

## Special Inspector General for TARP

### Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2018 to FY 2018	
	Enacted	Annualized CR	Request	Change	% Change
Investigations	31,801	32,069	16,441	(15,628)	-48.73%
Audit	8,870	8,525	3,856	(4,669)	-54.77%
<b>Subtotal Appropriated Resources</b>	<b>\$ 40,671</b>	<b>\$ 40,594</b>	<b>\$ 20,297</b>	<b>\$ (20,297)</b>	<b>-50.00%</b>
Unobligated Balances Brought Forward	-	4,000	11,090	7,090	177.25%
Available PPIP Funds	475	1,548	1,613	65	4.20%
<b>Total Program Operating Level</b>	<b>\$ 41,146</b>	<b>\$ 46,142</b>	<b>\$ 33,000</b>	<b>\$ (13,142)</b>	<b>-28.48%</b>

Budget Activity	FY 2016	FY 2017	FY 2018	FY 2016 to FY 2017	
	Enacted	Enacted	Request	Change	% Change
Investigations	32,276	36,770	26,730	(10,040)	-27.30%
Audit	8,870	9,372	6,270	(3,102)	-33.10%
<b>Total SIGTARP by Budget Activity</b>	<b>\$ 41,146</b>	<b>\$ 46,142</b>	<b>\$ 33,000</b>	<b>\$ (13,142)</b>	<b>-28.48%</b>
<b>Total FTE</b>	<b>192</b>	<b>192</b>	<b>100</b>	<b>(92)</b>	<b>-47.92%</b>

Note: FY 2016 Other resources reflect actual obligations.

### Summary

The FY 2018 Budget proposes \$20,297,000, which is 50 percent below the FY 2017 Annualized CR level.<sup>1</sup> Treasury has committed \$38 billion for TARP housing programs, of which more than \$8 billion remains outstanding for payments scheduled to occur through FY 2023.<sup>2</sup> Currently, TARP spending is approximately \$1 billion per quarter. Of the amount proposed, 81 percent is for investigations and 19 percent is for audits.

SIGTARP's criminal investigations of TARP recipients counter threats to public safety and Government interests, including public corruption, antitrust (unfair competition), contract fraud, financial institution fraud, and mortgage fraud. SIGTARP's audits identify costly waste, abuse, risk of fraud, and inefficiency. SIGTARP has ongoing criminal investigations into TARP recipients, and

ongoing audits requested by members of Congress. Under TARP's Hardest Hit Fund, which was scheduled to end in FY 2018, but was extended and expanded by \$2 billion in the Consolidated Appropriations Act, 2016 (P.L. 114-113), recipients of TARP dollars include 19 state housing finance agencies, 38 cities/counties, 147 individuals, eight for-profit companies, 158 non-profits, 39 land banks, hundreds of demolition contractors, homebuyers, and homeowners. Separately, recipients of TARP dollars through the Making Home Affordable Program include Ocwen Loan Servicing, Wells Fargo Bank, JPMorgan Chase Bank, Bank of America, Nationstar Mortgage, Select Portfolio Servicing, CitiMortgage, and more than 130 other mortgage servicers.

SIGTARP's investigations have recovered \$10 billion, which translates to a 40-times return on investment from its annual appropriations through FY 2016.<sup>3</sup> This is in addition to \$2

<sup>1</sup> Including \$200,000 for training and \$40,000 to the Council of the Inspectors General on Integrity and Efficiency.

<sup>2</sup> Of this amount, \$7.01 billion is obligated to be paid and \$3.93 billion committed in the Making Home Affordable Program and \$3.2 billion is obligated to be paid in the Hardest Hit Fund program.

<sup>3</sup> Includes fines, restitution, forfeiture, and full homeowner relief by a large financial institution.

billion in cost-saving audit recommendations, including \$161 million in savings that will be realized from implemented recommendations this year. For the last three fiscal years, recoveries to the Government exceeded SIGTARP's budget proposal and offset taxpayer losses. SIGTARP has developed a deep expertise in identifying crime in TARP, with 394 defendants criminally charged, nearly 100 of which were charged in FY 2016-2017. SIGTARP investigations have also resulted in significant Department of Justice enforcement actions against TARP recipients Bank of America, JPMorgan Chase Bank, Goldman Sachs, Morgan Stanley, Ally Financial, SunTrust Bank, Fifth Third Bank, and General Motors. SIGTARP audits in FY 2016-2017 identified costly waste, abuse, and risk of criminal behavior in ongoing TARP programs.

**SIGTARP FY 2018 Budget Highlights**

Special Inspector General for TARP	FTE	Amount
<b>FY 2017 Annualized CR</b>	<b>184</b>	<b>\$40,594</b>
Changes to Base:		
Maintaining Current Levels (MCLs):		<b>\$809</b>
Pay raise		465
Pay annualization		170
Non-pay		174
Program Reductions	<b>(92)</b>	<b>(21,106)</b>
Technical FTE Adjustment	(92)	(14,600)
Reduce Support Services		(6,506)
Subtotal Changes to Base	<b>(92)</b>	<b>(20,297)</b>
<b>Total FY 2018 Base</b>	<b>92</b>	<b>\$20,297</b>
<b>Total FY 2018 Request</b>	<b>92</b>	<b>\$20,297</b>

**FY 2018 Budget Adjustments**

**Pay Raise +\$465,000 / +0 FTE**

Funds are requested for the proposed January 2018 pay-raise.

**Pay Annualization +\$170,000 / +0 FTE**

Funds are requested for annualization of the January 2017 pay-raise.

**Non-Pay +\$174,000 / +0 FTE**

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

**Technical FTE Adjustment**

**-\$14,600,000 / -92 FTE**

The technical adjustment reduces the appropriated FTE level.

