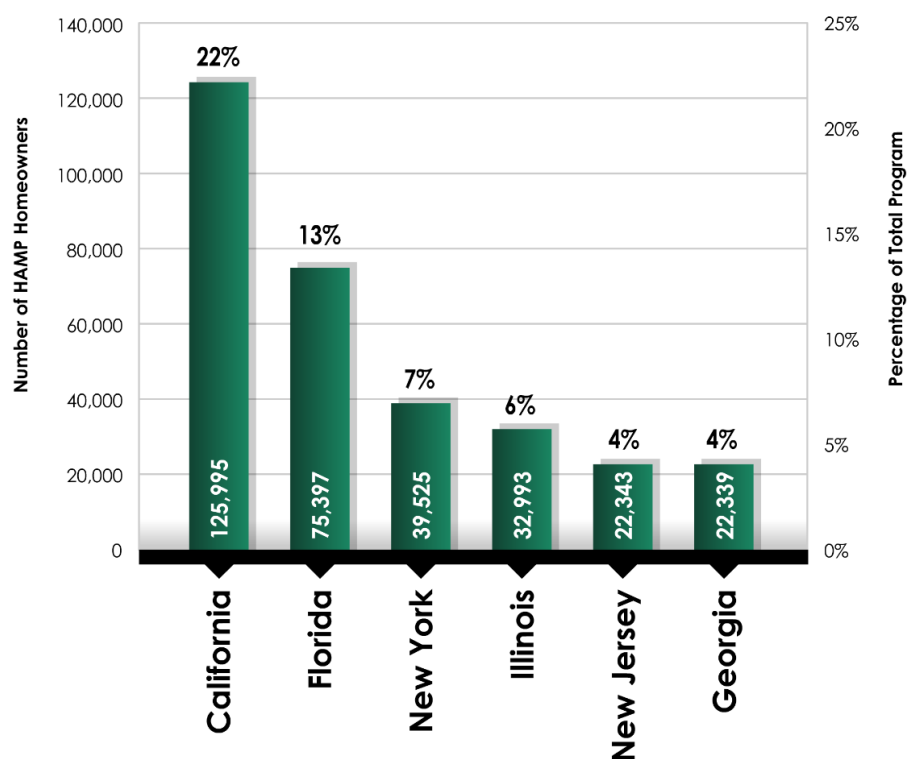
Note: The categories indicate the total percentage of HAMP homeowners who live in the shaded states.
 Source: SIGTARP analysis of Treasury data on homeowners with mortgages modified under HAMP, as of April 2022.



Most HAMP Homeowners Reside in States Hit Hardest by the 2008 Financial Crisis

Although HAMP homeowners live in all 50 states, most reside in a few states. More than 318,000 (55%) of the 580,000 homeowners in the program live in six states: California, Florida, New York, Illinois, New Jersey, and Georgia (see Figure 2). About 126,000 (22%) live in California, while another 75,000 (13%) live in Florida.

Figure 2. Six States with the Most HAMP Homeowners, as of April 2022.



Source: SIGTARP analysis of Treasury data on homeowners with mortgages modified under HAMP, as of April 2022.

Five of these six states—California, Florida, Illinois, New Jersey, and Georgia—also participated in Treasury's Hardest Hit Fund, which focused on states whose housing markets were hardest hit by the 2008 financial crisis.⁷ Treasury selected states for funding either because they were struggling with unemployment rates at or above the national average, or with steep home price declines greater than 20 percent. The five states mentioned above received \$5 billion in assistance through the Hardest Hit Fund.

⁷ The Hardest Hit Fund aimed to prevent foreclosures through locally-tailored solutions, such as mortgage payment assistance for unemployed or underemployed homeowners; principal reduction to help homeowners get into more affordable mortgages; assistance for homeowners transitioning out of their homes and into more affordable residences; and blight elimination. Through the program, Treasury provided \$9.6 billion in assistance to 18 states and the District of Columbia. The Hardest Hit Fund closed in December 2021.



