Evaluation Report

Many Homeowners Using the Largest Mortgage Servicers in Treasury's Home Affordable Modification Program Are At Risk of Losing Their Homes

SIGTARP

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

SIGTARP-22-002

August 15, 2022

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
WASHINGTON, D.C. 20220

August 15, 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: Many Homeowners Using the Largest Mortgage Servicers in Treasury's Home Affordable Modification Program Are At Risk of Losing Their Homes (SIGTARP-22-002)

In 2009, the Department of the Treasury (Treasury) launched the Home Affordable Modification Program (HAMP) to prevent avoidable foreclosures by modifying mortgages for struggling homeowners to be more affordable and sustainable over the long term. Since its inception, 1.7 million homeowners have had their mortgages permanently modified under HAMP. Although the program terminated for new applicants in December 2016, mortgage servicers continue to perform certain functions for homeowners who were in the process of completing the six-year program. These functions include receiving and disbursing incentive payments for homeowners and lenders, processing interest rate increases, and reporting to Treasury on the status of modified mortgages.

As of May 17, 2022, 92 servicers were handling HAMP-modified mortgages for approximately 525,000 homeowners.[1] Treasury expects to make final incentive payments in September 2023, and the program is projected to close in December 2023.

The objective of this evaluation was to identify key characteristics of mortgage servicers in HAMP.[2]

SIGTARP found that as of May 2022, 14 servicers accounted for approximately 95% of the homeowners with mortgages modified under HAMP. These servicers included banks, such as JPMorgan Chase and Wells Fargo, and non-banks, such as Select Portfolio Servicing and PHH Mortgage Corporation. Treasury paid over $19.6 billion in incentives to the 14 servicers with $3.2 billion going directly to the servicers, many of which have homeowner redefault and delinquency rates of almost 40% or higher. More than 45% of homeowners

[1] 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*.

using these servicers have redefaulted on their mortgages since HAMP's inception. In addition, approximately 40% to 60% of homeowners were 90 or more days delinquent on their mortgage payments. Redefaults and delinquencies put homeowners at an increased risk of being disqualified from HAMP and losing their homes. This, in turn, may prevent HAMP from achieving its goal of preventing avoidable foreclosures.

SIGTARP also found that Treasury has not conducted any recent studies to determine the causes of HAMP's redefault and delinquency rates. According to a Treasury official, the department is conducting an analysis of HAMP delinquency data. Over the past two years, the rate at which homeowners have paid off or refinanced their mortgages has increased significantly, possibly because of low mortgage interest rates and the strength of the housing market. The official stated that it is possible that homeowners in better financial positions have refinanced or paid off their mortgages and exited HAMP. Meanwhile, homeowners who are worse off have not and remain in the program, thus skewing the redefault rate. Determining the reasons for HAMP's redefault and delinquency rates would better enable Treasury to take steps to help homeowners remain in the program and avoid foreclosure.

SIGTARP recommends that Treasury use the results and findings of its ongoing analysis of HAMP delinquency data to identify the causes of homeowner redefaults and delinquencies, and take action to address them. Additionally, Treasury should publicly report the results of its analysis and the actions it plans to take to address the findings.

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), the cornerstone of the Making Home Affordable (MHA) program. 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. Through the program, the Department of the Treasury (Treasury) provides incentive payments to mortgage servicers and lenders (i.e., the entities that hold the mortgage) to modify the mortgages, and homeowners who make timely mortgage payments.[4] The program has three components—HAMP Tier 1, HAMP Tier 2, and Streamline HAMP—with different eligibility requirements. Since its inception, 1.7 million homeowners have had their mortgages permanently modified under HAMP.

The Consolidated Appropriations Act, 2016 terminated HAMP for new applicants as of December 31, 2016, exempting existing homeowners in the process of completing the six-year program.[5] Mortgage servicers continue to perform certain 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. As part of its responsibilities as the HAMP Program Administrator, the Federal National Mortgage Association (also known as Fannie Mae) manages the mortgage data servicers report and other program data.

