



September 2015

TROUBLED ASSET RELIEF PROGRAM

Status of GAO Recommendations

Accessible Version

GAO Highlights

Highlights of [GAO-15-813](#), a report to congressional committees

Why GAO Did This Study

The Emergency Economic Stabilization Act of 2008 (EESA) authorized the creation of TARP to address the most severe crisis that the financial system had faced in decades. Treasury has been the primary agency responsible for TARP programs. EESA provided GAO with broad oversight authorities for actions taken under TARP and included a provision that GAO report at least every 60 days on TARP activities and performance.

This 60-day report describes the status of GAO's TARP performance audit recommendations to Treasury as of August 2015. In particular, this report discusses Treasury's implementation of GAO's recommendations, focusing on two programs: CPP and MHA. GAO's methodologies included assessing relevant documentation from Treasury, interviewing Treasury officials, and reviewing prior TARP reports issued by GAO.

What GAO Recommends

GAO continues to maintain that Treasury should take action to fully implement the four partially implemented recommendations and three open recommendations.

September 2015

TROUBLED ASSET RELIEF PROGRAM

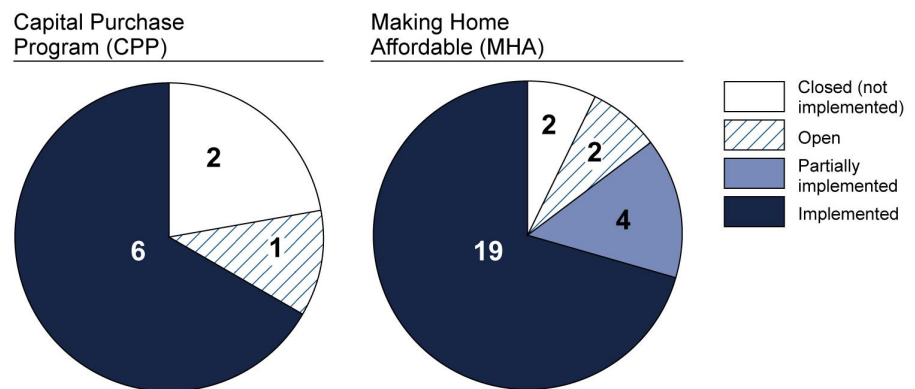
Status of GAO Recommendations

What GAO Found

As of August 2015, GAO's performance audits of the Troubled Asset Relief Program (TARP) activities have resulted in 72 recommendations to the Department of the Treasury (Treasury). Treasury has implemented 59 of the 72 recommendations (about 82 percent), some of which were aimed at improving transparency and internal controls of TARP. The status of the remaining recommendations is as follows:

- Treasury has partially implemented four of the recommendations—that is, it has taken some steps toward implementation but needs to take more actions. All four recommendations are directed at the Making Home Affordable (MHA) program, a collection of housing programs designed to help homeowners avoid foreclosure. The recommendations call for Treasury to, for example, issue guidance and monitor servicer compliance on working with borrowers with limited English proficiency. Treasury issued applicable guidance and obtained the policies of the larger MHA servicers, but has not assessed the implementation of those policies at the servicers.
- Three recommendations remain open—that is, Treasury has not taken steps to implement them. Among these open recommendations are one directed at the Capital Purchase Program (CPP), which provided capital to certain U.S. financial institutions, and two recommendations directed at the MHA housing programs. For example, in July 2015, GAO recommended that Treasury establish a standard process to better ensure that changes to TARP-funded MHA programs are based on comprehensive benefit-cost analyses. Treasury told GAO they would consider these recommendations at the time the recommendations were made.
- Six recommendations have been closed but were not implemented. Four are related to CPP and MHA and two to other TARP activities. Generally, Treasury did not take action before the programs evolved or began to wind down, and therefore GAO determined that the recommendations were outdated and no longer applicable.

Recommendations Related to CPP and MHA, as of August 28, 2015
Select programs



View [GAO-15-813](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov or Mathew J. Scire at (202) 512-8678 or sciremj@gao.gov

Source: GAO. | GAO-15-813

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Abbreviations

2MP	Second-Lien Modification Program
AIFP	Automotive Industry Financing Program
AIG	American International Group, Inc.
CAP	Capital Assistance Program
CDCI	Community Development Capital Initiative
CPP	Capital Purchase Program
EESA	Emergency Economic Stabilization Act of 2008
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FinSOB	Financial Stability Oversight Board
FRBNY	Federal Reserve Bank of New York
GM	General Motors Company
HAFA	Home Affordable Foreclosure Alternatives
HAMP	Home Affordable Modification Program
Hardest Hit Fund or HHF	Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets
HPDP	Home Price Decline Protection
HPO	Homeownership Preservation Office
LEP	limited English proficiency
LPS	Lender Processing Services
MHA	Making Home Affordable
OFS	Office of Financial Stability
PRA	Principal Reduction Alternative
SBA	Small Business Administration
SBLF	Small Business Lending Fund
SCAP	Supervisory Capital Assistance Program
SES	Senior Executive Service
TALF	Term Asset-backed Securities Loan Facility
TARP	Troubled Asset Relief Program
Treasury	Department of the Treasury

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September 4, 2015

Congressional Committees

The Emergency Economic Stabilization Act of 2008 (EESA) authorized the creation of the Troubled Asset Relief Program (TARP) to address the most severe crisis that the financial system had faced in decades.¹ EESA provided GAO with broad oversight authorities for actions taken under TARP and incorporated a provision that we report at least every 60 days on TARP activities and performance. Our oversight and reporting has resulted in 72 performance audit recommendations to the U.S. Department of the Treasury (Treasury), the primary agency responsible for TARP programs.² While Treasury has addressed most of our recommendations, some remain outstanding.

This 60-day report describes the status of our TARP recommendations to Treasury as of August 28, 2015. In particular, this report discusses Treasury's implementation of our recommendations, focusing on two major TARP programs: the Capital Purchase Program (CPP), which supports certain U.S. financial institutions, and Making Home Affordable (MHA), which is a collection of housing programs designed to help homeowners avoid foreclosure. Appendix I provides the status of the recommendations that we have made since 2008 in our performance audits (performance audit recommendations).

¹Pub. L. No. 110-343, tit. I, 122 Stat. 3765, 3767-3800 (codified as amended at 12 U.S.C. §§ 5201-5241). EESA was enacted on October 3, 2008. EESA originally authorized Treasury to purchase or guarantee up to \$700 billion in troubled assets. The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, §124 Stat. 1302, 2133 (2010) (codified at 12 U.S.C. § 5225(a)), reduced Treasury's authority to purchase or insure troubled assets to a maximum of \$475 billion and prohibited Treasury, under EESA, from incurring any additional obligations for a program or initiative unless the program or initiative had already been initiated prior to June 25, 2010.

²We have also made a number of financial statement audit recommendations to Treasury's Office of Financial Stability (OFS), which is responsible for carrying out TARP activities within the department that are not included in this report. Most of these recommendations relate to internal control deficiencies in OFS's accounting and financial reporting processes. We made these recommendations as part our annual audits of TARP's financial statement and reported on them directly to OFS management. All of these recommendations have been implemented and closed.

