

## Special Inspector General for TARP

### Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2020	FY 2021	FY 2022	FY 2021 to FY 2022	
	Operating Plan	Operating Plan	Request	\$ Change	% Change
Investigations	\$18,920	\$16,550	\$14,485	(\$2,065)	-12.48%
Audit	\$3,080	\$2,450	\$2,515	\$65	2.65%
<b>Subtotal, Organization Title</b>	<b>\$22,000</b>	<b>\$19,000</b>	<b>\$17,000</b>	<b>(\$2,000)</b>	<b>-10.53%</b>
Unobligated Balances Brought Forward	\$1,000	\$0	\$0	\$0	NA
<b>Total Program Operating Level</b>	<b>\$1,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>NA</b>
Direct FTE	80	74	68	(6)	-8.11%
<b>Total Full-time Equivalents (FTE)</b>	<b>80</b>	<b>74</b>	<b>68</b>	<b>(6)</b>	<b>-8.11%</b>

FY 2020 Other Resources and Full-time Equivalents (FTE) reflect actuals.

FY 2021 Operating Plan amounts and estimated FTE.

### Summary

The Fiscal Year (FY) 2022 Budget proposes \$17 million, a reduction of 10.5 percent from the FY 2021 enacted level of \$19 million. It also reflects a reduction of 59 percent from the FY 2017 enacted level. The proposed budget is intended to fund Congressionally mandated independent oversight of Emergency Economic Stabilization Act of 2008 (EESA) programs through SIGTARP criminal and civil investigations and independent audits. SIGTARP prioritizes investigations and audits of Making Home Affordable's (MHA) Home Affordable Modification Program (HAMP) (which has 664,644 homeowners participating as of March 17, 2021) and the Hardest Hit Fund (HHF). In April 2020, SIGTARP recommended that Treasury shift HHF to address the pandemic and shift available EESA funding to HHF unemployment mortgage assistance programs. Treasury has been implementing this recommendation. In April 2020, Treasury extended HHF, citing employment hardships caused by the pandemic.

SIGTARP's work has led to recoveries for the government and other victims of \$11.2 billion – a 30 times cumulative return on investment (ROI) from SIGTARP's annual budgets. Every year, the Government and other victims recover dollars that exceed SIGTARP's enacted level. Recoveries to date in FY 2021 are \$87 million, exceeding SIGTARP's \$19 million enacted level by more than four times. FY 2020 recoveries were \$157.3 million, exceeding SIGTARP's \$22 million enacted level by more than seven times.

### SIGTARP Investigations

SIGTARP is a law enforcement office as Congress provided SIGTARP the authority to search, seize and arrest. SIGTARP's law enforcement work has resulted in criminal charges against 456 defendants. SIGTARP has a 97 percent Department of Justice (DOJ) conviction rate. Courts have already sentenced 306 of these defendants to prison including 74 bankers. Other convicted defendants await sentencing. SIGTARP's investigations also resulted in enforcement actions by DOJ, the Securities and Exchange Commission (SEC) and others against 25 entities (including large Wall Street institutions).

### *SIGTARP Investigations Related to HAMP*

SIGTARP continues its long-standing record of holding financial institutions accountable, with the top law enforcement priority to bring justice to unlawful conduct by financial institutions in HAMP. As with all investigations, SIGTARP's investigations are backwards looking, investigating past conduct, and spending. SIGTARP has a number of open confidential investigations. SIGTARP has referred some of these investigations to DOJ. SIGTARP continues to work HAMP investigations cases with DOJ, other prosecutors, and regulatory enforcement divisions.

In December 2020, SIGTARP's investigation of Nationstar resulted in an \$86.3 million enforcement action by 51 state Attorney Generals, 53 state financial regulators, and the Consumer Financial Protection Bureau for violating consumer protection laws and harming 40,000 homeowners, including in HAMP, during the time period of 2012 - 2016. The investigation found that Nationstar conducted improper foreclosures, improper escrow practices, and improperly increased monthly payments, among other violations. Treasury distributed \$1.7 billion to Nationstar in HAMP mortgage servicer, investor, and borrower incentives (\$117.7 million in FY 2020 - 2021), making it the third largest current HAMP institution.