As of May 17, 2022, there were 92 servicers handling HAMP-modified mortgages for approximately 525,000 homeowners.[6] Treasury expects to make final incentive payments in September 2023, and the program is projected to close in December 2023.

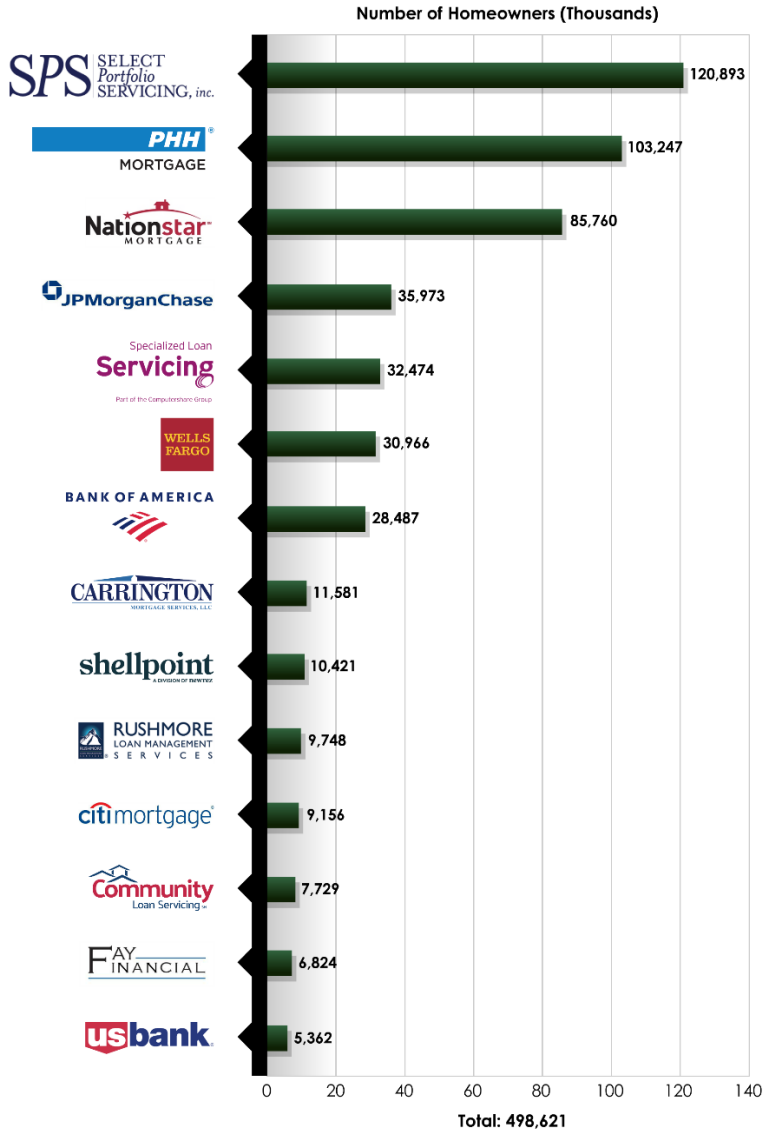
SIGTARP's objective for this evaluation was to identify key characteristics of mortgage servicers in HAMP.[7]

[3] P.L. 110–343.
[4] Lenders are also referred to as "investors."
[5] P.L. 114-113.
[6] According to Treasury, about 42,000 homeowners were still in HAMP and eligible to receive incentive payments as of June 2022.
[7] For a discussion of the evaluation's objective, scope, and methodology, see Appendix A.

Fourteen Servicers Accounted for Approximately 95% of HAMP Homeowners

Of the 92 mortgage servicers active in HAMP as of May 17, 2022, 14 servicers accounted for approximately 499,000 (95%) of the 525,000 homeowners with mortgages modified under the program (see Figure 1). Of these 14 servicers, five were banks—JPMorgan Chase, Wells Fargo, Bank of America, CitiMortgage, and U.S. Bank—and nine were non-bank mortgage servicing entities, including PHH Mortgage Corporation, Nationstar, and Shellpoint. These entities range from multi-billion-dollar financial institutions to much smaller operations with less than fifty employees.

