



FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2022, through September 30, 2022



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Message from the Inspector General

I am pleased to present this Semiannual Report to Congress, which covers significant achievements of the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) for the six-month period from April 1, 2022, through September 30, 2022.

OIG published 16 reports this semiannual period. These reports consisted of audits, an evaluation, compliance reviews, white papers, closeout memos, and a risk assessment, and are available on our website and on Oversight.gov. As in prior reporting periods, we focused our audit and evaluation resources on the Agency programs and operations that pose the greatest financial, governance, or reputational risk to FHFA, the Enterprises, the Federal Home Loan Banks, and Common Securitization Solutions, LLC.

Our Special Agents, attorneys, and analysts, working both independently and in collaboration with our partner law enforcement agencies, continued to enforce the law to protect the interests of the American public. For example, in Massachusetts, a former real estate attorney and his wife were sentenced in connection with various mortgage fraud schemes that resulted in losses for the Enterprises. Barry Plunkett Jr. was sentenced to 78 months in prison and 60 months supervised release, and his wife, Nancy Plunkett, was sentenced to 12 months and one day in prison and 60 months supervised release. Both defendants were ordered to pay over \$3 million in restitution, jointly and severally, and over \$3 million in forfeiture.

Additionally, OIG continued to investigate and hold accountable criminals who fraudulently obtained pandemic relief monies. In New Jersey, for example, Gregory Blotnick was sentenced to 51 months in prison, two years supervised release, and ordered to pay over \$4.5 million in restitution and forfeiture for his role in a scheme to fraudulently obtain over \$6.8 million in



Brian M. Tomney
Inspector General

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Paycheck Protection Program forgivable loans from multiple Federal Home Loan Bank member banks. This successful prosecution and other investigative accomplishments are described further in the Significant Cases section of this report.

While this report describes OIG’s most recent and historical activity, during the reporting period we also assessed the evolving and emerging risks – and related challenges – likely to be faced by FHFA in the year ahead. Our efforts identified several additional challenges requiring FHFA’s attention that build on the challenge areas recognized by OIG in prior years. We describe these challenges in two annual publications released in early October 2022: our FY 2023 Management and Performance Challenges Memorandum and our FY 2023 Annual Plan, which describes the specific work we intend to undertake as part of our oversight in subsequent reporting periods.

I am fortunate to lead a highly qualified team of professionals, and these accomplishments reflect their hard work. Regardless of role, every member of OIG is committed to excellence in our oversight activities and enforcement efforts, and I thank them for their work on behalf of the American public.

Brian M. Tomney
Inspector General
September 30, 2022

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Snapshot of OIG Accomplishments

**Semiannual Reporting Period
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Reports Issued Includes audits, evaluations, compliance reviews, administrative inquiry, status and special reports	16
Recommendations Made	17
Investigative Activities:	
Indictments / Charges	37
Arrests	18
Convictions / Pleas	37
Sentencings	42
Suspension / Debarment Referrals to Other Agencies	18
Suspended Counterparty Referrals to FHFA	15
Investigative Monetary Results:	
Criminal Restitution	\$89,897,096
Criminal Fines / Special Assessments / Forfeitures	\$10,156,361
Civil Forfeiture	\$16,270,000
Investigations Total Monetary Results*	\$116,323,457*

* Includes court-ordered results from individual FHFA-OIG investigations and joint investigations with other law enforcement organizations

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OIG's Oversight

Overview

The Federal Housing Finance Agency (FHFA or Agency) was established in July 2008 by the Housing and Economic Recovery Act of 2008. FHFA serves as regulator and supervisor of several entities: Fannie Mae and Freddie Mac (the Enterprises); Common Securitization Solutions, LLC, an affiliate of each Enterprise (CSS); the Federal Home Loan Banks (FHLBanks) (collectively, the Enterprises, CSS, and the FHLBanks are the regulated entities); and the FHLBanks' fiscal agent, the Office of Finance. FHFA is responsible for ensuring the regulated entities' safety and soundness so that they serve as a reliable source of liquidity and funding for housing finance and community investment. As of June 30, 2022, the Enterprises collectively reported more than \$7.4 trillion in assets and the FHLBanks reported more than \$946 billion in assets.

Since September 2008, FHFA also has served as the Enterprises' conservator. Initially, the conservatorships were intended to be a temporary measure during a period of extreme stress to stabilize the mortgage markets and promote financial stability, but they are now in their fifteenth year.

OIG's Risk-Based Oversight Strategy

FHFA's dual roles as the regulated entities' supervisor and as the Enterprises' conservator present unique challenges for OIG. Consequently, OIG structures its oversight program to rigorously examine FHFA's exercise of its dual responsibilities, which differ significantly from the typical federal financial regulator. Given the regulated entities' size and complexity and FHFA's unique responsibilities, it is critical that OIG makes the right choices about what we audit, evaluate, review for compliance, and investigate.

To assist in making those choices, the Office of the Chief of Staff coordinates planning and strategy across OIG. Within the Office of the Chief of Staff, the Risk Analysis Division monitors, analyzes, and disseminates information on emerging and ongoing risks, enabling OIG to focus its resources on the areas that present the greatest risk to FHFA and its regulated entities. Through its work, it contributes data and information to assist offices across OIG and issues white papers discussing areas of potential emerging and ongoing risks.

Management and Performance Challenges

An integral part of OIG's oversight is to identify and assess FHFA's top management and performance challenges and align our work with these challenges. On an annual basis, we assess and report to the FHFA Director the Agency's most serious management and performance challenges, which, if not addressed, could adversely affect FHFA's accomplishment of its mission.

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The management and performance challenges, and management concern, during this semiannual period were:¹

- **Supervision of the Regulated Entities:** upgrade supervision of the Enterprises and continue supervision efforts of the FHLBanks
- **Conservator Operations:** improve oversight of conservator operations
- **Information Security:** enhance oversight of cybersecurity at the regulated entities and ensure an effective information security program at FHFA
- **Counterparties and Third Parties:** enhance oversight of the Enterprises’ management of counterparty and third-party risk
- **Management Concern:** sustain and strengthen internal controls over Agency operations, including workforce planning

OIG focuses much of its oversight on identifying vulnerabilities in these areas and recommending positive, meaningful actions that the Agency could take to mitigate these vulnerabilities and remediate identified deficiencies.

OIG’s Oversight of FHFA’s Programs and Operations Through Audit, Evaluation, and Compliance Activities During This Reporting Period

OIG fulfills its oversight mission through four operational offices. In this section, OIG discusses its oversight activities in three of those offices: the Office of Audits, the Office of Evaluations, and the Office of Compliance. During this reporting period, OIG published 14 products from these offices.

Our investigative work in the Office of Investigations is discussed further below in the Investigative Activity Section.

Office of Audits

The Office of Audits conducts independent performance audits with respect to the Agency’s programs and operations. It also undertakes projects to address statutory requirements and stakeholder requests. As required by the Inspector General Act of 1978, as amended, the Office performs its audits in accordance with standards promulgated by the Comptroller General of the United States, commonly referred to as generally accepted government auditing standards, or the

¹ Shortly after conclusion of the semiannual period, OIG released the [FHFA Fiscal Year 2023 Management and Performance Challenges](#) memorandum, which updated the FY 2022 memorandum. An overview of the related OIG oversight activities planned for FY 2023 is discussed in the [FHFA-OIG FY 2023 Annual Plan](#).

Yellow Book. The Office of Audits also oversees independent public accounting firms that perform certain audits of FHFA programs and operations.

Office of Evaluations

The Office of Evaluations conducts independent and objective reviews, assessments, studies, and analyses of FHFA’s programs and operations. Under the Inspector General Act of 1978, as amended, Inspectors General are required to adhere to the professional standards designated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Office of Evaluations performs its work in accordance with the standards CIGIE established for inspections and evaluations, which are known as the *Quality Standards for Inspection and Evaluation*, commonly referred to as the Blue Book.

Office of Compliance

The Office of Compliance has two primary responsibilities. First, it determines whether FHFA effectively implemented agreed-upon corrective actions to remedy deficiencies identified during prior OIG evaluations, audits, or other reports. To meet this objective, the Office of Compliance conducts numerous activities. Most significantly, it conducts validation testing on selected closed recommendations to confirm whether FHFA took the corrective actions it said it implemented. OIG publishes its testing results to enable our stakeholders to assess both the efficacy of FHFA’s corrective actions and the impact of OIG’s recommendations. The Office performs compliance reviews and other work in accordance with the Blue Book. Further, the Office of Compliance administers OIG’s Recommendation Tracking System, a minable database that monitors the status of each OIG recommendation. Finally, the Office consults with other OIG divisions prior to the proposed closure of recommendations to ensure that OIG applies consistent closure standards across divisions.

