



September 2016

TROUBLED ASSET RELIEF PROGRAM

Status of Prior GAO Recommendations

GAO Highlights

Highlights of [GAO-16-831](#), a report to congressional committees

Why GAO Did This Study

The Emergency Economic Stabilization Act of 2008 (EESA) authorized the creation of TARP to address the most severe crisis that the financial system had faced in decades. Treasury has been the primary agency responsible for TARP programs. EESA provided GAO with broad oversight authorities for actions taken under TARP and included a provision that GAO report at least every 60 days on TARP activities and performance.

This 60-day report describes the status of GAO's prior TARP performance audit recommendations to Treasury as of August 2016. In particular, this report discusses Treasury's implementation of GAO's recommendations focusing on two programs: CPP and MHA. GAO's methodologies included assessing relevant documentation from Treasury, interviewing Treasury officials, and reviewing prior TARP reports issued by GAO.

What GAO Recommends

GAO continues to maintain that Treasury should take action to fully implement the three partially implemented and two open MHA recommendations. GAO will continue to assess the status of these recommendations considering new program activity and any further actions taken by Treasury.

View [GAO-16-831](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

September 2016

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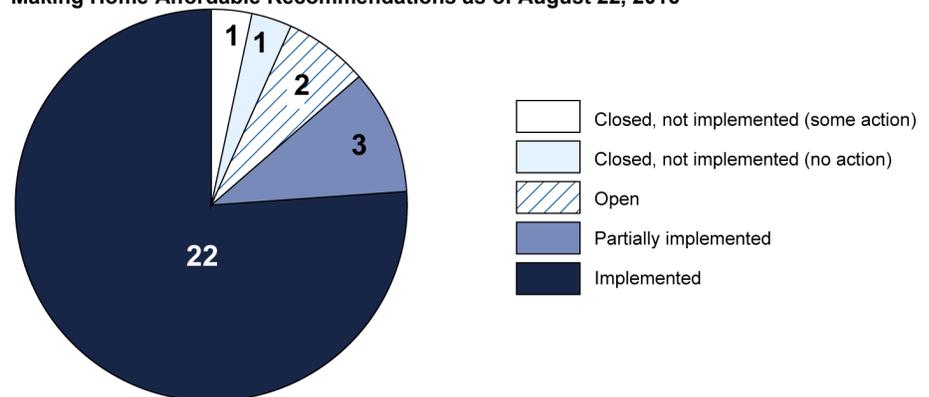
What GAO Found

As of August 2016, GAO's performance audits of the Troubled Asset Relief Program (TARP) activities have resulted in 74 recommendations to the Department of the Treasury (Treasury). Treasury has implemented 62 of the 74 recommendations, some of which were aimed at improving the transparency and internal controls of TARP. Five recommendations remain open, all pertaining to the Making Home Affordable (MHA) program, a collection of housing programs designed to help homeowners avoid foreclosure. Of the five:

- Treasury has partially implemented three open MHA recommendations—that is, it has taken some steps toward implementation but needs to take more actions. For example, in March 2016, GAO recommended that Treasury deobligate funds that its review showed would likely not be expended. Treasury's most recent estimates identified \$4.7 billion in potential excess funds, of which Treasury has deobligated \$2 billion as of August 2016.
- Two additional MHA recommendations remain open—that is, Treasury has not taken steps to implement them. GAO recommended that Treasury take steps to assess the extent to which servicers have established internal control programs that monitor compliance with fair lending laws applicable to MHA programs. GAO also recommended that Treasury establish a standard process to better ensure that changes to TARP-funded MHA programs are based on comprehensive cost-benefit analyses. Treasury told GAO they would consider this recommendation but has noted that it plans no major program policy changes given the December 30, 2016, application deadline for the MHA program.

Seven recommendations have been closed but were not implemented. Five were related to the Capital Purchase Program (CPP) and MHA and two to other TARP activities. Generally, these recommendations were closed because GAO determined that the recommendations were no longer applicable.

Making Home Affordable Recommendations as of August 22, 2016



Source: GAO analysis of Making Home Affordable program. | GAO-16-831

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Abbreviations

2MP	Second-Lien Modification Program
AIG	American International Group, Inc.
CAP	Capital Assessment Program
CPP	Capital Purchase Program
EESA	Emergency Economic Stabilization Act of 2008
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FRBNY	Federal Reserve Bank of New York
GM	General Motors Company
HAFA	Home Affordable Foreclosure Alternatives
HAMP	Home Affordable Modification Program
HHF	Hardest Hit Fund
HPO	Homeownership Preservation Office
LEP	Limited English Proficiency
MHA	Making Home Affordable
OFS	Office of Financial Stability
PRA	Principal Reduction Alternative
SBA	Small Business Administration
SBLF	Small Business Lending Fund
SCAP	Supervisory Capital Assistance Program
TALF	Term Asset-Backed Securities Loan Facility
TARP	Troubled Asset Relief Program
Treasury	Department of the Treasury

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September 6, 2016

Congressional Committees

The Emergency Economic Stabilization Act of 2008 (EESA) authorized the creation of the Troubled Asset Relief Program (TARP) to address the most severe crisis that the financial system had faced in decades.¹ EESA provided GAO with broad oversight authorities for actions taken under TARP and included a provision that we report at least every 60 days on TARP activities and performance. Our oversight and reporting have resulted in 74 performance audit recommendations to the Department of the Treasury (Treasury), the primary agency responsible for TARP programs.² While Treasury has addressed most of our recommendations, some remain outstanding.

This 60-day report describes the progress Treasury made as of August 22, 2016, in implementing TARP-related recommendations since our 2015 status report.³ In particular, this report focuses on two major TARP programs: the Capital Purchase Program (CPP), which supports certain U.S. financial institutions, and Making Home Affordable (MHA), which is a collection of housing programs designed to help homeowners avoid foreclosure. Appendix I provides the status of the recommendations that we made since 2008 in our performance audits.