To determine the status of Treasury's implementation of our TARP recommendations, we assessed relevant documentation from Treasury, interviewed Treasury officials, and reviewed prior TARP reports issued by GAO. We conducted this performance audit from June 2015 through September 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Of the TARP performance audit recommendations we have made, some have been program specific, while others have addressed crosscutting issues such as staffing and communications. Our program-specific recommendations have focused on the following TARP initiatives:³

- Bank investment programs
 - **CPP** was designed to provide capital to financially viable financial institutions through the purchase of preferred shares and subordinated debentures.
 - **The Community Development Capital Initiative (CDCI)** provided capital to Community Development Financial Institutions by purchasing preferred stock.
 - **Capital Assessment Program (CAP)** was created to provide capital to institutions not able to raise it privately to meet

³This list includes TARP programs for which we have made recommendations. As of August 2015, Treasury has exited its assistance for American International Group, Inc., Automotive Industry Financing Program, Capital Asset Program, SBA 7(a) Securities Purchase Program, and Term Asset-backed Securities Loan Facility. For more information on all TARP programs, see GAO, *Troubled Asset Relief Program: Treasury Continues to Wind down Most Programs, but Housing Programs Remain Active*, [GAO-15-197](#) (Washington, D.C.: Jan. 6, 2015).

Supervisory Capital Assessment Program—or “stress test”—requirements.⁴ This program was never used.

- Credit market programs:
 - **Term Asset-backed Securities Loan Facility (TALF)** provided liquidity in securitization markets for various asset classes to improve access to credit for consumers and businesses.
 - **SBA 7(a) Securities Purchase Program** provided liquidity to secondary markets for government-guaranteed small business loans in the Small Business Administration’s (SBA) 7(a) loan program.
- Other programs:
 - **American International Group (AIG) Investment Program** (formerly Systemically Significant Failing Institutions Program) provided support to AIG to avoid disruptions to financial markets from its possible failure.
 - **Automotive Industry Financing Program (AIFP)** aimed to prevent a significant disruption of the American automotive industry through government investments in the major automakers.
- MHA:
 - **The Home Affordable Modification Program (HAMP)** divides the cost of reducing monthly payments on first-lien mortgages between Treasury and mortgage holders/investors and provides financial incentives to servicers, borrowers, and mortgage holders/investors for loans modified under the program.
 - **Principal Reduction Alternative (PRA)** pays financial incentives to mortgage holders/investors for principal reduction

⁴The federal banking regulators designed the assessment as a forward-looking exercise intended to help them gauge the extent of the additional capital buffer necessary to keep the institutions strongly capitalized and lending even if economic conditions are worse than had been expected between December 2008 and December 2010.

in conjunction with a HAMP loan modification for homeowners with a current loan-to-value ratio exceeding 115 percent.

- **The Second-Lien Modification Program (2MP)** provides incentives for second-lien holders to modify or extinguish a second-lien mortgage when a HAMP modification has been initiated on the first-lien mortgage for the same property.
- **Home Affordable Foreclosure Alternatives (HAFA)** provides incentives for short sales and deeds-in-lieu of foreclosure as alternatives to foreclosure for borrowers who are unable or unwilling to complete the HAMP first-lien modification process.
- **Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund or HHF)** supports innovative measures developed by state housing finance agencies and approved by Treasury to help borrowers in states hit hardest by the aftermath of the housing crisis.
- **Federal Housing Administration's (FHA) Short Refinance Program** provides underwater borrowers—those with properties that are worth less than the principal remaining on their mortgage—whose loans are current and are not insured by FHA with the opportunity to refinance into an FHA-insured mortgage.

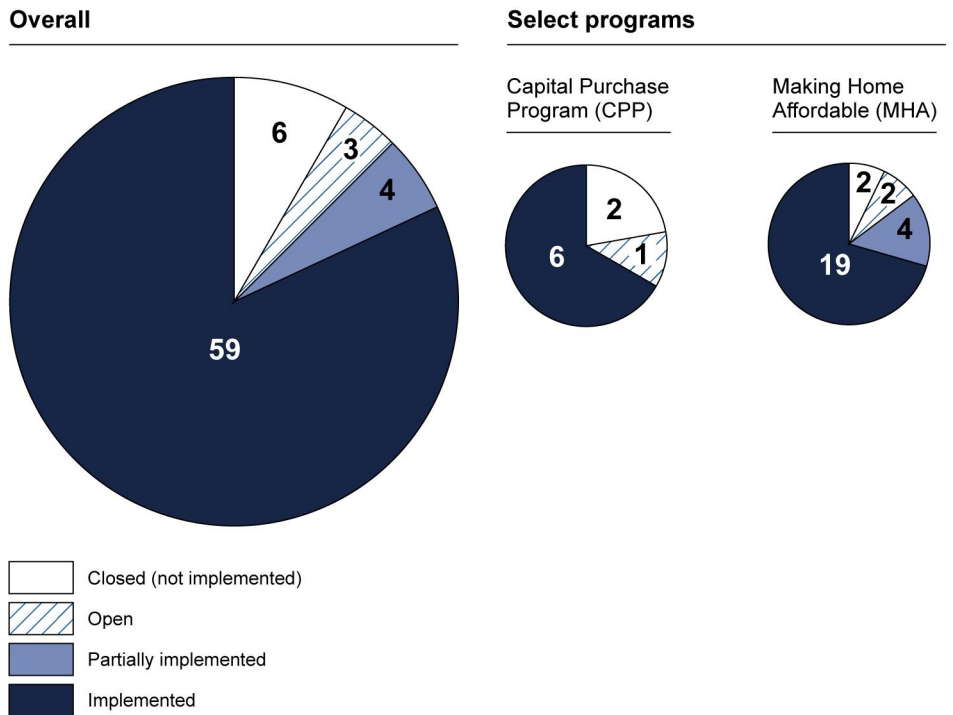
Treasury Has Implemented Most of Our Performance Audit Recommendations, but a Few Related to CPP and MHA Have Not Been Fully Addressed

As of August 2015, our performance audits of the TARP programs have resulted in 72 recommendations to Treasury. Of the 72 performance audit recommendations, Treasury has implemented 59, or approximately 82 percent; partially implemented 4—that is, taken some steps toward implementation but needs to take more actions; and not implemented 3—that is, Treasury has not taken steps to implement them (see fig.1). Among the 7 recommendations that Treasury has taken some or no steps to implement, 1 was directed at CPP and 6 directed at the MHA housing programs. Finally, 6 performance audit recommendations have been closed-not implemented. Due to Treasury’s inaction and the evolving nature of the programs, we considered 3 of them to be outdated and no longer applicable.⁵ Two of these 6 recommendations were related to CPP and 2 were related to the MHA programs.⁶

⁵Of the other four recommendations that were closed, not implemented, Treasury had taken some action, but the action did not fully address the scope or timing of two recommendations. Treasury officials told us that they were not planning to take any action to implement the remaining two recommendations.

