




OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
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WASHINGTON, D.C. 20220

MAR 23 2010

MEMORANDUM FOR: Herbert M. Allison, Jr. - Assistant Secretary for Financial Stability,
Department of Treasury

FROM: Neil M. Barofsky - Special Inspector General for the Troubled
Asset Relief Program 

SUBJECT: Engagement Memo - Review of the Home Affordable
Modification Program's Net Present Value Test

As part of our continuing oversight of the Troubled Asset Relief Program ("TARP"), we are initiating a review of the Home Affordable Modification Program's ("HAMP") Net Present Value ("NPV") test and its application across servicers. HAMP, a component of the Administration's Making Home Affordable ("MHA") Program, offers eligible homeowners mortgage assistance supported by nearly \$50 billion in TARP funds.

Our specific objectives are to determine (1) whether the servicers are correctly applying the NPV test under the program, (2) the extent to which Treasury is ensuring that servicers are appropriately applying the NPV test per HAMP guidelines when assessing borrowers for program eligibility, and (3) the procedures servicers follow to communicate to borrowers on the reasons for NPV test failure, as well as to identify the full range of loss mitigation options available to such borrowers.

We plan to start work on this engagement immediately. This work will be performed under engagement code 019. We expect to perform our field work primarily at the Office of Financial Stability, Fannie Mae's Washington, D.C. offices, and Freddie Mac's McLean, Virginia offices. We will also perform our work at a sample of servicer locations. A member of my staff will contact you shortly to arrange an entrance conference. At that time, we will discuss our scope, methodology, and timeframes in more detail. In the meantime, please contact Mr. Mark Little, SIGTARP Associate Director for Audit, at (202) 927-8861.

cc: Timothy Massad, Chief Counsel, Office of Financial Stability
Jennifer Williams, Oversight Liaison, Office of Financial Stability
Paul Heran, Making Home Affordable Compliance Program Executive, Freddie Mac
Eric Schuppenhauer, Home Affordable and Stability Plan Program Executive, Fannie Mae