¹Pub. L. No. 110-343, tit. I, 122 Stat. 3765, 3767-3800 (codified as amended at 12 U.S.C. §§ 5201-5241). EESA was enacted on October 3, 2008. EESA originally authorized Treasury to purchase or guarantee up to \$700 billion in troubled assets. The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 1302, 124 Stat. 1302, 2133 (2010) (codified at 12 U.S.C. § 5225(a)), reduced Treasury's authority to purchase or insure troubled assets to a maximum of \$475 billion and prohibited Treasury, under EESA, from incurring any obligations for a program or initiative unless the program or initiative had been initiated before June 25, 2010.

²We also made a number of financial statement audit recommendations to Treasury's Office of Financial Stability (OFS), which is responsible for carrying out TARP activities within the department, that are not included in this report. Most of these recommendations relate to internal control deficiencies in OFS's accounting and financial reporting processes. We made these recommendations as part our audits of TARP's annual financial statements and reported on them directly to OFS management. All these recommendations have been implemented and closed.

³See GAO, *Troubled Asset Relief Program: Status of GAO Recommendations*, [GAO-15-813](#) (Washington, D.C.: Sept. 4, 2015).

To identify the progress Treasury has made in implementing our TARP recommendations, we assessed relevant documentation from Treasury, interviewed Treasury officials, and reviewed prior TARP reports issued by GAO. We conducted this performance audit from April 2016 to August 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Some of the TARP performance audit recommendations we made were program-specific, while others addressed crosscutting issues such as staffing and communications. Our program-specific recommendations focused on the following TARP initiatives:⁴

- Bank investment programs:
 - **CPP** was designed to provide capital to financially viable financial institutions through the purchase of preferred shares and subordinated debentures.
 - **Community Development Capital Initiative** provided capital to Community Development Financial Institutions by purchasing preferred stock.⁵
 - **Capital Assessment Program (CAP)** was created to provide capital to institutions not able to raise it privately to meet

⁴This list includes TARP programs for which we made recommendations. As of August 2016, Treasury had exited its assistance for American International Group, Inc., Automotive Industry Financing Program, Capital Asset Program, SBA 7(a) Securities Purchase Program, and Term Asset-backed Securities Loan Facility. For more information on all TARP programs, see GAO, *Troubled Asset Relief Program: Treasury Continues to Wind Down Most Programs, but Housing Programs Remain Active*, [GAO-15-197](#) (Washington, D.C.: Jan. 6, 2015).

⁵Community Development Financial Institutions provide financing and related services to communities and populations that lack access to credit, capital, and financial services. Although such institutions include venture capital and loan funds in addition to banks, thrifts, and credit unions, only institutions that have a federal depository institution supervisor could apply for Community Development Capital Initiative assistance.

Supervisory Capital Assessment Program—or “stress test”—requirements.⁶ This program was never used.

- Credit market programs:
 - **Term Asset-backed Securities Loan Facility (TALF)** provided liquidity in securitization markets for various asset classes to improve access to credit for consumers and businesses.
 - **SBA 7(a) Securities Purchase Program** provided liquidity to secondary markets for government-guaranteed small business loans in the Small Business Administration’s (SBA) 7(a) loan program.
- Other programs:
 - **American International Group (AIG) Investment Program** (formerly Systemically Significant Failing Institutions Program) provided support to AIG to avoid disruptions to financial markets from AIG’s possible failure.
 - **Automotive Industry Financing Program** aimed to prevent a significant disruption of the American automotive industry through government investments in the major automakers.
- MHA:
 - **Home Affordable Modification Program (HAMP)** divides the cost of reducing monthly payments on first-lien mortgages between Treasury and mortgage holders/investors and provides financial incentives to servicers, borrowers, and mortgage holders/investors for loans modified under the program.
 - **Principal Reduction Alternative (PRA)** pays incentives to mortgage holders/investors for principal reduction in conjunction with a HAMP loan modification for homeowners with a current loan-to-value ratio exceeding 115 percent.
 - **The Second-Lien Modification Program (2MP)** provides incentives for second-lien holders to modify or extinguish a

⁶The federal banking regulators designed the assessment as a forward-looking exercise intended to help them gauge the extent of the additional capital buffer necessary to keep the institutions strongly capitalized and lending even if economic conditions were worse than had been expected between December 2008 and December 2010.

second-lien mortgage when a HAMP modification has been initiated on the first-lien mortgage for the same property.

- **Home Affordable Foreclosure Alternatives (HAFA)** provides incentives for short sales and deeds-in-lieu of foreclosure as alternatives to foreclosure for borrowers unable or unwilling to complete the HAMP first-lien modification process.
- **Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund or HHF)** supports innovative measures developed by state housing finance agencies and approved by Treasury to help borrowers in states hit hardest by the aftermath of the housing crisis.
- **Federal Housing Administration's (FHA) Short Refinance Program** provides underwater borrowers—those with properties that are worth less than the principal remaining on their mortgage—whose loans are current and are not insured by FHA with the opportunity to refinance into an FHA-insured mortgage.

Treasury Implemented Most of Our Recommendations, but a Few Related to CPP and MHA Have Not Been Fully Addressed

As of August 22, 2016, our performance audits of the TARP programs resulted in 74 recommendations to Treasury.⁷

- Treasury implemented 62, or approximately 84 percent. Three of the implemented recommendations were closed based on actions taken by Treasury since we last reported on the status of our TARP recommendations in September 2015—all three recommendations were MHA-related.⁸
- Five recommendations remain open. Treasury partially implemented three of the recommendations (that is, took some steps toward implementation) and had not taken any steps to implement the remaining two recommendations. Each of the five recommendations for which Treasury took some or no implementation steps were directed at MHA housing programs.

⁷In addition to these 74 recommendations to Treasury, we made 6 recommendations to the Board of Governors of the Federal Reserve System and 1 matter for congressional consideration related to the TARP program. See appendix I for further details.

⁸ [GAO-15-813](#).

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- Seven recommendations have been closed as not implemented because we determined that they were outdated and no longer applicable due to the evolving nature of the programs. Of these recommendations, one was closed since September 2015 and was directed at CPP. Three of these seven recommendations were related to CPP and two to MHA programs.⁹

Treasury Implemented the Majority of Recommendations Related to CPP

As of August 22, 2016, Treasury implemented six of nine recommendations for CPP. For example, we recommended that Treasury apply lessons learned from CPP implementation to similar programs, such as the Small Business Lending Fund (SBLF)—specifically, by including a process for reviewing regulators’ viability determinations of eligible applicants.¹⁰ Treasury changed the SBLF process to include additional evaluation by a central application review committee for all eligible applicants who had not been approved by their federal regulator. Treasury also took steps to provide information from its evaluation to the regulator when their views differed. These steps should help ensure that applicants will receive consistent treatment across different regulators.

