



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

January 7, 2015

Hon. Christy L. Romero  
Special Inspector General  
for the Troubled Assets Relief Program  
1801 L Street, NW, 4<sup>th</sup> Floor  
Washington, D.C. 20220

Re: Treasury Response to SIGTARP Recommendation

Dear Ms. Romero:

I write in response to the recommendation from the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) about the application process for the Home Affordable Modification Program (HAMP) under the Troubled Asset Relief Program (TARP). You recommend that Treasury require servicers to maintain sufficient resources to process borrower applications for assistance under HAMP. The Department of the Treasury (Treasury) agrees with this recommendation and we are committed to requiring servicers to assist eligible borrowers in a timely manner.

HAMP guidelines require servicers to work with borrowers so that they submit complete requests for assistance under HAMP. For example, servicers are required to solicit delinquent borrowers, assign a single point of contact for borrower assistance, and issue notices for incomplete requests.<sup>1</sup> HAMP guidelines also require a servicer to process a complete request in a timely manner – 30 calendar days from the date a complete request is received.<sup>2</sup> Servicers must have the capacity to implement HAMP guidelines, and if necessary, augment their staffing, systems and processes. We also incentivize servicers to provide assistance early in the borrowers' delinquency.<sup>3</sup> We do this by adjusting the amount of the servicer's financial incentive based on when a mortgage modification is completed. Servicers earn more when modifications are completed soon after the need for help arises; they earn less when modifications are completed later in a borrower's delinquency.

We also promote transparency in our program. For example, servicers are required to provide certain information on a monthly basis. That information includes the number of HAMP requests received, processed, approved, and denied, all of which we make publicly available.<sup>4</sup> One important point about this data is that a "received" request is not necessarily a completed

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<sup>1</sup> See Section 4 of Chapter I (single point of contact), as well as Sections 2.2 and 4.5 of Chapter II (borrower solicitation and incomplete notice requirements) of the Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages (version 4.4) (Handbook) [https://www.hmpadmin.com/portal/programs/docs/hamp\\_servicer/mhahandbook\\_44.pdf](https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_44.pdf) (accessed December 9, 2014).

<sup>2</sup> See Sections 3.2.1, 2.7.4 and 4 of Chapter I, as well as Section 2.1 of Chapter II of the Handbook.

<sup>3</sup> See Section 13.1.1 of Chapter II of the Handbook.

<sup>4</sup> The HAMP Application Activity by Servicer Report is available at <http://www.treasury.gov/initiatives/financial-stability/reports/Pages/HAMP-Servicer.aspx>.

request. In addition, while all HAMP requests are reviewed, a HAMP request will not be “processed,” and thus “approved” or “denied,” until the application is complete.

Various programmatic and regulatory changes went into effect in late 2013 and early 2014. As the servicers implemented the changes, we identified certain variations in the data they reported – which at times provided misimpressions of the number of HAMP applications received, processed, approved, and denied. We have worked with servicers regarding the data they report to correct those misimpressions.

During a meeting with SIGTARP staff in August 2014, we identified these issues and explained how servicers have different business and staffing models, which they need to be able to adapt depending on volume and other factors outside of their (or Treasury’s) control. We then described how our guidance is not intended to dictate a single model for all servicers to follow. Instead, Treasury enforces its guidance through compliance activities.

We will continue to work with HAMP servicers on data reporting, providing borrowers timely responses when an application is incomplete, and making timely decisions when an application is complete. We appreciate your continued interest in HAMP and the other housing initiatives under TARP. I look forward to your contacting me if you have any additional questions.

Sincerely,



Timothy J. Bowler  
Deputy Assistant Secretary  
Office of Financial Stability