Figure 1. Top 14 HAMP Servicers, as of May 17, 2022.



Source: SIGTARP analysis of Fannie Mae servicer data, as of May 17, 2022.

Treasury Paid Over $3.2 Billion in Servicer Incentives to Servicers with Redefault and Delinquency Rates of Almost 40% or Higher

As of May 27, 2022, Treasury had paid approximately $22 billion in HAMP incentives to servicers with $19.6 billion (89%) going to the top 14 servicers (see Table 1). Of the $19.6 billion, $3.2 billion (16%) went directly to the servicers as incentive payments. Many of the servicers have almost 40% or more of homeowners redefaulting or delinquent on their mortgage payments, putting them at a higher risk of being disqualified from HAMP and subject to foreclosure. Servicers paid the remaining $16.4 billion (84%) in incentives to lenders and homeowners. Treasury projects it will pay up to $216 million in incentives to lenders and homeowners of the top 14 servicers through September 2023, when the final incentives are paid. As of March 2022, all remaining servicer incentives were paid.

Table 1. Incentives Paid to the Top 14 HAMP Servicers.

	Homeowner Incentives	Lender/ Investor Incentives	Servicer Incentives	Total Incentives Paid to Date	Estimated Incentives Remaining to be Paid
PHH MORTGAGE	$1,385,677,083	$2,972,199,089	$644,690,199	$5,002,566,371	$57,263,000
WELLS FARGO	$1,206,241,842	$1,547,174,512	$643,129,170	$3,396,545,523	$11,225,000
JPMorganChase	$1,029,695,527	$1,616,827,432	$559,899,749	$3,206,422,708	$11,325,000
BANK OF AMERICA	$771,384,099	$1,029,916,436	$499,860,373	$2,301,160,907	$8,785,000
SPS SELECT Portfolio SERVICING, inc.	$700,702,900	$795,487,857	$288,975,573	$1,785,166,330	$48,986,000
Nationstar MORTGAGE	$670,759,343	$737,974,520	$226,026,025	$1,634,759,888	$35,155,000
citimortgage	$209,951,931	$413,305,871	$157,892,901	$781,150,703	$5,034,000
Specialized Loan Servicing	$192,060,625	$178,439,533	$56,444,547	$426,944,705	$11,127,000
Community Loan Servicing	$121,564,763	$196,650,987	$57,153,944	$375,369,694	$1,474,000
CARRINGTON MORTGAGE SERVICES, LLC	$113,258,221	$74,850,059	$41,495,910	$229,604,190	$5,043,000
usbank	$85,357,521	$74,897,312	$39,448,643	$199,703,477	$3,597,000
shellpoint	$54,921,452	$45,912,493	$14,693,087	$115,527,032	$6,811,000
FAY FINANCIAL	$43,278,922	$50,582,514	$10,450,905	$104,312,341	$4,209,000
RUSHMORE LOAN MANAGEMENT SERVICES	$45,969,432	$36,765,120	$5,910,268	$88,644,819	$5,969,000
Totals	**$6,630,823,659**	**$9,770,983,735**	**$3,246,071,294**	**$19,647,878,687**	**$216,003,000**