Since August 2015, one of our CPP-related recommendations was closed without being implemented by Treasury. In March 2012, we recommended that the Secretary of the Treasury consider analyzing and reporting on remaining and former CPP participants separately.¹¹ In particular, we noted that remaining CPP institutions tended to be less profitable and held riskier assets than other institutions of similar asset size. We analyzed financial data on 352 remaining CPP institutions and 256 former CPP institutions that exited CPP and found that the remaining

⁹The remaining two recommendations that were closed but not implemented were related to the finalization of assistance to AIG, Inc. and the improvement of the transparency and analytical basis for ongoing TARP program decisions.

¹⁰GAO, *Troubled Asset Relief Program: Opportunities Exist to Apply Lessons Learned from the Capital Purchase Program to Similarly Designed Programs and to Improve the Repayment Process*, [GAO-11-47](#) (Washington, D.C.: Oct. 4, 2010). SBLF was created by the Small Business Jobs Act of 2010, Pub. L. No. 111-240, § 4103(a), 124 Stat. 2504, 2585 (codified at 12 U.S.C. §4741 note). SBLF is a capital support program that encourages small and midsize banks and community development loan funds to lend to small businesses.

¹¹GAO, *Capital Purchase Program: Revenues Have Exceeded Investments, but Concerns about Outstanding Investments Remain*, [GAO-12-301](#) (Washington, D.C.: Mar. 8, 2012).

CPP institutions had significantly lower returns on average assets and higher percentages of noncurrent loans than former CPP and non-CPP institutions. They also held less regulatory capital and reserves for covering losses. Although our analysis found differences in the financial health of remaining and former CPP institutions, we noted that Treasury's quarterly financial analysis of CPP institutions did not distinguish between them. Treasury said it is not likely to consider analyzing and reporting on remaining and former CPP participants separately. Treasury believes that providing information about the financial position of institutions in CPP was unnecessary because it is publicly available to interested parties through regulatory filings or other sources.

We closed this recommendation as not implemented because circumstances have changed significantly since we made the recommendation. Specifically, 363 institutions were in CPP around the time we made the recommendation, and the analysis we recommended was intended to provide Treasury useful information about the relative likelihood of remaining institutions repaying their investments and exiting CPP. However, Treasury has been winding down CPP. When we last conducted an analysis of the financial condition of the 16 institutions that remained in CPP as of February 2016, most of them continued to exhibit signs of financial weakness.¹² Treasury officials recognized that the remaining CPP firms generally have weaker capital levels and worse asset quality than firms that exited the program. They further noted that this situation was a function of the life cycle of the program, because stronger institutions had greater access to new capital and were able to exit, while the weaker institutions have been unable to raise the capital needed to exit the program. Treasury believes that the remaining institutions likely will not be able to repay their investments in full. Consequently, we determined that the recommendation was no longer applicable.

¹²As of June 2016, 13 institutions remained in CPP.

Treasury Implemented the Majority of Recommendations for MHA

As of August 22, 2016, Treasury implemented 22 of our 29 MHA-related recommendations. Three of the 22 recommendations were implemented after our September 2015 report on the status of TARP recommendations:

- In February 2014, we recommended that Treasury ensure that its MHA compliance agent assess servicer compliance with Limited English Proficiency (LEP) relationship management guidance, once it was established.¹³ Treasury issued clarifying LEP guidance to MHA program servicers in April 2014.¹⁴ In June 2016, Treasury provided us with copies of the final report on the results of the compliance reviews of the larger MHA program servicers' implementation of LEP guidance. Treasury also provided specific examination policies and procedures used by MHA Compliance agent in its reviews of program servicers' implementation of LEP requirements.
- In October 2014, we recommended that Treasury conduct periodic evaluations to help explain differences among MHA servicers in the reasons for denying applications for trial modifications.¹⁵ Since the issuance of that report, Treasury conducted two denial reason rate reviews in 2015—one looking at 11 MHA servicers with a high concentration of various denial reasons and the other looking at 7 MHA servicers—to understand the prevailing reasons for their use of specific denial reason codes (ineligible mortgage, request incomplete, and offer not accepted/withdrawn). According to Treasury officials, the results of these and other evaluations helped inform Treasury's decision to implement Streamline HAMP to help address the most common denial reason (i.e., failure to submit required documentation). Treasury also began conducting quarterly compliance reviews at the largest MHA servicers to verify the accuracy of denial reasons reported.
- In March 2016, we recommended that Treasury review potential unexpended balances by estimating future expenditures of the MHA

¹³GAO, *Troubled Asset Relief Program: More Efforts Needed on Fair Lending Controls and Access for Non-English Speakers in Housing Programs*, [GAO-14-117](#) (Washington, D.C.: Feb. 6, 2014).

¹⁴MHA Supplemental Directive 14-02.

¹⁵GAO, *Troubled Asset Relief Program: Treasury Could Better Analyze Data to Improve Oversight of Servicers' Practices*, [GAO-15-5](#) (Washington, D.C.: Oct. 6, 2014).

program, which would impact its lifetime cost estimate for the program.¹⁶ Treasury stated that it historically assumed that all funds obligated for MHA would be spent in furtherance of its mandate under EESA to preserve homeownership and protect home prices. In February 2016, following the enactment of legislation that terminates MHA on December 31, 2016, Treasury lowered the lifetime cost estimate for MHA, from \$29.8 billion to \$25.1 billion, which Treasury said would continue to be reflected in its public reports on TARP.