Recent HAMP activity and spending adds to SIGTARP's existing case load. In FY 2020 - 2021, Treasury distributed \$919.5 million in incentive payments under HAMP for mortgage servicers, investors, and borrowers. Treasury sends the distributions to the mortgage servicer, including banks (i.e. \$91.7 million to Wells Fargo, \$51.4 million to JP Morgan Chase, \$49.4 million to Bank of America, and \$17.7 million to Citigroup), and non-banks (i.e. \$233.6 million to Ocwen Financial, \$117.7 million to Nationstar).

SIGTARP also investigated and supported the prosecution of 121 convicted scammers who victimized nearly 31,000 homeowners seeking foreclosure relief through HAMP. For example, in August 2020, a Federal court sentenced the two owners of U.S. Homeowners Relief to 12 years and 5 years in prison for a nationwide \$3.5 million fraud scheme targeting more than 250 homeowners seeking loan modifications, including through HAMP. The company's marketing materials implied they were affiliated with HAMP's umbrella program the Making Home Affordable Program, made specific reference to the government website, and displayed official government logos.

### *SIGTARP's Investigations Related to the Hardest Hit Fund*

SIGTARP also investigates corruption, fraud, and environmental/safety crimes such as illegal dumping, asbestos exposure, or contaminated dirt in demolitions of blighted properties under HHF. Public results from SIGTARP's corruption investigations in HHF blight include:

- In FY 2019, the Detroit city official in charge of demolition bids for HHF was sentenced to prison after his conviction for bribery conspiracy and fraud related to HHF contracts.
- In FY 2019, a senior official from one of the largest Detroit HHF blight contractors was sentenced to prison after his conviction to commit fraud by taking bribes and kickbacks from a subcontractor related to demolition contracts, including in HHF.
- In FY 2019, DOJ resolved False Claims Act violations against a contractor in Fort Wayne, Indiana who the city had awarded all its HHF blight contracts. Instead of filling post-

demolition excavation sites with clean fill dirt as required, the contractor filled the holes with construction debris and then falsely billed HHF.

- In FY 2020, the head of a major Detroit asbestos abatement subcontractor, and the subcontractor itself, was barred for 20 years from contracts in Detroit for paying bribes for HHF contracts.
- In FY 2020, SIGTARP agents arrested an Illinois contractor charged with fraud in HHF demolitions in Hammond, Indiana. DOJ charged the contractor with failing to dispose of demolition debris properly, and allegedly disposing of the demolition debris in unknown locations enabling him to avoid the registered facility fee. According to the indictment, the contractor allegedly submitted false disposal, dumping, and clean fill dirt documentation.
- In FY 2020, SIGTARP agents arrested an Indiana contractor who DOJ charged with submitting false documents for HHF demolitions stating that he properly disposed of demolition debris. The indictment alleges that the contractor improperly disposed of demolition debris on-site in Logansport, Indiana.
- In FY 2021, an asbestos abatement contractor who allegedly was chosen as a subcontractor in Detroit demolitions was criminally charged by the Michigan Attorney General for bribery, false pretenses, and money laundering, including charges related to public health laws for asbestos removal.
- In FY 2021, a Cleveland, Ohio land bank official was sentenced for lying to federal agents, including a SIGTARP agent, who were conducting an investigation about work by a demolition contractor awarded HHF contracts on the official's house, for which work the official did not pay.
- In FY 2021, an investigation into contractors conducting demolitions in Detroit resulted in the Detroit Inspector General finding that four contractors used unapproved dirt from I-94 as backfill.

SIGTARP also investigates HHF mortgage assistance recipients for fraud and works with DOJ or state and local prosecutors to hold these defendants accountable and recover dollars lost to fraud. In FY 2020 - 2021, defendants prosecuted defrauded HHF in California, Indiana, Illinois, Ohio, Georgia, Michigan, and South Carolina.