The Office of Compliance’s second primary responsibility is to manage the implementation of OIG’s internal controls program in accordance with Office of Management and Budget Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, and the Government Accountability Office’s *Standards for Internal Control in the Federal Government* (also known as the Green Book).

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Reports and Recommendations

Significant Reports

Below are summaries of nine significant reports published by OIG during the six-month reporting period from April 1, 2022, through September 30, 2022.

Conservator Operations: [FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures](#) (EVL-2022-003, September 27, 2022)

For nearly 30 years, FHFA and its predecessor agency have been required by statute to oversee the compensation provided to executive officers of Fannie Mae and Freddie Mac. Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, the FHFA Director must prohibit the Enterprises from providing executive compensation that is “not reasonable and comparable with compensation for employment in other similar businesses (including other publicly held financial institutions or major financial services companies) involving similar duties and responsibilities.” In January 2014, the Agency issued a regulation that defined the requirements and process for its review of executive compensation. The FHFA regulation’s definition of “reasonable” established factors for the Agency’s review of Enterprise executive compensation.

FHFA’s executive compensation staff, currently within the Division of Conservatorship Oversight and Readiness, has primary responsibility for assessing whether proposed compensation actions for Enterprise executives are “not reasonable and comparable.” Since 2019, the leadership of the Enterprise executive compensation function has changed twice, most of the staff performing the reviews have turned over, and the function has been moved three times among three divisions and the Office of the Director. Our evaluation assessed FHFA’s current framework for reviewing Enterprise executive officer compensation to meet the Agency’s statutory, regulatory, and conservatorship requirements.

We found that, following the significant leadership and structural changes, FHFA’s procedures for executive compensation reviews do not reflect the compensation review function’s current structure and roles and responsibilities. The procedures also do not describe the scope of FHFA’s review or prescribe the specific analytical work to be performed. As a result, the procedures do not define the Agency’s minimum requirements for reviews of Enterprise executive compensation, such as the factors that must be applied during the review of whether proposed compensation is “not reasonable and comparable.” We also found that the Division of Conservatorship Oversight and Readiness has not determined the necessary level of staffing to ensure the efficient execution of the Agency’s statutory responsibility for oversight of Enterprise executive compensation. FHFA agreed with our recommendations that it:

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1. Update its Enterprise executive compensation review procedures to include its minimum requirements for the scope of the compensation reviews and the analytical work and specific steps to be performed in its review of the reasonableness and comparability of proposed compensation actions, as well as its expectations for the level of documentation of that review in staff analysis memoranda;
2. Complete the process of updating its Enterprise executive compensation review procedures to reflect the roles and responsibilities of the individuals and entities involved in the review process; and
3. Determine whether, and ensure that, the Agency has sufficient human capital resources to efficiently execute its statutory responsibility for oversight of Enterprise executive compensation.

Conservator Operations: [FHFA’s Visibility Into the Enterprises’ Credit Risks Has Increased by Reviewing Significantly More of Their Proposed Mortgage Selling Policies Before Implementation](#) (COM-2022-006, July 6, 2022)

One means by which FHFA oversees the Enterprises’ credit risks is to review and approve their proposed single-family mortgage selling policies (MSPs), which are the Enterprises’ underwriting standards for purchasing mortgages from loan sellers. In 2015 and again in 2018, an Agency official told us that, because one Enterprise submitted fewer MSPs to FHFA for review and approval than required, the Agency lacked sufficient “visibility” into that Enterprise’s credit risks. In March 2018, revised FHFA instructions took effect requiring the Enterprises to submit certain MSPs to the Agency for review and approval prior to implementation, to mitigate FHFA’s lack of visibility into the Enterprises’ credit risks.

We initiated this compliance review to determine whether the Enterprises complied with these revised instructions. According to FHFA and Enterprise officials, the Enterprises now submit all, or nearly all, of their MSPs to the Agency rather than confining their submissions only to those MSPs required to be submitted by the March 2018 instructions. FHFA officials said they do not object to the Enterprises’ more expansive MSP submission practices, as they have increased Agency visibility into their credit risks.

Conservatorship Operations: [FHFA Did Not Always Follow its Procedures When Reviewing the Enterprises’ Draft SEC Filings, But Plans to Take Corrective Action](#) (AUD-2022-007, May 12, 2022)

FHFA has served as conservator of the Enterprises since 2008. As conservator, the Agency has the powers of the management, boards, and shareholders of the Enterprises. While FHFA has broad authority, both Enterprises continue to operate as business corporations and are governed by Securities and Exchange Commission (SEC) regulations. Beginning in 2008 and continuing in 2021, both Enterprises identified and disclosed a material weakness in internal control over financial reporting in

their quarterly and annual reports filed with SEC. Specifically, both Enterprises reported that because of the nature of the conservatorship, which places them under the “control” of FHFA, some of the information that they may need to meet disclosure obligations may be solely within the knowledge of FHFA. To help mitigate this situation, the Enterprises, under FHFA’s direction, provide draft versions of their quarterly SEC filings to FHFA for review and comment prior to submission to the SEC. Once the reviews are complete and any Agency comments are resolved, the Director of FHFA sends an “acknowledgment” letter to each Enterprise expressing “no objection” to submitting the filings to the SEC. The Director’s acknowledgment letters communicate that, to FHFA’s knowledge, “FHFA did not identify any untrue statements of material facts or omissions of material facts that would be necessary to make the [SEC filings] not misleading.”

FHFA’s Office of the Chief Accountant (OCA), within FHFA’s Division of Accounting and Financial Standards, coordinates FHFA’s internal reviews of the Enterprises’ quarterly draft SEC filings and makes the recommendation to the Director whether to approve the acknowledgment letters to the Enterprises. Approval of the acknowledgment letters allows the Enterprises to complete their filings with the SEC. OCA’s written procedures require that OCA distribute the draft SEC filings to “key reviewers” (i.e., selected senior executives within FHFA) and other personnel (i.e., staff of key reviewers and subject matter experts) in FHFA’s divisions and offices, obtain and resolve comments by them, and instruct the key reviewers to sign a sub-certification memorandum confirming that they have performed their reviews of the draft SEC filings. OCA’s written procedures also set forth that the sub-certification memoranda are integral to OCA’s recommendation to the Director.

We conducted this audit to determine if FHFA followed its procedures when reviewing the Enterprises’ draft SEC filings for the second quarter 2021. We found that 5 of the 12 key reviewers (42 percent) of Fannie Mae’s draft SEC filing and 6 of the 12 key reviewers (50 percent) of Freddie Mac’s draft SEC filing did not sign sub-certification memoranda in support of their reviews of these draft SEC filings prior to the Director’s approval of the acknowledgment letters to the Enterprises. Further, when signed, the sub-certification memoranda did not always include all of the sections of the Enterprises’ draft SEC filings the key reviewers were to review. Nevertheless, OCA recommended approval of the Director’s acknowledgment letters to the Enterprises even though not all key reviewers signed sub-certification memoranda in support of FHFA’s review of the Enterprises’ draft SEC filings. FHFA’s inconsistent approach to the sub-certification process stemmed from FHFA not establishing and maintaining comprehensive policies and procedures to guide the review of the Enterprises’ draft SEC filings. As a result, there is an increased risk that the objectives of the review, to identify untrue statements of material facts or omissions of material facts that would make the quarterly SEC filings misleading, may not be achieved. FHFA agreed with our recommendations that it:

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1. Establish and maintain comprehensive policies and procedures to guide the review of the Enterprises' draft SEC filings to ensure that the sub-certification process is complete and accurate in support of the Director's acknowledgment letters to the Enterprises.
2. Train all key reviewers and applicable staff on the new/updated policies and procedures for the review of the Enterprises' draft SEC filings.

Supervision: [FHFA's Division of Enterprise Regulation Substantially Adhered to its Rotation Policy for Examination Leader Assignments Despite Not Tracking Them Consistently](#) (COM-2022-007, July 11, 2022)

In 2017, OIG compared FHFA's policies and practices on examiner rotation with those of other federal financial regulators. Our evaluation found no evidence that the Division of Enterprise Regulation (DER) had implemented any "meaningful" examiner rotation, even though DER's then-Deputy Director had pledged to do so sixteen months prior to the evaluation. In response to our evaluation, FHFA created a rotation policy that instituted target rotation timeframes for its examiners-in-charge and managers (collectively, examination leaders) and provided a tracking spreadsheet by which FHFA would track an examination leader's rotation both by Enterprise and by risk area.

