U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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December 14, 2022

Congressional Committees

Troubled Asset Relief Program: Status of Remaining Housing Programs

The 2008 housing crisis led to unprecedented home price declines, foreclosures, and housing market downturns in certain parts of the country. In response, under the authority granted to it by the Emergency Economic Stabilization Act of 2008, the Department of the Treasury established the Troubled Asset Relief Program (TARP).[1] Through TARP, Treasury provided about $33 billion for three housing programs to help prevent avoidable foreclosures and preserve homeownership: the Making Home Affordable (MHA), Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund), and the Department of Housing and Urban Development's Federal Housing Administration (FHA) Short Refinance programs. The MHA and FHA Short Refinance programs are in the process of winding down and all assistance provided through the Hardest Hit Fund ended, as of March 31, 2022.

The Emergency Economic Stabilization Act provided GAO with broad oversight authorities for actions taken under TARP and included a provision that we report on TARP activities.[2] We have continued to provide updates on TARP programs.[3] This report focuses on the status of the two remaining TARP-funded housing programs.

To conduct this work, we reviewed Congressional Budget Office and Congressional Research Service reports on TARP and Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) semiannual reports to Congress.[4] We reviewed and analyzed Treasury funding transaction reports and other documents to provide an update on the status of

[1]Pub. L. No. 110-343, Div. A, tit. I, 122 Stat. 3765, 3767-3800 (codified as amended at 12 U.S.C. §§ 5211-5241).

[2]The Emergency Economic Stabilization Act included a provision that GAO report at least every 60 days on TARP activities and performance. The GAO Mandates Revision Act of 2016 revised GAO's reporting requirement to annually. Pub. L. No. 114-301, § 3(a), 130 Stat. 1514 (codified at 12 U.S.C. § 5226(a)(3)).

[3]See, for example, our recent reports on TARP programs: GAO, *Financial Audit: Office of Financial Stability's (Troubled Asset Relief Program) FY 2022 and FY 2021 Financial Statements*, GAO-23-106015, (Washington, D.C.: Nov. 10, 2022); *Financial Audit: Office of Financial Stability (Troubled Asset Relief Program) Fiscal Years 2021 and 2020 Financial Statements*, GAO-22-105173 (Washington, D.C.: Nov. 10, 2021); *Troubled Asset Relief Program: Treasury Continues Winding Down Housing Programs*, GAO-21-39 (Washington, D.C.: Dec. 8, 2020); *Troubled Asset Relief Program: Monitoring of the Hardest Hit Fund Program Could Be Strengthened,* GAO-19-100 (Washington, D.C.: Dec. 21, 2018); *Troubled Asset Relief Program: Status of Housing Programs*, GAO-17-236 (Washington, D.C.: Jan. 9, 2017); and *Troubled Asset Relief Program: Treasury Should Estimate Future Expenditures for the Making Home Affordable Program;* GAO-16-351 (Washington, D.C.: Mar. 8, 2016).

[4]See, for example, Congressional Budget Office, *Report on Troubled Asset Relief Program—May 2022* and *Report on Troubled Asset Relief Program—July 2021*; Congressional Research Service, *Preserving Homeownership: Foreclosure Prevention Initiatives*, R40210 (Mar. 28, 2017); and Office of the Special Inspector General for the Troubled Asset Relief Program, *Semiannual Report to Congress, October 1, 2021–March 31, 2022* and *Semiannual Report to Congress, April 1, 2021–September 30, 2021*.

program funding, expenditures, and activities. These documents include monthly reports to Congress for TARP, agency financial reports for TARP, MHA quarterly program performance reports, and Hardest Hit Fund quarterly performance summary reports. Our report contains the most recently available public data at the time of our review, including obligations, disbursements, the estimated lifetime cost of TARP-funded housing programs, and program participation. Generally, we used data that were current as of September 30, 2022, to describe program activities, expenditures, and disbursements.

We also reviewed prior GAO reports on TARP, including audits of TARP financial statements for fiscal years 2019 through 2022. As part of the financial statement audits, we tested the internal controls over financial reporting of Treasury's Office of Financial Stability, an office created to implement TARP. We also interviewed Treasury officials and obtained documentation on Treasury's efforts in winding down the MHA and Hardest Hit Fund programs. We used Treasury's participation data on program funding and expenditures in prior reports in which we concluded the data were sufficiently reliable for our purposes of describing the status of TARP-funded housing programs.[5]

We conducted this performance audit from June 2022 to December 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Treasury's Office of Financial Stability administers Treasury's TARP-related efforts and is tasked with finding ways to help prevent avoidable foreclosures and preserve homeownership. Treasury established three programs funded under TARP to address these issues: MHA, the Hardest Hit Fund, and FHA Short Refinance programs.