⁶The remaining two recommendations were related to the finalization of assistance to American International Group, Inc. and the improvement of the transparency and analytical basis for TARP program decisions.

Figure 1: Number and Status of Recommendations Related to the Troubled Asset Relief Program, as of August 28, 2015



Source: GAO. | GAO-15-813

Note: We categorized program-specific communication and staffing recommendations under the appropriate programs.

Treasury Has Implemented the Majority of Recommendations for CPP

Treasury has taken action on the majority of our recommendations for CPP. Specifically, to date, Treasury has implemented six of our nine recommendations for CPP. For example, Treasury implemented our recommendation that it apply lessons learned from the implementation of CPP to similar programs, such as the Small Business Lending Fund (SBLF), by including a process for reviewing regulators' viability determinations for all eligible applicants for SBLF.⁷ Specifically, Treasury included additional evaluation by a central application review committee

⁷SBLF was created by the Small Business Jobs Act of 2010, Pub. L. No. 111-240, §4103(a), 124 Stat. 2504, 2585 (codified at 12 U.S.C. §4741 note), enacted on September 27, 2010. SBLF is a capital support program that encourages small and midsize banks and community development loan funds to lend to small businesses.

for all eligible applicants who had not been approved by their federal regulator. Treasury also took steps to provide information from its evaluation to the regulator when their views differ. These steps should help ensure that applicants will receive consistent treatment in investment decisions across different regulators.

However, Treasury has not implemented three of our CPP-related recommendations—one remains open and two have been closed. In 2012, we recommended that Treasury consider analyzing and reporting on remaining and former CPP participants separately.⁸ In particular, we noted that the remaining CPP institutions tended to be less profitable and hold riskier assets than other institutions of similar asset size. For example, the remaining CPP institutions had significantly lower returns on average assets and higher percentages of noncurrent loans than former CPP and non-CPP institutions. They also held less regulatory capital and reserves for covering losses. Although our analysis found differences in the financial health of remaining and former CPP institutions, we noted that Treasury's quarterly financial analysis of CPP institutions did not distinguish between them. By not distinguishing between remaining and former CPP participants, Treasury misses an opportunity to provide greater transparency about the financial health of institutions remaining in CPP. Treasury stated that it would carefully consider our recommendation and emphasized its ongoing commitment to keeping the public informed of its progress in winding down CPP. While Treasury reported generally on the results of its CPP auctions and the status of institutions remaining in the program, as of August 2015, it had not yet considered analyzing and reporting on remaining and former CPP participants separately and it is not likely to do so, according to Treasury. Treasury believes that providing information about the financial position of institutions remaining in CPP is unnecessary because it is publicly available to interested parties through regulatory filings or other sources.

We closed two recommendations for Treasury to periodically collect and review certain information from the bank regulators on the analysis and conclusions supporting their decisions on CPP repayment requests to

⁸GAO, *Capital Purchase Program: Revenues Have Exceeded Investments, but Concerns about Outstanding Investments Remain* [GAO-12-301](#) (Washington, D.C.: Mar. 8, 2012).

help ensure consistency of the CPP repayment process.⁹ Treasury did not take actions that would address the recommendations because it believed these recommendations raised questions about how to balance the goals of consistency with the need to respect the independence of regulators. Although we disagreed with Treasury's position, we closed these two recommendations as not implemented because Treasury officials stated that since it is winding down the program, only a few remaining CPP participants are likely to make full repayments.¹⁰ Thus we determined that implementation of these recommendations is not as critical as it was at the time we made them.

Treasury Has Implemented the Majority of Recommendations for MHA

Since 2009, we have made 27 recommendations aimed at improving MHA's TARP-funded housing programs. As of August 2015, Treasury had implemented 19 of them. Examples of more recent actions Treasury has taken to implement these recommendations include the following:

- In June 2010, we recommended that Treasury expeditiously finalize and implement benchmarks for performance measures under the first-lien modification program, as well as develop measures and benchmarks for the recently announced HAMP-funded homeowner assistance programs.¹¹ Since June 2011, Treasury has been reporting in its MHA program performance reports on the performance of the largest MHA servicers in three categories: (1) identifying and contacting homeowners, (2) homeowner evaluation and assistance, and (3) program management and reporting. Treasury established quantitative and qualitative benchmarks for each of the three

⁹Treasury uses a three-pronged strategy for exiting CPP: repayments, which allow firms to redeem their shares in full; restructuring, which involves exchanging cash or other securities—often at a discount—for preferred stock; and auctions. CPP participants must be approved by its relevant regulator before making repayments. Over the past 5 years, Treasury has primarily used repayments and auctions to wind down CPP. GAO, *Troubled Asset Relief Program: June 2009 Status of Efforts to Address Transparency and Accountability Issues*, [GAO-09-658](#) (Washington, D.C.: June 17, 2009) and *Troubled Asset Relief Program: Opportunities Exist to Apply Lessons Learned from the Capital Purchase Program to Similarly Designed Programs and to Improve the Repayment Process*, [GAO-11-47](#) (Washington, D.C. Oct. 4, 2010).

¹⁰As of July 2015, CPP had 22 remaining participants.

¹¹GAO, *Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs*, [GAO-10-634](#) (Washington, D.C.: June 24, 2010).

performance categories for HAMP first-lien modifications and other TARP-funded MHA programs. In the same report, we recommended that Treasury expeditiously implement a prudent design for the remaining TARP-funded housing programs.¹² In July 2013, Treasury's MHA risk assessment included measuring internal control activities for 2MP, PRA, and HAFA.

- In June 2012, we recommended that Treasury and FHA update their estimates of participation in the FHA Short Refinance Program and use the updated estimates to reassess the terms of the letter of credit facility to help ensure that the program is cost-effective.¹³ After FHA provided Treasury with updated participation estimates, Treasury amended the letter of credit facility in March 2013, reducing the authorized amount by \$7 billion to \$1 billion. Treasury also reduced the cap on administrative fees that could be charged by \$92 million (from \$117 million to \$25 million). In March 2015, Treasury amended the purchase agreement for the letter of credit facility for a second time, reducing the amount by an additional \$900 million (\$1 billion to \$100 million). As a result of these two actions, Treasury deobligated approximately \$7.9 billion in total, disallowing its use for future obligations.¹⁴
- In July 2012, we recommended that Treasury expeditiously conduct a comprehensive risk assessment of HAMP Tier 2, using the standards for internal control in the federal government as a guide.¹⁵ In April 2013, Treasury conducted a risk assessment of MHA programs,

¹²[GAO-10-634](#).

¹³GAO, *Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis*, [GAO-12-296](#) (Washington, D.C.: June 28, 2012). A letter of credit is a financial instrument issued by a bank guaranteeing payments on behalf of its customer to a beneficiary for a stated period of time and when certain conditions are met. In this case, Citibank is guaranteeing payment by Treasury to the investor (first-lien holder of a FHA Short Refinance Program mortgage) if the homeowner defaults on the covered loan. Treasury will cover a portion of the unpaid balance of the covered loan with FHA responsible for the remaining losses.