Unemployment and Underemployment Were the Primary Reasons Homeowners Applied for HAMP Assistance

Unemployment rates in the United States vary greatly by state. As of March 2022, the four-quarter average national unemployment rate was 4.7%, while state unemployment rates ranged from 2.5% in Nebraska to 6.8% in Nevada. Unemployment rates varied among the six largest HAMP states as well. Four of the six states—California, New York, Illinois, and New Jersey—had unemployment rates greater than the national rate. New York and California had unemployment rates of 6% or higher. Florida and Georgia both had unemployment rates of 3.9%.⁸

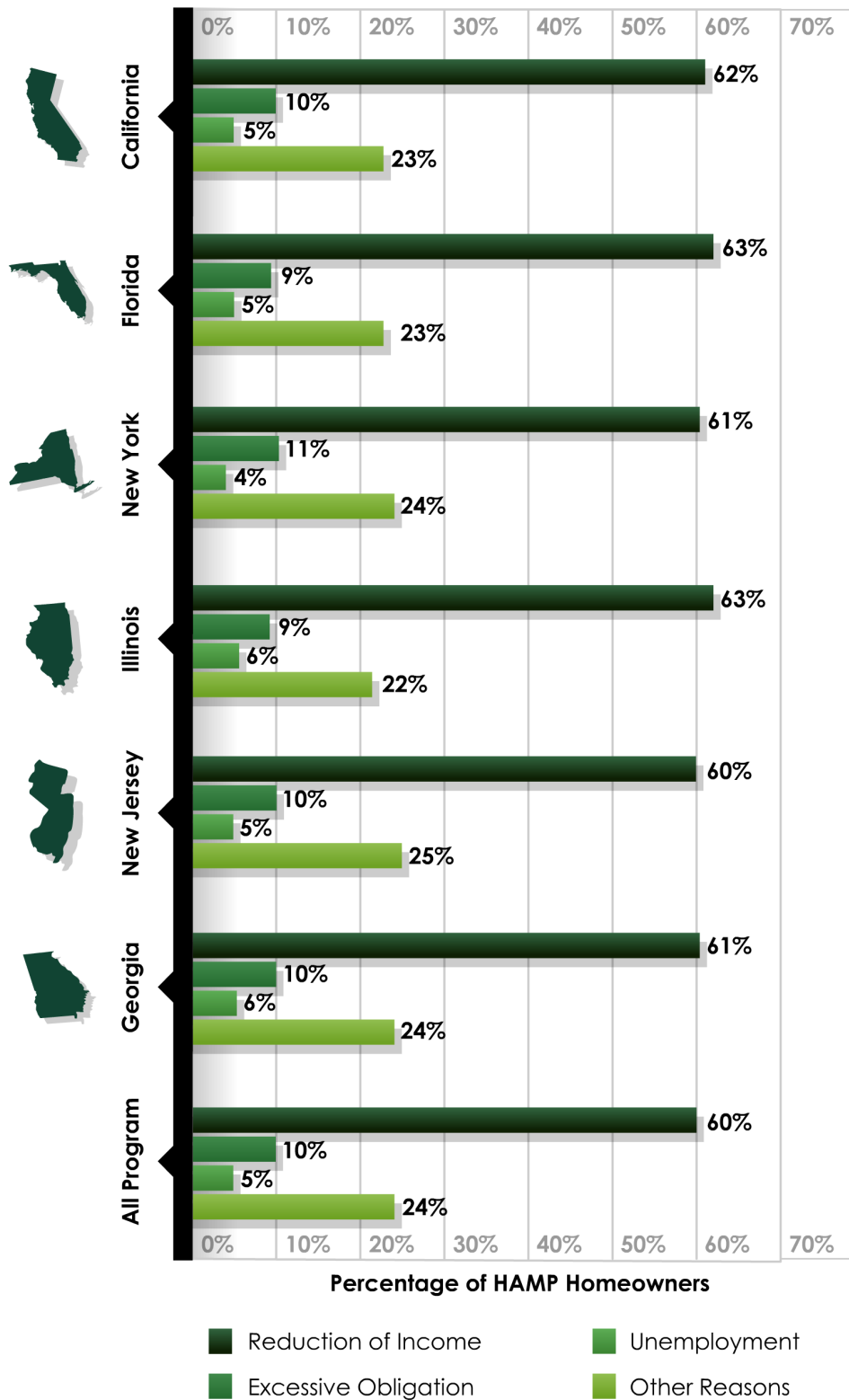
In contrast, the hardship homeowners cited when applying for HAMP did not vary much by state. Most homeowners (60%) listed a reduction of income as the hardship that caused them to apply for HAMP assistance. Ten percent listed their hardship as “excessive obligation” and 5% as unemployment. These hardships are often caused by unemployment or underemployment. Homeowners in the six largest HAMP states reported similar reasons for needing assistance, with no state varying more than a few percentage points from the overall program averages. For those states, 67% of homeowners listed reduction of income or unemployment as the reason for their HAMP application.