Treasury has taken some actions to address three of the open recommendations directed at the MHA programs:

- In June 2010, we recommended that Treasury expeditiously report activity under PRA, including the extent to which servicers determined that principal reduction was beneficial to investors but did not offer it, to ensure transparency in the implementation of this program feature across servicers.¹⁷ Starting with the monthly MHA performance report for the period through May 2011, Treasury began reporting summary data on the PRA program. Specifically, Treasury provides information on PRA trial modification activity as well as median principal amounts reduced for active permanent modifications.¹⁸ In addition, Treasury's public MHA loan-level data files include information on the results of analyses of borrowers' net present value under PRA and indicate whether principal reduction was part of the modification. While this information would allow interested users with the capability to analyze the extent to which principal reduction was beneficial but not offered overall, it puts the burden on others to analyze and report the results publicly. Also, the publicly available data do not identify individual servicers and thus cannot be used to assess the implementation of this program feature across servicers.

¹⁶GAO, *Troubled Asset Relief Program: Treasury Should Estimate Future Expenditures for the Making Home Affordable Program*, [GAO-16-351](#) (Washington, D.C.: Mar. 8, 2016).

¹⁷GAO, *Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs*, [GAO-10-634](#) (Washington, D.C.: June 24, 2010).

¹⁸HAMP requires borrowers to enter into and successfully complete a 3-month trial modification before receiving a permanent modification. During this period, borrowers must submit trial period payments and all required forms and documents.

Our recommendation was intended to ensure transparency in the implementation of this program feature across servicers, which would require that information be reported on an individual servicer basis to allow comparison between servicers and highlight differences in the policies and practices of individual servicers. We maintain that Treasury partially implemented this recommendation and should take action to fully implement it.

- In October 2014, we recommended that Treasury conduct periodic evaluations using analytical methods, such as econometric modeling, to help explain differences among MHA servicers in redefault rates.¹⁹ Such analyses could help inform compliance reviews, identify areas of weaknesses and best practices, and determine the need for additional program policy changes. Treasury subsequently conducted an analysis to compare redefault rates among servicers and to determine whether servicers' portfolio of HAMP-modified loans performed at, above, or below expectations for the metrics analyzed.

Although they performed these analyses, Treasury officials maintained that such analyses are inherently limited and therefore they did not intend to repeat them. However, by not periodically conducting analyses of differences in servicer redefault rates and capitalizing on the information these methods provide, Treasury risks making policy decisions based on potentially incomplete information and may miss opportunities to identify best practices to assist the greatest number of eligible borrowers. Thus, we continue to maintain that Treasury should take action to fully implement this recommendation. This will continue to be important after December 2016, when the HAMP program is closed to new entrants, since borrowers are eligible for up to 6 years of pay-for-performance incentives if they are able to maintain good standing on their modified loan payments.

- In March 2016, we recommended that Treasury deobligate funds that its review showed likely would not be expended. Treasury's most recent estimates identified \$4.7 billion in potential excess funds, of which Treasury has deobligated \$2 billion as of August 22, 2016.²⁰ For the additional \$2.7 billion in potential excess funds Treasury

¹⁹GAO-15-5.

²⁰GAO-16-351.

identified, Treasury stated that once servicers report all final transactions to the MHA system of record in late 2017, it plans to calculate the maximum potential expenditures under MHA and deobligate any estimated excess funds at that time, as appropriate. Given the uncertainties in estimating future participation and the associated expenditures—in particular, the effect of Streamline HAMP which was not fully implemented at the time of Treasury’s last program estimate—it will be important for Treasury to update its cost estimates as additional information becomes available and take timely action to deobligate likely excess funds.

Finally, Treasury has not taken action to address two open recommendations directed at MHA:

- In February 2014, we recommended that Treasury require its MHA compliance agent to take steps to assess the extent to which servicers established internal control programs that effectively monitored compliance with fair lending laws applicable to MHA programs.²¹ As we noted in the report, both the MHA Servicer Participation Agreement and MHA Handbook require that servicers have an internal control program to monitor compliance with relevant consumer protection and fair lending laws. In April 2014, Treasury officials stated that they planned to continue efforts to promote fair lending policies. However, they noted that they believed that the federal agencies with supervisory authority remain in the best position to monitor servicer compliance with fair lending laws and that they did not plan to implement this recommendation. Representatives of the federal regulators said that their fair lending reviews have a broader overall focus that may not specifically focus on MHA activities. Moreover, our analysis identified some statistically significant differences among four large MHA program servicers in the number of denials and cancellations of trial modifications and in the potential for redefault of permanent modifications for certain protected groups. Evaluating the extent to which servicers have developed and maintained internal controls to monitor compliance with fair lending laws could give Treasury additional assurances that servicers have implemented MHA programs in compliance with fair lending laws.

²¹[GAO-14-117](#).

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- In July 2015, we recommended that Treasury develop and implement policies and procedures to better ensure that changes to TARP-funded housing programs are based on evaluations that comprehensively and consistently met the key elements of benefit-cost analysis.²² Treasury agreed that it is important to assess the benefits and costs of proposed program improvements, and that it would continue to consider the costs of program enhancements and balance those considerations with the overall objective of helping struggling homeowners. Treasury also noted that, given the scheduled application deadline for MHA on December 30, 2016, it did not anticipate making significant policy changes to the MHA programs.

Although the deadline for new MHA program applicants is December 30, 2016, elements of the MHA program will remain in effect after the application deadline. For example, in the case of a HAMP loan modification, borrowers are eligible for program benefits for up to 6 years. As such, we continue to maintain that Treasury should take action to fully implement the partially implemented and open recommendations. We will continue to assess the status of these recommendations considering program activity and actions taken by Treasury.

Agency Comments

We provided a draft of this report to Treasury for comment. Treasury had no formal or technical comments on the draft report.

We are sending copies of this report to the appropriate congressional committees. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or garciadiazd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on

²²GAO, *Troubled Asset Relief Program: Treasury Could More Consistently Analyze Potential Benefits and Costs of Housing Program Changes*, GAO-15-670 (Washington, D.C.: July 6, 2015).

the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

A handwritten signature in black ink, appearing to read "Daniel Garcia-Diaz". The signature is fluid and cursive, with a long horizontal stroke at the bottom.