¹⁴The Dodd-Frank Wall Street Reform and Consumer Protection Act prohibited Treasury, under EESA, from incurring any additional obligations for a program or initiative initiated after June 25, 2010. Pub. L. No. 111-203, § 1302, 124 Stat. 1376, 2133 (2010) (codified at 12 U.S.C. § 5225(a)).

¹⁵GAO, *Troubled Asset Relief Program: Further Actions Needed to Enhance Assessments and Transparency of Housing Programs*, [GAO-12-783](#) (Washington, D.C.: July 19, 2012).

including HAMP Tier 2, based on internal control standards. The risk assessment included identifying the types and potential impacts of risks on the MHA program and appropriate mitigating steps taken to address those risks.

- In February 2014, we recommended that Treasury issue clarifying guidance to servicers on providing effective relationship management to borrowers with limited English proficiency (LEP).¹⁶ Treasury had previously issued guidance to servicers requiring them to develop and implement a policy to identify the requirements and appropriate caseload for the relationship manager position, including a provision for providing effective relationship management to borrowers whose primary language is a language other than English. In April 2014, Treasury issued guidance requiring servicers to ensure that staff are able to effectively communicate with all borrowers, including LEP borrowers, by either employing multilingual individuals or engaging an outside vendor to provide interpretation services.

Treasury has not implemented 8 of the 27 recommendations related to MHA's TARP-funded programs. Six of these recommendations remain open, including 4 of which Treasury has taken some action. Finally, we closed the remaining 2 TARP-funded housing program recommendations as not implemented.¹⁷

The four recommendations that Treasury has taken some action to address are as follows:

¹⁶GAO, *Troubled Asset Relief Program: More Efforts Needed on Fair Lending Controls and Access for Non-English Speakers in Housing Programs*, [GAO-14-117](#) (Washington, D.C.: Feb. 6, 2014).

¹⁷Treasury told us it was not planning to take action on the recommendations. One recommendation focused on the requirement that borrowers with debt-to-income ratios over 55 percent obtain counseling and the other pertained to the criteria for determining when a borrower was in imminent danger of default. For the counseling-related recommendation, Treasury officials indicated that it had taken some action but did not plan to fully implement it, stating that Treasury considered it to be too burdensome for it and servicers. As a result, Treasury has no data on the extent that borrowers are obtaining the required counseling or whether the counseling provision is having its intended effect of limiting borrower redefaults. Regarding the other recommendation, Treasury officials told us that they believe that servicers and investors are in the best position to determine whether a borrower is in imminent danger of default and therefore plan to take no action. However, the results of our prior work showed that there were notable differences between the criteria used by servicers that we contacted that would result in similarly situated borrowers being treated differently.

-
- In June 2010, we recommended that Treasury expeditiously report activity under PRA, including the extent to which servicers determined that principal reduction was beneficial to investors but did not offer it, to ensure transparency in the implementation of this program feature across servicers.¹⁸ Starting with the monthly MHA performance report for the period through May 2011, Treasury began reporting summary data on the PRA program. Specifically, Treasury provides information on PRA trial modification activity as well as median principal amounts reduced for active permanent modifications.¹⁹ In addition, Treasury's public MHA loan-level data files include information on the results of analyses of borrowers' net present value under PRA and indicate whether principal reduction was part of the modification. While this information would allow interested users with the capability to analyze the extent to which principal reduction was beneficial but not offered overall, it puts the burden on others to do the analysis and report the results publicly. Also, the publicly available data do not identify individual servicers and thus cannot be used to assess the implementation of this program feature across servicers.

Treasury officials stated that they believe they have implemented this recommendation through the reporting described previously. Moreover, the officials stated that it would be neither useful nor helpful to provide these data broken out by specific identified servicer. Because servicers may choose to implement the PRA program under individually developed terms, Treasury officials stated that broken out data would not permit a proper comparison. However, our recommendation was intended to ensure transparency in the implementation of this program feature across servicers, which would require that information be reported on an individual servicer basis to allow comparison between servicers and highlight differences in the policies and practices of individual servicers. As such, we maintain that Treasury has partially implemented this recommendation and should take action to fully implement it.

- In February 2014, we recommended that Treasury ensure that the compliance agent assess servicers' compliance with LEP relationship

¹⁸[GAO-10-634](#).

¹⁹HAMP requires borrowers to enter into and successfully complete a 3-month trial modification before receiving a permanent modification. During this period, borrowers must submit trial period payments and all required forms and documents.

management guidance, once it was established.²⁰ Treasury issued clarifying LEP guidance to MHA program servicers in April 2014.²¹ In July 2015, Treasury officials stated that they had reached out to the seven largest MHA servicers to obtain their policies on implementing the guidance and confirmed that such written policies are consistent with MHA guidance on LEP.

- In October 2014, we recommended that Treasury conduct periodic evaluations using analytical methods, such as econometric modeling, to help explain differences among MHA servicers in redefault rates. Such analyses could help inform compliance reviews, identify areas of weaknesses and best practices, and determine the need for additional program policy changes.²² Treasury conducted an analysis to compare redefault rates among servicers and to determine whether servicers' portfolio of HAMP-modified loans performed at, above, or below expectations for the metrics analyzed.

Despite these analyses, Treasury officials maintained that such an analysis is inherently challenging and limited and therefore would not repeat it. Treasury officials gave several reasons for not periodically repeating this analysis. First, they cited data limitations, including a lack of loan origination and current credit profile data. However, Treasury does have access to variables that both it and we have identified in the past as being important for predicting redefault, including the size of any change in payments, delinquency duration, and credit scores and loan-to-value ratios at origination.

Second, Treasury indicated that excluding loans due to missing observations could lead to unintended consequences. However, such limitations are not unusual when researchers conduct this type of analysis and researchers can employ measures to correct for or identify biases in the data. In addition, Treasury conducted such analyses when designing the program. Further, Treasury has relied on this dataset to identify factors that they believe influence redefault. And finally, we determined that the existing data are sufficiently

²⁰[GAO-14-117](#).

²¹MHA Servicer Directive 14-02.

²²GAO, *Troubled Asset Relief Program: Treasury Could Better Analyze Data to Improve Oversight of Servicers' Practices*, [GAO-15-5](#) (Washington, D.C.: Oct. 6, 2014).

reliable to allow for more sophisticated analytical methods such as an econometric analysis that could control for certain differences among servicers.

Third, Treasury noted that it can rely on compliance reviews, including a review of sampled loans at individual servicers, to ensure that servicers followed program guidance. However, more rigorous analytical methods are a useful tool to supplement and inform ongoing compliance efforts, which by themselves may not detect significant variations in performance across servicers. Such methods would also be useful in identifying areas of weaknesses and best practices and the potential need for additional program policy changes. Treasury disagreed and for the reasons discussed above, questioned the usefulness of such analysis with regard to informing compliance efforts or identifying best practices or areas of weakness. However, in our October 2014 report, we identified large differences among some servicers both with and without controls for certain loan, borrower, and property characteristics. We determined that the existing data are sufficiently reliable to allow for more sophisticated analytical methods such as an econometric analysis that could control for certain differences among servicers. By not capitalizing on the information these methods provide, Treasury risks making policy decisions based on potentially incomplete information and may miss opportunities to identify best practices to assist the greatest number of eligible borrowers. Thus, we continue to maintain that Treasury should take action to fully implement this recommendation.

