

Department of the Treasury  
Office of the Special Inspector  
General for TARP

Congressional Budget  
Justification and Annual  
Performance Report and Plan

FY 2019

# Table of Contents

|  |           |
|--|-----------|
| <b>Section I – Budget Request.....</b>   | <b>3</b>  |
| A – Mission Statement.....   | 3         |
| B – Summary of the Request .....   | 3         |
| 1.1 – Appropriations Detail Table .....  | 4         |
| 1.2 – Budget Adjustments Table.....  | 4         |
| C – Budget Increases and Decreases Description.....  | 4         |
| 1.3 – Operating Levels Table.....  | 6         |
| D – Appropriations Language and Explanation of Changes .....   | 7         |
| E – Legislative Proposals.....   | 7         |
| <b>Section II – Annual Performance Plan and Report.....</b>  | <b>8</b>  |
| A – Strategic Alignment .....  | 8         |
| B – Budget and Performance by Budget Activity .....  | 8         |
| 2.1.1 – Investigations Resources and Measures.....   | 8         |
| Investigations Budget and Performance .....  | 9         |
| 2.1.2 – Audit Resources and Measures.....  | 9         |
| Audit Budget and Performance.....  | 9         |
| <b>Section III – Additional Information .....</b>  | <b>11</b> |
| A – Summary of Capital Investments .....   | 11        |
| <b>Comments of the Honorable Christy Goldsmith Romero Special Inspector General Troubled Asset Relief Program FY 2019 Proposed Funding Level .....</b> | <b>12</b> |

## **Section I – Budget Request**

---

### **A – Mission Statement**

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets financial institution crime and is an independent watchdog protecting the interests of the American people.

### **B – Summary of the Request**

The FY 2019 Budget proposes \$17,500,000,<sup>1</sup> which is 57 percent below the FY 2018 Annualized CR level, to conduct oversight over \$37.4 billion in TARP housing programs, and \$100 million in open TARP banking programs.

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. The Department of the Treasury (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.<sup>2</sup> For each of the last four fiscal years, recoveries to the government exceeded SIGTARP's budget proposal. For example, as of January, already in FY 2018 alone, 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 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.

---

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

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

## 1.1 – Appropriations Detail Table

Dollars in Thousands

| Special Inspector General for TARP<br>Appropriated Resources | FY 2017    |                 | FY 2018       |                 | FY 2019   |                 | FY 2018 to FY 2019 |                   |                |                |
|--|------------|-----------------|---------------|-----------------|-----------|-----------------|--------------------|-------------------|----------------|----------------|
|  | Enacted    |                 | Annualized CR |                 | Request   |                 | Change             |                   | % Change       |                |
| <b>New Appropriated Resources</b>                            | FTE        | AMOUNT          | FTE           | AMOUNT          | FTE       | AMOUNT          | FTE                | AMOUNT            | FTE            | AMOUNT         |
| Investigations   | 114        | \$32,516        | 119           | \$34,748        | 80        | \$16,450        | (39)               | (\$18,298)        | -32.77%        | -52.66%        |
| Audit  | 27         | \$8,644         | 21            | \$6,132         | 5         | \$1,050         | (16)               | (\$5,082)         | -76.19%        | -82.88%        |
| <b>Subtotal New Appropriated Resources</b>                   | <b>141</b> | <b>\$41,160</b> | <b>140</b>    | <b>\$40,880</b> | <b>85</b> | <b>\$17,500</b> | <b>(55)</b>        | <b>(\$23,380)</b> | <b>-39.29%</b> | <b>-57.19%</b> |
| <b>Other Resources</b>                                       |            |                 |               |                 |           |                 |                    |                   |                |                |
| Unobligated Balances from Prior Years                        | 0          | \$0             | 0             | \$0             | 0         | \$6,437         | 0                  | \$6,437           | NA             | NA             |
| Resources from Other Accounts                                | 0          | \$82            | 0             | \$0             | 0         | \$1,563         | 0                  | \$1,563           | NA             | NA             |
| <b>Subtotal Other Resources</b>                              | <b>0</b>   | <b>\$82</b>     | <b>0</b>      | <b>\$0</b>      | <b>0</b>  | <b>\$8,000</b>  | <b>0</b>           | <b>\$8,000</b>    | <b>NA</b>      | <b>NA</b>      |
| <b>Total Budgetary Resources</b>                             | <b>141</b> | <b>\$41,242</b> | <b>140</b>    | <b>\$40,880</b> | <b>85</b> | <b>\$25,500</b> | <b>(55)</b>        | <b>(\$15,380)</b> | <b>-39.29%</b> | <b>-37.62%</b> |

The FY 2017 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.