Daniel Garcia-Diaz
Director, Financial Markets
and Community Investment

List of Congressional Committees

The Honorable Thad Cochran
Chairman
The Honorable Barbara A. Mikulski
Vice Chairwoman
Committee on Appropriations
United States Senate

The Honorable Richard Shelby
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Mike Enzi
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The Honorable Orrin G. Hatch
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The Honorable Harold Rogers
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The Honorable Nita Lowey
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House of Representatives

The Honorable Tom Price
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The Honorable Chris Van Hollen
Ranking Member
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House of Representatives

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

The Honorable Kevin Brady
Chairman
The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
House of Representative

Appendix I: Status of Troubled Asset Relief Program (TARP) Performance Audit Recommendations, as of August 22, 2016

The following table summarizes the status of our TARP performance audit recommendations as of August 22, 2016. We classify each recommendation as implemented, partially implemented (the agency took steps to implement the recommendation but more action would be required to fully implement it), open (the agency had not taken steps to implement the recommendation), and closed, not implemented (the agency decided not to take action to implement the recommendation and we no longer consider the recommendation relevant). The recommendations are listed by report.

Table 1: GAO Performance Audit Recommendations, as of August 22, 2016

GAO recommendations	Status
Troubled Asset Relief Program: Additional Actions Needed to Better Ensure Integrity, Accountability, and Transparency: GAO-09-161, December 2, 2008	
Work with the bank regulators to establish a systematic means of determining and reporting in a timely manner whether financial institutions' activities are generally consistent with the purposes of the Capital Purchase Program (CPP) and help ensure an appropriate level of accountability and transparency.	Implemented
Develop a means to ensure that institutions participating in CPP comply with key program requirements (for example, executive compensation, dividend payments, and the repurchase of stock).	Implemented
Formalize the existing communication strategy to ensure that external stakeholders, including Congress, are informed about the program's current strategy and activities and understand the rationale for changes in this strategy to avoid information gaps and surprises.	Implemented
Facilitate a smooth transition to the new administration by building on and formalizing ongoing activities, including ensuring that key Office of Financial Stability (OFS) leadership positions are filled during and after the transition.	Implemented
Expedite OFS's hiring efforts to ensure that the Department of the Treasury (Treasury) has the personnel needed to carry out and oversee the Troubled Asset Relief Program (TARP).	Implemented
Ensure that sufficient personnel are assigned and properly trained to oversee the performance of all contractors, especially for contracts priced on a time-and-materials basis, and move toward fixed-price arrangements whenever possible.	Implemented
Continue to develop a comprehensive system of internal control over TARP, including policies, procedures, and guidance that are robust enough to protect taxpayers' interests and ensure that the program objectives are being met.	Implemented
Issue final regulations on conflicts of interest involving Treasury's agents, contractors, and their employees and related entities as expeditiously as possible and review and renegotiate mitigation plans, as necessary, to enhance specificity and compliance with the new regulations once they are issued.	Implemented
Institute a system to effectively manage and monitor the mitigation of conflicts of interest.	Implemented
Troubled Asset Relief Program: Status of Efforts to Address Transparency and Accountability Issues: GAO-09-296, January 30, 2009	
Expand the scope of planned monthly CPP surveys to include collecting at least some information from all institutions participating in the program.	Implemented
Ensure that future CPP agreements include a mechanism that will better enable Treasury to track the use of the capital infusions and seek to obtain similar information from existing CPP participants.	Implemented
Establish a process to ensure compliance with all CPP requirements, including those associated with limitations on dividends and stock repurchase restrictions.	Implemented

Appendix I: Status of Troubled Asset Relief Program (TARP) Performance Audit Recommendations, as of August 22, 2016

GAO recommendations	Status
Communicate a clearly articulated vision for TARP and show how all individual programs are intended to work in concert to achieve that vision. This vision should incorporate actions to preserve homeownership. Once this vision is clearly articulated, Treasury should document needed skills and competencies.	Implemented
Continue to expeditiously hire personnel needed to carry out and oversee TARP.	Implemented
Expedite efforts to ensure that sufficient personnel are assigned and properly trained to oversee the performance of all contractors, especially for contracts priced on a time-and-materials basis, and move toward fixed-price arrangements whenever possible as program requirements are better defined over time.	Implemented
Develop a comprehensive system of internal control over TARP activities, including policies, procedures, and guidance that are robust enough to ensure that the program's objectives and requirements are met.	Implemented
Develop and implement a well-defined and disciplined risk-assessment process, as such a process is essential to monitoring program status and identifying any risks of potential inadequate funding of announced programs.	Implemented
Review and renegotiate existing conflict-of-interest mitigation plans, as necessary, to enhance specificity and conformity with the new interim conflicts of interest regulation, and take continued steps to manage and monitor conflicts of interest and enforce mitigation plans.	Implemented
Troubled Asset Relief Program: March 2009 Status of Efforts to Address Transparency and Accountability Issues: GAO-09-504, March 31, 2009	
Develop a communication strategy that includes building an understanding of and support for the various components of the program. Specific actions could include hiring a communications officer, integrating communications into TARP operations, scheduling regular and ongoing contact with congressional committees and members, holding town hall meetings with the public across the country, establishing a counsel of advisors, and leveraging available technology.	Implemented
Require that American International Group, Inc. seek concessions from stakeholders, such as management, employees, and counterparties, including seeking to renegotiate existing contracts, as appropriate, as it finalizes the agreement for additional assistance.	Closed, not implemented ^a
Update OFS documentation of certain internal control procedures and the guidance available to the public on determining warrant exercise prices to be consistent with actual practices applied by OFS.	Implemented
Improve transparency pertaining to TARP program activities by reporting publicly the monies, such as dividends, paid to Treasury by TARP participants.	Implemented
Complete the review of, and as necessary renegotiate, the four existing vendor conflicts-of-interest mitigation plans to enhance specificity and conformity with the new interim conflicts-of-interest rule.	Implemented
Issue guidance requiring that key communications and decisions concerning potential or actual vendor-related conflicts of interest be documented.	Implemented
Troubled Asset Relief Program: June 2009 Status of Efforts to Address Transparency and Accountability Issues: GAO-09-658, June 17, 2009	
Ensure that the warrant valuation process maximizes benefits to taxpayers and consider publicly disclosing additional details regarding the warrant repurchase process, such as the initial price offered by the issuing entity and Treasury's independent valuations, to demonstrate Treasury's attempts to maximize the benefit received for the warrants on behalf of the taxpayer.	Implemented
In consultation with the Chairman of the Federal Deposit Insurance Corporation (FDIC) and the Chairman of the Board of Governors of the Federal Reserve System (Federal Reserve), the Comptroller of the Currency, and the Acting Director of the Office of Thrift Supervision ensure consideration of generally consistent criteria by the primary federal regulators when considering repurchase decisions under TARP.	Closed, not implemented ^a
Fully implement a communication strategy that ensures that all key congressional stakeholders are adequately informed and kept up to date about TARP.	Implemented

