

SIGTARP Proposes Using Leftover TARP Funds for COVID Relief

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Original post [here](#).

On April 8, the Special Investigator General for the Troubled Asset Relief Program (SIGTARP) [recommended](#) the Treasury use extra funds remaining from TARP's Hardest Hit Fund to provide mortgage relief for unemployed homeowners.

The Obama administration [established](#) the Hardest Hit Fund (HHF) in 2010, in an effort to directly aid unemployed homeowners who were struggling with making payments on their mortgages. The program offered opportunities for unemployed homeowners to receive mortgage payment assistance, principal reductions, and transitions into more affordable homes. It also included funds for blight elimination.

"Many people do not realize that TARP housing programs are still open," Special Inspector General Christy Goldsmith Romero said. "TARP's Hardest Hit Fund program could be a strong tool to help with the recent significant rise in unemployment, as there are already existing infrastructures in 19 states that could be quickly employed."

The Treasury originally targeted HHF to serve five states, but as the effects of the global financial crisis spread, it expanded the program to serve 18 states and the District of Columbia with \$9.6 billion in funding. Treasury selected eligible states based on whether state unemployment rates exceeded the national level or home prices in the states decreased by more than 20 percent during the GFC; it's unclear whether the states eligible to administer the program would change during the present crisis. The program is administered on the state level. Approximately [\\$579 million](#) of the funding is still available through 2022.

Potential COVID relief could also include unspent TARP funds from other housing programs, such as the \$4.3 billion in unspent funds for the Home Affordable Modification Program (HAMP) and other mortgage programs. The Treasury has [already moved](#) \$2 billion in funding from HAMP to HHF, rather than simply deobligating the funding.

The targeted assistance intends to provide states with the flexibility to aid homeowners in the ways they need on a local basis. However, some [found](#) a lack of take-up in such housing relief programs. Barriers to entry included multiple requirements for applications from local agencies and long distances to application centers from homes. Additionally, the program has faced issues managing the spending of local offices. In 2017, [a report](#) found \$3 million in wasted HHF funding, which SIGTARP noted resulted from excessive spending on the state level and lack of accountability on the federal level.

As the pandemic continues and few Americans return to full-time jobs, it's unclear whether the existing fiscal stimulus will be enough to help many individuals through a period of reduced employment or unemployment while businesses struggle to keep afloat. Federal Reserve Chairman Jay Powell has repeatedly [called for](#) additional fiscal spending, warning of a longer period of weaker economic growth than originally expected. Utilizing existing TARP allocations would enable the Treasury to provide more fiscal relief without waiting for an additional stimulus package.

Most recently, the Federal Housing Finance Agency [also responded](#) to homeowners' troubles making mortgage payments, creating an opportunity for homeowners to defer forbearance payments until the end of their mortgage, or at refinancing or sale.