- In the same report, we recommended that Treasury conduct periodic evaluations to help explain differences in MHA servicers' reasons for denying applications for trial modifications. Such evaluations could help inform compliance reviews of individual servicers, identify areas of weaknesses and best practices, and determine the potential need for programmatic changes.²³ Treasury put together a list of servicers with reporting anomalies that had been identified and sent them questionnaires asking them to explain the rationale behind using certain codes to report denials (denial codes) of applications for trial modifications. Treasury expects to have answers back by October 2015. Beyond that, Treasury stated that it and the MHA Program Administrator planned to continue to collect data and monitor trends in

²³[GAO-15-5](#).

the data on an ongoing basis and reach out to servicers on an as-needed basis to collect more information. Treasury's compliance agent has also added procedures for testing denial codes that servicers report. According to Treasury officials, Treasury has used the prevalence of certain denial codes to inform certain policy changes. For example, they said that the most common reason that applications for HAMP were denied is that borrowers did not submit the documentation necessary to evaluate their eligibility for HAMP. In response, Treasury has simplified documentation requirements where appropriate several times. In addition, Treasury told us that they use the denial code information to form the basis for discussions with individual servicers to ensure compliance with program guidelines and reporting practices. Although these are examples of Treasury's analysis of overall denial rates, Treasury's actions do not address differences in individual MHA servicers' reasons for denial. Additionally, it is not clear whether Treasury plans to conduct periodic evaluations of differences in denial rates or how Treasury will use the information it gathers to identify areas of weaknesses and best practices and determine whether additional policy changes are needed. Thus, we continue to maintain that Treasury should take action to implement this recommendation.

The two recommendations that Treasury has not implemented are as follows:

- In February 2014, we recommended that Treasury require its MHA compliance agent to take steps to assess the extent to which servicers had established internal control programs that effectively monitored compliance with fair lending laws applicable to MHA programs.²⁴ In April 2014, Treasury officials stated that they planned to continue efforts to promote fair lending policies. However, as of August 2015, they did not plan to implement our recommendation. As we noted in the report, both the MHA Servicer Participation Agreement and MHA Handbook require that servicers have an internal control program to monitor compliance with relevant consumer protection laws. According to Treasury officials, the federal agencies with supervisory authority over fair lending remain in the best position to monitor servicers in this area. Representatives of the federal regulators said that their fair lending reviews have a broader overall focus that may not specifically focus on MHA activities.

²⁴[GAO-14-117](#).

Moreover, our analysis identified some statistically significant differences among four large MHA program servicers in the number of denials and cancellations of trial modifications and in the potential for redefault of permanent modifications for certain protected groups. Evaluating the extent to which servicers have developed and maintained internal controls to monitor compliance with fair lending laws could give Treasury additional assurances that servicers are implementing the MHA program in compliance with fair lending laws.

- In July 2015, we recommended that Treasury develop and implement policies and procedures that established a standard process to better ensure that changes to TARP-funded housing programs were based on evaluations that comprehensively and consistently met the key elements of benefit-cost analysis.²⁵ In its written comments on the draft report, Treasury agreed that it was important to assess the benefits and costs of proposed program modifications and noted that it would seriously consider the extent to which it could apply our recommendation going forward. Treasury officials said that they planned to provide an update on actions taken or planned in a required response to Congress in September 2015.²⁶

Agency Comments

We provided Treasury a draft copy of this report for review and comment. Treasury provided technical comments that we have incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees. This report will also be available at no charge on our web site at <http://www.gao.gov>.

²⁵GAO, *Troubled Asset Relief Program: Treasury Could More Consistently Analyze Potential Benefits and Costs of Housing Program Changes*, [GAO-15-670](#) (Washington, D.C.: July 6, 2015).

²⁶By statute, agency heads must submit a written statement of the actions taken by the agency on GAO's recommendations to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Oversight and Government Reform not later than 60 days after the date of the report that includes the recommendations. See 31 U.S.C. § 720.

If you or your staffs have any questions about this report, please contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov for questions about nonmortgage-related TARP programs, or Mathew Scirè at (202) 512-8678 or sciremj@gao.gov for questions about mortgage-related TARP programs. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix II.



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Financial Markets and
Community Investment

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Appendix I: Status of Troubled Asset Relief Program (TARP) Performance Audit Recommendations, as of August 2015

The following table summarizes the status of our TARP performance audit recommendations as of August 28, 2015. We classify each recommendation as implemented, partially implemented (the agency took steps to implement the recommendation but more work remains), open (the agency has not taken steps to implement the recommendation), and closed, not implemented (the agency decided not to take action to implement the recommendation). The recommendations are listed by report.

Table 1: GAO Performance Audit Recommendations, August 2015

	GAO recommendations	Status
Troubled Asset Relief Program: Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency: GAO-09-161, December 2, 2008	Work with the bank regulators to establish a systematic means of determining and reporting in a timely manner whether financial institutions' activities are generally consistent with the purposes of the Capital Purchase Program (CPP) and help ensure an appropriate level of accountability and transparency.	Implemented
	Develop a means to ensure that institutions participating in CPP comply with key program requirements (for example, executive compensation, dividend payments, and the repurchase of stock).	Implemented
	Formalize the existing communication strategy to ensure that external stakeholders, including Congress, are informed about the program's current strategy and activities and understand the rationale for changes in this strategy to avoid information gaps and surprises.	Implemented
	Facilitate a smooth transition to the new administration by building on and formalizing ongoing activities, including ensuring that key Office of Financial Stability (OFS) leadership positions are filled during and after the transition.	Implemented
	Expedite OFS's hiring efforts to ensure that the Department of the Treasury (Treasury) has the personnel needed to carry out and oversee TARP.	Implemented
	Ensure that sufficient personnel are assigned and properly trained to oversee the performance of all contractors, especially for contracts priced on a time-and-materials basis, and move toward fixed-price arrangements whenever possible.	Implemented
	Continue to develop a comprehensive system of internal control over TARP, including policies, procedures, and guidance that are robust enough to protect taxpayers' interests and ensure that the program objectives are being met.	Implemented
	Issue final regulations on conflicts of interest involving Treasury's agents, contractors, and their employees and related entities as expeditiously as possible and review and renegotiate mitigation plans, as necessary, to enhance specificity and compliance with the new regulations once they are issued.	Implemented
	Institute a system to effectively manage and monitor the mitigation of conflicts of interest.	Implemented
Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues: GAO-09-296, January 30, 2009	Expand the scope of planned monthly CPP surveys to include collecting at least some information from all institutions participating in the program.	Implemented
	Ensure that future CPP agreements include a mechanism that will better enable Treasury to track the use of the capital infusions and seek to obtain similar information from existing CPP participants.	Implemented
	Establish a process to ensure compliance with all CPP requirements, including those associated with limitations on dividends and stock repurchase restrictions.	Implemented