Appendix I: Status of Troubled Asset Relief Program (TARP) Performance Audit Recommendations, as of August 22, 2016

GAO recommendations	Status
Expedite efforts to conduct usability testing to measure the quality of users' experiences with the financial stability website and measure customer satisfaction with the site, using appropriate tools such as online surveys, focus groups, and e-mail feedback forms.	Implemented
Explore options for providing to the public more detailed information on the costs of TARP contracts and agreements, such as a dollar breakdown of obligations, expenses, or both.	Implemented
To help improve the transparency of the Capital Assistance Program (CAP)—in particular the stress tests results—we recommend that the Director of Supervision and Regulation of the Federal Reserve consider periodically disclosing to the public the aggregate performance of the largest 19 U.S. bank holding companies against the more adverse scenario forecast numbers for the duration of the 2-year forecast period and whether or not the scenario needs to be revised. At a minimum, the Federal Reserve should provide the aggregate performance data to OFS program staff for any of the 19 institutions participating in CAP or CPP.	Implemented ^b
Troubled Asset Relief Program: Treasury Actions Needed to Make the Home Affordable Modification Program More Transparent and Accountable: GAO-09-837, July 23, 2009	
Consider methods of monitoring whether borrowers with total household debt of more than 55 percent of their income who have been told that they must obtain housing counseling do so, and assess how this counseling affects the performance of modified loans to see if the requirement is having its intended effect of limiting redefaults.	Closed, not implemented ^d
Reevaluate the basis and design of the Home Price Decline Protection program to ensure that Home Affordable Modification Program (HAMP) funds are being used efficiently to maximize the number of borrowers who are helped under HAMP and to maximize overall benefits of utilizing taxpayer dollars.	Implemented
Institute a system to routinely review and update key assumptions and projections about the housing market and the behavior of mortgage holders, borrowers, and servicers that underlie Treasury's projection of the number of borrowers whose loans are likely to be modified under HAMP and revise the projection as necessary in order to assess the program's effectiveness and structure.	Implemented
Place a high priority on fully staffing vacant positions in the Homeownership Preservation Office (HPO)—including filling the position of Chief Homeownership Preservation Officer with a permanent placement—and evaluate HPO's staffing levels and competencies to determine whether they are sufficient and appropriate to effectively fulfill its HAMP governance responsibilities.	Implemented
Expediently finalize a comprehensive system of internal control over HAMP, (including policies, procedures, and guidance for program activities) to ensure that the interests of both the government and taxpayer are protected and that the program objectives and requirements are being met once loan modifications and incentive payments begin.	Implemented
Expediently develop a means of systematically assessing servicers' capacity to meet program requirements during program admission so that Treasury can understand and address any risks associated with individual servicers' abilities to fulfill program requirements, including those related to data reporting and collection.	Implemented
Troubled Asset Relief Program: One Year Later, Actions Are Needed to Address Remaining Transparency and Accountability Challenges: GAO-10-16, October 8, 2009	
Consider TARP in a broad market context, and as part of determining whether to extend TARP, work with the Chairmen of the Federal Reserve and FDIC to develop a coordinated framework and analytical basis to determine whether an extension is needed. If so, clearly spell out what objectives and measures of any extended programs would be, along with anticipated costs and safeguards.	Implemented
Document Treasury's analytical decision-making process and clearly communicate the results to Congress and the American people for determining whether an extension is needed.	Implemented
Update its projected use of funds and if the program is extended, continue to re-evaluate them on a periodic basis.	Implemented
Troubled Asset Relief Program: Continued Stewardship Needed as Treasury Develops Strategies for Monitoring and Divesting Financial Interests in Chrysler and GM: GAO-10-151, November 2, 2009	

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 22, 2016**

GAO recommendations	Status
Ensure that Treasury has the expertise needed to adequately monitor and divest the government's investment in Chrysler Group LLC (Chrysler) and General Motors Company (GM), and obtain needed expertise in areas where gaps are identified (either through in-house or external means).	Implemented
Report to Congress on Treasury's plans to assess and monitor the auto companies' performance and ability to repay their loans. When reporting, balance the need for transparency with the need to protect proprietary information.	Implemented
Develop criteria for evaluating the optimal method and timing for divesting the government's ownership stake in Chrysler and GM, including evaluating the full range of available options, such as initial public offerings or private sales.	Implemented
Troubled Asset Relief Program: Treasury Needs to Strengthen Its Decision-Making Process on the Term Asset-Backed Securities Loan Facility: GAO-10-25, February 5, 2010	
To enable GAO to audit TARP support for the Term Asset-Backed Securities Loan Facility (TALF) most effectively, Congress may wish to provide GAO with audit authority over all Federal Reserve operational and administrative actions taken with respect to TALF, together with appropriate access authority.	Implemented ^c
To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, given the distressed conditions in the commercial real estate market, as part of its ongoing monitoring of TALF collateral, the Secretary of the Treasury should direct OFS to continue to give greater attention to reviewing risks posed by commercial mortgage-backed securities.	Implemented
To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, the Secretary of the Treasury should direct OFS to strengthen the process for making major program decisions for TALF and document how it arrives at final decisions with the Federal Reserve and the Federal Reserve Bank of New York (FRBNY). Such decisions should include how Treasury considers expert and contractor recommendations and resolves those recommendations that differ from those of the Federal Reserve and FRBNY.	Implemented
To improve transparency of decision making on the use of TARP funds for TALF and to ensure adequate monitoring of risks related to TALF collateral, the Secretary of the Treasury should direct OFS to conduct a review of what data to track and metrics to disclose to the public in the event that TALF LLC purchases surrendered assets from FRBNY. Such data and metrics should relate to the purchase, management, and sale of assets in TALF LLC that potentially impact TARP funds. Metrics related to TALF LLC could include periodic reports on the date and purchase price of assets; fluctuations in the market value of assets held; the date, price, and rationale when assets are sold; and the total amount of loans outstanding to Treasury.	Implemented
Troubled Asset Relief Program: Further Actions Needed to Fully and Equitably Implement Foreclosure Mitigation Programs: GAO-10-634, June 24, 2010	
Expediently establish clear and specific criteria for determining whether a borrower is in imminent default to ensure greater consistency across servicers.	Closed, not implemented
Expediently develop additional guidance for servicers on their quality assurance programs for HAMP, including greater specificity on how to categorize loans for sampling and what servicers should be evaluating in their reviews.	Implemented
Expediently specify which complaints servicers should track to ensure consistency and to facilitate program oversight and compliance.	Implemented
Expediently more clearly inform borrowers that the Homeowner's HOPE Hotline may also be used if they are having difficulty with their HAMP application or servicer or feel that they have been incorrectly denied HAMP, monitor the effectiveness of the HOPE Hotline as an escalation process for handling borrower concerns about potentially incorrect HAMP denials, and develop an improved escalation mechanism if the HOPE Hotline is not sufficiently effective.	Implemented
Expediently finalize and issue consequences for servicer noncompliance with HAMP requirements.	Implemented