We sought to determine whether DER tracked and rotated examination leader assignments from April 1, 2018, through December 31, 2021. We found—and DER conceded—that it did not consistently track examination leader assignments during the review period. Nevertheless, DER did substantially adhere to its rotation policy's target timeframes: of the five examination leaders we identified who had tenures that reached the target rotation timeframe during the review period, three left their positions either by the target rotation timeframe or shortly thereafter, while two appear (based on limited Agency records) to have left their positions before the target rotation timeframe.

Because DER had not been tracking examiner assignments, however, we reopened our recommendation that it implement a mechanism to track and document examiner assignments to facilitate examiner rotation.

Supervision: [FHFA Has Laid the Groundwork to Integrate Consideration of Climate-Related Financial Risk into its Policies and Programs but Plans and Methodologies to Accomplish This Work Are in the Early Stages of Development](#) (AUD-2022-008, June 23, 2022)

FHFA is a member agency of the Financial Stability Oversight Council (FSOC). On May 20, 2021, the President issued Executive Order (EO) 14030, Climate-Related Financial Risk. EO 14030 lays out a policy to advance disclosure of climate-related financial risk, to act to mitigate climate-related financial risk and its drivers, and to achieve the Administration's target of a net-zero emissions economy by no later than 2050. EO 14030 also directs FSOC to consider, consistent with applicable law and subject to the availability of appropriations, issuing a report on the efforts

by its member agencies to integrate consideration of climate-related financial risk in their policies and programs. FSOC’s Report on Climate-Related Financial Risk was issued on October 21, 2021, and contained over 30 recommendations applicable to FSOC member agencies.

We performed this audit to determine and report on what actions FHFA has taken to integrate consideration of climate-related risk into its policies and programs for the regulation and supervision of the regulated entities as of February 28, 2022, and whether those actions are consistent with the applicable policies, objectives, and directives of EO 14030. We found that, in January 2022, FHFA established an inter-divisional Steering Committee and working groups structure to address pertinent aspects of EO 14030 and to facilitate work needed to identify and address climate-related financial risk in its regulated entities. Not surprisingly, given the recency of EO 14030, FHFA’s work on climate-related financial risk is in the early stages as of the end of our review period. Accordingly, working group project plans and the methodologies by which FHFA will integrate consideration of climate-related financial risk into its policies and programs for the regulation and supervision of the regulated entities had not yet been fully developed.

FHFA agreed with our recommendation that FHFA’s Steering Committee Chair ensure that the working groups complete project plans and methodologies, with corresponding timelines and milestones, for deliverables needed to integrate consideration of climate-related risk, consistent with EO 14030, into its policies and programs for the regulation and supervision of the regulated entities.

Information Risk: [FHFA Did Not Fully Comply with DHS Binding Operational Directives for Securing Its Public Websites and Publishing Its Vulnerability Disclosure Policy](#) (AUD-2022-010, August 31, 2022)

Pursuant to the Federal Information Security Modernization Act of 2014, the Department of Homeland Security (DHS) develops and oversees the implementation of binding operational directives (BODs). A BOD is a compulsory directive to federal executive branch departments and agencies for purposes of safeguarding federal information and information systems. Federal agencies are required to comply with DHS-developed directives. We conducted this audit to determine whether FHFA complied with select DHS BODs from October 1, 2020, through September 30, 2021. We selected DHS BOD 20-01, Develop and Publish a Vulnerability Disclosure Policy; DHS BOD 19-02, Vulnerability Remediation Requirements for Internet-Accessible Systems; and DHS BOD 18-01, Enhance Email and Web Security because each BOD required ongoing actions to be taken by the Agency during the review period. We found that FHFA complied with DHS BOD 19-02 requirements. However, contrary to DHS BOD 18-01, FHFA did not configure all of its publicly accessible websites and web services with a secured connection because these websites and web services were managed by a third-party vendor and were not under FHFA’s control. Unsecured connection to these websites and web services could subject user information to interception, eavesdropping, tracking, and modification. Also, due to an oversight, FHFA did not include an issuance date in its Vulnerability Disclosure Policy, which DHS BOD

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20-01 requires. Without the issuance date of the Vulnerability Disclosure Policy, the public cannot determine if the policy is up to date. Finally, FHFA did not develop and maintain documented policies and procedures governing the process of implementing DHS BODs because the Chief Information Security Officer relies on an informal undocumented process. Without documented policies and procedures, FHFA may respond to DHS BODs in an ad-hoc, reactive manner. FHFA agreed with our recommendations that it:

1. Identify and implement a solution, in coordination with vendors, for meeting BOD 1801 requirements to ensure all publicly accessible endpoints provide service through a secure connection (Hypertext Transfer Protocol Secure-only, with Hypertext Transfer Protocol Secure Strict Transport Security). If there are no viable solutions, document any risk-based decisions, including compensating controls, for publicly accessible websites that are not in compliance with DHS BOD 18-01;
2. Update the Vulnerability Disclosure Policy published on FHFA’s public website to include an issuance date; and
3. Develop and maintain policies and procedures for implementing DHS BODs.

Counterparties and Third Parties: [Fannie Mae and Freddie Mac Fourth-Party Risk](#) (WPR-2022-001, June 28, 2022)

Fannie Mae and Freddie Mac rely on numerous third parties to originate and service mortgages and to provide a wide array of services essential to their business operations. Third parties to the Enterprises rely on their own third parties, which are fourth parties to the Enterprises. Like third parties, fourth parties pose risk to the Enterprises that must be managed.

The Enterprises face challenges managing fourth-party risk, particularly related to the Enterprises’ limited direct oversight of fourth parties. Typically, the Enterprises do not have contracts with their fourth parties. Instead, the third parties have the direct contractual relationship with the fourth parties. As the Enterprises explained, they oversee their third parties’ management of third-party (Enterprise fourth-party) risk rather than overseeing fourth parties directly.

In its 2020 Report to Congress, FHFA said that fourth-party risks will have to be a point of emphasis for the Enterprises. Officials from FHFA, Fannie Mae, and Freddie Mac each told us that fourth-party risk is an increasing focus. FHFA told us that it is increasing its oversight of Enterprise fourth-party risk management and described actions it intends to take in 2022. We believe this risk area merits the Agency’s attention.

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Internal Control over Agency Operations: [FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021](#) (AUD-2022-011, September 8, 2022)

Federal requirements and Agency policy stipulate that certain FHFA employees file financial disclosure reports of their finances as well as certain other interests outside the government. These financial disclosure requirements serve the dual purpose of (1) avoiding conflicts of interest through reviewer analysis of disclosures and (2) ensuring public confidence in government through disclosure. We performed this audit to assess the design and implementation of FHFA’s internal control over its employee financial disclosure requirements. The scope of the audit focused on the procedures and controls FHFA followed to manage its employee financial disclosure requirements during fiscal years 2020 and 2021.

We found that FHFA did not consistently conduct timely reviews of employees’ financial disclosure reports due to a lack of adequate internal controls over its employee financial disclosure process. Additionally, we found that FHFA did not always notify employees promoted to covered positions because the Agency’s Office of Human Resources Management failed to notify the Office of General Counsel. Lastly, several FHFA employees either did not file or file timely their financial disclosure reports after the Agency notified them, due to a lack of adequate internal controls over its employee financial disclosure process. Without a timely review by the Agency, employees in covered positions may have a conflict of interest that may not be disclosed or reviewed in a timely manner. FHFA agreed with our recommendations that it:

1. Improve the Agency’s existing internal controls over its employee financial disclosure process by performing and documenting technical reviews and conflict of interest analysis within 60 days of receiving employee financial disclosure reports as required by the United States Office of Government Ethics’ regulations and FHFA policy.
2. Promptly notify in writing the Agency’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official regarding employee promotions to a covered position consistent with FHFA policy.
3. Improve FHFA’s existing internal controls over its employee financial disclosure process by ensuring that employees file their financial disclosure reports timely as required by Office of Government Ethics regulations and FHFA policy.

