



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

July 10, 2012

The Honorable Christy L. Romero  
Special Inspector General  
for the Troubled Assets Relief Program  
1801 L Street, NW, 4th Floor  
Washington, D.C. 20220

Re: SIGTARP Quarterly Report to Congress

Dear Ms. Romero:

I am writing in response to your recent Quarterly Report to Congress (Report), dated April 25, 2012. The Department of the Treasury strongly supports transparency in all its programs and activities, including the Troubled Asset Relief Program (TARP). We also appreciate the important oversight role of the Office of the Special Inspector General for TARP (SIGTARP).

In particular, we recognize that SIGTARP has a statutory responsibility to produce a quarterly report that provides information on the purchase, sale, and management of assets under TARP, as well as on SIGTARP's activities related to those subjects. As you know, Treasury devotes a substantial amount of time and staff resources to supporting this effort. For each Report, we respond to hundreds of requests for information, often under tight deadlines that require our team to work nights, weekends, and holidays. Treasury staff compile the detailed transactional and housing-related data that is included in each Report; we carefully review close to three hundred pages of "vetting drafts" of almost every section of each Report; and we provide numerous factual edits and corrections.

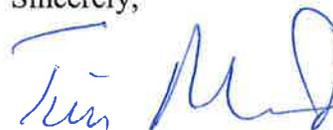
SIGTARP, however, does not share in advance its Executive Summary (Summary)—which appears at the beginning of each Report—and the most recent Summary raises several concerns. First, it makes assertions that we believe are incorrect and not supported by factual evidence. For example, the Summary states that it "is a widely held misconception that TARP will make a profit." As you know, Treasury regularly publishes estimates of the overall cost of TARP. This information is widely available and frequently cited in the press. In fact, the cost figures included in the Summary of your recent report are not independent projections made by SIGTARP, but rather are Treasury's own published estimates. Nonetheless, to the extent there is a misconception, we believe it is the opposite: many people incorrectly believe that TARP will cost taxpayers hundreds of billions of dollars. As you know, while TARP's bank programs have resulted in a positive return for taxpayers, our most recent estimate is that TARP is projected to have an overall direct fiscal cost of \$60 billion, due primarily to the cost of the programs to help homeowners avoid foreclosure.

Second, the Summary raises issues that are outside of the purchase, management, and sale of assets under TARP; raises issues that are not addressed in the body of the Report; and misstates or omits key facts. For example, the Summary states: “The Dodd-Frank Act gives regulators enhanced supervision for institutions deemed systemically significant (‘SIFIs’). However, regulators have not proposed rules on the supervision and have been silent on how they will use their new authority.” This is incorrect. In December 2011, the Federal Reserve issued proposed rules for the enhanced supervision of large bank holding companies and for the supervision of nonbank financial companies that are designated by the Financial Stability Oversight Council (Council) for such supervision; and in April 2012, the Council issued a final rule and interpretive guidance on the process and analytic framework for the designation of nonbank financial companies for supervision by the Federal Reserve. Moreover, federal regulators have spoken at length—in congressional hearings and in other public contexts—about their new authorities under Dodd-Frank. And again, these issues are outside of the management of TARP and are not addressed in the body of the Report.

Third, the Summary states that “[a]ll SIGTARP recommendations should be fully implemented for Treasury to adequately protect taxpayers against fraud, waste, and abuse.” This statement, however, is inconsistent with other guidance your office has provided to Treasury. In numerous instances, when we have not agreed with a particular recommendation, we have worked with your staff to address the underlying issue in an alternative manner.<sup>1</sup> Although such recommendations are usually recorded as “partially implemented,” we understood SIGTARP to be satisfied with Treasury’s actions. In recent discussions, your senior staff has confirmed this understanding. Nonetheless, the Summary seems to criticize Treasury for not “fully” implementing each and every recommendation.

As always, I would be happy to discuss these matters further at your convenience. We value a constructive relationship with all of our oversight bodies, and we look forward to working with you in the future.

Sincerely,



Timothy G. Massad

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<sup>1</sup> For example, Recommendation 26 states that Treasury should require “the notarized signature and thumbprint” of each homeowner as a condition to obtaining a mortgage modification under its housing program. Treasury did not implement this recommendation as it would have made it harder to provide assistance to eligible homeowners without a corresponding benefit. Instead, as the Report notes, Treasury took several other “actions to prevent fraud on the part of either MHA servicers or applicants.” Although the Report lists the recommendation as only “partially implemented,” we understood this item to be closed to mutual satisfaction.