

Special Inspector General for TARP

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2017	FY 2018	FY 2019	FY 2018 TO FY 2019	
	Enacted	Annualized CR	Request	\$ Change	% Change
Investigations	\$32,516	\$34,748	\$16,450	(\$18,298)	-52.66%
Audit	\$8,644	\$6,132	\$1,050	(\$5,082)	-82.88%
Subtotal, SIGTARP	\$41,160	\$40,880	\$17,500	(\$23,380)	-57.19%
Unobligated Balances Brought Forward	\$0	\$0	\$6,437	\$6,437	N/A
Resources from Other Accounts	\$82	\$0	\$1,563	\$1,563	N/A
Total Program Operating Level	\$41,242	\$40,880	\$25,500	(\$15,380)	-37.62%
Direct FTE	141	140	85	(55)	-39.29%
Total FTE	141	140	85	(55)	-39.29%

Note: FY 2017 FTE and Resources from Other Accounts are actual.

The FY 2017 Enacted column reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017.

For further details on the execution of these resources, see the 2019 Budget *Appendix* chapter for the Department of the Treasury.

Summary

The FY 2019 Budget proposes \$17,500,000,¹ which is 57 percent below the FY 2018 Annualized CR level, to conduct oversight over \$37.4 billion in Troubled Asset Relief Program (TARP) housing programs, and \$100 million in open TARP banking programs.

The Office of the Special Investigator General for TARP (SIGTARP) is primarily a federal law enforcement agency investigating crime at financial institutions that received TARP funds or other TARP recipients in TARP housing programs. SIGTARP's ongoing criminal investigations of recipients of TARP dollars in TARP housing programs counter threats to public safety and government interests, including financial institution fraud, public corruption, antitrust (unfair competition), and contract fraud.

The \$27.8 billion Making Home Affordable Program (MHA) continues until September 2023. Treasury has paid \$18.4 billion and will pay up to an additional \$9.4 billion to Wells Fargo, Ocwen Loan Servicing, JPMorgan Chase, Bank of America, Nationstar Mortgage, Select Portfolio Servicing, CitiMortgage, CIT/One West, Bayview, Ditech, and more

than 120 other financial institutions. Future TARP payments are not automatic, but instead are based on the institution complying with the law and MHA rules. TARP's Hardest Hit Fund (HHF) was scheduled to end in FY 2018, but Congress extended it by four years and expanded it by \$2 billion in the Consolidated Appropriations Act, 2016 (P.L. 114-113). Recipients of TARP dollars include 19 state housing finance agencies and hundreds of demolition contractors, subcontractors, and others. The HHF subprogram for Blight Elimination has grown 1,500 percent to 248 cities or counties since August 2013. The HHF subprogram for Down Payment Assistance has grown 1,200 percent to 10 states since July 2015.

SIGTARP's investigations have recovered \$10 billion, which translates to a 35 times return on investment from its spending of annual appropriations through FY 2017.² For each of the last four fiscal years, recoveries to the government exceeded SIGTARP's budget proposal. For example, in FY 2018, recoveries from SIGTARP investigations were \$100 million, including \$90 million paid to the government. SIGTARP has developed a deep expertise in identifying undetected crime, with 408 defendants criminally charged as of January 2018. SIGTARP investigations have resulted in significant Department of Justice enforcement actions against General Motors

¹ Includes \$70,000 for training and \$50,000 to the Council of the Inspectors General on Integrity and Efficiency.

² Includes fines, restitution, forfeiture, and full homeowner relief by a large financial institution.

and 10 financial institutions including Goldman Sachs, Bank of America, JPMorgan Chase, Morgan Stanley, Ally Financial, SunTrust Bank, Fifth Third Bank, Wilmington Trust, RBS Securities, and Jefferies and Company. SIGTARP audits in FY 2016 and FY 2017 identified millions of dollars of waste and abuse; and identified the risk of criminal behavior in ongoing TARP programs.

SIGTARP supports the Department of the Treasury’s FY 2018–2022 Strategic Plan (Strategic Plan) goals under the following:

- Goal 4: Transform Government-wide Financial Stewardship; and
- Goal 5: Achieve Operational Excellence.

With the publication of the Strategic Plan, SIGTARP will work in FY 2018 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2020 Budget.

SIGTARP FY 2019 Budget Highlights

Dollars in Thousands

SIGTARP	FTE	Amount
FY 2018 Annualized CR	140	\$40,880
Changes to Base:		
Maintaining Current Levels (MCLs)		\$213
Pay Annualization		\$60
Non-Pay		\$153
Subtotal Changes to Base		\$213
Total FY 2019 Base	140	\$41,093
Program Changes:		
Program Decreases	(55)	(\$23,59)
Technical FTE Adjustment	(55)	(\$9,500)
Efficiency Savings		(\$14,09)
Total FY 2019 Request	85	\$17,500

FY 2019 Budget Adjustments

Pay Annualization +\$60,000 / +0 FTE

Funds are requested for annualization of the January 2018 pay-raise.

