



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 17, 2015

The Honorable Christy L. Romero
Special Inspector General
for the Troubled Asset Relief Program
1801 L Street, NW, 4th Floor
Washington, DC 20036

Re: Florida's Down Payment Assistance Program

Dear Ms. Romero:

I write in response to your letter regarding Florida's Down Payment Assistance Program (Florida's Program) created under the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (HHF). We thank you for your letter, have reviewed the ten recommendations contained therein, and look forward to working with SIGTARP.¹

The HHF program was created in February 2010 under the Emergency Economic Stabilization Act of 2008 (EESA) to provide aid to the District of Columbia and 18 states designated "hardest hit" because they had experienced the nation's steepest home price declines and most severe unemployment. The objective of HHF is to allow the participating state housing finance agencies (HFAs) to develop creative, effective approaches to help prevent foreclosures and stabilize their local housing markets. HHF is designed to allow the maximum possible flexibility to eligible HFAs to use HHF funds to develop and implement initiatives responsive to the needs of their specific state.

While Treasury must approve each proposed program, Treasury does not administer the state programs. HHF was designed specifically for implementation and administration by state HFAs. The HFAs are required to develop and manage their programs subject to the contracts they signed with Treasury. Among their provisions, these contracts require the HFAs to establish monitoring mechanisms and implement a system of internal controls to minimize the risk of fraud, mitigate conflicts of interest, and maximize operational efficiency and effectiveness.

Florida has identified down payment assistance as an effective way to prevent foreclosures. In March 2015, Florida submitted a proposal to utilize \$50 million of its HHF allocation for a down payment assistance program, which would assist qualified homebuyers purchasing homes in five targeted counties that continue to demonstrate significant housing market distress. This proposal builds on Florida's experience with its other non-HHF funded down payment assistance programs. Florida believes (and we concur) that providing down payment assistance to qualified homebuyers in select housing markets can help prevent future foreclosures by stabilizing housing prices, increasing demand, and boosting owner occupancy rates in those areas.

¹ It appears that your letter and the recommendations contained therein are based primarily on the 30-minute briefing provided by Treasury to SIGTARP regarding Florida's Program.

Treasury approved Florida's proposal in April 2015. Florida has not yet launched its HHF Down Payment Assistance Program.

It is in this context that Treasury has evaluated SIGTARP's recommendations regarding Florida's Down Payment Assistance Program.

Five of the recommendations (numbers 1, 2, 4, 5, and 10) either are in the process of being implemented in the Florida Program or reflect standard practice for all HHF programs.

Treasury does not plan to implement the remaining recommendations. Recommendations 3 and 6 would require that Treasury directly manage the Florida program, which would be inconsistent with its role in the HHF programs. As previously explained, the HHF programs are designed to be administered by the states, which have existing local resources and infrastructures that can be efficiently deployed to administer the programs. In addition, because of the local nature of the programs, the states have superior knowledge of local conditions and markets. With respect to recommendations 7, 8, and 9, states develop performance indicators for the HHF programs and target outcomes in their programs, which are reviewed and approved by Treasury. Because states are closest to, and best understand the target markets, we believe that this is the most effective approach and intend to continue this practice with respect to Florida's Program.

Sincerely,



Mark McArdle
Chief Homeownership Preservation Officer
Office of Financial Stability