Internal Control over Agency Operations: [FHFA Has Not Consistently Collected and Destroyed Identification Cards from Separating Personnel, but Has Otherwise Substantially Adhered to its Offboarding Procedures](#) (COM-2022-008, September 8, 2022)

When Agency employees or contractors leave FHFA, they are required to go through an “offboarding” process, during which the Agency collects FHFA and Enterprise access cards,

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sensitive information technology (IT) assets, and Agency records. In a 2019 audit, we found that FHFA was unable to provide an accurate count of departed contractors and could not account for Personal Identity Verification (PIV) cards and Enterprise access cards assigned to departed employees and contractors. In response to our findings and recommendations, the Agency implemented new offboarding procedures, which require the removal of financial system access for departing personnel, the deactivation of their facility access cards, and the removal of their access to Agency IT systems. The Agency also updated its badging procedures to require that FHFA collect and destroy PIV cards issued to departing employees and contractors. We closed our recommendations in May 2020 based upon these actions.

We assessed whether FHFA’s offboarding controls operated effectively from June 2020 through December 2021. We found that, while the Agency substantially adhered to its offboarding procedures, it failed to collect and destroy PIV cards from 8 of the 30 offboarded individuals in our sample who possessed such cards, a failure rate of 26%. Accordingly, we re-opened the recommendation from the 2019 audit regarding the collection and deactivation of PIV cards. In response, FHFA has committed to abide by applicable federal standards regarding the collection and destruction of PIV cards.

Other Products Issued During the Semiannual Period

In addition to the nine significant reports highlighted above, OIG issued seven other products during this reporting period:

[Executive Compensation Recommendation Closeout Memo](#) (September 27, 2022)

[FHFA Organizational Optimization Blueprint Closeout Memo](#) (September 26, 2022)

[FHFA is Addressing Inadequate Cybersecurity Incident Reports by the Enterprises](#) (COM-2022-009, September 22, 2022)

[Risk Assessment of FHFA’s Government Purchase Card and Travel Card Programs April 1, 2021-March 31, 2022](#) (OIG-RA-2022-001, September 19, 2022)

[Enterprise Use of Artificial Intelligence and Machine Learning](#) (WPR-2022-002, September 19, 2022)

[Audit of the Federal Housing Finance Agency’s Information Security Program and Practices Fiscal Year 2022](#) (AUD-2022-009, July 28, 2022)

[FHFA Ensured that Fannie Mae Submitted Required Property Valuation Data to the Agency’s Mortgage Loan Integrated System](#) (COM-2022-005, May 31, 2022)

IG Act Information Concerning Reports

During the period ending September 30, 2022, OIG’s reports did not include recommendations with questioned costs, unsupported costs, or funds to be put to better use by management.

No reports issued before April 1, 2022, are currently awaiting an FHFA management decision, nor are there reports for which OIG did not receive a response within 60 days of issuing a report to the Agency for comment. In addition, FHFA did not significantly revise any management decisions during this period.

During this period, there were no significant management decisions with which the Inspector General disagreed.

Recommendations

Significant, Open Recommendations

The following table contains all open recommendations from the reporting period ending September 30, 2022, and previous semiannual reporting periods. For a regularly updated list of all open recommendations, see OIG’s monthly [Compendium of Open Recommendations](#).

Significant, Open Recommendation	Report Title and Date
Conservatorship: FHFA should update its Enterprise executive compensation review procedures to include its minimum requirements for the scope of the compensation reviews and the analytical work and specific steps to be performed in its review of the reasonableness and comparability of proposed compensation actions, as well as its expectations for the level of documentation of that review in staff analysis memoranda.	FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures (EVL-2022-003, September 27, 2022)
Conservatorship: FHFA should complete the process of updating its Enterprise executive compensation review procedures to reflect the roles and responsibilities of the individuals and entities involved in the review process.	FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures (EVL-2022-003, September 27, 2022)

Significant, Open Recommendation	Report Title and Date
Conservatorship: FHFA should determine whether, and ensure that, the Agency has sufficient human capital resources to efficiently execute its statutory responsibility for oversight of Enterprise executive compensation.	<u>FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures</u> (EVL-2022-003, September 27, 2022)
Conservatorship: FHFA should establish and maintain comprehensive policies and procedures to guide the review of the Enterprises’ draft SEC filings to ensure that the sub-certification process is complete and accurate in support of the Director’s acknowledgment letters to the Enterprises.	<u>FHFA Did Not Always Follow its Procedures When Reviewing the Enterprises’ Draft SEC Filings, But Plans to Take Corrective Action</u> (AUD-2022-007, May 12, 2022)
Conservatorship: FHFA should train all key reviewers and applicable staff on the new/updated policies and procedures for the review of the Enterprises’ draft SEC filings.	<u>FHFA Did Not Always Follow its Procedures When Reviewing the Enterprises’ Draft SEC Filings, But Plans to Take Corrective Action</u> (AUD-2022-007, May 12, 2022)
<p>Conservatorship: FHFA should establish written policy and procedures that, at a minimum:</p> <ul style="list-style-type: none"> • Define and explain the roles and responsibilities of the FHFA personnel that participate in the preparation of the Conservatorship section that appears in FHFA’s annual reports to Congress or an alternative form of reporting of FHFA’s choice; and • Prescribe the reporting format to be used in the annual report to Congress and specify the information necessary to fulfill FHFA’s commitment to transparency in its public reporting of the Enterprises’ activities that further FHFA’s scorecard goals, and FHFA’s assessments of their performance against the scorecards. 	<u>FHFA’s Public Reporting of the Enterprises’ Progress Toward the Objectives FHFA Set in the 2020 Conservatorship Scorecard Lacked the Detail and Transparency of Past Reporting</u> (EVL-2022-002, March 17, 2022)

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Supervision: FHFA should direct DER to implement a mechanism to track and document over time DER examiner assignments by Enterprise and risk area to facilitate implementation of the examiner rotation practice or policy. [Closed in March 2018; reopened upon results of compliance testing.]	<u>FHFA’s Practice for Rotation of its Examiners Is Inconsistent between its Two Supervisory Divisions</u> (EVL-2017-004, March 28, 2017) and <u>FHFA’s Division of Enterprise Regulation Substantially Adhered to its Rotation Policy for Examination Leader Assignments Despite Not Tracking Them Consistently</u> (COM-2022-007, July 11, 2022)
Supervision: Consistent with leading practices for collaboration, FHFA’s Steering Committee Chair should ensure that the working groups complete developing project plans and methodologies, with corresponding timelines and milestones, for deliverables needed to integrate consideration of climate-related risk, consistent with Executive Order 14030, into its policies and programs for the regulation and supervision of the regulated entities.	<u>FHFA Has Laid the Groundwork to Integrate Consideration of Climate-Related Financial Risk into its Policies and Programs but Plans and Methodologies to Accomplish This Work Are in the Early Stages of Development</u> (AUD-2022-008, June 23, 2022)
Supervision: FHFA should establish a formal feedback mechanism to ensure that the DER offices responsible for developing examination standards and training examiners are informed of quality control review results.	<u>FHFA’s Division of Enterprise Regulation Has Made Progress in Its Quality Control Program but Needs to Ensure Adequate Reporting and Feedback Is Provided to Management</u> (EVL-2022-001, March 7, 2022)
Supervision: FHFA should revise the prudential management and operations standards, to the extent necessary, to establish criteria to be used in examinations of the regulated entities.	<u>FHFA’s Failure to Use its Prudential Management and Operations Standards as Criteria for Supervision of the Enterprises Is Inconsistent with the FHFA Director’s Statutory Duty to Ensure the Enterprises Comply with FHFA’s Guidelines</u> (OIG-2021-004, September 20, 2021)
Supervision: FHFA should issue clear internal guidance to examination personnel on the use of the prudential management and operations standards as criteria in supervisory activities.	<u>FHFA’s Failure to Use its Prudential Management and Operations Standards as Criteria for Supervision of the Enterprises Is Inconsistent with the FHFA Director’s Statutory Duty to Ensure the Enterprises Comply with FHFA’s Guidelines</u> (OIG-2021-004, September 20, 2021)