Figure 3 shows the hardships homeowners in the top six states and overall cited most frequently in their applications for HAMP assistance.

⁸ These rates are from the Bureau of Labor Statistics and represent the four-quarter average for the period ending March 2022, the most current data available.



Figure 3. Most Frequently Cited Hardship for HAMP Homeowners.



Source: SIGTARP analysis of Treasury data on homeowners with mortgages modified under HAMP, as of April 2022.



Homeowner Income Was Below the Median for Several States

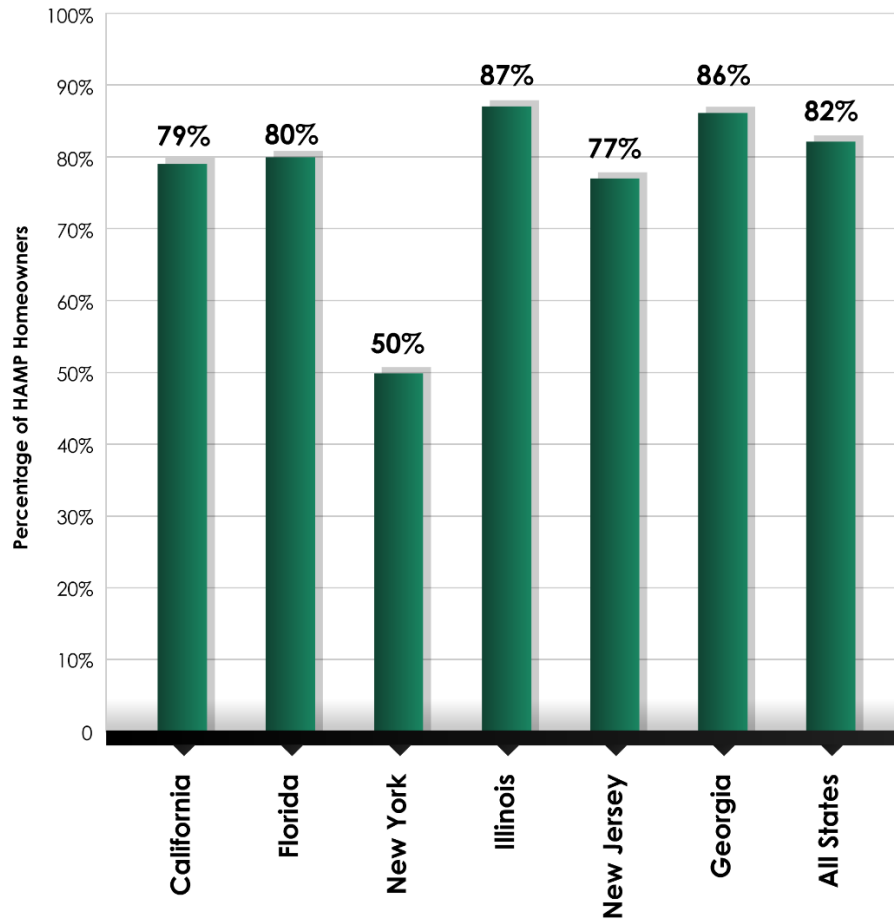
At the time of their applications, 59% of HAMP homeowners reported that their income was below \$50,000. This percentage varied largely by state with 71% and 79% of homeowners in Florida and Georgia, respectively, having incomes below \$50,000, while New York and New Jersey, states with higher costs of living, had much lower rates of 24% and 29%, respectively.

