HAMP Compliance

The compliance department within OFS has the primary responsibility to oversee and monitor Freddie Mac, the compliance agent for HAMP. OFS observed that Freddie Mac, since the inception of the program, was having difficulty meeting the deadlines of its planned audits and delivering key compliance reports as expected. More specifically, in late August, OFS assessed the first Servicer Performance Reviews that were completed by Freddie Mac. Based on this review, OFS had several specific areas of concern, including: unqualified staff to perform audits; trouble using extensions from statistical sampling to reach general results; inability to take a “risk-based” approach; inconsistent and incomplete audit workpapers; difficulty adapting to an “ever-evolving” HAMP; and too much reliance on contractors to perform the audits.

Due to these concerns, OFS met with Freddie Mac senior officials to review these problem areas, to suggest several remediation steps, and to inform Freddie Mac that a new OFS compliance officer would be placed at Freddie Mac on a full-time basis. Freddie Mac developed a detailed remediation plan with which OFS concurs. Steps include:

- hiring a new program executive to lead Freddie Mac’s compliance efforts
- restructuring Freddie Mac’s organization to better align with the goals of HAMP, including repositioning leaders and hiring new staff with the right skill sets
- creating a quality assurance function at Freddie Mac that will report directly to Treasury
- instituting a risk-based testing approach, as well as random audits
- performing independent verification of controls and corrective actions
- improving the timeliness of reporting to Treasury
- developing one audit team to focus on the top-10 servicers, with quarterly audits being performed on such servicers
- developing a second audit team to deal with all other servicers

SIGTARP commends OFS compliance for recognizing the deficiencies at Freddie Mac and taking steps to remedy the situation. SIGTARP will monitor progress made on these issues.

Servicer Performance Report

The Administration released its first Servicer Performance Report on August 4, 2009. Subsequent reports have been released on a monthly basis. The stated purpose of this report is to “document the number of struggling homeowners already helped under the [MHA] program, provide information on servicer performance and expand transparency around the initiative.”