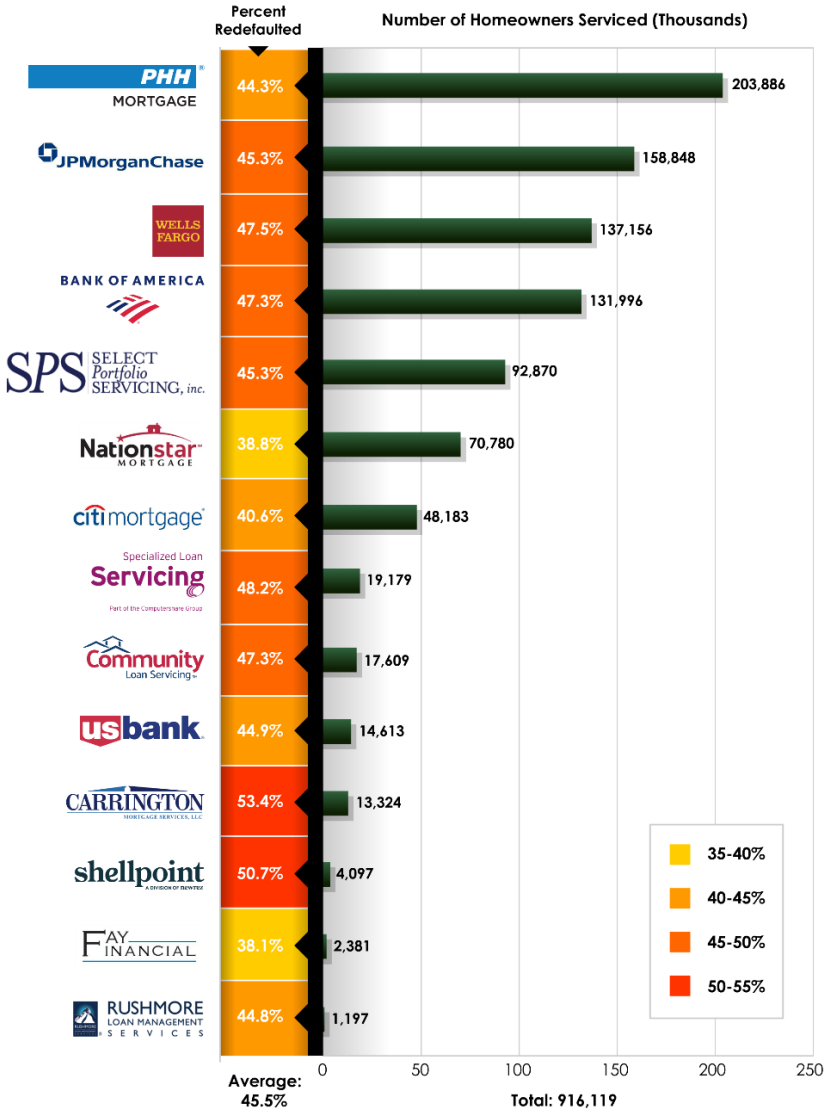
Note: Estimated incentives remaining to be paid consist entirely of homeowner and lender incentives.
Source: Treasury's housing transaction report, dated May 27, 2022, and Fannie Mae servicer data, as of May 17, 2022.

More Than 45% of Homeowners with the Top 14 Servicers Have Redefaulted on Their Mortgages Since HAMP's Inception

HAMP was designed to assist homeowners who were struggling to make their monthly mortgage payments. According to the MHA handbook, a homeowner loses "good standing" in HAMP when the mortgage payment is delinquent by three full monthly payments. Once lost, good standing cannot be restored, even if the homeowner subsequently makes the delinquent payment. The homeowner, servicer, and lender are no longer eligible for incentive payments. Fannie Mae officials further explained that once a mortgage payment is 90 days delinquent, the homeowner is in redefault and disqualified from HAMP.

On average, the redefault rate for the top 14 servicers exceeded 45% as of May 17, 2022 (see Figure 2). In other words, almost half of the homeowners missed three mortgage payments in a row and were disqualified from HAMP. The redefault rate ranged from 38.1% for Fay Financial to 53.4% for Carrington Mortgage Services. Homeowners who redefault and are disqualified from HAMP have a higher risk of losing their homes to foreclosure.

Figure 2. Homeowner Redefault Rates for the Top 14 Servicers Since HAMP's Inception.



Source: SIGTARP analysis of Fannie Mae servicer data, as of May 17, 2022.

