



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 31, 2017

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Chairman Grassley:

Thank you for your letter regarding administrative expenses funded through Treasury's Housing Finance Agency Innovation Fund for Hardest Hit Housing Markets (Hardest Hit Fund or HHF). Treasury shares your commitment to preventing waste and abuse in HHF, and other programs funded through the Troubled Asset Relief Program (TARP).

HHF is a \$9.6 billion program created in 2010 to help struggling homeowners avoid foreclosure and stabilize housing markets in areas hit hardest by the housing crisis. Funding is used by housing finance agencies (together with certain affiliates, HFAs) in 18 states and the District of Columbia, to design and implement HHF programs tailored to the specific needs and conditions of local communities.

Your letter references a recent Audit Report issued by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) on August 25, 2017 (Report).¹ In the Report, SIGTARP identifies certain administrative expenses which SIGTARP determined were "unnecessary." We take these findings seriously, and we agree that Treasury should recover funds expended in violation of HHF program requirements. As noted in our written response to SIGTARP, a copy of which is attached for your convenience, Treasury has taken steps to control administrative spending since the outset of the program. This includes limiting administrative expenses based on standards established by the Federal government, and enforcing those limitations through periodic compliance reviews. To that end, Treasury is presently conducting its own review of the expenses identified in the Report, which reflects SIGTARP's analysis of administrative expenses by all 19 HFAs, spanning back to the beginning of the program. Once we have completed that review, we will move quickly to recover any taxpayer funds that we determine were expended improperly.

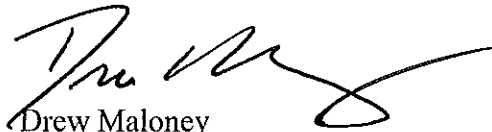
Your letter also references a similar Audit Report issued by SIGTARP on September 9, 2016, in which SIGTARP recommended that Treasury recover more than \$8 million in administrative expenses from the Nevada HFA. Following a thorough review, Treasury concluded that only \$82,172 of such expenses were made in violation of HHF program requirements, and recovered

¹ Your letter references expenditures in Florida of "nearly \$443,000 in employee bonuses and a \$52,000 dinner." We understand that these expenditures were made with Florida taxpayer dollars, and not with Federal HHF funds. See Report at 33.

that amount in full from the Nevada HFA. For the reasons set forth in our letter to SIGTARP of January 19, 2017, a copy of which is also attached, Treasury determined that recovery of certain other expenditures was not warranted.

We are committed to ensuring that taxpayer funds are utilized responsibly, and only for their intended purpose. We also appreciate SIGTARP's efforts to protect against waste, fraud, and abuse. Once our work is complete, we will inform both your office and SIGTARP of our response. Should you have any additional questions, please contact Andrew Newton in Treasury's Office of Legislative Affairs at (202) 622-1900.

Sincerely,

A handwritten signature in black ink, appearing to read "Drew Maloney", with a stylized flourish at the end.

Drew Maloney
Assistant Secretary for Legislative Affairs

Enclosures

cc: The Honorable Dianne Feinstein
The Honorable Shelley Moore Capito
The Honorable Christopher A. Coons
The Honorable Patrick J. Toomey
The Honorable Elizabeth Warren
Special Inspector General Christy Goldsmith Romero