

### Why GAO Did This Study

More than 3 years have passed since Treasury made up to \$50 billion available to help struggling homeowners through the MHA program, and foreclosure rates remain near historically high levels. Further, more than 2 years after Treasury set up the Hardest Hit Fund to help homeowners in high-unemployment states, much of the money remains unspent. The Emergency Economic Stabilization Act of 2008, which authorized Treasury to create TARP, requires GAO to report every 60 days on TARP activities. This 60-day report examines (1) the steps Treasury took to design and implement recent changes to MHA, and (2) Treasury's monitoring and oversight of states' implementation of Hardest Hit Fund programs. To address these questions, GAO analyzed data and interviewed officials from Treasury, five selected Hardest Hit Fund states, and five large MHA servicers.

### What GAO Recommends

Treasury should (1) expeditiously assess the risks associated with the recent changes to MHA and develop activity-level performance measures for each program, and (2) consolidate the states' Hardest Hit Fund performance and financial data, including administrative expenses, into a single public report. Treasury neither agreed nor disagreed with the recommendations but took exception to the finding that it did not conduct a comprehensive risk assessment prior to implementing the MHA program changes. In response, GAO provided examples of key components of a comprehensive risk assessment that Treasury had not addressed.

View [GAO-12-783](#). For more information, contact Mathew Scire at (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov).

## TROUBLED ASSET RELIEF PROGRAM

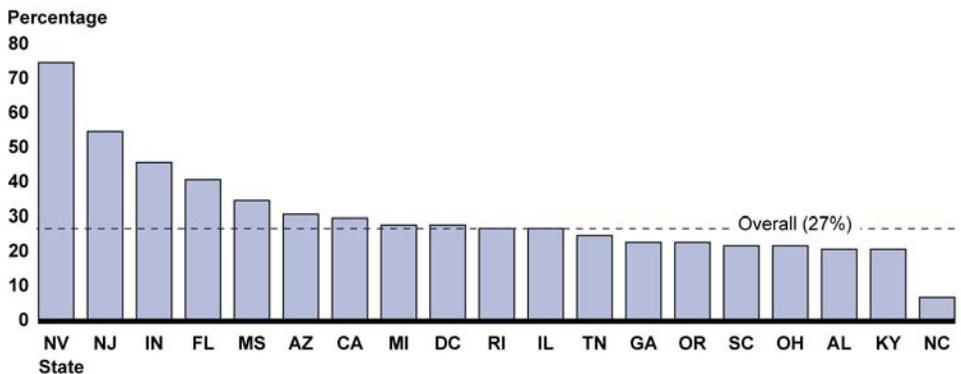
### Further Actions Needed to Enhance Assessments and Transparency of Housing Programs

### What GAO Found

The Department of the Treasury announced changes in January 2012 to its Making Home Affordable (MHA) programs, which are funded by the Troubled Asset Relief Program (TARP), to address barriers to borrower participation. These changes include expanding eligibility criteria and extending application deadlines through 2013. Not enough time has passed to assess the extent to which these changes will increase participation. Several large servicers were not able to fully implement the changes by the June 1, 2012, effective date, and servicers that GAO queried had mixed views about possible effects. Treasury consulted with servicers, investors, and federal banking regulators before implementing the changes but did not perform a comprehensive risk assessment for the changes or develop meaningful performance measures in accordance with standards for internal control. As a result, Treasury may have difficulty mitigating potential risks, such as an increase in redefaults or the misuse of funds; effectively assessing program outcomes; or holding servicers accountable.

After a slow start, states increased their spending on borrower assistance under the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund). The assistance provided as of March 2012 totaled about 5 percent of the \$7.6 billion allocation. All but one state that GAO spoke to anticipated spending their full allocations, and all noted that with Treasury's help they had dealt with challenges related to staffing, infrastructure, servicer participation, borrower outreach, and program implementation. Treasury officials said that they expected initial administrative spending to be high as states established their programs, and as shown below, 27 percent of states' total spending was for administrative expenses as of March 2012. Treasury officials stated that states would be required to report publicly on administrative costs beginning with the third quarter of 2012. Treasury has been monitoring states' performance and compliance but has not reported consolidated performance and financial data (including administrative expenses) for the programs. The lack of consolidated reporting of performance and financial data limits transparency and efforts to ensure that resources are used effectively to achieve program goals.

**Administrative Expenses as a Percent of Total Hardest Hit Fund Disbursements, by State, as of March 2012**



Source: GAO analysis of Treasury Hardest Hit Fund data.