Approximately 40% to 60% of HAMP Homeowners Were 90 or More Days Delinquent on Their Mortgage Payments

Treasury's HAMP quarterly performance summary shows the total number of homeowners with permanent modifications along with delinquency percentages over the duration of the program. The most recent HAMP performance summary (4th Quarter 2021) shows that delinquency rates substantially increase over time for all three HAMP components (HAMP Tier 1, HAMP Tier 2, and Streamline HAMP).

- HAMP Tier 1 – About 13% of homeowners were 90 or more days delinquent on their mortgage payments after their first year in the program. By the sixth year, this increased to almost 45%.

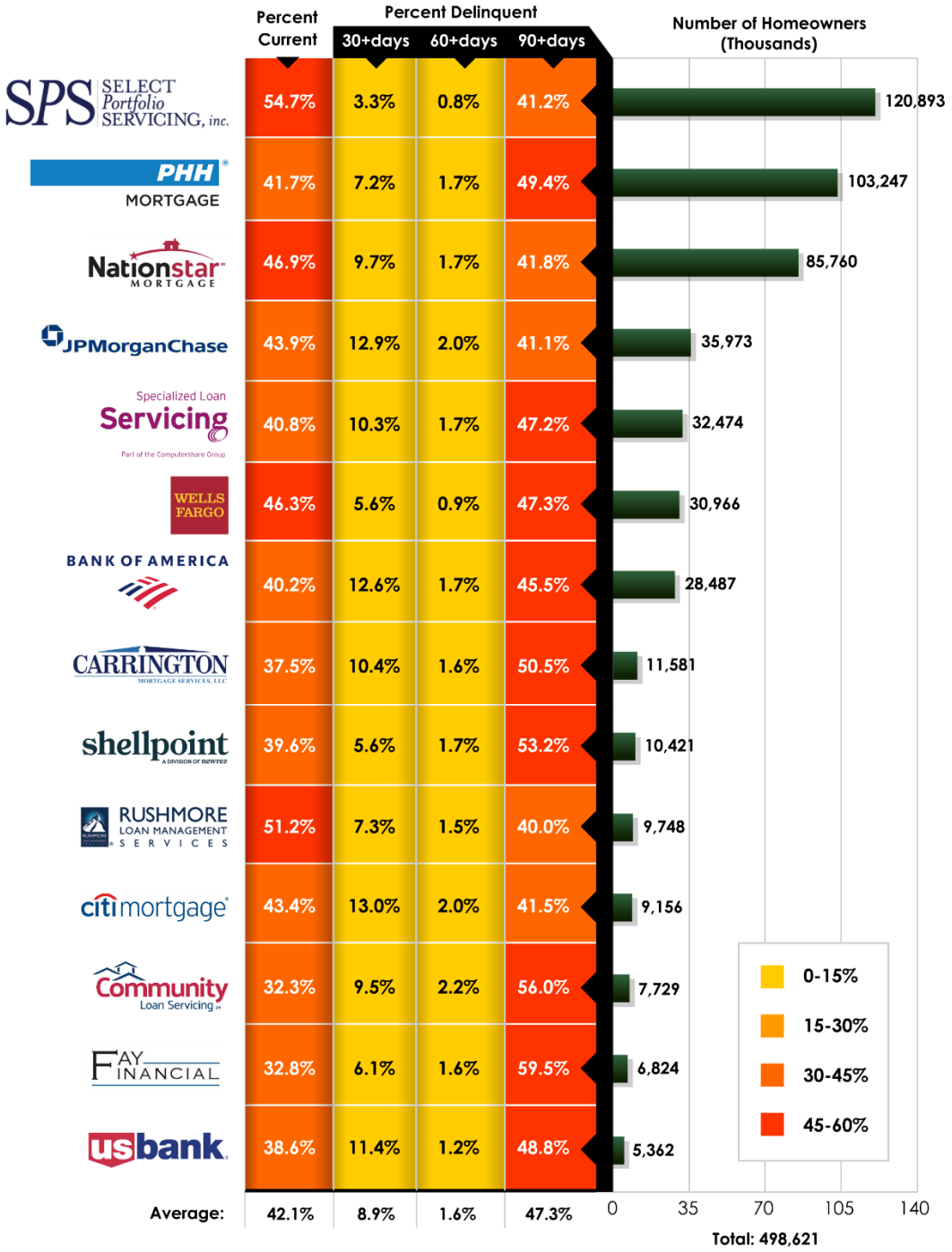
- HAMP Tier 2 – About 17% of homeowners were 90 or more days delinquent after their first year. By the sixth year, this increased to almost 55%.