Appendix I: Status of Troubled Asset Relief Program (TARP) Performance Audit Recommendations, as of August 22, 2016

GAO recommendations	Status
Expediently report activity under the principal reduction program, including the extent to which servicers determined that principal reduction was beneficial to investors but did not offer it, to ensure transparency in the implementation of this program feature across servicers.	Partially implemented
Expediently finalize and implement benchmarks for performance measures under the first-lien modification program, as well as develop measures and benchmarks for the recently announced TARP-funded homeowner assistance programs.	Implemented
Expediently implement a prudent design for remaining TARP-funded housing programs.	Implemented
Troubled Asset Relief Program: Treasury's Framework for Deciding to Extend TARP Was Sufficient, but Could Be Strengthened for Future Decisions: GAO-10-531, June 30, 2010	
Formalize and document coordination with the Chairman of FDIC for decisions associated with the expiration of TARP (1) by including the Chairman at relevant Financial Stability Oversight Board meetings, (2) through formal bilateral meetings, or (3) by utilizing other forums that accommodate more structured dialogue.	Implemented
Publicly identify clear program objectives, the expected impact of programs, and the level of additional resources needed to meet those objectives. Treasury should set quantitative program objectives for its small business lending programs and identify any additional data needed to make program decisions.	Closed, not implemented ^d
Troubled Asset Relief Program: Bank Stress Test Offers Lessons as Regulators Take Further Actions to Strengthen Supervisory Oversight: GAO-10-861, September 29, 2010	
To gain a better understanding of the Supervisory Capital Assistance Program (SCAP) and inform the use of similar stress tests in the future, the Federal Reserve should compare the performance of the 19 largest bank holding companies against the more adverse scenario projections following the completion of the 2-year period covered in the SCAP stress test ending December 31, 2010, and disclose the results of the analysis to the public.	Implemented ^b
The Federal Reserve, in consultation with the other banking regulators, should develop a plan that reconciles the divergent views on transparency and allows for increased transparency in the regular supervisory process. Such a plan should, at a minimum, outline steps for releasing supervisory methodologies and analytical results for stress testing.	Implemented ^b
The Federal Reserve, in consultation with the other banking regulators, should develop more specific criteria to include in its guidance to examiners for assessing the quality of stress tests and how these tests inform bank holding companies' capital adequacy planning. These guidelines should clarify the stress testing procedures already incorporated into banking regulations and incorporate lessons learned from SCAP.	Implemented ^b
The Federal Reserve, in consultation with the other banking regulators, should fully develop its plan for maintaining and improving the use of data, risk identification and assessment infrastructure, and requisite systems in implementing its supervisory functions and new responsibilities under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). This plan should also ensure the dissemination of these enhancements throughout the Federal Reserve System and other financial regulators, as well as new organizations established in the Dodd-Frank Act.	Implemented ^b
The Federal Reserve, in consultation with the other banking regulators, should take further steps to coordinate and communicate more effectively among the banking regulators, including that all applicable agencies are included in discussions and decisions regarding multiagency activities, such as horizontal examinations of financial institutions.	Implemented ^b
Troubled Asset Relief Program: Opportunities Exist to Apply Lessons Learned from the Capital Purchase Program to Similarly Designed Programs and to Improve the Repayment Process: GAO-11-47, October 4, 2010	
Apply lessons learned from the implementation of CPP to similar programs, such as the Small Business Lending Fund, and enhance procedural controls for addressing the risk of inconsistency in regulators' decisions on withdrawals. Specifically, establish a process for collecting information from federal bank regulators on all applicants that withdraw from consideration in response to a regulator's recommendation, including the reasons behind the recommendation. Evaluate the information to identify trends or patterns that may indicate whether similar applicants were treated inconsistently across different regulators and take action, if necessary, to help ensure more consistent treatment.	Implemented