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 2015**

GAO recommendations	Status	
Communicate a clearly articulated vision for TARP and show how all individual programs are intended to work in concert to achieve that vision. This vision should incorporate actions to preserve homeownership. Once this vision is clearly articulated, Treasury should document needed skills and competencies.	Implemented	
Continue to expeditiously hire personnel needed to carry out and oversee TARP.	Implemented	
Expedite efforts to ensure that sufficient personnel are assigned and properly trained to oversee the performance of all contractors, especially for contracts priced on a time-and-materials basis, and move toward fixed-price arrangements whenever possible as program requirements are better defined over time.	Implemented	
Develop a comprehensive system of internal control over TARP activities, including policies, procedures, and guidance that are robust enough to ensure that the program's objectives and requirements are met.	Implemented	
Develop and implement a well-defined and disciplined risk-assessment process, as such a process is essential to monitoring program status and identifying any risks of potential inadequate funding of announced programs.	Implemented	
Review and renegotiate existing conflict-of-interest mitigation plans, as necessary, to enhance specificity and conformity with the new interim conflicts of interest regulation, and take continued steps to manage and monitor conflicts of interest and enforce mitigation plans.	Implemented	
Troubled Asset Relief Program: March 2009 Status of Efforts to Address Transparency and Accountability Issues: GAO-09-504, March 31, 2009	Develop a communication strategy that includes building an understanding of and support for the various components of the program. Specific actions could include hiring a communications officer, integrating communications into TARP operations, scheduling regular and ongoing contact with congressional committees and members, holding town hall meetings with the public across the country, establishing a counsel of advisors, and leveraging available technology.	Implemented
Require that American International Group, Inc. (AIG) seek concessions from stakeholders, such as management, employees, and counterparties, including seeking to renegotiate existing contracts, as appropriate, as it finalizes the agreement for additional assistance.	Closed, not implemented ^a	
Update OFS documentation of certain internal control procedures and the guidance available to the public on determining warrant exercise prices to be consistent with actual practices applied by OFS.	Implemented	
Improve transparency pertaining to TARP program activities by reporting publicly the monies, such as dividends, paid to Treasury by TARP participants.	Implemented	
Complete the review of, and as necessary renegotiate, the four existing vendor conflicts-of-interest mitigation plans to enhance specificity and conformity with the new interim conflicts-of-interest rule.	Implemented	
Issue guidance requiring that key communications and decisions concerning potential or actual vendor-related conflicts of interest be documented.	Implemented	
Troubled Asset Relief Program: June 2009 Status of Efforts to Address Transparency and Accountability	Ensure that the warrant valuation process maximizes benefits to taxpayers and consider publicly disclosing additional details regarding the warrant repurchase process, such as the initial price offered by the issuing entity and Treasury's independent valuations, to demonstrate Treasury's attempts to maximize the benefit received for the warrants on behalf of the taxpayer.	Implemented

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 2015**

	GAO recommendations	Status
Issues: GAO-09-658, June 17, 2009	<p>In consultation with the Chairman of the Federal Deposit Insurance Corporation (FDIC) and the Chair of the Board of Governors of the Federal Reserve System (Federal Reserve), the Comptroller of the Currency, and the Acting Director of the Office of Thrift Supervision, ensure consideration of generally consistent criteria by the primary federal regulators when considering repurchase decisions under TARP. (Note: The Dodd-Frank Wall Street Reform and Consumer Protection Act eliminated the Office of Thrift Supervision.)</p> <p>Fully implement a communication strategy that ensures that all key congressional stakeholders are adequately informed and kept up to date about TARP.</p> <p>Expedite efforts to conduct usability testing to measure the quality of users' experiences with the financial stability website and measure customer satisfaction with the site, using appropriate tools such as online surveys, focus groups, and e-mail feedback forms.</p> <p>Explore options for providing to the public more detailed information on the costs of TARP contracts and agreements, such as a dollar breakdown of obligations and/or expenses.</p> <p>To help improve the transparency of the Capital Assistance Program (CAP)—in particular the stress tests results—we recommend that the Director of Supervision and Regulation of the Federal Reserve consider periodically disclosing to the public the aggregate performance of the largest 19 U.S. bank holding companies against the more adverse scenario forecast numbers for the duration of the 2-year forecast period and whether or not the scenario needs to be revised. At a minimum, the Federal Reserve should provide the aggregate performance data to OFS program staff for any of the 19 institutions participating in CAP or CPP.</p>	<p>Closed, not implemented [Note A]</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented [Note B]</p>
Troubled Asset Relief Program: Treasury Actions Needed to Make the Home Affordable Modification Program More Transparent and Accountable: GAO-09-837, July 23, 2009	<p>Consider methods of monitoring whether borrowers with total household debt of more than 55 percent of their income who have been told that they must obtain housing counseling do so, and assess how this counseling affects the performance of modified loans to see if the requirement is having its intended effect of limiting redefaults.</p> <p>Reevaluate the basis and design of the Home Price Decline Protection (HPDP) Program to ensure that Home Affordable Modification Program (HAMP) funds are being used efficiently to maximize the number of borrowers who are helped under HAMP and to maximize overall benefits of utilizing taxpayer dollars.</p> <p>Institute a system to routinely review and update key assumptions and projections about the housing market and the behavior of mortgage holders, borrowers, and servicers that underlie Treasury's projection of the number of borrowers whose loans are likely to be modified under HAMP and revise the projection as necessary in order to assess the program's effectiveness and structure.</p> <p>Place a high priority on fully staffing vacant positions in the Homeownership Preservation Office (HPO)—including filling the position of Chief Homeownership Preservation Officer with a permanent placement—and evaluate HPO's staffing levels and competencies to determine whether they are sufficient and appropriate to effectively fulfill its HAMP governance responsibilities.</p> <p>Expediently finalize a comprehensive system of internal control over HAMP, including policies, procedures, and guidance for program activities, to ensure that the interests of both the government and taxpayer are protected and that the program objectives and requirements are being met once loan modifications and incentive payments begin.</p> <p>Expediently develop a means of systematically assessing servicers' capacity to meet program requirements during program admission so that Treasury can understand and address any risks associated with individual servicers' abilities to fulfill program requirements, including those related to data reporting and collection.</p>	<p>Closed, not implemented [Note C]</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 2015**

