



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 30, 2014

The Honorable Christy L. Romero
Special Inspector General
for the Troubled Asset Relief Program
1801 L Street, NW
Fourth Floor
Washington, D.C. 20036

RE: Treasury Response to SIGTARP HAMP Incentives Recommendation

Dear Ms. Romero:

I write in response to your recent letter regarding the Home Affordable Modification Program (HAMP). The Department of the Treasury (Treasury) appreciates oversight of all its programs, including HAMP and the other programs under the Troubled Asset Relief Program (TARP). We always look for ways to improve our programs and value input from the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and the other TARP oversight bodies.

Nearly two million homeowner assistance actions have been taken under Treasury's Making Home Affordable program, including more than 1.3 million permanent first-lien modifications through HAMP. Under our program, borrowers save a median of \$543 per month on their mortgage payments, which amounts to a total savings of \$26.1 billion to date. HAMP borrowers have also received an estimated \$13.5 billion in principal reduction.

Furthermore, HAMP was designed to minimize the number of borrowers that default on their modified loans, and this model has shown results¹. Treasury program data shows that the longer homeowners remain in HAMP, the more likely they are to keep up with their mortgage payments and avoid foreclosure. The Office of the Comptroller of the Currency has found that homeowners in HAMP consistently exhibit lower delinquency and re-default rates than those in private industry modifications.²

Because your letter focuses on financial incentive payments made under HAMP, we believe it would be useful to clarify the current structure of those incentives, which are as follows:

- Incentives paid to servicers reflect the work required to modify a loan. We have increased the amount of the incentive when the servicer provides assistance early in the

¹ See Understanding HAMP Re-Default Rates, July 2013,
<http://www.treasury.gov/connect/blog/Pages/Understanding-HAMP-Re-Default-Rates.aspx>

² OCC Mortgage Metrics Report, Fourth Quarter 2012, available at
<http://www.occ.treas.gov/publications/publications-by-type/other-publications-reports/index-mortgage-metrics.html>.

delinquency process, and in recognition of additional program requirements that increased the amount of work required by the servicer.

- Incentives paid to investors are designed to lower the borrower's monthly mortgage payment or reduce the borrower's outstanding principal balance.
- Our innovative borrower "pay for performance" incentive reduces the principal borrowers owe, increasing their equity and saving them thousands of dollars over the life of the loan.

You recommend that we increase the borrower pay for performance incentive and apply the amount to the borrower's monthly mortgage payment, rather than to their outstanding principal balance. We are in the process of exploring how to make our programs more effective for struggling homeowners and will consider your recommendations as part of that process.

We appreciate your input and will update you accordingly. Please feel free to contact me if you would like to discuss these issues further.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy J. Bowler". The signature is fluid and cursive, with the first name "Timothy" being more prominent and the last name "Bowler" following in a similar style.

Timothy J. Bowler
Acting Assistant Secretary
Office of Financial Stability