Because a state's cost of living might impact the median income of its residents, SIGTARP compared HAMP homeowners' incomes to their respective state's median income. Using median incomes from 2016, when HAMP closed to new applicants, 78% of homeowners reported incomes below their state's median income at the time they submitted their applications. Of the six largest states, New York had the fewest homeowners (47%) earning below the state's median income, and New Jersey had the next fewest (65%). On the other hand, Georgia had the most homeowners earning below the state's median income at 86%.

SIGTARP also compared homeowner incomes to more recent median income data to determine where homeowners might stand if their incomes have not changed substantially since they submitted their applications for HAMP assistance. Our analysis found that homeowners would be worse off now if their incomes have not changed. At the time of their application, eighty-two percent of HAMP homeowners reported incomes below their state's median income in 2020 (see Figure 4). This percentage varied across the largest six states with five—California, Florida, Illinois, New Jersey, and Georgia—having between 77% and 87% of homeowners potentially earning less than the state median income. In contrast, 50% of HAMP homeowners in New York would have earned below the state's median income had their incomes not increased.



Figure 4. Percentage of HAMP Homeowners with Incomes Below Their State's Median Income, Using Median Incomes in 2020.



Sources: SIGTARP analysis of Treasury data on homeowners with mortgages modified under HAMP, as of April 2022, and Federal Reserve data on state median incomes in 2020.