## 1.2 – Budget Adjustments Table

Dollars in Thousands

| Special Inspector General for TARP | FTE        | Amount          |
|------------------------------------|------------|-----------------|
| <b>FY 2018 Annualized CR</b>       | <b>140</b> | <b>\$40,880</b> |
| <b>Changes to Base:</b>            |            |                 |
| Maintaining Current Levels (MCLs)  |            | \$213           |
| Pay Annualization                  |            | \$60            |
| Non-Pay                            |            | \$153           |
| Subtotal Changes to Base           |            | \$213           |
| <b>Total FY 2019 Base</b>          | <b>140</b> | <b>\$41,093</b> |
| <b>Program Changes:</b>            |            |                 |
| Program Decreases                  | (55)       | (\$23,593)      |
| Technical FTE Adjustment           | (55)       | (\$9,500)       |
| Efficiency Savings                 |            | (\$14,093)      |
| <b>Total FY 2019 Request</b>       | <b>85</b>  | <b>\$17,500</b> |

## C – Budget Increases and Decreases Description

**Maintaining Current Levels (MCLs) ..... +\$213,000 / +0 FTE**

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.

**Program Decrease ..... -\$23,593,000 / -55 FTE**

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.

### ***Quantifiable Results: SIGTARP's Return on Investment***

With \$10 billion in recoveries from SIGTARP investigations, SIGTARP has a 35 times return on investment compared to its annual appropriations through FY 2017. Already in FY 2018, recoveries from SIGTARP's investigations were \$100 million, including \$90 million paid to the government. In FY 2017, recoveries from SIGTARP's investigations were \$65 million, including more than \$64 million paid to the government. In addition, through forensic audits, in August 2017,<sup>3</sup> SIGTARP auditors caught and exposed \$3 million squandered by state agencies participating in HHF on parties, picnics, catered barbeques, Visa gift cards for employees, flowers, gym memberships, zoo admissions, cash bonuses, settlement of lawsuits by former employees, free parking for employees, expenses unrelated to HHF, and more. In September 2016,<sup>4</sup> SIGTARP auditors caught and exposed \$8 million in waste by a Nevada state agency contractor who wasted federal dollars earmarked for homeowners on agency overhead, parties, a cocktail bar, employee gifts, a monthly payment for the CEO to drive a Mercedes Benz, and more. SIGTARP recommended that Treasury recover the millions of TARP dollars wasted.

### ***Countering Threats to Public Safety & Government Interests***

SIGTARP brings accountability through congressionally-authorized criminal law enforcement. With concurrent responsibility with the Federal Bureau of Investigation (FBI) over TARP-related crime, SIGTARP saves FBI resources. SIGTARP counters threats to public safety and government interests by investigating criminal actors, and neutralizing the threats they pose. With 408 defendants charged with a crime, and 242 of those defendants already sentenced to prison by courts (with others awaiting sentencing), the threat these crimes pose is significant.

**Financial institution fraud:** The largest threat in TARP today and in the future is unlawful conduct by banks and other financial institutions being paid by Treasury to administer TARP's MHA program, and this is SIGTARP's highest law enforcement priority. SIGTARP's record reflects 99 bankers charged with a crime related to the bank bailout, with 56 of those bankers already sentenced to prison. Remaining work on the bank bailout for FY 2019 supports Justice Department prosecutions of individuals investigated by SIGTARP.

**Public corruption:** State and local officials award contracts under the HHF Blight Elimination subprogram using TARP dollars. The corruption of local officials threatens public safety.

**Antitrust violations:** Unfair competitive practices for demolition contracts, like bid rigging and contract steering, threatens the quality of work, public safety, and competition, harming the government's interests.

**Contract fraud:** Fraud by contractors or state housing finance agencies in HHF harms government interests.

### ***Intelligence-based Approach to Speed Up the Identification of Crime***

With TARP currently spending \$1 billion each quarter in HHF and MHA, SIGTARP uses an intelligence-based approach to search for crime using industry, financial and human intelligence. Every case is different, but SIGTARP capitalizes on similarities to root out crime. SIGTARP

---

<sup>3</sup> [https://www.sig tarp.gov/Audit%20Reports/Unnecessary\\_Expenses\\_Audit\\_8.25.17.pdf](https://www.sig tarp.gov/Audit%20Reports/Unnecessary_Expenses_Audit_8.25.17.pdf)

<sup>4</sup> [https://www.sig tarp.gov/Audit%20Reports/HHF%20Nevada\\_090916.pdf](https://www.sig tarp.gov/Audit%20Reports/HHF%20Nevada_090916.pdf)

understands complex financial records; and operations of banks, other financial institutions, and contractors; and uses intelligence to identify anomalies and trends. Technologies analyze mountains of electronic data stored on computers, phones, and other devices, and find digital footprints that serve as powerful evidence of criminal intent. Initially created to investigate financial institutions that took part in the bank bailout, SIGTARP has converted this intelligence-driven playbook to identify fraud, waste, and abuse in TARP housing programs. SIGTARP's approach speeds up the identification of crime.