#### *SIGTARP Investigations Related to EESA Investment Programs*

SIGTARP continues to support criminal prosecutions by DOJ of defendants that SIGTARP investigated. SIGTARP's investigations have resulted in criminal prosecutions of 107 bankers and 100 of their co-conspirators. Courts sentenced 74 of the bankers to prison, along with 67 of their co-conspirators. Criminal prosecutions take time, and SIGTARP does not control the pace of DOJ prosecutions. Despite delays in prosecutions related to the pandemic, in FY 2020-21, SIGTARP has seen progress in several high-profile prosecutions in cases that have lasted many years, including:

- 7-year 3-month prison sentence for a Mexican national involved in a criminal enterprise to launder international narcotics trafficking proceeds including for the Sinaloa drug cartel through Saigon Bank while the bank was in TARP, in Operation Phantom Bank that charged 25 defendants.
- 2-year prison sentence for CEO of failed TARP bank Cecil Bank in Maryland for fraud conspiracy and bribery that included lying to the bank's board and a Federal Reserve

examiner. Treasury wrote off more than \$10 million in TARP when the bank filed bankruptcy.

- Home confinement sentence for supervisory trader at Nomura Securities convicted of conspiracy to commit securities fraud in residential mortgage backed securities, including through EESA's PPIP program, that caused more than \$15 million in losses. The SEC also brought charges against this trader, others, and Nomura (who repaid \$25 million to customers).

### **SIGTARP Audit**

SIGTARP audits promote transparency, effectiveness, and efficiency, identify waste, abuse, and mismanagement, and prevent future fraud, waste, and abuse, in HAMP and HHF. For example:

- SIGTARP audits identified obstacles and roadblocks to homeowners timely receiving assistance and made recommendations to speed assistance.
- SIGTARP identified mismanagement by the Georgia HHF agency who had the lowest admission rate of any state agency in HHF, with the agency turning away two-thirds of all applicants and made recommendations that resulted in an increase in homeowners receiving assistance.
- SIGTARP audits identified \$11 million in waste, abuse, and questioned costs by HHF state agencies, including a Mercedes Benz, a motivational speaker who spoke about "Motivation by Chocolate," holiday parties, picnics, celebratory dinners, employee gifts, employee gym memberships, flowers, gift cards, conferences at resorts, etc. State agency employees were the first recipients of the \$2 billion that Congress provided HHF in 2016. One state agency paid for an employee lunch, "to celebrate getting new HHF funds and an employee's upcoming wedding." Another state agency threw catered barbecues, inviting 50, 60, and 90 people, charging it to HHF.
- SIGTARP identified abuse of HHF blight demolition program when it was used to demolish lived-in houses on the desired relocation site of a car dealership.
- SIGTARP identified risks in the HHF blight demolition program of illegal dumping, contaminated dirt, and exposure to asbestos.

SIGTARP's work ensures that programs are operating effectively and efficiently, that EESA dollars are used as Congress intended, and that the government does not pay more for EESA than is necessary.

## Budget Highlights

Dollars in Thousands

	FTE	Amount
<b>FY 2021 Operating Plan</b>	<b>80</b>	<b>\$19,000</b>
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	0	\$544
Pay Annualization (1.0% average pay raise)	0	\$39
Pay Raise (2.7% average pay raise)	0	\$313
FERS Contribution Increase	0	\$120
Non-Pay	0	\$72
Subtotal Changes to Base	0	\$544
<b>FY 2022 Current Services</b>	<b>80</b>	<b>\$19,544</b>
<b>Program Changes:</b>		
Program Decreases	(12)	(\$2,544)
Staff Reduction	(12)	(\$2,298)
Efficiency Savings	0	(\$246)
<b>FY 2022 President's Budget Request</b>	<b>68</b>	<b>\$17,000</b>

## Budget Adjustments

### Budget Increases and Decreases Description

**Maintaining Current Levels (MCLs) ..... +\$544,000 / +0 FTE**

Pay Annualization (1.0%) +\$39,000 / +0 FTE

Funds are requested for annualization of the January 2020 1.0 percent average pay raise.

Pay Raise (2.7% in 2022) +\$313,000 / +0 FTE

Funds are requested for a 2.7 percent average pay raise for January 2022.

FERS Contribution Increase +\$120,000 / +0 FTE

Funds are requested for the Federal Employee Retirement System (FERS) contribution rates effective FY 2022.

