



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 2, 2015

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

RE: Treasury Response to SIGTARP's May 1, 2015 Recommendation Letter

Dear Ms. Romero:

I write in response to your May 1, 2015 recommendation letter. Treasury welcomes oversight of all of its programs, including TARP, and we appreciate the work of your office in that regard.

You make two recommendations about reaching out to homeowners in states you have characterized as in need of additional assistance. We agree on the importance of reaching as many eligible homeowners as possible, which has always been a paramount objective of Treasury's Home Affordable Modification Program (HAMP). However, we have several concerns about the methodology used in the letter and the related April 29, 2015 Quarterly Report to determine whether an area is underserved, as well as with the description of our outreach efforts.

First, SIGTARP's method of identifying purportedly "underserved" markets — comparing the overall ratio of HAMP permanent modifications to foreclosure activity dating back to 2008 — does not coincide with the launch of HAMP in early 2009 or account for the different rates at which states have recovered from the peak of the crisis, the current needs of a market, or where the greatest number of today's potentially eligible Making Home Affordable (MHA) homeowners reside. These factors are critical as states entered the crisis at different times, recovered at different rates, and experienced varying degrees of severity. For example, SIGTARP's methodology suggests that North Dakota is an "underserved" state, when in fact, North Dakota currently has the second-lowest unemployment rate in the country (3.1 percent)¹ and the third-lowest number of completed foreclosures during 2014 (336).² Further back, that state had the third-lowest percentage of homes in foreclosure in the nation in both 2013 and 2012.³

To account for the differences in recovery and to gain a better picture of the population who may currently be eligible for MHA, Treasury uses a sophisticated, multi-pronged approach that

¹ <http://www.bls.gov/web/laus/laumstrk.htm>.

² CoreLogic National Foreclosure Report, January 2015, available at <http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-january-2015.pdf>.

³ CoreLogic National Foreclosure Reports, December 2012 and December 2013, available at <http://www.corelogic.com/about-us/researchtrends/national-foreclosure-report.aspx#>.

considers current economic data (unemployment rates, new foreclosure starts, delinquencies, etc.), as well as current data on program activity to target outreach activities to homeowners most likely to benefit from MHA assistance. Treasury also considers other local economic factors (including whether or not a particular market was covered by previous MHA outreach events) and the cost-effectiveness of previous focused outreach in that market. SIGTARP's use of states alone and over the period reviewed, without considering other factors, is an insufficient basis for evaluating Treasury's outreach and media efforts. In addition, media markets are not co-extensive with state borders, as some media markets extend over multiple states, such as the Chicago media market, which extends into northern Indiana. Our paid radio campaign in March 2015 targeting the Chicago media market resulted in a 19 percent increase in English and 25 percent increase in Spanish callers to the Homeowner's HOPE Hotline.

Second, the letter places a disproportionate focus on Treasury's in-person outreach events while minimizing and downplaying the other important methods Treasury uses to reach out to potentially eligible homeowners and to increase awareness of MHA programs. For example, the letter downplays the scope and effectiveness of our nationwide outreach through targeted search engine marketing, our television and radio Public Service Advertising (PSA) campaigns in conjunction with the Ad Council, and our extensive social media campaign. With respect to traditional media efforts, Ad Council data from January 2014 through April 2015 for the ten states identified in the letter showed nearly 20,000 combined airings of our PSAs on local broadcast television in those states, which translates to 21.8 million impressions. We have focused our initial paid radio campaign efforts this year on nine of the the nation's top 50 Metropolitan Statistical Areas weighted by current delinquency rates and HAMP eligibility in order to reach a significant number of homeowners in a cost-effective way. In June 2015, The Ad Council will be redistributing MHA PSA materials nationwide, and we intend to include customized messages to PSA Directors focusing on delinquency rates and median HAMP savings dollars in many states, including in the states SIGTARP has identified as underserved.

Finally, the letter does not acknowledge Treasury's program requirements mandating that servicers directly canvass homeowners to participate in MHA. Under Treasury's agreements with participating servicers, every delinquent homeowner must be solicited by his or her servicer through at least four telephone calls and two letters, one of which must be registered, certified, or sent via overnight delivery. According to our call center data, which provides direct feedback from borrowers seeking help, the most common referral source is by far the borrower's mortgage servicer.

SIGTARP recommends that we hold in-person homeowner outreach events and additional public service campaigns and paid television and radio advertisements in the ten states cited. Importantly, we strive to be careful stewards of taxpayer resources and are committed to using our resources in a cost-effective way in order to target potentially eligible homeowners. We have been and plan to continue participating in partner events along with distributing MHA information at such events. In addition, we will continue to test and refine our paid radio campaigns to reach as many individuals in as many additional markets as possible within our scope and budget, including in the states you identified, as well as targeted social media campaigns, where appropriate.

We are always working to improve our housing programs and we appreciate your input in that regard. Please contact me if you would like to discuss this issue further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark McArdle', with a long horizontal flourish extending to the right.

Mark McArdle
Chief, Homeownership Preservation Office,
Office of Financial Stability