



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 15, 2014

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

RE: Treasury Response to SIGTARP Recommendations for the MHA Outreach and Borrower Intake Project

Dear Ms. Romero:

I write in response to your recent letter regarding Making Home Affordable (MHA) under the Troubled Asset Relief Program (TARP). Your letter specifically addresses the MHA Outreach and Borrower Intake Project (Project), which was launched in 2013 and accepted applications through September 30, 2014. The Project is largely concluded, although we are continuing to monitor results.

SIGTARP makes three recommendations addressing the results and transparency of the Project. We agree that results monitoring and transparency is important, which is why we publish an extensive amount of information and actively monitor all of our housing programs. Treasury is committed to improving the effectiveness of all of its programs under TARP, including MHA. Below I provide some background concerning the Project and respond to SIGTARP's recommendations.

Project Background

As you know, MHA was established in 2009 in response to a historic foreclosure crisis. Since then, more than two million homeowner assistance actions have been taken under the program, including more than 1.3 million permanent mortgage modifications through the Home Affordable Modification Program (HAMP). Despite improvements in the economy and the residential real estate market, there are still many homeowners struggling to afford their mortgage payments. In an effort to provide continued assistance to those homeowners, Treasury has routinely examined its housing programs, to identify opportunities to expand their reach and effectiveness. In particular, Treasury has pursued opportunities to raise awareness of MHA and provide assistance to homeowners when applying for MHA.

For example, Treasury collaborated with the Ad Council to launch a series of nationwide public service advertising campaigns about MHA that have so far garnered more than six billion impressions through television, radio, print, billboards and other media. Treasury also co-sponsored 98 "Help for Homeowner" events across the country, enabling more than 78,000 homeowners to meet face-to-face with their servicers and housing counseling agencies. Treasury

has provided support to homeowners during the application process by sponsoring call centers where applicants can receive individualized assistance.

Treasury implemented the Project, in partnership with NeighborWorks America® (NeighborWorks), a non-profit corporation established by Congress and the administrator of the National Foreclosure Mitigation Counseling Program (NFMC). Through the Project, Treasury was able to engage a nationwide network of housing counseling organizations in support of MHA. These counseling organizations conducted approved outreach targeted to struggling homeowners who may be eligible for MHA.

In addition, counseling agencies worked directly with homeowners who needed support during the application process. Counselors first helped homeowners complete applications¹ for assistance under MHA, and then submitted those applications to MHA servicers through an online application portal. The servicers used the online application portal to inform the counselors as to whether applications were complete, and if so, whether the application was approved for a HAMP trial period plan. Counseling agencies were eligible to receive \$450 for each application submitted on behalf of a potentially eligible homeowner, but only after the application was verified as complete by the applicable MHA servicer. Both the participating counseling agencies and MHA servicers were subject to compliance reviews designed to assess compliance with Project guidelines and requirements.

As of September 30, 2014, counselors had submitted completed applications for approximately 3,800 potentially eligible homeowners, with many more being reviewed for completeness by MHA servicers. As previously noted, September 30, 2014 was the deadline for participating counseling agencies to submit applications through the Project. Remaining applications are currently being evaluated by MHA servicers, and that evaluation will be completed by the end of this year.

SIGTARP's Recommendations

SIGTARP recommended that Treasury determine how many homeowners who completed a HAMP application under the Project were approved for a HAMP trial period plan and whether the homeowner was granted a permanent modification. We agree that monitoring the number of applications approved for a trial period plan is important, as it reflects the status of the application. That's why the online application portal tracks this information in real-time. Of the applications verified as complete by September 30th, 30 percent were approved for a trial period plan, 22 percent were being evaluated for a trial period plan, and three percent had been withdrawn. The remaining applications had been evaluated by MHA servicers but did not ultimately qualify for a trial period plan under HAMP. MHA servicers are required to evaluate these homeowners for other foreclosure prevention solutions offered under MHA and other programs.

Treasury separately collects and monitors the number of homeowners who successfully complete trial period plans and convert to permanent status. We do this on a comprehensive basis, for all

¹ As used herein, the term "application" means an Initial Package (as defined in Section 4 of Chapter II of the *Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages*, version 4.4 (Mar. 4, 2014), available at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mihahandbook_44.pdf).

homeowners offered trial period plans under HAMP, and publish related data on a monthly basis. Given that successfully completing a trial period plan reflects the homeowner's ability to make monthly payments at the modified level, Treasury has engaged in other targeted efforts to assist homeowners in successfully completing their HAMP trial, and thereafter, remaining current on their modified loan. For example, MHA's largest servicers are required to offer post-modification financial counseling to homeowners that are offered trial period plans under HAMP, as well as homeowners with permanent modifications that show signs of distress.

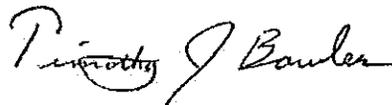
SIGTARP also recommended that Treasury publicly report certain results of the Project. We agree that transparency concerning the results of all activities under TARP is important, and we will publicly report on the activities and final results of the Project. In addition, please note that information about assistance provided under MHA is currently published on our website at www.financialstability.gov. This includes, for example, monthly data files that contain loan-level information about homeowners that apply for assistance under MHA—which would include those applying through the Project. The data files also reflect, among other things, whether applications are approved for trial period plans; whether the homeowners successfully completed trial period plans; and the subsequent performance of loans permanently modified under HAMP. Treasury also publishes summary information in its quarterly MHA Program Performance Report.

Lastly, SIGTARP recommended that Treasury monitor certain results of the Project on a monthly basis in order to determine whether there are areas of improvement. Throughout the duration of the Project, Treasury has regularly monitored the results of the Project and taken other steps to identify areas for improvement. For example, Treasury met with NeighborWorks on a bi-weekly basis to review the status of the Project, including agency outreach activities and the number of applications submitted through the Project. Treasury and NeighborWorks also hosted a monthly conference call with participating counseling agencies to discuss potential challenges and best practices. Treasury also monitored the results of compliance reviews performed for both participating counseling agencies and MHA servicers.

Conclusion

Thank you for your interest in the Project. We appreciate the recommendations you have made and I look forward to continuing to work with you in the near future.

Sincerely,



Tim Bowler
Deputy Assistant Secretary
Office of Financial Stability