



Highlights of [GAO-10-556T](#), a testimony to the Committee on Oversight and Government Reform, House of Representatives

## Why GAO Did This Study

Mortgage loan defaults and foreclosures are key factors behind the current economic downturn. In response, Congress passed and the President signed the Emergency Economic Stabilization Act of 2008, which authorized the Department of the Treasury to establish the Troubled Asset Relief Program (TARP). Under TARP, Treasury created the Home Affordable Modification Program (HAMP) as its cornerstone effort to meet the act's goal of protecting home values and preserving homeownership. This statement focuses on (1) HAMP's program activities to date, (2) status of GAO's July 2009 recommendations to strengthen HAMP's transparency and accountability, (3) preliminary findings from GAO's current work evaluating servicers' implementation of HAMP, and (4) additional challenges HAMP faces going forward.

GAO obtained information from 10 HAMP servicers of various sizes that accounted for 71 percent of the TARP funds allocated to participating servicers. GAO reviewed their policies and procedures, interviewed management and quality assurance staff, and observed a sample of phone calls between borrowers and servicers. GAO is also reviewing samples of loan files for borrowers offered and denied HAMP trial modifications. Finally, GAO spoke with officials at Treasury and its financial agents—Fannie Mae and Freddie Mac—and is analyzing program information and data from these sources.

View [GAO-10-556T](#) or key components. For more information, contact Mathew Scire at (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov).

## TROUBLED ASSET RELIEF PROGRAM

### Home Affordable Modification Program Continues to Face Implementation Challenges

#### What GAO Found

When Treasury announced the program in March 2009, it estimated that HAMP could help 3 to 4 million borrowers. Through February 2010, including both the portion funded by TARP and the portion funded by Fannie Mae and Freddie Mac:

- about 1.1 million borrowers had begun trial modifications; of which
- about 800,000 were in active trial modifications, and
- fewer than 200,000 permanent modifications had been made.

As of early March 2010, the TARP-funded portion of the program had 113 participating servicers, and about \$36.9 billion of the \$50 billion in TARP funds for HAMP had been allocated to these servicers. A typical TARP-funded modification could result in a monthly mortgage payment reduction of about \$520.

Treasury has taken some steps, but has not fully addressed concerns that GAO raised in its July 2009 report on HAMP's transparency and accountability. For example, Treasury has yet to finalize some key components of its internal controls over the first-lien program, including establishing metrics and benchmarks for servicers' performance. In addition, Treasury has not finalized remedial actions, or penalties, for servicers not in compliance with HAMP guidelines. According to Treasury, these remedies will be completed in April 2010. Lastly, GAO reported that Treasury's projection that 3 to 4 million borrowers could be helped by HAMP was based on several uncertain assumptions and might be overly optimistic, and GAO recommended that Treasury update this estimate, but the Department has not yet done so.

Preliminary results of GAO's ongoing work show inconsistencies in some aspects of program implementation. Although one of HAMP's goals was to ensure that mortgage modifications were standardized, Treasury has not issued specific guidelines for all program areas, allowing inconsistencies in how servicers treat borrowers. For example, the 10 servicers GAO contacted had 7 different sets of criteria for determining whether borrowers who were not yet 60 days delinquent qualified for HAMP. Also, some servicers were not systematically tracking all HAMP complaints and, in some cases, tracked only resolutions to certain types of complaints, such as written complaints addressed to the company president. GAO also found that servicers faced challenges implementing HAMP because of the number of changes to the program, some of which have required servicers to readjust their business practices, update their systems, and retrain staff.

HAMP is likely to face additional challenges going forward, including successfully converting trial modifications, addressing the needs of borrowers who have substantial negative equity, limiting redefaults for those who receive modifications, and achieving program stability. While GAO's study is not yet completed, GAO shared preliminary findings with Treasury to allow it to address these issues in a timely manner.