- Streamline HAMP – About 28% of homeowners were 90 or more days delinquent after their first year. By the fifth year, this increased to almost 59%.

Figure 3 shows the delinquency rates for the top 14 HAMP servicers as of May 17, 2022. Fay Financial had the highest percentage of homeowners 90 or more days delinquent at about 60%, while Rushmore had the lowest at 40%.

The delinquency rates raise questions about HAMP's effectiveness in preventing avoidable foreclosures. Many homeowners are likely to redefault and be disqualified from the program before completing six years. Furthermore, more than half of the homeowners who made it through the six years were delinquent on their mortgages upon exiting the program.

Figure 3. Mortgage Payment Status of Homeowners for the Top 14 HAMP Servicers.



Source: SIGTARP analysis of Fannie Mae servicer data, as of May 17, 2022.

Treasury Has Not Determined the Causes of HAMP's Redefault and Delinquency Rates

Despite HAMP's redefault and delinquency rates, particularly for the top 14 servicers, Treasury has not conducted any recent studies to determine the causes of the redefaults and delinquencies. As a result, the department cannot take meaningful steps to address the redefaults and delinquencies, and better ensure HAMP meets its intended goal of preventing avoidable foreclosures. SIGTARP has previously expressed concerns about HAMP's redefault and delinquency rates, and the department's lack of insight into the factors driving these rates.[8]

As previously reported, Treasury conducts compliance reviews of the top 14 servicers to ensure they are meeting their obligations under HAMP requirements.[9] However, these reviews do not identify root causes for the disqualification or redefault rates. Rather, they only ensure servicers are complying with HAMP requirements.

According to a Treasury official, the department is conducting an analysis of HAMP delinquency data. Treasury's preliminary view is that HAMP homeowners who have paid off or refinanced their mortgages are not included in the total number of homeowners when calculating redefault rates. This makes sense because these homeowners are not considered to have redefaulted when they pay off or refinance their mortgages.[10] The official noted that over the past two years, the rate at which HAMP homeowners have paid off or refinanced their mortgages has increased significantly, possibly because of low mortgage interest rates and the strength of the housing market. The official stated that it is possible homeowners in better financial positions have refinanced or paid off their mortgages and exited HAMP. Meanwhile, those who are worse off have not and remain in the program, thus skewing the redefault rate.

Two of Treasury's operational goals for EESA programs are to operate with the highest standards of transparency, accountability, and integrity, and help struggling homeowners avoid foreclosure. The latter supports the department's strategic goal of promoting equitable economic growth and recovery. Furthermore, 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."

[8] See SIGTARP, "Rising Redefault of HAMP Mortgage Modifications Hurt Homeowners, Communities, and Taxpayers," July 24, 2013; and SIGTARP, "Treasury Should Use HAMP and HHF Together to Help as Many Homeowners as Possible Avoid Foreclosure," July 30, 2014.
[9] See SIGTARP, "Treasury's Public Reporting on the Home Affordable Modification Program," SIGTARP-21-002, August 28, 2021.
[10] Homeowners who refinance their mortgages with another lender are withdrawn from HAMP. Homeowners also exit the program when they pay off their mortgages.