	GAO recommendations	Status
Troubled Asset Relief Program: One Year Later, Actions Are Needed to Address Remaining Transparency and Accountability Challenges: GAO-10-16, October 8, 2009	Consider TARP in a broad market context, and as part of determining whether to extend TARP, work with the Chairman of FDIC to develop a coordinated framework and analytical basis to determine whether an extension is needed. And if so, clearly spell out what objectives and measures of any extended programs would be, along with anticipated costs and safeguards.	Implemented
	Document its analytical decision-making process and clearly communicate the results to Congress and the American people for determining whether an extension is needed.	Implemented
	Update its projected use of funds and if the program is extended, continue to re-evaluate them on a periodic basis.	Implemented
Relief Program: Continued Stewardship Needed as Treasury Develops Strategies for Monitoring and Divesting Financial Interests in Chrysler and GM: GAO-10-151, November 2, 2009	Ensure that Treasury has the expertise needed to adequately monitor and divest the government's investment in Chrysler Group LLC (Chrysler) and General Motors Company (GM), and obtain needed expertise in areas where gaps are identified (either through in-house or external means).	Implemented
	Report to Congress on Treasury's plans to assess and monitor the auto companies' performance and ability to repay their loans. When reporting, balance the need for transparency with need to protect proprietary information.	Implemented
	Develop criteria for evaluating the optimal method and timing for divesting the government's ownership stake in Chrysler and GM, including evaluating the full range of available options, such as initial public offerings or private sales.	Implemented
Troubled Asset Relief Program: Treasury Needs to Strengthen Its Decision-Making Process on the Term Asset-Backed Securities Loan Facility: GAO-10-25, February 5, 2010	To enable GAO to audit TARP support for the Term Asset-backed Securities Loan Facility (TALF) most effectively, Congress may wish to provide GAO with audit authority over all Federal Reserve operational and administrative actions taken with respect to TALF, together with appropriate access authority.	Implemented [Note D]
	To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, given the distressed conditions in the commercial real estate market, as part of its ongoing monitoring of TALF collateral, the Secretary of the Treasury should direct OFS to continue to give greater attention to reviewing risks posed by commercial mortgage-backed securities.	Implemented
	To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, the Secretary of the Treasury should direct OFS to strengthen the process for making major program decisions for TALF and document how it arrives at final decisions with the Federal Reserve and the Federal Reserve Bank of New York (FRBNY). Such decisions should include how Treasury considers expert and contractor recommendations and resolves those recommendations that differ from those of the Federal Reserve and FRBNY.	Implemented
	To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, the Secretary of the Treasury should direct OFS to conduct a review of what data to track and metrics to disclose to the public in the event that TALF LLC purchases surrendered assets from FRBNY. Such data and metrics should relate to the purchase, management, and sale of assets in TALF LLC that potentially impact TARP funds. Metrics related to TALF LLC could include periodic reports on the date and purchase price of assets; fluctuations in the market value of assets held; the date, price, and rationale when assets are sold; and the total amount of loans outstanding to Treasury.	Implemented
Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation	Expediently establish clear and specific criteria for determining whether a borrower is in imminent default to ensure greater consistency across servicers.	Closed, not implemented
	Expediently develop additional guidance for servicers on their quality assurance programs for HAMP, including greater specificity on how to categorize loans for sampling and what servicers should be evaluating in their reviews.	Implemented

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 2015**

	GAO recommendations	Status
Programs: GAO-10-634, June 24, 2010	Expediently specify which complaints servicers should track to ensure consistency and to facilitate program oversight and compliance.	Implemented
	Expediently more clearly inform borrowers that the HOPE Hotline may also be used if they are having difficulty with their HAMP application or servicer or feel that they have been incorrectly denied HAMP, monitor the effectiveness of the HOPE Hotline as an escalation process for handling borrower concerns about potentially incorrect HAMP denials, and develop an improved escalation mechanism if the HOPE Hotline is not sufficiently effective.	Implemented
	Expediently finalize and issue consequences for servicer noncompliance with HAMP requirements as soon as possible.	Implemented
	Expediently report activity under the principal reduction program, including the extent to which servicers determined that principal reduction was beneficial to investors but did not offer it, to ensure transparency in the implementation of this program feature across servicers.	Partially implemented
	Expediently finalize and implement benchmarks for performance measures under the first-lien modification program, as well as develop measures and benchmarks for the recently announced HAMP-funded homeowner assistance programs.	Implemented
	Expediently implement a prudent design for remaining HAMP-funded housing programs.	Implemented
Troubled Asset Relief Program: Treasury's Framework for Deciding to Extend TARP Was Sufficient, but Could Be Strengthened for Future Decisions: GAO-10-531, June 30, 2010	Formalize and document coordination with the Chairman of FDIC for decisions associated with the expiration of TARP (1) by including the Chairman at relevant Financial Stability Oversight Board (FinSOB) meetings, (2) through formal bilateral meetings, or (3) by utilizing other forums that accommodate more structured dialogue.	Implemented
	Publicly identify clear program objectives, the expected impact of programs, and the level of additional resources needed to meet those objectives. Treasury should set quantitative program objectives for its small business lending programs and identify any additional data needed to make program decisions.	Closed, not implemented ^c
Troubled Asset Relief Program: Bank Stress Test Offers Lessons as Regulators Take Further Actions to Strengthen Supervisory Oversight: GAO-10-861, September 29, 2010	To gain a better understanding of the Supervisory Capital Assistance Program (SCAP) and inform the use of similar stress tests in the future, the Federal Reserve should compare the performance of the 19 largest bank holding companies against the more adverse scenario projections following the completion of the 2-year period covered in the SCAP stress test ending December 31, 2010, and disclose the results of the analysis to the public.	Implemented ^b
	The Federal Reserve, in consultation with the other banking regulators, should develop a plan that reconciles the divergent views on transparency and allows for increased transparency in the regular supervisory process. Such a plan should, at a minimum, outline steps for releasing supervisory methodologies and analytical results for stress testing.	Implemented ^b
	The Federal Reserve, in consultation with the other banking regulators, should develop more specific criteria to include in its guidance to examiners for assessing the quality of stress tests and how these tests inform bank holding companies' capital adequacy planning. These guidelines should clarify the stress testing procedures already incorporated into banking regulations and incorporate lessons learned from SCAP.	Implemented ^b
	The Federal Reserve, in consultation with the other banking regulators, should fully develop its plan for maintaining and improving the use of data, risk identification and assessment infrastructure, and requisite systems in implementing its supervisory functions and new responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). This plan should also ensure the dissemination of these enhancements throughout the Federal Reserve System and other financial regulators, as well as new organizations established by the Dodd-Frank Act.	Implemented ^b