Making Home Affordable

Treasury established the MHA program in February 2009. The program, which includes several subprograms, was designed to strengthen the housing market and help struggling homeowners avoid foreclosure. The cornerstone of MHA, the Home Affordable Modification Program (HAMP), was intended to help eligible borrowers stay in their homes and avoid foreclosures by reducing monthly mortgage payments to affordable levels. HAMP provided financial incentives for servicers, mortgage holders or investors, and mortgage modification borrowers.

The MHA program was originally scheduled to end on December 31, 2012, but Treasury extended the deadline multiple times to expand the reach of the program in order to help more homeowners and strengthen hard-hit communities. Subsequently, in December 2015, Congress enacted the Consolidated Appropriations Act, 2016, which mandated the termination of the MHA programs by December 31, 2016, with an exemption for HAMP loan modification applications made before that date.[6] While Congress terminated the MHA program with that

[5]All data used for this report came from sources that we previously assessed and determined to be reliable. See, for example, GAO-21-39, GAO-17-236, and GAO, *Troubled Asset Relief Program: Status of Housing Programs,* GAO-16-279R (Washington, D.C.: Jan. 8, 2016).

[6]See Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Div. O, tit. VII, § 709(b), 129 Stat. 2242, 3030 (2015).

exemption in December 2016, Treasury continues to monitor servicers' compliance with program guidance.

Hardest Hit Fund

The Hardest Hit Fund was established in February 2010 to help stabilize the housing market and assist homeowners facing foreclosure in states hardest hit by the housing crisis. The Hardest Hit Fund helped homeowners prevent foreclosure while providing funds for blight elimination projects in those states. The Hardest Hit Fund was closed as of March 31, 2022, and is therefore outside the scope of this report.[7]

FHA Short Refinance

Treasury and the Department of Housing and Urban Development established the FHA Short Refinance program in September 2010 to help stabilize the housing market and assist homeowners at risk of foreclosure. The program, which is administered by FHA, was created to enable underwater borrowers (those with properties that are worth less than the principal remaining on their mortgages) whose loans were current and had not been FHA-insured to refinance into an FHA-insured mortgage. Treasury has obligated TARP funds in case the agency must pay claims for losses on these loans.

The FHA Short Refinance program allowed homeowners to refinance into FHA-insured mortgage loans through December 2016. In the event of a default on a refinanced loan, Treasury would pay up to a certain percentage of the claim after FHA paid its share. Treasury established a letter of credit facility with TARP funds to pay claims associated with this program.[8] Treasury will draw on the letter of credit to pay its share of claims through December 31, 2022.

Treasury Disbursements of TARP Housing Program Funds, as of September 2022

As of September 30, 2022, Treasury had disbursed $31.66 billion (about 97 percent) of the $32.55 billion TARP funds obligated to the MHA, FHA Short Refinance, and Hardest Hit Fund housing programs (see fig. 1). Treasury reported that these programs have assisted millions of homeowners. According to Treasury, the MHA program provided more than 2.9 million homeowner assistance actions through December 1, 2017, the date by which all MHA transactions had to be completed. The Hardest Hit Fund helped approximately 418,000 homeowners prevent foreclosures and provided funds for approximately 48,000 blight elimination projects in 18 states and the District of Columbia. In addition, under the FHA Short Refinance program, Treasury provided loss coverage for 4,200 refinanced loans.

[7]Treasury allocated $9.6 billion to housing finance agencies in 19 jurisdictions to help unemployed homeowners and others affected by house price declines. The participating agencies drew down $9.5 billion. Treasury reported that all 19 housing finance agencies had exited the program and made their final repayments on March 31, 2022, returning a total of $329 million to Treasury.

[8]As of September 2022, the FHA Short Refinance program included a maximum of $27 million in commitments to fund future claim payments, of which $10 million has been used to purchase a letter of credit facility with a commercial bank to process these payments. As of September 2022, the program also included a maximum of $18 million in commitments over the life of the program to pay for administrative fees associated with maintaining the letter of credit.

