



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 1, 2016

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

Re: SIGTARP Recommendations

Dear Ms. Romero:

I write in response to the recent request by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) for an update on the recommendations offered in three audit reports regarding the Hardest Hit Fund (HHF) – related to blight elimination (BE), the HHF program in Florida (FL), and state pension obligations (SP).¹ The Department of the Treasury (Treasury) appreciates SIGTARP's important role and thanks you for conducting these reviews. We have carefully considered the recommendations offered, have implemented many of them, and look forward to working with SIGTARP as we continue to implement HHF.

HHF was created in February 2010 under the Emergency Economic Stabilization Act of 2008 (EESA) to provide assistance to the District of Columbia and 18 states designated “hardest hit” by the financial crisis because they had experienced the nation’s steepest home price declines and most severe unemployment. State HHF programs are not identical. Rather, each state Housing Finance Agency (HFA) tailors its programs to the specific needs of its state. This includes determining eligibility criteria for homeowners, properties, and loans. State HHF programs are designed to prevent foreclosure and stabilize housing markets, consistent with EESA and the related contracts with Treasury. State HHF programs are administered by the state HFA. Treasury conducts periodic reviews of each state HHF program and evaluates whether the state is in compliance with HHF program requirements.

SIGTARP’s reports suggest that Treasury should change HHF’s structure to one that involves centralized program administration and implementation. This suggestion underlies many of SIGTARP’s findings and recommendations. However, it also conflicts with the stated policy objectives of HHF and the policy decisions Treasury made in 2010 when it launched the program. We note that SIGTARP has long maintained that it is not a policymaker and that its recommendations should not be considered inflexible. Rather, SIGTARP has described that its concerns can be addressed by Treasury actions that implement the spirit of the recommendations. In addition, SIGTARP’s reports did not identify waste, fraud, abuse, or deficiencies in Treasury’s implementation of HHF.

¹ Treasury has previously provided responses to these three reports in letters to you dated April 20, 2015 (blight elimination), September 18, 2015 (HHF program in Florida), and December 3, 2015 (state pension obligations). Treasury also updates information regarding each report in its internal tracking system, to which SIGTARP has access.

Where SIGTARP's recent recommendations are able to be implemented, or the spirit of the recommendations are able to be addressed, Treasury either has done so or is in the process of doing so. This applies to recommendations BE1, BE6, BE8, BE9, SP1, FL2, FL3, FL5, FL6, FL8, FL11, FL13, FL15, FL18, and FL20. Where SIGTARP's recommendations conflict with the policy decisions underpinning the structure and objectives of HHF, Treasury has not done so. This applies to recommendations that are not necessary for Treasury to stay informed about the programs or that would inappropriately restrict the dynamic, state-specific nature of the programs, specifically BE2, BE3, BE4, BE5, BE7. In the case of Florida, this also applies to recommendations that: do not take into account the improved performance of the state since SIGTARP's audit was commissioned in 2013; would impose criteria that are inconsistent with program eligibility requirements chosen by the state; or would impose administrative requirements on the HFAs that are not needed to effectively administer the programs; specifically FL1, FL4, FL7, FL9, FL10, FL12, FL14, FL16, FL17, and FL19.

Additional information about each recommendation, including descriptions of how and why Treasury has taken the steps it has, is available in Treasury's internal tracking system to which SIGTARP has access. We are always working to improve our housing programs, and we appreciate your insights into HHF. We look forward to continuing to work with you and your team. I am always available to discuss these matters further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark McArdle".

Mark McArdle
Deputy Assistant Secretary for Financial Stability