

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

July 23, 2010

Via Electronic Transmission

The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

The Senate Finance Committee held a TARP oversight hearing this week where the Committee was told that the Treasury Department's (Treasury/Department) \$50 billion Home Affordable Modification program (HAMP) is not working. The Committee heard testimony from the leaders of three separate TARP oversight organizations: Mr. Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program; Ms. Elizabeth Warren, Chair of the Congressional Oversight Panel; and Mr. Richard Hillman, Managing Director of the Financial Markets and Community Investment Team for the Government Accountability Office. Remarkably, they were all in agreement that HAMP has failed to effectively address the home foreclosure crisis. They also were unanimous in pointing to one of the key reasons for the failure: Treasury has steadfastly refused for months to set measurable goals and benchmarks for progress in the HAMP program.

Without stated goals and measurable benchmarks for success in the HAMP program, there can be no accountability. Even the Special Inspector General for TARP agrees. He stated, "This failure to adopt this recommendation is a failure to recognize the basic tenets of good government program: clear goals, clear expectations and clear description of performance against those benchmarks. Its failure to do so has essentially resulted in the nation's taxpayers having to shoulder an additional up to \$50 billion in national debt without being told how many people it's expected are going to actually be helped by this program to stay in their homes, how many people are going to be helped in the various alphabet soup of sub-programs and how the money is going to be spent to achieve those benefits." And another witness, in response to a question from the Chairman, testified that HAMP is merely a program designed to pay "bribes" to servicers (banks) to negotiate modifications between homeowners and investors.

It has been sixteen months since Treasury established HAMP and committed \$50 billion of taxpayer money to modify 3 to 4 million mortgages to help financially struggling Americans avoid foreclosure. However, we learned that permanent modifications in the TARP portion of the HAMP program stand at only 165,000. Meanwhile, there have been over 430,000 failed modifications, vastly outnumbering successful modifications. After all this time, less than \$250 million has been spent on mortgage modifications. It is astounding that virtually the entire \$50 billion remains

idle, helping very few people who are in need. The HAMP program as presently managed by Treasury sounds like a failure by any reasonable definition. Meanwhile, foreclosures are rising to record levels, and the tiny fraction of the fund that has actually been spent has gone primarily to financial institutions rather than to struggling homeowners.

Treasury needs to comply with the recommendations of the oversight witnesses that testified before the Committee this week by setting performance goals and measurable benchmarks, and making those goals and benchmarks transparent. Specifically, I am requesting a response to this letter by no later than July 30, 2010.

In closing, I urge the Department to stop ignoring this simple recommendation and immediately work to make the taxpayer investment in HAMP worthwhile. The American people deserve it. Homeowners in need of help deserve it. You can be sure that I intend to keep a watchful eye over the Department until it is done.

Sincerely,



Charles E. Grassley
Ranking Member

cc: The Honorable Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), United States Department of Treasury

Elizabeth Warren, Chair, Congressional Oversight Panel

Richard Hillman, Managing Director Financial Markets and Community Investment Team, United States Government Accountability Office