United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510–6275

September 23, 2016

Via Electronic Transmission

The Honorable Christy Goldsmith Romero
Special Inspector General
Office of the Special Inspector General for
the Troubled Asset Relief Program
1801 L Street, NW
Washington, D.C. 20220

Dear Special Inspector General Goldsmith Romero:

The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) recently released a report raising concerns about waste, fraud and abuse of the Hardest Hit Fund (HHF) program.[1] As you know, HHF was established to help the homeowners avoid foreclosure in the hardest hit areas of the country.[2] Yet the Treasury Department's failure to provide proper oversight of this program has also failed vulnerable homeowners and wasted millions of taxpayer dollars.

Since 2010, one state has received $202 million in HHF funding to help homeowners avoid foreclosure. While employees were living high on the hog, assistance to homeowners about to lose their houses in that state "plummeted by 94% from 2013

[1] https://www.sigtarp.gov/Audit%20Reports/HHF%20Nevada_090916.pdf
[2] The Hardest Hit Fund was established by Congress in February 2010 as part of the broader Troubled Asset Relief Program (TARP). The purpose of the Fund was to assist those hardest hit by the 2007 financial crisis. Congress initially allocated $7.6 billion to the program, and allocated an additional $2 billion in 2016, bringing the total invested in this program to $9.6 billion. The Treasury Department, in cooperation with the States, is responsible for ensuring that these funds make their way to those homeowners who need it the most.

through 2015."[3] In the state, "2,101 homeowners [were] admitted to the program in 2012, and, 2,111 homeowners admitted in 2013. Only 541 homeowners were admitted in 2014"[4] and only 117 were admitted in 2015.[5] Worse yet, the state organization administering the program "still had almost $100 million ($94.6 million) in unspent TARP funds available for struggling homeowners at the start of 2015, but provided less than 3 percent of that to homeowners."[6]

Some of the expenses charged to HHF included:[7]

- A $500 per month car allowance for the CEO who drove a Mercedes Benz;
- $20,000 for a CEO's severance package;
- Over $15,000 for employee bonuses, gifts, holiday parties, manager outing at a high end cocktail bar, gift cards, and regular staff breakfasts and lunches;
- Over $160,000 in block-billed legal fees and costs for a private investigator, and nearly $40,000 for auditors to clean up the books; and,
- Over $100,000 in moving fees, excessive rent and lawyers' fees to move to nicer office space only to break the lease to move out less than a year later;

I am concerned that such waste of HHF funds exists across the entire program. Meanwhile, it appears the Treasury Department has taken little or no action to prevent further waste and abuse. Therefore, please conduct an audit of the administrative or other operating expenditures in other states for the HHF program to identify waste and abuse. As part of that audit, please review the following:

1. Whether HHF was charged (whether reimbursed or not)for expenses unnecessary to provide HHF services such as:

    - bonuses, gifts, holiday parties, entertainment expenses, gift cards, meals, office refreshments, and other perks;
    - car allowances;

[3] Id. at report summary.
[4] Id. at p. 21, footnote 14.
[5] Id. at p. 21.
[6] Ibid.
[7] Charge information compiled from Id. at summary and pp. 36-38.

- severance payments or other termination payments;

- unnecessary travel costs; and,

- any other expenditure unnecessary to provide HHF services.

2. Whether HHF was charged (whether reimbursed or not) 100% for overhead costs, including rent and payroll even though the entity may perform non-HHF activities.

If you have any questions, please contact Janet Drew of my staff at (202) 224-5225.

Sincerely,

Chuck Grassley

Charles E. Grassley
Chairman
Committee on the Judiciary