Management then "designs responses to the analyzed risks so that risks are within the defined risk tolerance for the defined objective."[11]

Based on the redefault and 90 or more days delinquency rates, many HAMP homeowners could be at increased risk of foreclosure. In addition, more homeowners may be facing redefault given the 60 or more days delinquency rates. Taken together, this may prevent the program from achieving its goal. Through its ongoing analysis, Treasury has an opportunity to identify the causes of HAMP's redefaults and delinquencies and take steps to help homeowners remain in the program and avoid foreclosure.

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

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. As of May 2022, 14 servicers accounted for approximately 95% of homeowners with mortgages modified under the program. Treasury paid over $3.2 billion in incentives directly to these servicers, many of which have homeowner redefault and delinquency rates of almost 40% or higher. More than 45% of homeowners using one of the 14 servicers have redefaulted on their mortgages since HAMP's inception. Furthermore, approximately 40% to 60% of homeowners were 90 or more days delinquent on their mortgage payments. Redefaults and delinquencies put homeowners at increased risk of being disqualified from HAMP and losing their homes.

SIGTARP's concern about the level of homeowner redefaults and delinquencies in HAMP is not new. For years, SIGTARP has warned about the risks redefaults and delinquencies pose to homeowners in the program and to the program meeting its goal. Although Treasury has lost opportunities to assist homeowners who have already redefaulted on their mortgages and been disqualified from HAMP, there is still time to help homeowners who are struggling to stay in the program.

To its credit, Treasury has initiated an analysis of HAMP delinquency data. Using the results and findings of this analysis to identify the causes of homeowner defaults and delinquencies, and take action to reduce the defaults and delinquencies, would help prevent more homeowners from falling behind on their mortgage payments, being disqualified from the program, and losing their homes. In addition, making this information available to the public would give stakeholders additional insights into how HAMP is assisting at-risk homeowners and guidance on how to design any similar housing programs in the future to enhance their effectiveness.

Recommendations

1. Treasury should use the results and findings of its ongoing analysis of HAMP delinquency data to identify the causes of homeowner redefaults and delinquencies, and take action to reduce them.

2. Treasury should publicly report the results of its analysis of HAMP delinquency data and the actions it plans to take to address the findings.

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 mortgage servicers in HAMP.

The scope of this evaluation covered mortgage servicers in HAMP as of May 2022. SIGTARP obtained data collected by the servicers and maintained by Fannie Mae on servicers in the program. SIGTARP analyzed this data to identify key characteristics of the servicers, including the number of homeowners served, incentives paid, and redefault rates. SIGTARP also reviewed the Treasury's quarterly HAMP performance summaries, housing transaction reports, annual agency financial report on EESA programs, and strategic plan, as well as the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*. In addition, SIGTARP interviewed officials from Treasury's Office of Financial Stability, which oversees HAMP and other EESA programs, and Fannie Mae to obtain more information about the data, including how it is collected, used, and maintained.

SIGTARP conducted this evaluation from November 2021 to July 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 and Fannie Mae 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 to identify key characteristics of HAMP mortgage services. This included data from Fannie Mae on remaining incentive payments, the number of servicers and homeowners in the program, redefault rates, and delinquency rates. 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 servicers in HAMP.

Internal Controls

SIGTARP performed a limited review of Treasury's internal controls for HAMP servicer data by interviewing Fannie Mae and Treasury officials about how the data is collected, used, and maintained, and reviewing selected Federal laws and regulations, and Treasury policies and procedures.

Prior Coverage

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

- August 9, 2022, "Data on Treasury's Home Affordable Modification Program Show Homeowners May Be Vulnerable to Current Economic Conditions"
- 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

August 9, 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 19, 2022 (Draft), regarding an evaluation of servicers 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. 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. Put another way, less than three percent of borrowers who had their

[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.

mortgage modified through HAMP remain eligible for further incentive payments. Borrower incentive payments are currently scheduled to conclude by September 2023. Because HAMP has been closed to new applicants for more than five years, the remaining tasks for Treasury are to monitor 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 identifies the largest mortgage servicers that participate in HAMP, and notes that redefault rates over the 13-year history of the program have exceeded 45 percent. The Draft also notes that Treasury is in the process of analyzing delinquency data. The Draft recommends that Treasury continue its analysis of the causes of homeowner redefaults and delinquencies, publicly report the results of its analysis, and take action to reduce redefaults and delinquencies.

