

GAO Highlights

Highlights of [GAO-14-117](#), a report to congressional committees

Why GAO Did This Study

Treasury introduced MHA in February 2009 and indicated that up to \$50 billion would be used to help 3 to 4 million struggling homeowners avoid potential foreclosure. Since then, questions have been raised about participation rates and the overall success of the program. The Emergency Economic Stabilization Act of 2008 requires GAO to report every 60 days on the Troubled Asset Relief Program (TARP) activities.

This 60-day report examines (1) the status of MHA and steps Treasury has taken to increase program participation, (2) Treasury's oversight of the MHA-related fair lending internal controls of servicers, and (3) Treasury's and MHA servicers' policies and practices for ensuring that LEP borrowers have equal access to the program. For this work, GAO reviewed program documentation, analyzed HAMP loan-level data, and interviewed officials from Treasury, fair lending supervisory institutions, and the five largest MHA servicers.

What GAO Recommends

Treasury should (1) assess the extent to which servicers have established internal control programs to monitor compliance with fair lending laws, (2) issue guidance to servicers on working effectively with LEP borrowers and (3) monitor servicers' compliance with the guidance. Treasury noted that it was considering GAO's recommendations and agreed that it should continue to strengthen its program. Treasury also provided technical comments that were incorporated into the report as appropriate.

View [GAO-14-117](#). For more information, contact Mathew J. Scire at (202) 512-8678 or sciremj@gao.gov.

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TROUBLED ASSET RELIEF PROGRAM

More Efforts Needed on Fair Lending Controls and Access for Non-English Speakers in Housing Programs

What GAO Found

Participation rates in the Home Affordable Modification Program (HAMP), a key component of the Making Home Affordable program (MHA), peaked in early 2010, generally declined during 2011, and remained relatively steady from 2012 through November 2013. As of November 2013, about 1.3 million borrowers had entered into a HAMP permanent modification. Treasury has made several efforts to increase participation, such as extending the program deadline through December 2015, expanding program eligibility requirements, and initiating the MHA Outreach and Borrower Intake Project. This project provides funding to counseling agencies to help borrowers complete and submit MHA application packages. The project was scheduled to end in December 2013 but was recently extended through September 2014.

Treasury requires MHA servicers to develop internal control programs that monitor compliance with fair lending laws (the Fair Housing Act and Equal Credit Opportunity Act) but has not assessed the extent to which servicers are meeting this requirement. Treasury noted that it shares HAMP loan-level data with the federal agencies responsible for fair lending enforcement. GAO's analysis of HAMP loan-level data for four large MHA servicers identified some statistically significant differences in the rate of denials and cancellations of trial modifications and in the potential for redefault between populations protected by fair lending laws and other populations. Such analysis by itself cannot account for all factors that could explain these differences. Reviewing the fair lending internal controls of MHA servicers could give Treasury additional assurance that servicers are complying with fair lending laws.

Despite an Executive Order issued in 2000 and a 2011 Attorney General's memorandum regarding improving access to federal programs for limited English proficiency (LEP) persons, Treasury only recently developed LEP-related written guidelines and procedures for the MHA programs. Treasury has taken measures to reach out to these borrowers and requires servicers to have a policy for "effective relationship management" with LEP borrowers. However, Treasury has not provided any clarifying guidance to servicers on what such a policy should contain or assessed servicer compliance with this requirement. Housing counselors have noted that LEP borrowers continue to encounter language-related barriers in obtaining access to MHA program benefits. Without a comprehensive strategy that includes guidance for servicers on engaging with LEP borrowers and monitoring of servicers, Treasury cannot ensure that all potential MHA participants have equal access to program benefits. Because the MHA program provides direct outlays of taxpayer dollars, it is important that Treasury take appropriate steps to ensure that all eligible borrowers, including those whose primary language is not English, have access to MHA program benefits.