Non-Pay +\$153,000 / +0 FTE

Funds are requested for non-labor expenses such as travel, rent, contracts, supplies, and equipment.

Technical FTE Adjustment -\$9,500,000 / -55 FTE

The technical FTE adjustment reduces the appropriated FTE level.

Efficiency Savings -\$14,093,000 / -0 FTE

SIGTARP will also seek to reduce non-personnel costs.

Explanation of Budget Activities

Investigations (\$16,450,000 from direct appropriations)

The Investigations budget activity supports SIGTARP’s priority of law enforcement of crimes related to TARP.

Audit (\$1,050,000 from direct appropriations)

The limited Audit budget activity supports SIGTARP as the independent watchdog over TARP dollars.

Both activities support and complement Treasury’s efforts to safeguard and protect the integrity of the financial system. SIGTARP coordinates with other law enforcement agencies, leveraging its unique position and expertise by forming law enforcement partnerships.

SIGTARP Performance Highlights

Budget Activity	Performance Measures	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
		Actual	Actual	Actual	Target	Target
Investigations	Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	77.0	81.0	70.0	35.0
Investigations	Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	80.0	80.0	70.0	25.0
Investigations	Percentage of Cases That are Joint Agency/Task Force Investigations	70.0	71.0	75.0	70.0	70.0
Audit	Percentage of Congressional Inquiries Responded to Within 415 Days of Receipt	100	99	93	DISC	DISC
Audit	Number of Completed Audit Products Including Referral to Investigations Division (Units)	N/A	11	8	DISC	DISC
Audit	Number of Completed Audit Products Identifying Waste, Fraud, Abuse, Mismanagement, Inefficiencies, or Referrals to Investigations Division (Units)	N/A	N/A	N/A	3	1

Key: DISC – Discontinued

Description of Performance

SIGTARP exceeded all metric targets in FY 2017. The “Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome” in FY 2017 was 81 percent which exceeded the target of 70 percent. The “Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened” was 80 percent which exceeded the target of 70 percent. The “Percentage of Cases That are Joint Agency/Task Force Investigations” with other law enforcement agencies was 75 percent which exceeded the target of 70 percent. The “Percentage of Preliminary Investigations

Converted to Full Investigations within 180 days” was 93 percent which exceeded the target of 80 percent. This measure was discontinued for FY 2018.

SIGTARP exceeded its performance measure “Number of Completed Audit Products including Referrals to Investigations Division” of seven in FY 2017, with eight products. This measure was discontinued for FY 2018. SIGTARP exceeded its 85 percent goal of “Percentage of Congressional Inquiries Responded to within 45 Days of Receipt” by accomplishing 100 percent. This measure was discontinued for FY 2018.

Comments of the Honorable Christy Goldsmith Romero
Special Inspector General Troubled Asset Relief Program
FY 2019 Proposed Funding Level

Under the provisions of section 6(g)(3)(E) of the Inspector General Act of 1978, as amended, as applied through the Emergency Economic Stabilization Act of 2008, the Special Inspector General has provided the following comments regarding FY 2019 proposed funding:

*The FY 2019 budget request, which is 57% below the FY 2018 Annualized CR level substantially inhibits the Office of the Special Inspector General for TARP (SIGTARP) from performing the duties of the office, including audits and criminal investigations. **The proposed reduction does not reflect that nearly all of SIGTARP's planned work for FY 2019 is over \$37.4 billion of TARP housing programs, which are not in wind down.** The Making Home Affordable Program (MHA) has \$9.5 billion to be spent through FY 2023, and has not declined in steady participation of about one million homeowners from FY 2015 to FY 2017. The Hardest Hit Fund (HHF) program is in a **ramp-up stage** after Congress added \$2 billion in the FY 2016 appropriations, and Treasury extended TARP spending of \$2.65 billion through FY 2022. HHF is not limited to Treasury disbursements as dollars are recaptured into the program when houses are sold. SIGTARP has already found fraud, waste, and abuse in both of these programs.*

Taxpayers will lose millions of dollars under the request because SIGTARP's work results in recoveries of millions of dollars to the Government each year. SIGTARP has a 35 times return on investment in actual dollars recovered. In each of FY 2015, FY 2016, FY 2017, and FY 2018, SIGTARP's actual recoveries to the Government have exceeded its appropriation. FY 2017 recoveries of \$64.31 million to the Government exceeded the \$41.16 million appropriation, and FY 2018 recoveries of \$90 million to the Government exceeded the \$40 million Annualized CR. SIGTARP's investigations have also resulted in millions of dollars recovered for victims, and SIGTARP's audits have found millions of dollars in waste for Treasury to recover – waste that Treasury failed to catch. Substantial reductions to SIGTARP's budget will reduce Government recoveries.