Housing Expenses for Most HAMP Homeowners Exceeded 40% of Their Income

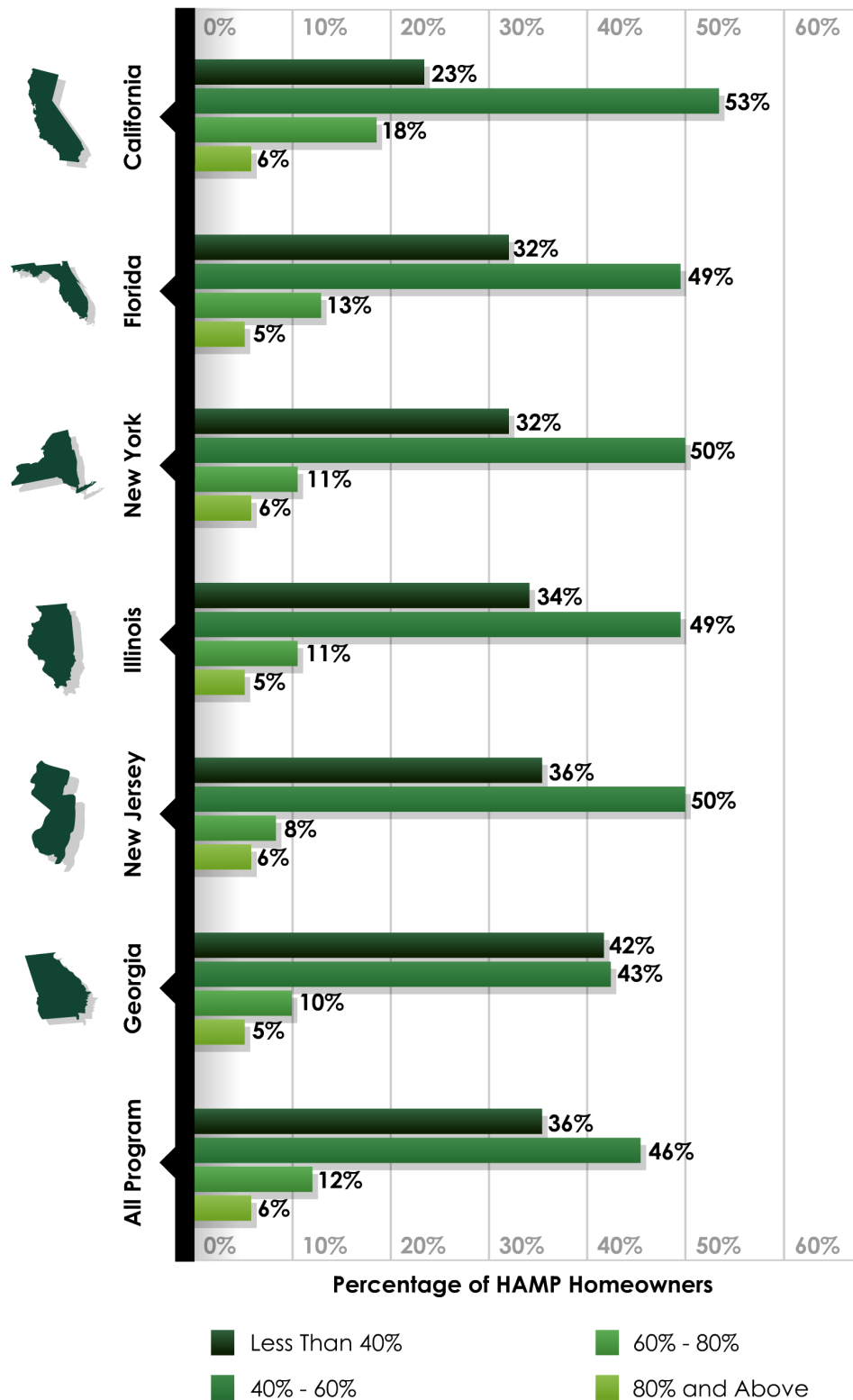
It is important for individuals and families to consider how much they can afford to spend on housing expenses. Although there is no definitive amount that homeowners should spend on housing expenses as a percentage of their income, financial planning references typically cite 30% to 40% of income as an ideal range, acknowledging that expenses may be higher for homeowners living in places with higher costs of living.

At the time of their application, prior to receiving HAMP assistance, 64% of homeowners reported spending 40% or more of their income on housing expenses (see Figure 5). For homeowners in California, who make up 22% of all remaining HAMP homeowners, this percentage was much higher at 77%, while the other five largest states ranged from 58% of homeowners in Georgia to 67% in Florida.

Eighteen percent of HAMP homeowners reported spending at least 60% of their income on housing expenses. Once again, California had the highest rate of the six largest states with 24% of homeowners spending at least 60% of their income on housing expenses, while the other five states ranged from 14% to 18%.



Figure 5. Housing Expenses as a Percentage of Income for HAMP Homeowners.



Source: SIGTARP analysis of Treasury data on homeowners with mortgages modified under HAMP, as of April 2022.



HAMP homeowners initially sought mortgage assistance because they were experiencing financial difficulties in the years following the 2008 financial crisis. As a result, they may be more sensitive to economic downturns that result in rising inflation and consumer expenditure prices. According to the Bureau of Labor Statistics, the Consumer Price Index, one of the most frequently used measures of inflation, rose 8.3% for the 12-month period ending April 2022.⁹ For urban consumers, food prices for grocery store and supermarket purchases increased 10.8% during that same time, the largest 12-month percentage increase since November 1980.¹⁰ Energy prices rose 30.3%, while prices for all other items increased by 6.2%.¹¹ These increases in inflation and essential living costs may put homeowners who are still in HAMP at increased risk of falling behind on their mortgage payments and being disqualified from the program, which in turn would impact whether the program achieves its goal of preventing avoidable foreclosures.