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Supervision: FHFA should revise the December 2020 Operating Procedures Bulletin to establish specific guidance with respect to the circumstances under which DER expects examiners to follow examination procedures in the Work Programs.	<u>Management Advisory: FHFA Must Resolve the Conflicts in its Guidance for Examinations of the Enterprises to Meet its Commitment to Develop and Maintain a World Class Supervision Program</u> (OIG-2021-003, September 1, 2021)
Supervision: FHFA should align the guidance in the governing Operating Procedures Bulletin with the guidance in the Work Programs in order to foster consistent examination practice.	<u>Management Advisory: FHFA Must Resolve the Conflicts in its Guidance for Examinations of the Enterprises to Meet its Commitment to Develop and Maintain a World Class Supervision Program</u> (OIG-2021-003, September 1, 2021)
Supervision: FHFA should revise the Division of Bank Regulation's quality control procedures to specifically require that all examination workpapers supporting examination findings, conclusions, and ratings directly prepared by the examiner-in-charge be reviewed by an individual who did not participate in the examination. [Closed in October 2019; reopened upon results of compliance testing.]	<u>FHFA Conducted BSA/AML Program Examinations of 10 of 11 Federal Home Loan Banks During 2016-2018 in Accordance with its Guidelines, But Failed to Support a Conclusion in the Report of Examination for the Other Bank</u> (AUD-2019-008, July 10, 2019) and <u>Compliance Review of DBR's Quality Control for Examination Work Performed by Examiners-in-Charge</u> (COM-2021-007, August 25, 2021)
Supervision: FHFA should assess the Enterprises' implementation of the revised or new Agency guidance to ensure that the Enterprises' practices comport with FHFA's supervisory expectations.	<u>More than Eight Years After Issuing its Advisory Bulletin, FHFA Has Not Held the Enterprises to its Expectations on Charging off Delinquent Loans or Communicated New Expectations</u> (EVL-2020-003, September 10, 2020)

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<p>Supervision: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented in writing. That process should include:</p> <ul style="list-style-type: none"> Identifying the current examination skills and competencies of its examiners; Forecasting the optimal staffing levels and competencies needed to meet its supervisory needs; Evaluating whether a gap exists between skills that its workforce may currently need but does not possess; and Addressing that gap. 	<p><u>Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac</u> (AUD-2020-004, February 25, 2020)²</p>
<p>Supervision: FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.</p>	<p><u>Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises</u> (EVL-2014-002, December 19, 2013) and <u>Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac</u> (AUD-2020-004, February 25, 2020)</p>

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² As discussed in prior semiannual reports, FHFA represented that its Agency-wide “Organizational Optimization Blueprint” project would address the spirit of this recommendation. As of the end of this semiannual period, DER provided us its planned actions to address the DER-specific recommendations from the Strategic Workforce Report. While the approach and proposed timeline (April 30, 2023) for DER’s planned corrective actions address the key aspects of the recommendation, this recommendation remains open. Once the planned corrective actions are completed, we will assess whether the actions have resulted in the implementation of a systematic workforce planning process for DER.

Significant, Open Recommendation	Report Title and Date
Supervision: FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.	Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises (EVL-2014-002, December 19, 2013) and Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac (AUD-2020-004, February 25, 2020)
Supervision: FHFA should require DER, upon acceptance of an Enterprise’s remediation plan, to estimate the date by which it expects to confirm internal audit’s validation, and to enter that date into a dedicated field in the Matter Requiring Attention (MRA) tracking system. [Closed in September 2017; reopened upon results of compliance testing.]	FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises (EVL-2016-007, July 14, 2016) and Compliance Review of the Timeliness of FHFA’s Assessments of the Enterprises’ Remediation Closure Packages for a Matter Requiring Attention (COM-2020-001, February 21, 2020)
Supervision: FHFA should determine the causes of the shortfalls in the Housing Finance Examiner Commission Program that we have identified, and implement a strategy to ensure the program fulfills its central objective of producing commissioned examiners who are qualified to lead major risk sections of government-sponsored enterprise examinations.	OIG’s Compliance Review of FHFA’s Implementation of Its Housing Finance Examiner Commission Program (COM-2015-001, July 29, 2015); and FHFA’s Housing Finance Examiner Commissioning Program: \$7.7 Million and Four Years into the Program, the Agency has Fewer Commissioned Examiners (COM-2018-006, September 6, 2018); and FHFA’s Recent Changes to its Housing Finance Examiner Commission Program (OIG-2022-002, December 15, 2021)

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Supervision: FHFA should ensure that Freddie Mac takes, or has taken, remedial action to address the deficiency underlying the MRA regarding the need to implement a process to verify and monitor the [redacted] programs and [redacted] of its [redacted].	<u>FHFA Failed to Ensure Freddie Mac’s Remedial Plans for a Cybersecurity MRA Addressed All Deficiencies; as Allowed by its Standard, FHFA Closed the MRA after Independently Determining the Enterprise Completed its Planned Remedial Actions</u> (AUD-2018-008, March 28, 2018) ³
Supervision: FHFA should assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER’s ability to carry out its risk-based supervisory plans.	<u>FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle</u> (AUD-2017-010, September 27, 2017) ⁴
Supervision: FHFA should assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER’s ability to carry out its risk-based supervisory plans.	<u>FHFA’s Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed</u> (AUD-2016-007, September 30, 2016) and <u>FHFA’s Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued</u> (AUD-2016-006, September 30, 2016)

³ This recommendation is being held open pending OIG’s assessment of a supervisory activity that FHFA completed during the 2020 examination cycle related to the underlying deficiency of the MRA discussed in this report.

⁴ We are reporting the recommendation as open pending an assessment of FHFA actions taken in response the recommendation in [Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac](#) (AUD-2020-004, February 25, 2020). For further discussion, see footnote 2.

Significant, Open Recommendation	Report Title and Date
Information Risk: The FHFA Chief Information Officer should identify and implement a solution, in coordination with vendors, for meeting Binding Operational Directive 18-01 requirements to ensure all publicly accessible endpoints provide service through a secure connection (Hypertext Transfer Protocol Secure-only, with Hypertext Transfer Protocol Secure Strict Transport Security). If there are no viable solutions, document any risk-based decisions, including compensating controls, for publicly accessible websites that are not in compliance with DHS Binding Operational Directive 18-01.	<u>FHFA Did Not Fully Comply with DHS Binding Operational Directives for Securing Its Public Websites and Publishing Its Vulnerability Disclosure Policy</u> (AUD-2022-010, August 31, 2022)
Information Risk: The FHFA Chief Information Officer should update the Vulnerability Disclosure Policy published on FHFA's public website to include an issuance date.	<u>FHFA Did Not Fully Comply with DHS Binding Operational Directives for Securing Its Public Websites and Publishing Its Vulnerability Disclosure Policy</u> (AUD-2022-010, August 31, 2022)
Information Risk: The FHFA Chief Information Officer should develop and maintain policies and procedures for implementing DHS Binding Operational Directives.	<u>FHFA Did Not Fully Comply with DHS Binding Operational Directives for Securing Its Public Websites and Publishing Its Vulnerability Disclosure Policy</u> (AUD-2022-010, August 31, 2022)
Information Risk: FHFA's Chief Information Officer should update the mobile devices running below the minimally acceptable operating system version or disable the devices in accordance with FHFA's Mobile Device Patch Management Procedure.	<u>Audit of the Federal Housing Finance Agency's Information Security Program and Practices Fiscal Year 2022</u> (AUD-2022-009, July 28, 2022)
Information Risk: FHFA's Chief Information Officer should document any risk-based decision, including compensating controls, to temporarily deviate from FHFA's Mobile Device Patch Management Procedures, as necessary.	<u>Audit of the Federal Housing Finance Agency's Information Security Program and Practices Fiscal Year 2022</u> (AUD-2022-009, July 28, 2022)
Information Risk: FHFA's Chief Information Officer should establish and implement a process to generate and review audit log records for Legal Cost Control Simple Invoice Management System on a defined basis within the Customer Controls for Legal Cost Control Simple Invoice Management System.	<u>Audit of the Federal Housing Finance Agency's Information Security Program and Practices Fiscal Year 2022</u> (AUD-2022-009, July 28, 2022)