It is important to keep in mind that HAMP was intended for borrowers in demonstratively difficult financial situations, many of whom were deeply underwater or had financial hardships that impeded their ability to maintain their mortgage payments. While the program was designed to reduce the default probability of these loans as much as possible, these loans present a higher-than usual risk of default to begin with. In light of these issues, Treasury has conducted research on HAMP modifications since the program began and has continuously sought to improve the program. Treasury has previously published numerous papers that have analyzed redefault rates under HAMP.[2] Treasury continues to summarize HAMP performance data on a quarterly basis – including information on re-defaults – in the Making Home Affordable (MHA) Program Performance Report. Providing this information helps to ensure that HAMP is being operated with appropriate transparency and accountability.

During the period that HAMP was open to new applicants, Treasury made a number of adjustments to HAMP to help avoid re-defaults, and to assist borrowers who re-defaulted. These included:

[2] *See*, *e.g.*, "Guiding Principles for the Future of Loss Mitigation", July 2016 (available at: https://home.treasury.gov/sites/default/files/initiatives/financial-stability/reports/Documents/Life%20after%20HAMP_Guiding%20Principles%20FINAL508-clean.pdf); "Importance of Debt-to-Income Ratio (DTI) for Modified Loan Performance," Oct. 20, 2016 (available at: https://home.treasury.gov/sites/default/files/initiatives/financial-stability/TARP-Programs/housing/mha/Documents/Tier2_DTI_Analysis_20161020_Final.pdf); "The Effect of the Principal Reduction Alternative (PRA) on Redefault Rates in the Home Affordable Modification Program," 2016 (available at: https://home.treasury.gov/sites/default/files/initiatives/financial-stability/TARP-Programs/housing/mha/Documents/Effects%20of%20PR%202016%20Refresh_10052016.pdf); "Treatment Effects of Subprime Mortgage Modifications Under the Home Affordable Modification Program," March 2015 (available at: https://home.treasury.gov/sites/default/files/initiatives/financial-stability/TARP-Programs/housing/mha/Documents/HAMP%20vs%20non%20HAMP%20Performance%20Study%20May%2018%202015.pdf); "The Effects of Principal Reduction on HAMP Early Redefault Rates," July 9, 2012 (available at: https://home.treasury.gov/system/files/226/Summary_of_the_Effects_of_Principal_Reduction_on_HAMP_Early_Redefault_Rates_JUL2012.pdf).

- Increasing the upfront servicer incentive to encourage servicers to modify loans in the early stages of delinquency, since research showed that reaching borrowers earlier was likely to result in a more successful modification;

- Increasing the incentives for principal reduction on first and second liens, since research showed that modifications with greater payment reductions and lower loan-to-value (LTV) ratios tended to have lower re-default rates;

- Including among the eligibility criteria for the HAMP Tier 2 and the Streamline HAMP programs borrowers who re-defaulted on prior HAMP modifications; and

- Providing that borrowers who had re-defaulted were still eligible for assistance under the Home Affordable Unemployment Program, the Home Affordable Foreclosure Alternatives program, and the Hardest Hit Fund.

Because HAMP closed to new applicants in 2016, and only 42,000 borrowers remain eligible for incentives through HAMP, Treasury's ability to undertake significant changes to the design of the program is limited. However, Treasury continues to require that HAMP mortgage servicers offer post-modification counseling to at-risk and delinquent borrowers. As Treasury stated in its letter to SIGTARP of July 28, 2022, we are undertaking 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, and to confirm that post-modification counselors have up-to-date information regarding additional programs that can assist borrowers.

Treasury expects to publish the results of its ongoing review into HAMP delinquency data, and will consider any options within its authority to address redefault rates at this stage of the program.

* * *

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

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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.

Obtaining Copies of Testimony and Reports

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