In May 2022, Treasury officials stated the department has not reviewed how ongoing economic conditions are impacting HAMP homeowners. The officials were not aware of any studies related to HAMP homeowners' current financial situations and how changes in costs of living and inflation are impacting those homeowners.

One of Treasury's operational goals for EESA programs is to help struggling homeowners avoid foreclosure. This goal supports the department's strategic goal of promoting equitable economic growth and recovery. In addition, the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* states that "management should identify, analyze, and respond to risks related to achieving the defined objectives." Management then "designs responses to the analyzed risks so that risks are within the defined risk tolerance for the defined objective."¹² Without understanding how current economic conditions are impacting homeowners in HAMP, Treasury cannot determine whether HAMP is making progress towards its goal.

⁹ Bureau of Labor Statistics data, as of April 2022. See <https://www.bls.gov/news.release/cpi.t01.htm> (retrieved June 2, 2022).

¹⁰ Bureau of Labor Statistics, "Food prices up 10.8 percent for year ended April 2022; largest 12-month increase since November 1980," <https://www.bls.gov/opub/ted/2022/food-prices-up-10-8-percent-for-year-ended-april-2022-largest-12-month-increase-since-november-1980.htm> (retrieved June 1, 2022).

¹¹ Bureau of Labor Statistics data, as of April 2022. See <https://www.bls.gov/news.release/cpi.t01.htm> (retrieved June 2, 2022).

¹² U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-740G, September 2014, Principle 7.



HAMP Homeowners Represent Different Ethnic and Racial Groups

Homeowners with HAMP-modified mortgages represent different ethnic and racial groups in the United States,¹³ though much of this data is incomplete.¹⁴ Only 61% of homeowners provided their ethnicity. Of those homeowners who provided this data, 38% self-reported as Hispanic or Latino. In California, 60% self-reported as Hispanic or Latino, compared to 47% in Florida and 18% in Georgia.

Similarly, program-wide, only 57% of homeowners provided racial information. Of the homeowners who provided their race, 68% self-identified as White, 23% as Black, 6% as Asian, 1% as Native Hawaiian or Pacific Islander, and 1% as Native American or Alaska Native. For the six largest states, the percentage of homeowners self-identifying as Black ranged from 12% in California to 55% in Georgia. The percentage of homeowners self-identifying as Asian ranged from 2% in Florida to 11% in California.

¹³ When collecting race and ethnicity data on participants in Federal government programs, the Office of Management and Budget's standards have two categories for ethnicity—"Hispanic or Latino" and "Not Hispanic or Latino"—and five minimum categories for race: American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, and White.

¹⁴ Treasury did not require mortgage servicers to collect data on each homeowner's race or ethnicity at the time the homeowner applied for HAMP assistance. Similarly, the servicers did not require homeowners to include this information on their applications.



Conclusion

HAMP's goal is to prevent avoidable foreclosures for at-risk homeowners by modifying their mortgages to be more affordable and sustainable over the long term. SIGTARP's analysis of Treasury's data on HAMP homeowners demonstrates that homeowners who are still in the program may be more vulnerable to current economic conditions given their financial situations when they applied for HAMP. For example:

- Over half of the 580,000 homeowners with mortgages modified under HAMP as of April 2022 reside in six states that were hit hardest by the 2008 financial crisis. Five of those states also received funding under Treasury's Hardest Hit Fund program.
- Seventy-five percent of homeowners cited hardships related to unemployment and underemployment as the reason they applied for HAMP assistance.
- Using state median incomes from 2016, when HAMP closed to new applicants, 78% of homeowners reported incomes below their state's median income at the time they submitted their applications. If their incomes have not risen substantially, this would have increased to 82% when comparing to data for 2020.
- Sixty-four percent of homeowners reported spending 40% or more of their income on housing expenses in their applications for HAMP assistance.