**Appendix I: Status of Troubled Asset Relief
Program (TARP) Performance Audit
Recommendations, as of August 22, 2016**

GAO recommendations	Status
Periodically collect and review certain information from federal bank regulators on the analysis and conclusions supporting their decisions on CPP repayment requests and provide feedback for the regulators' consideration on the extent to which regulators are evaluating similar institutions consistently.	Closed, not implemented ^a
Troubled Asset Relief Program: Status of Programs and Implementation of GAO Recommendations: GAO-11-74, January 12, 2011	
OFS should finalize a plan for addressing how it will manage its workforce, in particular term-appointed employees and key Senior Executive Service positions, including plans for various staffing scenarios.	Implemented
Troubled Asset Relief Program: Treasury Continues to Face Implementation Challenges and Data Weaknesses in Its Making Home Affordable Program: GAO-11-288, March 17, 2011	
Require servicers to advise borrowers to notify their second-lien servicers once a first lien has been modified under HAMP to reduce the risk that borrowers with modified first liens are not captured in the Lender Processing Services matching database and, therefore, are not offered second-lien modifications.	Implemented
Ensure that servicers demonstrate they have the operational capacity and infrastructure in place to successfully implement the requirements of the Second-Lien Modification, Home Affordable Foreclosure Alternatives, and Principal Reduction Alternative programs.	Implemented
Consider methods for better capturing outcomes for borrowers who are denied, cancelled, or redefaulted from HAMP, including more accurately reflecting what actions are completed or pending and allowing for the reporting of multiple concurrent outcomes, in order to determine whether borrowers are receiving effective assistance outside of HAMP and whether additional actions may be needed to assist them.	Implemented
Troubled Asset Relief Program: As Treasury Continues to Exit Programs, Opportunities to Enhance Communication on Costs Exist: GAO-12-229, January 9, 2012	
The Secretary of the Treasury should enhance Treasury's communications with the public, in particular Treasury's press releases, about TARP programs and costs by consistently including information on estimated lifetime costs, especially when reporting on program results. For example, Treasury should consider including lifetime cost estimates, or references to Treasury reports that include such information, in its press releases about specific programs.	Implemented
Capital Purchase Program: Revenues Have Exceeded Investments, but Concerns about Outstanding Investments Remain: GAO-12-301, March 8, 2012	
The Secretary of the Treasury should consider analyzing and reporting on remaining and former CPP participants separately.	Closed, not implemented ^a
Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis: GAO-12-296, June 28, 2012	
Treasury and the Federal Housing Administration (FHA) should update their estimates of participation in the FHA Short Refinance program given current participation rates and recent changes to the program. Treasury should then use these updated estimates to reassess the terms of the letter of credit facility and consider seeking modifications in order to help ensure that it meets Treasury's needs cost-effectively.	Implemented
Troubled Asset Relief Program: Further Actions Needed to Enhance Assessments and Transparency of Housing Programs: GAO-12-783, July 19, 2012	
Treasury should expeditiously conduct a comprehensive risk assessment of HAMP Tier 2, using the standards for internal control in the federal government as a guide.	Implemented
Treasury should develop activity-level performance measures and benchmarks related to the HAMP Tier 2 program.	Implemented
Treasury should consolidate the state performance reports and financial reports, including administrative expenses, into a single Hardest Hit Fund report to provide policymakers and the public with the overall status of the program as well as the relative status and performance of the states' efforts.	Implemented

Appendix I: Status of Troubled Asset Relief Program (TARP) Performance Audit Recommendations, as of August 22, 2016

GAO recommendations	Status
Troubled Asset Relief Program: More Efforts Needed on Fair Lending Controls and Access for Non-English Speakers in Housing Programs: GAO-14-117, February 6, 2014	
As part of Treasury's efforts to continue improving the transparency and accountability of Making Home Affordable (MHA), the Secretary of the Treasury should require that its compliance agent take steps to assess the extent to which servicers have established internal control programs that effectively monitor compliance with fair lending laws that apply to MHA programs.	Open
As part of Treasury's efforts to continue improving the transparency and accountability of MHA, the Secretary of the Treasury should issue clarifying guidance to servicers on providing effective relationship management to Limited English Proficiency (LEP) borrowers.	Implemented
As part of Treasury's efforts to continue improving the transparency and accountability of MHA, the Secretary of the Treasury should ensure that the compliance agent assesses servicers' compliance with LEP relationship management guidance, once established.	Implemented
Troubled Asset Relief Program: Treasury Could Better Analyze Data to Improve Oversight of Servicers' Practices: GAO-15-5, October 6, 2014	
To improve monitoring and oversight of Treasury's HAMP, the Secretary of the Treasury should conduct periodic evaluations to help explain differences among MHA servicers in reasons for denying applications for trial modifications that may inform its compliance reviews of individual servicers, identify areas of weaknesses and best practices, and determine the potential need for additional program policy changes.	Implemented
To improve monitoring and oversight of Treasury's HAMP, the Secretary of the Treasury should conduct periodic evaluations using analytical methods, such as econometric modeling as appropriate, to help explain differences among MHA servicers in redefault rates that may inform its compliance reviews of individual servicers, identify areas of weaknesses and best practices, and determine the potential need for additional program policy changes.	Partially implemented
Troubled Asset Relief Program: Treasury Could More Consistently Analyze Potential Benefits and Costs of Housing Program Changes: GAO-15-670, July 6, 2015	
To bring greater rigor and efficiency to decisions about the use of federal funds allocated for TARP housing programs, the Secretary of the Treasury should develop and implement policies and procedures that establish a standard process to better ensure that TARP-funded housing program changes are based on analyses that comprehensively and consistently meet the key elements of benefit-cost analysis.	Open
Troubled Asset Relief Program: Treasury Should Estimate Future Expenditures for the Making Home Affordable Program GAO-16-351, March 8, 2016	
To provide Congress and others with accurate assessments of the funding that has been and will likely be used to help troubled borrowers and to identify any potential obligations not likely to be used, the Secretary of the Treasury should review potential unexpended balances by estimating future expenditures of the MHA program.	Implemented
To provide Congress and others with accurate assessments of the funding that has been and will likely be used to help troubled borrowers and to identify any potential obligations not likely to be used, the Secretary of the Treasury should deobligate funds that its review shows will likely not be expended and obligate up to \$2 billion of such funds to the TARP-funded Hardest Hit Fund as authorized by the Consolidated Appropriations Act, 2016.	Partially Implemented

Source: GAO. | [GAO-16-831](#)

Notes: This table includes only recommendations made to the Department of the Treasury and the Board of Governors of the Federal Reserve System. Thus, it does not include a recommendation directed at the Secretary of Labor, along with a matter for congressional consideration, from the TARP report on the Automotive Industry Financing Program ([GAO-11-471](#)).

^aThe TARP program evolved and these recommendations are no longer relevant.

^bThese recommendations were made to the Board of Governors of the Federal Reserve System.

^cThis is a matter for congressional consideration related to the TALF program.

^dTreasury has taken some action on these recommendations, but the action did not fully address the scope or timing of the recommendation.

Appendix II: GAO Contact and Staff Acknowledgments

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Staff Acknowledgements

In addition to the contact named above, Harry Medina (Assistant Director), Jason Wildhagen (Analyst-in-Charge), Anne Akin, Bethany Benitez, John Karikari, Barbara Roesmann, Mathew J. Scirè, Jena Sinkfield, and Karen Tremba made key contributions to this report.

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