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Information Risk: FHFA should perform the required annual review and testing of the NMDB contingency plan.	FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS) (AUD-2022-003, December 13, 2021)
Information Risk: FHFA should update the General Support System contingency plan to include the Correspondence Tracking System and its servers, and ensure the Correspondence Tracking System and its servers are included in the annual General Support System contingency plan testing.	FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS) (AUD-2022-003, December 13, 2021)
Information Risk: FHFA should assess whether the Office of Technology and Information Management has sufficient, qualified staff to complete required updates and testing of its contingency plans in accordance with FHFA's standard and National Institute of Standards and Technology requirements, and address any resource constraints that have adversely affected the Office of Technology and Information Management's ability to carry out its contingency planning requirements.	FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS) (AUD-2022-003, December 13, 2021)
Information Risk: FHFA should ensure that Plans of Action and Milestones items are generated for all known information system security and privacy weaknesses in accordance with National Institute of Standards and Technology Special Publication 800-37, Revision 2, and [redacted].	Audit of the Federal Housing Finance Agency's Information Security Program, Fiscal Year 2021 (AUD-2022-001, October 15, 2021)
Information Risk: FHFA should update the privacy impact assessments using the privacy impact assessments template for Affordable Housing Project, Federal Human Resources Navigator, and Suspended Counterparty System.	Audit of the Federal Housing Finance Agency's 2021 Privacy Program (AUD-2021-011, August 11, 2021)
Information Risk: FHFA should ensure privacy impact assessments are conducted timely using the privacy impact assessments template in accordance with the <i>FHFA Privacy Program Plan</i> (i.e., before a new system is developed, after a significant change to a system, or within three years of the privacy impact assessments).	Audit of the Federal Housing Finance Agency's 2021 Privacy Program (AUD-2021-011, August 11, 2021)
Information Risk: Because information in this report could be used to circumvent FHFA's internal controls, it has not been released publicly, and the recommendation text is therefore non-public.	Audit of the Federal Housing Finance Agency's Information Security Program Fiscal Year 2020 (AUD-2021-001, October 20, 2020)

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Internal Control over Agency Operations: FHFA should ensure that Personal Identity Verification cards are collected, and building access is deactivated, for all separated and departed individuals to whom cards were issued. For unaccounted/lost Personal Identity Verification cards, ensure that building access associated with those cards is promptly deactivated. [Closed in May 2020; reopened upon results of compliance testing.]	<u>FHFA's Offboarding Controls Access Cards, Sensitive IT Assets, and Records Were Not Always Documented or Followed During 2016 and 2017</u> (AUD-2019-004, March 13, 2019) and <u>FHFA Has Not Consistently Collected and Destroyed Identification Cards from Separating Personnel, but Has Otherwise Substantially Adhered to its Offboarding Procedures</u> (COM-2022-008, September 8, 2022)
Internal Control over Agency Operations: The FHFA Office of General Counsel's Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve the Agency's existing internal controls over its employee financial disclosure process by performing and documenting technical reviews and conflict of interest analysis within 60 days of receiving employee financial disclosure reports as required by United States Office of Government Ethics regulations and FHFA policy.	<u>FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</u> (AUD-2022-011, September 8, 2022)
Internal Control over Agency Operations: FHFA's Office of Human Resources Management's Director should promptly notify in writing the Designated Agency Ethics Official or Alternate Designated Agency Ethics Official regarding employee promotions to a covered position consistent with FHFA policy.	<u>FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</u> (AUD-2022-011, September 8, 2022)
Internal Control over Agency Operations: The FHFA Office of General Counsel's Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve FHFA's existing internal controls over its employee financial disclosure process by ensuring that employees file their financial disclosure reports timely as required by the United States Office of Government Ethics regulations and FHFA policy.	<u>FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</u> (AUD-2022-011, September 8, 2022)
Internal Control over Agency Operations: FHFA should establish comprehensive policies and procedures for preparing, updating, and reviewing the Staffing Plans to ensure their accuracy and usefulness for managing the hiring process and informing users.	<u>FHFA's Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</u> (AUD-2022-004, January 5, 2022)

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Internal Control over Agency Operations: FHFA should complete efforts to develop and implement a tracking mechanism to report accurately on FHFA's time-to-hire performance measure.	<u>FHFA's Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</u> (AUD-2022-004, January 5, 2022)
Internal Control over Agency Operations: FHFA should enhance policies and procedures, and ensure their implementation, related to performing self-assessments for delegated examining, merit promotion, and mission critical occupations hiring approaches to include procedures for: (a) documenting the results of their reviews, (b) defining the frequency for which the delegated examining and merit promotion reviews should be performed, and (c) distributing the results of the reviews to the appropriate parties.	<u>FHFA's Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</u> (AUD-2022-004, January 5, 2022)
Internal Control over Agency Operations: FHFA should ensure that (a) affected Office of Human Resources Management staff members and hiring managers are trained on how to conduct mission critical occupations hiring actions in accordance with FHFA's requirements, and (b) a record of the training is maintained.	<u>FHFA's Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</u> (AUD-2022-004, January 5, 2022)
Internal Control over Agency Operations: FHFA should take action in an expeditious manner to address the recommendation made in FHFA's October 2021 internal report <i>Federal Housing Finance Agency Division of Enterprise Regulation (DER) Strategic Workforce Report</i> that the Office of Human Resources Management document the end-to-end hiring process, analyze each phase, and take steps to streamline and better resource the process, including removing unnecessary steps and excessive approvals, and adding additional support resources to those phases of the hiring process taking the most time.	<u>FHFA's Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</u> (AUD-2022-004, January 5, 2022)

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Closed, Rejected Recommendations and Potential Cost Savings

The following table contains recommendations closed as rejected. See OIG’s [Compendium of Open Recommendations](#) for a comprehensive list, updated monthly, of all recommendations closed as rejected. We currently have 48 recommendations that were rejected by the Agency. OIG has identified a total potential cost savings of \$893,525,860⁵ based on our oversight of Agency operations and programs.

Closed, Rejected Recommendation	Report Title and Date
Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.6 million to the Fannie Mae President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Fannie Mae’s continued conservatorship status and the burdens imposed on the taxpayers from that status; and the 10-year practice at Fannie Mae where one individual executed the responsibilities of both the Chief Executive Officer and President positions, with annual compensation capped at \$600,000 since 2015.	FHFA’s Approval of Senior Executive Succession Planning at Fannie Mae Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation (EVL-2019-001, March 26, 2019)
Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.25 million to the Freddie Mac President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Freddie Mac’s continued conservatorship status and the burdens imposed on the taxpayers from that status; the 10-year practice at Freddie Mac where one individual executed the Chief Executive Officer responsibilities with annual compensation capped at \$600,000 since 2015; and the temporary nature of the position of President, in light of FHFA’s representation that Candidate A will leave Freddie Mac if he is not selected for the Chief Executive Officer position.	FHFA’s Approval of Senior Executive Succession Planning at Freddie Mac Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation (EVL-2019-002, March 26, 2019)
Conservatorship: To reduce the waste from Option C (the option Fannie Mae selected for its future operations in Northern Virginia), FHFA, consistent with its duties as conservator, should cause Fannie Mae to calculate the net present value for a Status Quo Option, and calculate the costs associated with terminating the lease with Boston Properties.	Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce (OIG-2018-004, September 6, 2018)

⁵ This figure includes potential aggregate cost savings to the Agency or the Enterprises from specific recommendations, i.e., recommendations of potential funds to be put to better use by management and questioned costs, and other monetary calculations in all OIG oversight reports supporting OIG recommendations and conclusions.

Closed, Rejected Recommendation	Report Title and Date
Conservatorship: To reduce the waste from Option C, FHFA, consistent with its duties as conservator, should direct Fannie Mae to terminate the lease, cancel the sale of the three owned buildings, and implement the Status Quo Option, should the net present value for a Status Quo Option and the termination costs be lower than the adjusted net present value for Option C.	<u>Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce</u> (OIG-2018-004, September 6, 2018)
Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub.L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).	<u>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</u> (OIG-2017-004, March 23, 2017)
Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub.L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).	<u>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</u> (OIG-2017-004, March 23, 2017)
Conservatorship: FHFA should ensure that it has adequate internal staff, outside contractors, or both, who have the professional expertise and experience in commercial construction to oversee the build-out plans and associated budget(s), as Fannie Mae continues to revise and refine them.	<u>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project</u> (COM-2016-004, June 16, 2016)
Conservatorship: FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to the Division of Conservatorship (now known as the Division of Conservatorship Oversight and Readiness) for its review and for FHFA approval through the design and construction of Fannie Mae’s leased space in Midtown Center.	<u>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project</u> (COM-2016-004, June 16, 2016)