For the homeowners who are currently in the program, their prior financial hardships along with increasing inflation and costs of living may make it harder for them to make their mortgage payments and maintain their status in HAMP. If these homeowners are disqualified from the program now, they are more at risk of losing their homes to foreclosure. Because HAMP is still ongoing for current participants, this could impact whether the program achieves its goal of preventing avoidable foreclosures. Although Treasury has not done an assessment to determine the extent to which current economic conditions are impacting these homeowners, doing so and taking action to address the findings and ensure homeowners stay in HAMP would increase the likelihood that the program achieves its goal.



Recommendations

1. Treasury should complete an assessment to determine the extent to which current economic conditions, including increased inflation and essential living costs, are impacting HAMP homeowners.
2. Treasury should 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.



Appendix A – Objective, Scope, and Methodology

SIGTARP performed this evaluation under the authority of EESA, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. SIGTARP initiated the evaluation as part of its continuing oversight of HAMP. The objective of this evaluation was to identify key characteristics of homeowners in HAMP using Treasury's data.

The scope of this evaluation covered homeowners remaining in HAMP as of April 2022. SIGTARP analyzed data collected by mortgage servicers and maintained by the Federal National Mortgage Association (also known as Fannie Mae), on Treasury's behalf, on homeowners with HAMP-modified mortgages. This data reflects information obtained during the HAMP application and approval process. SIGTARP analyzed this data to identify key characteristics of HAMP homeowners, such as their locations, incomes, and reasons for applying for assistance. SIGTARP limited its analysis to data on homeowners who were the primary applicant because not all applications included a secondary applicant (i.e., a co-borrower). In addition, SIGTARP reviewed the *Treasury Strategic Plan 2022–2026*, the department's annual performance plan and report on EESA programs, and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*. SIGTARP also interviewed officials from Treasury's Office of Financial Stability, which oversees HAMP and other EESA programs, to obtain more information on the data, such as how it is collected, used, and maintained.

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

Limitations on Data

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

Use of Computer-Processed Data

SIGTARP relied on computer-processed data for this evaluation, primarily Treasury's system of record for HAMP, to determine the number of homeowners with mortgages modified under the program and identify key characteristics about them, including their income, hardship leading them to apply for assistance, and demographics. SIGTARP did not



validate the accuracy of the data, but determined the data was sufficiently reliable for the purposes of this evaluation, largely because it is the only official source of data on HAMP homeowners.

Internal Controls

SIGTARP performed a limited review of Treasury's internal controls for HAMP homeowner data by questioning Treasury officials about how the data is collected, used, and maintained, and reviewing selected Federal guidance and Treasury policies and procedures.

Prior Coverage

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

- August 26, 2021, "Treasury's Public Reporting on the Home Affordable Modification Program"
- January 27, 2016, "Mortgage Servicers Have Wrongfully Terminated Homeowners Out of the HAMP Program"
- April 29, 2015, "Treasury's Opportunity to Increase HAMP's Effectiveness by Reaching More Homeowners in States Underserved by HAMP"
- October 29, 2014, "Homeowners Can Get Lost in the Shuffle and Suffer Harm When Their Servicer Transfers Their Mortgage but Not the HAMP Application or Modification"
- July 30, 2014, "Treasury Should Use HAMP and HHF Together to Help as Many Homeowners as Possible Avoid Foreclosure"
- July 24, 2013, "Rising Redefaults of HAMP Mortgage Modifications Hurt Homeowners, Communities, and Taxpayers"
- June 18, 2012, "The Net Present Value Test's Impact on the Home Affordable Modification Program"
- March 25, 2010, "Factors Affecting Implementation of the Home Affordable Modification Program"



Appendix B – Management Comments



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 28, 2022

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

Dear Ms. Bruce:

I write in response to the Special Inspector General for the Troubled Asset Relief Program's (SIGTARP's) draft report of July 7, 2022 (Draft), regarding an evaluation of homeowners participating in Treasury's Home Affordable Modification Program (HAMP). We are pleased SIGTARP has found that HAMP has assisted hundreds of thousands of homeowners who faced hardships including unemployment and underemployment, and who reported incomes lower than their state's median income. This letter provides Treasury's official response to the Draft.