**Reduce Support Services -\$6,506,000 / -0 FTE**

SIGTARP will also seek to reduce non-personnel costs.

**Explanation of Budget Activities**

**Investigations (\$16,441,000 from direct appropriations)**

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

**Audit (\$3,856,000 from direct appropriations)**

The Audit budget activity supports SIGTARP's priority of being an independent watchdog over the billions of TARP dollars being disbursed.



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.

**Public-Private Investment Program (PPIP)**

SIGTARP is requesting that PPIP funds be made available to support SIGTARP's oversight of ongoing TARP programs.

**Please refer to the Summary of FY 2018 Appropriations Language later in this document or SIGTARP's Congressional Justification for proposed language.**

**SIGTARP Performance Highlights**

		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2016
Budget Activity	Performance Measures	Actual	Actual	Actual	Target	Target	Trend
Investigations	Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	N/A	N/A	77.0	70.0	70.0	N/A
Investigations	Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened	N/A	N/A	80.0	70.0	50.0	N/A
Investigations	Percentage of Cases That are Joint Agency/Task Force Investigations	75.5	69.65	71.0	70.0	50.0	
Investigations	Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days	95.75	100.0	99.0	80.0	60.0	
Audit	Number of Completed Audit Products including Referral to Investigations Division (Units)	N/A	N/A	11	7.0	3.0	N/A

Key: DISC - Discontinued, B - Baseline

**Description of Performance**

SIGTARP exceeded all metrics in FY 2016. In FY 2016, the “Percentage of Cases That are Joint Agency/Task Force Investigations” with other law enforcement agencies was 71 percent. In FY 2016, “Percentage of Preliminary Investigations Converted to Full Investigations within 180 days” was 99 percent, exceeding the target of 80 percent. The “Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome” in FY 2016 was 77 percent success rate, exceeded its target of 60 percent. During FY 2016, the “Percentage of Cases Presented

to Civil or Criminal Authorities within Eight Months of the Case Being Opened,” was 80 percent, exceeding the target of 70 percent.

SIGTARP exceeded its performance measure “Number of Completed Audit Products including Referrals to Investigations Division” of seven in FY 2016, with 11 products. SIGTARP exceeded its 85 percent goal of “Percentage of Congressional Inquiries Responded to within 45 Days of Receipt,” at 100 percent.

**Comments of the Honorable Christy Goldsmith Romero  
Special Inspector General Troubled Asset Relief Program  
on the FY 2018 Proposed Funding Level**

Under the provisions of section 6(f)(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 2018 proposed funding:

*The FY 2018 budget request substantially inhibits the Office of the Special Inspector General (OIG) for TARP from performing the duties of the office, including audits and criminal investigations. The proposed funding represents a 50% reduction (\$20 million) from the FY 2017 level enacted by the Congress, despite the Federal Government's continued ownership or control of troubled assets in TARP housing programs that are \$38 billion in size – the same size as last year. This year alone (FY 2018), Treasury will spend \$4 billion in TARP. This spending is in two programs: (1) the recently expanded and extended Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund or HHF); and (2) TARP's Making Home Affordable Program (MHA), which has spent just over half (60%) of obligated/committed TARP dollars.*

*In the Consolidated Appropriations Act of 2016, the Congress authorized an extension and an additional \$2 billion in the Hardest Hit Fund. With that authorization, Treasury extended the spending of Federal dollars in HHF from FY 2018 to FY 2022. There are \$3.2 billion in unspent Federal dollars in HHF. Recipients of these Federal TARP dollars are 19 state agencies, 38 cities/counties, 147 individuals, 8 for-profit companies, 158 non-profits, 39 land banks, hundreds of demolition contractors and subcontractors (including asbestos, inspection and removal, waste disposal, fill dirt, grading, greening, site inspection, maintenance), homebuyers, and homeowners.*

*The OIG's investigations and audits have revealed risks of criminal behavior, fraud, waste, and abuse in the Hardest Hit Fund program. The OIG's FY 2016 audit revealed that the HHF blight demolition program is significantly vulnerable to the substantial risk of unfair competitive practices, including favoritism, undue influence, contract steering, bid-rigging, and other closed-door contracting processes, as well as fraudulent overcharging. Only two of 20 recommendations in that audit have been implemented. Other FY 2016 audits revealed abuse related to evicting people out of their homes to qualify for TARP-funded demolition, and \$8.2 million in waste of TARP dollars by a state agency contractor.*

*Additionally, in the Consolidated Appropriations Act of 2016, the Congress terminated MHA, but exempted homeowners who applied before December 31, 2016. Just over half (60%) of these federal dollars have been paid to Ocwen, Wells Fargo, JPMorgan Chase, Bank of America, Nationstar, SPS, CitiMortgage, and more than 130 mortgage servicers, investors and homeowners. Treasury is obligated or committed to pay a remaining \$10.94 billion through FY 2023. Program participation has remained steady at about one million homeowners in FY 2015, FY 2016 and FY 2017. The OIG's investigations with the Justice Department, and audits, have revealed a track record of violations of TARP rules and the*

*law by some servicers in MHA and warned of risk of fraud, waste, and abuse to the Federal Government and homeowners.*

*The OIG has a significant number of ongoing criminal investigations of recipients of Federal dollars in TARP, in addition to audits of TARP recipients. The proposed budget effectively removes the resources necessary for the OIG to: (1) identify costly waste and abuse, as well as cost savings through ongoing and future audits, and (2) conduct ongoing and future criminal investigations that (a) counter threats, including public corruption, antitrust (unfair competition), contract fraud, financial institution fraud, and mortgage fraud, and (b) lead to indictments, convictions, prison sentences, and recoveries. This places critical Federal Government interests at risk, and substantially inhibits the OIG in carrying out its duties and responsibilities.*