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Conservatorship: FHFA should develop a strategy to enhance the Executive Compensation Branch’s capacity to review the reasonableness and justification of the Enterprises’ annual proposals to compensate their executives based on Corporate Scorecard performance. To this end, FHFA should ensure that: the Enterprises submit proposals containing information sufficient to facilitate a comprehensive review by the Executive Compensation Branch; the Executive Compensation Branch tests and verifies the information in the Enterprises’ proposals, perhaps on a randomized basis; and the Executive Compensation Branch follows up with the Enterprises to resolve any proposals that do not appear to be reasonable and justified.	<u>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u> (COM-2016-002, March 17, 2016)
Conservatorship: FHFA should develop a policy under which it is required to notify OIG within 10 days of its decision not to fully implement, substantially alter, or abandon a corrective action that served as the basis for OIG’s decision to close a recommendation.	<u>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u> (COM-2016-002, March 17, 2016)
Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should establish an ongoing process to evaluate servicers’ Servicing Alignment Initiative compliance and the effectiveness of the Enterprises’ remediation efforts.	<u>FHFA’s Oversight of the Servicing Alignment Initiative</u> (EVL-2014-003, February 12, 2014)
Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should direct the Enterprises to provide routinely their internal reports and reviews for the Division of Housing Mission and Goals’ assessment.	<u>FHFA’s Oversight of the Servicing Alignment Initiative</u> (EVL-2014-003, February 12, 2014)
Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should regularly review Servicing Alignment Initiative-related guidelines for enhancements or revisions, as necessary, based on servicers’ actual versus expected performance.	<u>FHFA’s Oversight of the Servicing Alignment Initiative</u> (EVL-2014-003, February 12, 2014)
Supervision: FHFA should issue a formal position on the use of non-binding supervisory guidance as criteria for supervisory activities.	<u>FHFA’s Failure to Use its Prudential Management and Operations Standards as Criteria for Supervision of the Enterprises Is Inconsistent with the FHFA Director’s Statutory Duty to Ensure the Enterprises Comply with FHFA’s Guidelines</u> (OIG-2021-004, September 20, 2021)

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Supervision: FHFA should enhance guidance and House Price Index production processes to include written requirements that FHFA's Division of Research and Statistics document its performance of validation procedures and when necessary, follow-up on exceptions or anomalies identified through those procedures.	<u>FHFA Lacked Documentation of its Validation of Data Used to Produce the Third Quarter 2020 Seasonally Adjusted, Expanded-Data FHFA HPI and Failed to Timely Review its Information Quality Guidelines</u> (AUD-2021-010, July 22, 2021)
Supervision: In the current examination cycle, FHFA should assess Fannie Mae's business resiliency practices and capabilities and formally determine whether they meet or fail to meet Prudential Management and Operations Standard 8, Principle 11.	<u>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</u> (EVL-2021-002, March 22, 2021)
Supervision: FHFA should develop examination guidance that establishes criteria and expectations for determining, on an annual basis, whether a regulated entity meets or fails to meet Prudential Management and Operations Standard 8, Principle 11.	<u>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</u> (EVL-2021-002, March 22, 2021)
Supervision: FHFA should establish measurable objectives and risk tolerances for the Enterprises' 97% LTV mortgage programs, such as those for acquisition volume and delinquency rates, so that management can better identify, analyze, and respond to risks related to achieving the programs' objectives.	<u>Weaknesses in FHFA's Monitoring of the Enterprises' 97% LTV Mortgage Programs May Hinder FHFA's Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs' Objectives</u> (AUD-2020-014, September 29, 2020)

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<p>Supervision: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented. That process should include:</p> <ul style="list-style-type: none"> Identifying the appropriate number of Enterprise high-risk models to be examined each year through targeted examinations; Identifying the current examination skills and competencies of examiners engaged in supervisory activities of high-risk models; Forecasting the optimal staffing levels and competencies of examiners necessary to complete the identified number of targeted examinations of high-risk models planned for each examination cycle; Evaluating whether a gap exists between skills required to conduct supervision of high-risk models that its examiners currently need but do not possess; and Addressing that gap. 	<p><u>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</u> (EVL-2020-001, March 25, 2020)</p>
<p>Supervision: Based on the results of its workforce analysis, FHFA should conduct a written assessment of whether DER’s current budget for its supervision of high-risk models is sufficient.</p>	<p><u>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</u> (EVL-2020-001, March 25, 2020)</p>
<p>Supervision: FHFA should establish and communicate clear expectations for use of revised and new examination modules by DER examiners.</p>	<p><u>Five Years After Issuance, Many Examination Modules Remain in Field Test; FHFA Should Establish Timelines and Processes to Ensure Timely Revision of Examiner Guidance</u> (EVL-2019-003, September 10, 2019)</p>

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<p>Supervision: FHFA should periodically conclude, based upon sufficient examination work, on the overall effectiveness of the Internal Audit functions at Fannie Mae and Freddie Mac.</p>	<p><u>FHFA Requires the Enterprises’ Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners’ Use of that Validation Work</u> (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct that examiners can use Internal Audit work to assess the adequacy of MRA remediation only if FHFA has concluded that the Internal Audit function is effective overall.</p>	<p><u>FHFA Requires the Enterprises’ Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners’ Use of that Validation Work</u> (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise’s board of directors that explains:</p> <ul style="list-style-type: none"> • The purpose for DER’s annual presentation to each Enterprise board of directors on the report of examination (ROE) results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and • The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response. 	<p><u>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports</u> (EVL-2016-009, July 14, 2016)</p>
<p>Supervision: FHFA should direct the Enterprises’ boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.</p>	<p><u>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports</u> (EVL-2016-009, July 14, 2016)</p>

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Supervision: FHFA should ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER's MRA tracking system(s).	<u>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises</u> (EVL-2016-007, July 14, 2016)
Supervision: FHFA should require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.	<u>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises</u> (EVL-2016-007, July 14, 2016)
Supervision: FHFA should require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management's remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system.	<u>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises</u> (EVL-2016-007, July 14, 2016)
Supervision: FHFA should direct DER to revise its guidance to require ROEs to focus the boards' attention of the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.	<u>FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns</u> (EVL-2016-008, July 14, 2016)
Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each plan submitted by Enterprise management to remediate an MRA with associated timetables and the response by DER.	<u>FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate</u> (EVL-2016-005, March 31, 2016)
Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each conclusion letter setting forth an MRA.	<u>FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate</u> (EVL-2016-005, March 31, 2016)

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Supervision: FHFA should review FHFA's existing requirements, guidance, and processes regarding MRAs against the requirements, guidance, and processes adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and other federal financial regulators including, but not limited to, content of an MRA; standards for proposed remediation plans; approval authority for proposed remediation plans; real-time assessments at regular intervals of the effectiveness and timeliness of an Enterprise's MRA remediation efforts; final assessment of the effectiveness and timeliness of an Enterprise's MRA remediation efforts; and required documentation for examiner oversight of MRA remediation.	<u>FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies</u> (EVL-2016-004, March 29, 2016)
Supervision: Based on the results of the review in recommendation 1, FHFA should assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.	<u>FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies</u> (EVL-2016-004, March 29, 2016)
Supervision: DER should adopt a comprehensive examination workpaper index and standardize electronic workpaper folder structures and naming conventions between the two Core Teams. In addition, FHFA and DER should upgrade recordkeeping practices as necessary to enhance the identification and retrieval of critical workpapers.	<u>Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities</u> (EVL-2015-001, October 6, 2014)
Counterparties and Third Parties: FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.	<u>FHFA Should Improve its Administration of the Suspended Counterparty Program</u> (COM-2017-005, July 31, 2017)
Counterparties and Third Parties: FHFA should direct Fannie Mae and Freddie Mac to assess the cost/benefit of a risk-based approach to requiring their sellers and servicers to provide independent, third-party attestation reports on compliance with Enterprise origination and servicing guidance.	<u>FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines</u> (AUD-2014-018, September 26, 2014)