Non-Pay +\$72,000 / +0 FTE

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

**Program Decreases ..... -\$2,544,000 / -12 FTE**

Staff Reduction -\$2,298,000 / -12 FTE

Reduction in SIGTARP staff levels to 68 FTE. The reduction of FTE is part of responsible planning towards SIGTARP's sunset.

Efficiency Savings -\$246,000 / -0 FTE

Effect of staff reduction on Non-Personnel costs (training, travel, support services, etc.)

### **Other adjustment (not reflected in table)**

Realignment from Annual to No-Year -\$3,000,000/ -0 FTE

SIGTARP will fund a portion of its operations from its no-year account. SIGTARP actively reduces costs and its footprint, while creating an appropriately sized, skilled, and structured workforce.

SIGTARP decreased its footprint, with ~51percent reduction in square foot entering FY 2022.

- In FY 2018, SIGTARP eliminated 50 percent of its Washington, D.C. headquarters annual rent expenses.
- In FY 2019, SIGTARP eliminated 100 percent of its San Francisco annual rent expense.
- In FY 2020, SIGTARP decreased rent under Treasury lease for the New York office ≈ 43 percent reduction from \$90K to \$51K per year.
- At the end of FY 2021, SIGTARP will close its Atlanta office eliminating 100 percent of the Atlanta rent expense.
- SIGTARP reduced fleet-related expenses by 40 percent since FY 2014, with another 10 percent reduction planned for FY 2022.
- In FY 2022, over \$6 million of the proposed budget (35 percent) will be spent on goods and services from the government, more than 90 percent of which will be paid to Treasury.
- SIGTARP has eliminated management layers and is structuring the workforce in such a way to create maximum flexibility.
- SIGTARP coordinates with other law enforcement agencies and Inspectors General, leveraging its unique position and expertise by forming law enforcement and other partnerships to create operational efficiencies and realize cost savings.

### ***Hiring Authority Proposal***

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#### **Hiring Authority Similar to Other Special IG's**

SIGTARP is requesting additional special hiring authority to enable SIGTARP to backfill critical vacancies with qualified personnel. This authority is similar to the special authority available to the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR), another special inspector general, pursuant to 5 U.S.C. 3161.

#### ***Proposed Language***

'Sec. \_\_\_\_\_

Section 121 of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5231) is amended in subsection (e)(1)(B)(ii) by striking "subparagraph" and all that follows through the period at the end and inserting "subparagraph, the Special Inspector General may not make any appointment that exceeds 24 months or that extends beyond the date on which the Special Inspector General terminates under subsection (k).".'

***Performance Highlights***

Budget Activity	Performance Measure	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
		Actual	Actual	Actual	Target	Target
Investigations	Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome	79	77	77	70	70
Investigations	Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of Being Opened	85	75	75	65	65
Investigations	Percentage of Cases That are Joint Agency/Task Force Investigations	78	76	86	70	70
Audit	Number of Completed Audit Products Identifying Waste, Abuse, Mismanagement, Inefficiencies, or Referrals to Investigations Division (units)	6	4	4	3	3

***Description of Performance***

SIGTARP exceeded all metric targets in FY 2020. The “Percentage of Cases Accepted for Consideration by Civil or Criminal Authorities Resulting in a Positive Final Outcome” in FY 2020 was 77 percent, which exceeded the target of 60 percent. Typically, the positive outcome is indictment and criminal conviction of individual defendants, with a high 97 percent DOJ conviction rate, and enforcement actions against 25 entities. As an investigative agency, SIGTARP must depend on DOJ’s and other prosecutors’ ability to accept its cases for prosecution.

The “Percentage of Cases Presented to Civil or Criminal Authorities within Eight Months of the Case Being Opened” was 75 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 76 percent, which exceeded the target of 70 percent. Both measures recognize that as SIGTARP reduces spending and staffing, it must act with efficiency, shorten its investigative timeline, and leverage other law enforcement partnership resources.

SIGTARP exceeded its FY 2020 audit performance target of three for the “Number of Completed Audit Products Identifying Waste, Abuse, Mismanagement, Inefficiencies, or Referrals to Investigations Division,” with four products. This included SIGTARP’s recommendations to shift HHF to address hardships caused by the pandemic, including unemployment.