



OFFICE OF THE SPECIAL INSPECTOR GENERAL


FOR THE TROUBLED ASSET RELIEF PROGRAM

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WASHINGTON, D.C. 20220

July 07, 2009

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

FROM: Neil M. Barofsky, Special Inspector General for the Troubled
Asset Relief Program (TARP) 

SUBJECT: Engagement Memo – Review of Status and Challenges
Confronting the Home Affordable Modification Program

As part of our continuing oversight of TARP, we are initiating an audit of the status of the Home Affordable Modification Program (HAMP), which is a part of the Making Home Affordable (MHA) Program. According to the U.S. Department of the Treasury, approximately 3 to 4 million homeowners could benefit from the mortgage modification program and potentially avoid foreclosure, but some early indicators suggest many may be unaware that Federal assistance is available. Preliminary field visits and discussions with loan servicers conducted by Freddie Mac found that despite initial marketing to homeowners matching the program's eligibility criteria, there has been limited response. With nearly 6 million families expected to face foreclosure in the next several years, robust and targeted marketing is necessary to maximize potential benefits of the program to at-risk homeowners. Also, questions have been raised about whether all loan servicers have developed the capabilities to provide the needed services to eligible recipients of the mortgage modification program. Such efforts will need to be comprehensive and coordinated at all levels, including, but not limited to, servicers and state and local governments. In light of the nation's economic challenges, responsible entities will need to fully leverage available resources to not only educate the public, but also ensure effective use of taxpayer dollars provided through HAMP.

Our specific objectives will include, but are not limited to, determining (1) the status of HAMP, (2) the extent to which the U.S. Department of Treasury is measuring the effectiveness of the program's marketing efforts, (3) the extent to which lenders and loan servicers have developed capabilities to provide services to eligible recipients, and (4) what challenges are associated with future program implementation, execution, and assessment.

We plan to start work on this engagement immediately. This work will be performed under engagement code 0008. We expect to perform our fieldwork at the Department of Treasury's Office of Financial Stability, Fannie Mae, Freddie Mac, select servicers, and select MHA marketing event 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 interim, should you have any questions, please contact Barry W. Holman, SIGTARP Deputy Special Inspector General for Audit, at (202) 622-4633.

cc: Duane Morse, Chief Risk and Compliance Officer, OFS
Eric M. Thorson, Inspector General, Department of the Treasury