Figure 1: Status of Troubled Asset Relief Program Housing Funds, as of September 2022

Program	Total dollars (in billions)	Disbursed	Remaining	Percentage
Making Home Affordable	**$22.90**[a]	$22.14	$0.77	97%
Hardest Hit Fund[b]	**9.60**	9.50[c]	Not applicable	99%
Federal Housing Administration Short Refinance	**0.05**	0.02[d]	0.02	40% 60%
Total	**$32.55**	**$31.66**	**$0.80**[e]	97%

Source: GAO analysis of Department of the Treasury data. | GAO-23-106099

[a]According to the Department of the Treasury, approximately $775 million had been committed for the payment of future financial incentives for existing Making Home Affordable transactions, as of September 30, 2022.
[b]The Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund) was closed as of March 31, 2022.
[c]As of March 2022, all 19 housing finance agencies had exited the program and returned a total of $329 million to Treasury.
[d]Includes $10 million of reserve funds for any future claim payments, as of September 30, 2022.
[e]Amounts do not add up because of rounding.

Treasury Expects the Making Home Affordable Program to Wind Down Completely by 2024

Treasury anticipates that the MHA program will completely wind down by the end of 2023 or early 2024. As previously stated, Treasury continued to monitor servicer compliance with program guidance, reporting requirements, and other issues related to MHA program wind down. Treasury estimated that the total lifetime cost of the MHA program was $22.91 billion as of November 30, 2021. Treasury disbursed $22.14 billion in TARP funds obligated to the MHA program as of September 30, 2022.

HAMP was MHA's largest program and was intended to help eligible borrowers stay in their homes and avoid foreclosures by reducing monthly mortgage payments to affordable levels. HAMP provides financial incentives for servicers, mortgage holders/investors, and borrowers for modifications to mortgages originated prior to January 1, 2009. Payments are contingent on borrowers remaining in good standing. In late October 2022, Treasury officials told us that the agency plans to make final HAMP disbursements of borrower incentive payments in March 2023. They also told us that HAMP would end in April 2023. In addition, Treasury officials told us that their final wrap-up of payment activities—including final compliance reporting and accounting activities—will take place 3–6 months after the final incentive payment period.

Treasury has deobligated funds from the MHA program over time. As of September 30, 2022, Treasury deobligated about $13.3 billion in all TARP housing program funds. These funds are no longer available for obligation and remain in Treasury's fund balance, according to Treasury. Agency officials told us that Treasury regularly evaluates the status of MHA program funds. They also told us that Treasury will deobligate any unused funds after the agency issues its final payments for the program.

In March 2016, we recommended that Congress consider permanently rescinding any excess MHA balances that Treasury deobligated and did not move into the Hardest Hit Fund.[9] As of October 2022, we have not identified any legislative action taken by Congress to rescind excess MHA balances. As stated above, Treasury has previously deobligated billions of dollars in MHA program funds over time, providing Congress the opportunity to rescind and use those funds for other priorities. We continue to believe that Congress should consider taking this action to help ensure effective use of taxpayer funds.[10]

Treasury Plans to Pay Its Share of Claims for the FHA Short Refinance Program through 2022

Treasury officials told us the agency would honor its share of claims against the previously mentioned letter of credit facility through December 31, 2022, when the FHA Short Refinance program expires. Treasury also told us that after that date, Treasury plans to wind down all program financing and operating agreements.[11]

As of September 30, 2022, FHA had guaranteed 7,234 refinance loans with a total face value of approximately $1 billion—4,200 of these refinanced loans with a total face value of approximately $620 million could still require a Treasury contribution. Treasury reported that its maximum exposure for all active FHA-insured mortgage loans was $2.5 million as of September 30, 2022. The estimated lifetime cost of the program was approximately $12.5 million, as of September 30, 2022.[12] The remaining amount of funds available for the FHA Short Refinance program was approximately $23 million, as of September 30, 2022.

Agency Comments

We provided a draft of this report to Treasury for review and comment. Treasury informed us that they had no comments on the draft report.

We are sending copies of this report to the appropriate congressional committees and the Secretary of the Treasury. This report will be available at no charge on our website at http://www.gao.gov.

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[9]GAO-16-351.

[10]A bill introduced in December 2015, H.R. 4140 (114th Cong.), would have rescinded $2.5 billion of the "amounts obligated, but not expended" for the MHA program. The bill was referred to committee but no further action was taken.

[11]According to Treasury officials, FHA is responsible for issuing guidance on the requirements for the FHA Short Refinance program and the wind-down process.

[12]The estimated lifetime cost for this program includes the total estimated subsidy cost of the program and the total estimated administrative cost associated with the letter of credit that supports the program, according to Treasury officials.

If you or your staff members have any questions about this report, please contact me at (202) 512-8678 or clementsm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Karen Tremba (Assistant Director), Isidro Gomez (Analyst in Charge), Lynda Downing, Garrett Hillyer, Jill Lacey, John McGrail, and Marc Molino.

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