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February 17, 2010

The Honorable Timothy Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner:

The failure of the \$75 billion Home Affordable Modification Program (“HAMP”), the Treasury Department’s (“Treasury”) main foreclosure mitigation effort, has been widely acknowledged.¹ We are troubled by Treasury’s recent attempt to cover up the continued failure of HAMP by removing a key metric from its monthly HAMP reports. We are writing to request that Treasury immediately disclose the information it removed from the most recent report, and also commit to full transparency in the future.

Last year, when you first announced that Treasury would spend taxpayers’ money to combat foreclosures, you paid lip service to the need to be accountable to the American people. You noted, quite correctly, that the taxpayers must be able to “see the impact of their investments,” and you promised to “be guided by the principles of transparency and accountability.”²

In light of your promises of transparency and accountability, we are especially disappointed to discover an important change in Treasury’s most recent Servicer Performance Report for HAMP. In every Performance Report through November 2009, Treasury disclosed the cumulative number of borrowers who had applied for mortgage modifications.³ This number could be compared to the number of permanent mortgage

¹ See, e.g., Peter Goodman, “U.S. Will Push Mortgage Firms to Reduce More Loan Payments,” *New York Times*, Nov. 28, 2009, available at http://www.nytimes.com/2009/11/29/business/economy/29modify.html?_r=1; Shahien Nasiripour, “Obama Administration Knew Foreclosure Program Wasn’t Working Right, Did Nothing,” *Huffington Post*, Feb. 3, 2010, available at http://www.huffingtonpost.com/2010/02/03/obama-administration-knew_n_448597.html.

² Department of the Treasury, Press Release, “Secretary Geithner Introduces Financial Stability Plan,” Feb. 10, 2009, available at <http://www.ustreas.gov/press/releases/tg18.htm>.

³ Department of the Treasury, Servicer Performance Report through July 2009, available at http://www.treas.gov/press/releases/docs/MHA_public_report.pdf, at 1 (“Number of Requests for Financial

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modifications granted to determine HAMP's success rate. In fact, news organizations and watchdog groups performed exactly this calculation, and it showed HAMP to be a miserable failure so far.⁴ But in the December 2009 report, Treasury stopped disclosing the number of HAMP applicants.⁵ Now, HAMP's success rate is anybody's guess.

As of the end of November 2009, after over three million borrowers had applied to the program, only 31,382 – or one percent – had achieved permanent modifications. It seems clear that the only reason for Treasury to stop reporting a metric that it had been tracking from the start is to cover up the \$75 billion program's total failure. Your Treasury Department is being guided, not by “the principles of transparency and accountability,” but by the desire to avoid blame for a shocking waste of taxpayer money.

As our Democratic colleague on the Committee, Dennis Kucinich, pointed out last month, Treasury “seems determined to insist on an optimistic view of HAMP's performance.”⁶ Mr. Kucinich did not find the rosy testimony of Treasury officials Phyllis Caldwell and Herbert Allison to be credible.⁷ More recently, Chairman Towns agreed that Treasury's commitment to transparency for its mortgage modification programs has been lacking.⁸ We urge you to respond quickly and completely to Chairman Towns' request for information and documents to assist our Committee in its investigation of federal home foreclosure mitigation efforts.

Concerns about Treasury's transparency and accountability are being voiced by independent watchdogs as well as by Congressional leaders in both parties. For instance, Neil Barofsky, the independent Special Inspector General for the Troubled Asset Relief Program, has charged in testimony before our Committee that Treasury's statements about the federal bailout of AIG “simply do [] not advance the cause of transparency.” Mr. Barofsky told this Committee that “the American people deserve better” than Treasury's inadequate explanations.⁹

Information Sent to Borrowers (Cumulative)"); Department of the Treasury, Servicer Performance Report through August 2009, *available at* http://www.financialstability.gov/docs/MHA-public_090909.pdf, at 1 (same); Department of the Treasury, Servicer Performance Report through September 2009, *available at* <http://www.financialstability.gov/docs/HAMP/MHA%Public%100809%Final.pdf>, at 1 (same); Department of the Treasury, Servicer Performance Report through October 2009, *available at* <http://www.financialstability.gov/docs/MHA%Public%111009%FINAL.PDF>, at 3 (same); Department of the Treasury, Servicer Performance Report through November 2009, *available at* <http://www.financialstability.gov/docs/MHA%20Public%20121009%20FINAL.PDF>, at 3 (same).

⁴ See, e.g., Daniel Indiviglio, “1% Success Rate for Obama Administration Mortgage Modification Program,” *The Atlantic Business Channel*, Dec. 11, 2009, *available at* http://business.theatlantic.com/2009/12/11_success_rate_for_obama_administration_mortgage_modification_program.php.

⁵ Department of the Treasury, Servicer Performance Report through December 2009, *available at* <http://www.financialstability.gov/docs/report.pdf>, at 3.

⁶ Letter from Dennis Kucinich to Timothy Geithner, Jan. 11, 2010.

⁷ See *id.*

⁸ Letter from Edolphus Towns to Timothy Geithner, Feb. 4, 2010.

⁹ Statement of Neil Barofsky, Special Inspector General for the Troubled Asset Relief Program before the House Committee on Oversight and Government Reform, Jan. 27, 2010, *available at*

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Mr. Secretary, we sincerely hope that you start paying attention to these and similar concerns about Treasury's transparency and accountability. Americans have a right to know when government programs succeed and when they fail. Bad news needs to be shared promptly and honestly – not covered up in an attempt to avoid public scrutiny. We request that Treasury immediately disclose the cumulative number of borrowers who had applied for mortgage modifications through December 2009, and retain that metric in every future HAMP report.

Sincerely,



Darrell Issa
Ranking Member



Jim Jordan
Ranking Member
Subcommittee on Domestic Policy

cc: The Honorable Edolphus Towns, Chairman
The Honorable Dennis Kucinich, Chairman, Subcommittee on Domestic Policy