### 1.3 – Operating Levels Table

Dollars in Thousands

| Special Inspector General for TARP<br>Object Classification | FY 2017<br>Enacted | FY 2018<br>Annualized<br>CR | FY 2019<br>Request |
|---|--------------------|-----------------------------|--------------------|
| 11.1 - Full-time permanent                                  | 21,788             | 15,993                      | 8,468              |
| 11.3 - Other than full-time permanent                       | 1,799              | 1,833                       | 2,413              |
| 11.5 - Other personnel compensation                         | 2,120              | 1,899                       | 1,825              |
| <b>11.9 - Personnel Compensation (Total)</b>                | <b>25,707</b>      | <b>19,725</b>               | <b>12,706</b>      |
| 12.0 - Personnel benefits                                   | 8,184              | 5,775                       | 3,294              |
| <b>Total Personnel and Compensation Benefits</b>            | <b>\$33,891</b>    | <b>\$25,500</b>             | <b>\$16,000</b>    |
| 21.0 - Travel and transportation of persons                 | 1,000              | 1,000                       | 675                |
| 23.2 - Rental payments to others                            | 272                | 226                         | 226                |
| 23.3 - Communications, utilities, and miscellaneous charges | 103                | 38                          | 23                 |
| 24.0 - Printing and reproduction                            | 162                | 0                           | 0                  |
| 25.1 - Advisory and assistance services                     | 2,676              | 897                         | 897                |
| 25.2 - Other services from non-Federal sources              | 68                 | 17                          | 17                 |
| 25.3 - Other goods and services from Federal sources        | 7,400              | 12,583                      | 7,122              |
| 25.6 - Medical care   | 100                | 80                          | 60                 |
| 25.7 - Operation and maintenance of equipment               | 48                 | 45                          | 45                 |
| 26.0 - Supplies and materials                               | 448                | 305                         | 286                |
| 31.0 - Equipment  | 260                | 189                         | 149                |
| 42.0 - Insurance claims and indemnities                     | 60                 | 0                           | 0                  |
| 91.0 - Unvouchered  | 10                 | 0                           | 0                  |
| <b>Total Non-Personnel</b>                                  | <b>\$12,607</b>    | <b>\$15,380</b>             | <b>\$9,500</b>     |
| <b>New Budgetary Resources</b>                              | <b>\$46,498</b>    | <b>\$40,880</b>             | <b>\$25,500</b>    |
| <b>FTE</b>  | <b>141</b>         | <b>140</b>                  | <b>85</b>          |

Note: The FY 2017 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.

This table includes all available resources, including SIGTARP's annual appropriation and remaining no-year funds.

**D – Appropriations Language and Explanation of Changes**

| <b>Appropriations Language</b>  | <b>Explanation of Changes</b> |
|---|-------------------------------|
| <p style="text-align: center;"><b>DEPARTMENT OF THE TREASURY<br/>SPECIAL INSPECTOR GENERAL FOR THE<br/>TROUBLED ASSET RELIEF PROGRAM</b><br/><i>Federal funds</i></p> <p style="text-align: center;"><b>SALARIES AND EXPENSES</b><br/><i>For necessary expenses of the Office of the Special Inspector General in carrying out the provisions of the Emergency Economic Stabilization Act of 2008 (Public Law 110–343), \$17,500,000.</i></p> <p>Note.— A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.</p> |                               |

**E – Legislative Proposals**

**PPIP Funds**

The Public-Private Investment Program (PPIP) Improvement and Oversight Act of 2009 (12 U.S.C. § 5231a) provided \$15 million in no-year appropriations to SIGTARP for the purpose of providing oversight to PPIP and the Term Asset-Backed Securities Loan Facility. SIGTARP does not plan PPIP or TALF activity in FY 2019. SIGTARP is requesting that these PPIP funds be made available to also support SIGTARP’s oversight of ongoing TARP programs.

**PROPOSED LANGUAGE**

*Sec. 128 Notwithstanding paragraph (2) of section 402(c) of the Helping Families Save their Homes Act of 2009, in utilizing funds made available by paragraph (1) of section 402(c) of such Act, the Special Inspector General for the Troubled Asset Relief Program shall prioritize the performance of audits or investigations of any program that is funded in whole or in part by funds appropriated under the Emergency Economic Stabilization Act of 2008, to the extent that such priority is consistent with other aspects of the mission of the Special Inspector General.*

## Section II – Annual Performance Plan and Report

### A – Strategic Alignment

The Investigations budget activity supports SIGTARP’s priority of law enforcement of crimes related to TARP and 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 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 coordinates with other law enforcement agencies, leveraging its unique position and expertise by forming law enforcement partnerships.