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 2015**

GAO recommendations	Status
The Federal Reserve, in consultation with the other banking regulators, should take further steps to more effectively coordinate and communicate among the banking regulators, including that all applicable agencies are included in discussions and decisions regarding multiagency activities, such as horizontal examinations of financial institutions.	Implemented ^b
Troubled Asset Relief Program: Opportunities Exist to Apply Lessons Learned from the Capital Purchase Program to Similarly Designed Programs and to Improve the Repayment Process: GAO-11-47 , October 4, 2010	Implemented
Apply lessons learned from the implementation of CPP to similar programs, such as the Small Business Lending Fund (SBLF), and enhance procedural controls for addressing the risk of inconsistency in regulators' decisions on withdrawals. Specifically, establish a process for collecting information from federal bank regulators on all applicants that withdraw from consideration in response to a regulator's recommendation, including the reasons behind the recommendation. Evaluate the information to identify trends or patterns that may indicate whether similar applicants were treated inconsistently across different regulators and take action, if necessary, to help ensure a more consistent treatment.	Implemented
Periodically collect and review certain information from federal bank regulators on the analysis and conclusions supporting their decisions on CPP repayment requests and provide feedback for the regulators' consideration on the extent to which regulators are evaluating similar institutions consistently.	Closed, not implemented ^a
Troubled Asset Relief Program: Status of Programs and Implementation of GAO Recommendations: GAO-11-74 , January 12, 2011	Implemented
OFS should finalize a plan for addressing how it will manage its workforce, in particular term-appointed employees and key Senior Executive Service (SES) positions, including plans for various staffing scenarios.	Implemented
Troubled Asset Relief Program: Treasury Continues to Face Implementation Challenges and Data Weaknesses in Its Making Home Affordable Program: GAO-11-288 , March 17, 2011	Implemented
Require servicers to advise borrowers to notify their second-lien servicers once a first lien has been modified under HAMP to reduce the risk that borrowers with modified first liens are not captured in the Lender Processing Services (LPS) matching database and, therefore, are not offered second-lien modifications.	Implemented
Ensure that servicers demonstrate they have the operational capacity and infrastructure in place to successfully implement the requirements of the Second-Lien Modification (2MP), Home Affordable Foreclosure Alternatives (HAFA), and Principal Reduction Alternative (PRA) programs.	Implemented
Consider methods for better capturing outcomes for borrowers who are denied, cancelled, or redefaulted from HAMP, including more accurately reflecting what actions are completed or pending and allowing for the reporting of multiple concurrent outcomes, in order to determine whether borrowers are receiving effective assistance outside of HAMP and whether additional actions may be needed to assist them.	Implemented
Troubled Asset Relief Program: Further Actions Needed to Enhance Assessments and Transparency of Housing Programs: GAO-12-783 , July 19, 2012	Implemented
Treasury should expeditiously conduct a comprehensive risk assessment of HAMP Tier 2, using the standards for internal control in the federal government as a guide.	Implemented
Treasury should develop activity-level performance measures and benchmarks related to the HAMP Tier 2 program.	Implemented
Treasury should consolidate the state performance reports and financial reports, including administrative expenses, into a single Hardest Hit Fund report to provide policymakers and the public with the overall status of the program as well as the relative status and performance of the states' efforts.	Implemented

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 2015**

GAO recommendations		Status
Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis: GAO-12-296 , June 28, 2012	Treasury and the Federal Housing Administration (FHA) should update their estimates of participation in the FHA Short Refinance Program given current participation rates and recent changes to the program. Treasury should then use these updated estimates to reassess the terms of the letter of credit facility and consider seeking modifications in order to help ensure that it meets Treasury's needs cost-effectively.	Implemented
Capital Purchase Program: Revenues Have Exceeded Investments, but Concerns about Outstanding Investments Remain: GAO-12-301 , March 8, 2012	The Secretary of the Treasury should consider analyzing and reporting on remaining and former CPP participants separately.	Open
Troubled Asset Relief Program: As Treasury Continues to Exit Programs, Opportunities to Enhance Communication on Costs Exist: GAO-12-229 , January 9, 2012	The Secretary of the Treasury enhance Treasury's communications with the public, in particular Treasury's press releases, about TARP programs and costs by consistently including information on estimated lifetime costs, especially when reporting on program results. For example, Treasury should consider including lifetime cost estimates, or references to Treasury reports that include such information, in its press releases about specific programs.	Implemented
Troubled Asset Relief Program: More Efforts Needed on Fair Lending Controls and Access for Non-English Speakers in Housing Programs: GAO-14-117 , February 6, 2014	As part of the Department of the Treasury's efforts to continue improving the transparency and accountability of Making Home Affordable (MHA), the Secretary of the Treasury should require that its compliance agent take steps to assess the extent to which servicers have established internal control programs that effectively monitor compliance with fair lending laws that apply to MHA programs	Open
	As part of Treasury's efforts to continue improving the transparency and accountability of MHA, the Secretary of the Treasury should issue clarifying guidance to servicers on providing effective relationship management to limited English proficiency (LEP) borrowers.	Implemented
	As part of Treasury's efforts to continue improving the transparency and accountability of MHA, the Secretary of the Treasury should ensure that the compliance agent assess servicers' compliance with LEP relationship management guidance, once established.	Partially implemented
Troubled Asset Relief Program: Treasury Could Better Analyze Data to Improve Oversight of Servicers' Practices: GAO-15-5 , October 6, 2014	To improve monitoring and oversight of Treasury's HAMP, the Secretary of the Treasury should conduct periodic evaluations to help explain differences among MHA servicers in reasons for denying applications for trial modifications that may inform its compliance reviews of individual servicers, identify areas of weaknesses and best practices, and determine the potential need for additional program policy changes.	Partially implemented
	To improve monitoring and oversight of Treasury's HAMP, the Secretary of the Treasury should conduct periodic evaluations using analytical methods, such as econometric modeling as appropriate, to help explain differences among MHA servicers in redefault rates that may inform its compliance reviews of individual servicers, identify areas of weaknesses and best practices, and determine the potential need for additional program policy changes.	Partially implemented

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 2015**

	GAO recommendations	Status
Troubled Asset Relief Program: Treasury Could More Consistently Analyze Potential Benefits and Costs of Housing Program Changes: GAO-15-670 July 6, 2015	To bring greater rigor and efficiency to decisions about the use of federal funds allocated for TARP housing programs, the Secretary of the Treasury should develop and implement policies and procedures that establish a standard process to better ensure that TARP-funded housing program changes are based on analyses that comprehensively and consistently meet the key elements of benefit-cost analysis.	Open

Source: GAO. | GAO-15-813

Notes: This table includes recommendations made to Treasury and the Board of Governors of the Federal Reserve System and a matter for congressional consideration related to the TALF program. It does not include a recommendation directed at the Secretary of Labor, along with a matter for congressional consideration, from the TARP report on Automotive Industry Financing Program. ([GAO-11-471](#)).

Note A: The TARP program evolved and these recommendations are no longer applicable.

Note B: These recommendations were made to the Board of Governors of the Federal Reserve System.

Note C: Treasury took some action on these recommendations, but the action did not fully address the scope or timing of the recommendation.

Note D: This is a matter for congressional consideration related to the TALF program.

Appendix II: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the contact named above, Harry Medina and Karen Tremba (Assistant Directors), Anne A. Akin (Analyst-in-Charge), Bethany Benitez, Emily Chalmers, John Karikari, and Jena Sinkfield made key contributions to this report.

Appendix III: Accessible Data

Data Tables

Data Table for Highlights Figure: Recommendations Related to CPP and MHA, as of August 28, 2015

Select programs	Closed (not implemented)	Open	Partially implemented	Implemented
Capital Purchase Program (CPP)	2	1	0	6
Making Home Affordable (MHA)	2	2	4	19

Source: GAO. | GAO-15-813

Data Table for Figure 1: Number and Status of Recommendations Related to the Troubled Asset Relief Program, as of August 28, 2015

Select programs	Closed (not implemented)	Open	Partially implemented	Implemented
Capital Purchase Program (CPP)	2	1	0	6
Making Home Affordable (MHA)	2	2	4	19
Overall	6	3	4	59

Source: GAO. | GAO-15-813

Note: We categorized program-specific communication and staffing recommendations under the appropriate programs.

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