SIGTARP already has reduced its budget substantially from FY 2017 levels to reflect that TARP investments in banks, autos, and AIG have been wound down to \$100 million outstanding. After achieving criminal prosecutions of 408 defendants including 99 bankers, and Department of Justice actions against General Motors and 10 financial institutions, SIGTARP has reduced resources over TARP investments to only the resources necessary to support DOJ prosecutions of bankers SIGTARP investigated.

Criminal investigations: SIGTARP's highest priority is investigations of unlawful conduct by banks and others administering the \$27.8 billion MHA program — investigations that would be shut down under this proposed budget. These investigations require resources because of the size and complexity of the institutions and the amount of TARP dollars at stake. The major current and future TARP recipients in MHA have a track record of wrongdoing and enforcement actions, which creates a high risk of fraud, waste, and abuse. For example, Wells Fargo, the subject of a well-publicized 2016 enforcement action, has already received \$3 billion in MHA, and will receive up to an

additional \$1.4 billion in TARP dollars. Ocwen, the subject of a 2017 enforcement action by 22 state attorneys general, has received \$4.6 billion, and will receive up to an additional \$2.4 billion in TARP. JPMorgan Chase, the subject of a Justice Department action investigated by SIGTARP related to MHA, has received \$2.9 billion in MHA and will receive up to an additional \$1 billion. Bank of America, the subject of a Justice Department action investigated by SIGTARP related to MHA, has received \$2.9 billion and will receive up to an additional \$762 million. SIGTARP has reported repeatedly about each financial institution's track record of breaking the MHA rules. SIGTARP has proven expertise in identifying fraud, waste, and abuse in large financial institutions, with our investigations resulting in Justice Department enforcement actions against 10 financial institutions, including for example, Goldman Sachs, Morgan Stanley, Bank of America, JPMorgan Chase, Fifth Third Bank, Ally Financial, and SunTrust Bank.

SIGTARP has a significant number of criminal investigations into the Hardest Hit Fund, many of which would also be shut down under the proposed budget. Of high risk is the \$800 million blight subprogram that pays TARP dollars to demolition contractors which has grown 1,500% to 248 cities or counties. SIGTARP investigations counter threats such as fraud, corruption, contract steering, bid-rigging, and environmental crimes. SIGTARP's audits in 2016 and 2017 have uncovered that the program is at significant risk of fraud, waste and abuse: (1) lacking are standard requirements for competition and limits on Federal dollars to only necessary and reasonable costs; (2) demolition and other related costs rose by 90% in the largest blight state; (3) homeowners were evicted so their homes could qualify for demolition to move a Ford automobile dealership to their street; and (4) the U.S. Army Corps of Engineers found mishandling of asbestos, and the risk of asbestos exposure, contaminated soil, and illegal dumping in Flint, Michigan, with risks throughout the program.

Audits: In 2016 and 2017, SIGTARP's forensic audits uncovered millions of dollars wasted in state agency expenses in the Hardest Hit Fund, including monthly payments for a CEO to drive a Mercedes Benz, country club lunches, holiday parties, picnics, catered barbeques with Treasury employees, steak and seafood dinners, a pizza party to celebrate the new HHF funding, Visa gift cards for employees, zoo admissions, gym memberships, bonuses included a fired CEO's \$20,000 severance package, settlements of discrimination and wrongful termination lawsuits, and more. SIGTARP's audits have a deterrent impact on waste that will be lost under the proposed budget. With state agencies spending \$1.1 billion on TARP funds on their own expenses, SIGTARP's forensic audit expertise is crucial in identifying waste that Treasury's reviews missed.

The proposed budget substantially inhibits SIGTARP's ability to: (1) identify costly waste and abuse in TARP housing programs in ongoing and future audits, and (2) conduct ongoing and future criminal investigations in TARP housing programs that lead to indictments, convictions, prison sentences, and recoveries. SIGTARP will not be able to do the job the taxpayers need and Congress expects in the absence of sufficient funding. Taxpayers are not protected if SIGTARP's budget is reduced 50% while Treasury has grown the HHF blight program 1,500% and is scheduled to pay billions in TARP dollars to companies that have been the subject of scandals.