### B – Budget and Performance by Budget Activity

#### 2.1.1 – Investigations Resources and Measures

Dollars in Thousands

| Resource Level               | FY 2013         | FY 2014         | FY 2015         | FY 2016         | FY 2017         | FY 2018         | FY 2019         |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                              | Actual          | Actual          | Actual          | Actual          | Actual          | Annualized CR   | Request         |
| Appropriated Resources       | \$29,230        | \$27,382        | \$27,295        | \$32,478        | \$32,103        | \$34,748        | \$16,450        |
| Other Resources              | \$1,516         | \$5,656         | \$6,354         | \$376           | \$82            | 0               | \$7,520         |
| <b>Budget Activity Total</b> | <b>\$30,746</b> | <b>\$33,038</b> | <b>\$33,649</b> | <b>\$32,854</b> | <b>\$32,185</b> | <b>\$34,748</b> | <b>\$23,970</b> |
| <b>FTE</b>                   | <b>110</b>      | <b>119</b>      | <b>115</b>      | <b>103</b>      | <b>114</b>      | <b>119</b>      | <b>80</b>       |

| Measure   | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2017 | FY 2018 | FY 2019 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
|   | Actual  | Actual  | Actual  | Actual  | Actual  | Target  | Target  | Target  |
| Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome | N/A     | N/A     | N/A     | 77      | 81      | 70      | 70      | 35      |
| Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened           | N/A     | N/A     | N/A     | 80      | 80      | 70      | 70      | 25      |
| Percentage of Cases That are Joint Agency/Task Force Investigations   | 79      | 76      | 70      | 71      | 75      | 70      | 70      | 70      |
| Percentage of Preliminary Investigations Converted to Full Investigations within 180 Days                             | 82      | 96      | 100     | 99      | 93      | 80      | DISC    | DISC    |

Key: DISC - Discontinued

## Investigations Budget and Performance

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

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 because it has been at or close to 100 percent for the last three years, and is now part of SIGTARP’s regular process.

### 2.1.2 – Audit Resources and Measures

Dollars in Thousands

| Resource Level               | FY 2013<br>Actual | FY 2014<br>Actual | FY 2015<br>Actual | FY 2016<br>Actual | FY 2017<br>Actual | FY 2018<br>Annualized<br>CR | FY 2019<br>Request |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------------|--------------------|
| Appropriated Resources       | \$10,376          | \$7,219           | \$6,824           | \$7,618           | \$7,530           | \$6,132                     | \$1,050            |
| Other Resources              |                   | \$1,947           | \$1,069           | \$99              | 0                 | 0                           | \$480              |
| <b>Budget Activity Total</b> | <b>\$10,376</b>   | <b>\$9,166</b>    | <b>\$7,893</b>    | <b>\$7,717</b>    | <b>\$7,530</b>    | <b>\$6,132</b>              | <b>\$1,530</b>     |
| <b>FTE</b>                   | <b>57</b>         | <b>45</b>         | <b>35</b>         | <b>34</b>         | <b>27</b>         | <b>21</b>                   | <b>5</b>           |

| Measure   | FY 2013<br>Actual | FY 2014<br>Actual | FY 2015<br>Actual | FY 2016<br>Actual | FY 2017<br>Actual | FY 2017<br>Target | FY 2018<br>Target | FY 2019<br>Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Completed Audit Products including Referral to Investigations Division (Units)  | N/A               | N/A               | N/A               | 11                | 8                 | 7                 | DISC              | DISC              |
| Percentage of Congressional Inquiries Responded to within 45 Days of Receipt  | N/A               | N/A               | 100               | 100               | 100               | 85                | DISC              | DISC              |
| Number of completed audit products identifying waste, abuse, mismanagement, inefficiencies, or referrals to Investigations Division (Units) | N/A               | N/A               | N/A               | N/A               | N/A               | N/A               | 3                 | 1                 |

Key: DISC - Discontinued

### Audit Budget and Performance

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

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 because it was replaced by a similar measure that now emphasizes audit’s focus on fraud, waste, and abuse. 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 because it has been at 100 percent for the last two years, and is now part of SIGTARP’s regular process.

## **Section III – Additional Information**

---

### **A – Summary of Capital Investments**

SIGTARP has no capital investments. Capital investments that support SIGTARP are included in the Departmental Offices' plan.

A summary of capital investment resources can be found at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.

**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.