Background of HAMP

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

The cornerstone of MHA has been HAMP, which provided eligible homeowners the opportunity to reduce their monthly mortgage payments to more affordable and sustainable levels to avoid foreclosure. When a permanent mortgage modification was completed, and provided that the borrower continued to make payments on the mortgage, Treasury paid monthly incentives to the borrower (for a period of up to 6 years), the mortgage servicer (for 3 years), and the mortgage investor (for up to 5 years), depending on the type of modification.¹ HAMP was successful in facilitating the completion of 1.7 million permanent mortgage modifications.

HAMP is nearly concluded. All MHA programs, including HAMP, closed to new applications on December 31, 2016 in accordance with the provisions of the Consolidated Appropriations Act, 2016. At this stage of the HAMP program (as of June 30, 2022), there are approximately 42,000 homeowners who continue to receive borrower incentive payments; a number that decreases monthly. Borrower incentive payments are scheduled to conclude by September 2023. Because HAMP is now closed to new applicants, the remaining tasks for Treasury are to monitor

¹ Specifics regarding incentive payments and the time period over which they are provided, depending on the type of modification, may be found in the MHA Handbook (version 5.3), available at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_53.pdf.



servicer compliance with MHA guidelines pertaining to post-modification activities, to continue incentive payments, and to provide transparency on the program.

SIGTARP's Draft and Recommendations

The Draft summarizes self-reported information collected from HAMP applicants at the time that they applied, *i.e.*, from periods between 2009 and 2016. Then, based on a comparison of that data to state-level data, the Draft draws conclusions about how these HAMP borrowers compare to others in their state in terms of income. The Draft concludes that if HAMP borrowers in 2022 are in the same economic condition that they were in at the time of their HAMP application, they would be more vulnerable to inflationary economic conditions than the median American.

The Draft contains two recommendations. SIGTARP first recommends that Treasury undertake an assessment to determine whether current economic conditions are impacting HAMP homeowners. In response, Treasury will examine more closely the delinquency rate reported for the remaining 42,000² participants in HAMP. While Treasury has received and reviewed this data on a quarterly basis, we believe it now makes sense to receive this data on a monthly basis – especially at this late stage of the program.

SIGTARP next recommends that Treasury take action to address any findings resulting from its assessment that indicate HAMP homeowners are being affected by economic conditions. Treasury's ability to make changes to HAMP at this late stage is limited by the terms of the contracts between Treasury and the mortgage servicers who elected to participate. To address this recommendation, Treasury will undertake efforts to encourage servicers to communicate information to HAMP participants about other programs that could assist them in remaining in their home, including Treasury's Homeowner Assistance Fund. HAMP servicers continue to offer post-modification counseling to at-risk and delinquent borrowers, and Treasury will confirm that these counselors have up-to-date information regarding additional programs that can assist borrowers.

* * *

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

Sincerely,

Noel Poyo
Deputy Assistant Secretary for Community and
Economic Development

² As we previously flagged under separate cover, the Draft erroneously asserts that 580,000 homeowners are still in HAMP. While 580,000 homeowners currently have mortgages that were permanently modified pursuant to HAMP, more than 92 percent of those homeowners have received their last incentive payments from HAMP and have successfully exited the program, bringing the number of current participants to 42,000. (All figures approximate.)

SIGTARP Hotline

If you are aware of fraud, waste, abuse, mismanagement, or misrepresentations associated with the Troubled Asset Relief Program, please contact SIGTARP.

By Online Form: See “Hotline” tab on www.SIGTARP.gov

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

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

Inquiries

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

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