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Counterparties and Third Parties: FHFA should perform a comprehensive analysis to assess whether financial risks associated with the new representation and warranty framework, including with regard to sunset periods, are appropriately balanced between the Enterprises and sellers. This analysis should be based on consistent transactional data across both Enterprises, identify potential costs and benefits to the Enterprises, and document consideration of the Agency's objectives.	<u>FHFA's Representation and Warranty Framework</u> (AUD-2014-016, September 17, 2014)
Counterparties and Third Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.	<u>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections</u> (AUD-2014-012, March 25, 2014)
Counterparties and Third Parties: FHFA should promptly quantify the potential benefit of implementing a repurchase late fee program at Fannie Mae, and then determine whether the potential cost of from \$500,000 to \$5.4 million still outweighs the potential benefit.	<u>FHFA Oversight of Enterprise Handling of Aged Repurchase Demands</u> (AUD-2014-009, February 12, 2014)
Counterparties and Third Parties: FHFA should direct Fannie Mae to obtain a refund from servicers for improperly reimbursed property inspection claims, resulting in estimated funds put to better use of \$5,015,505.	<u>FHFA Oversight of Fannie Mae's Reimbursement Process for Pre-Foreclosure Property Inspections</u> (AUD-2014-005, January 15, 2014)
Counterparties and Third Parties: FHFA should publish Fannie Mae's reduction targets and overpayment findings.	<u>Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses</u> (EVL-2013-012, September 18, 2013)
Information Risk: FHFA should develop and implement written procedures that define: (a) the pertinent information that needs to be recorded, tracked, and reported for all security incidents and (b) the controls to ensure the accuracy and completeness of the security incident records.	<u>FHFA Did Not Record, Track, or Report All Security Incidents to US-CERT; 38% of Sampled FHFA Users Did Not Report a Suspicious Phone Call Made to Test User Awareness of its Rules of Behavior</u> (AUD-2021-009, June 25, 2021)
Information Risk: Because information in this report could be used to circumvent FHFA's internal controls, it has not been released publicly, and the recommendation text is therefore non-public.	<u>Audit of the Federal Housing Finance Agency's Information Security Program Fiscal Year 2019</u> (AUD-2020-001, October 25, 2019)

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Information Risk: Because information in this report could be used to circumvent FHFA’s internal controls, it has not been released publicly, and the recommendation text is therefore non-public.	<u>Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2019</u> (AUD-2020-001, October 25, 2019)
Internal Control over Agency Operations: FHFA should assess the \$80,985 in costs that we questioned in this report, as well as any additional costs related to disincentives that may have been triggered after our review period. FHFA should take action to recover these costs, as appropriate, and enforce disincentive clauses going forward.	<u>Management Advisory: FHFA Failed to Enforce a Provision of an IT Services Contract, Resulting in More than \$80,000 in Questioned Costs</u> (OIG-2020-001, March 3, 2020)
Internal Control over Agency Operations: FHFA should determine the feasibility for automatically disabling inactive application accounts Correspondence Tracking System and Merit Central/Job Performance Plan at a frequency that fits the business needs and update applicable system policies and procedures, as necessary.	<u>Audit of the Federal Housing Finance Agency’s 2019 Privacy Program</u> (AUD-2019-009, August 28, 2019)
Internal Control over Agency Operations: FHFA should implement a control at the application layer to ensure inactive application accounts for Correspondence Tracking System and Merit Central/Job Performance Plan are disabled in accordance with the determined system frequency. If the application does not accommodate automatic disabling of inactive accounts, then consider implementing manual compensating controls (i.e., manually reviewing and disabling dormant accounts) to help mitigate the risk.	<u>Audit of the Federal Housing Finance Agency’s 2019 Privacy Program</u> (AUD-2019-009, August 28, 2019)
Internal Control over Agency Operations: FHFA should determine and pay the vendor the interest penalties owed under the Prompt Payment Act regulations for the late payments of the leased seasonal decorations received by FHFA for the 2015, 2016, and 2017 holiday seasons.	<u>Audit of FHFA’s Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements</u> (AUD-2018-011, September 6, 2018)

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Investigative Activity

OIG’s investigative mission is to prevent and detect fraud, waste, and abuse in the programs and operations of FHFA and its regulated entities. OIG’s Office of Investigations executes its mission by investigating allegations of significant criminal and civil wrongdoing that affect the Agency and its regulated entities. The Office’s investigations are conducted in strict accordance with professional guidelines established by the Attorney General of the United States and CIGIE’s Quality Standards for Investigations.

The Office of Investigations is comprised of highly trained law enforcement officers, investigative counsels, analysts, and attorney advisors. We maximize the impact of our criminal and civil law enforcement efforts by working closely with federal, state, and local law enforcement agencies nationwide.

The Office of Investigations is the primary federal law enforcement organization that specializes in deterring and detecting fraud perpetrated against the Enterprises. Collectively, Fannie Mae and Freddie Mac hold more than \$7 trillion worth of mortgages on their balance sheets. Each year, the Enterprises acquire millions of mortgages worth hundreds of billions of dollars. The Office of Investigations also investigates cases involving the 11 regional FHLBanks and, in some instances, cases involving banks that are members of the FHLBanks.

Fraud schemes that can fall within the Office’s investigative purview include:

- **Loan/Mortgage Origination** – Typically involves the falsifying of borrowers’ income, assets, employment histories, and credit profiles to make them more attractive to lenders. Offenders often employ fictitious Social Security numbers and fabricated or altered documents, such as W-2s and bank statements, to cause lenders to make loans they would not otherwise make.
- **Short Sales** – Short sales occur when a lender allows a borrower to sell his/her property for less than the debt owed. Usually involves a borrower who intentionally misrepresents or fails to disclose material facts to induce a lender to agree to a short sale.
- **Loan Modification/Property Disposition** – Fraudulent actors typically advertise that they can secure loan modifications, preying on vulnerable homeowners, if the homeowners pay significant upfront fees or take other action that enriches the defendant. Typically, these fraudulent actors deliver little or no action, leaving homeowners in a worse position. These schemes can involve hundreds of victims.
- **Real Estate Owned (REO) Homes** – These homes represent collateral seized to satisfy unpaid mortgage loans. REO inventory has sparked a number of different schemes to either defraud the Enterprises, using contractors to secure, maintain and repair, price, and ultimately sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.

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- **Adverse Possession/Distressed Property** – Uses illegal adverse possession (also known as “home squatting”) or fraudulent documentation to control distressed homes, foreclosed homes, and REO properties. In distressed property schemes, perpetrators falsely purport to assist struggling homeowners seeking to delay or avoid foreclosure. They use fraudulent tactics, such as filing false bankruptcy petitions, while collecting significant fees from the homeowners.
- **Condo Conversion and Builder Bailout** – Sellers or developers wrongfully conceal from prospective lenders the incentives they have offered to investors and the true value of the properties. The lenders, acting on this misinformation, make loans that are far riskier than they have been led to believe. Such loans often default and go into foreclosure.
- **Multifamily Loans** – Fraud that relates to loans purchased by the Enterprises to finance multifamily properties.
- **Victim-Specific Schemes** – Any scheme where Fannie Mae, Freddie Mac, the FHLBanks, or members of FHLBanks are victims.
- **Coronavirus Disease 2019 (COVID) Paycheck Protection Program (PPP) Loans** under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) – FHLBank member banks victimized by the submission of PPP applications with false and misleading statements about a company’s business operations and payroll expenses along with supporting documentation that is fabricated or altered to include false federal tax filings and employee payroll records to cause loan approval.

A summary of publicly reportable investigative outcomes can be found in the Criminal Investigative Results section.

Significant Cases

Following are summaries of some of the most significant new criminal prosecutions or material updates to previously reported investigations from the six-month reporting period April 1, 2022, through September 30, 2022.

Former Title Company President and Title Agent Sentenced in Mortgage Fraud Scheme, Florida

On July 27, 2022, in the Southern District of Florida, Ana Amador and Sunilda Casilla were sentenced for their roles in a mortgage fraud scheme that involved Fannie Mae REO properties. Amador was sentenced to 72 months in prison and Casilla was sentenced to 60 months in prison; both received three years supervised release. They previously pleaded guilty to conspiracy to commit wire fraud and aggravated identity theft.

According to court documents, Amador, former title company president, and Casilla, former attorney and title agent, obtained mortgage loans using the identities of unsuspecting individuals then diverted the proceeds for their own use and benefit. They also prepared and submitted fraudulent documents to incorporate title companies Prestige Title and Escrow Inc. (Prestige) and New Age Title of Florida Inc. (New Age) then used the personal identifying information of unsuspecting individuals to fraudulently open bank accounts in the names of Prestige and New Age. Further, they used the identities of unsuspecting former clients to make it appear as if the former clients were purchasing residential properties. Once the mortgages were approved, the conspirators deposited the proceeds into the bank accounts of Prestige and New Age then diverted the money for their own personal use and benefit. There was never a genuine sale or purchase of property.

Conspirators Pleaded Guilty for Role in Multifamily Fraud Scheme, Connecticut

In June and July 2022, respectively, in the District of Connecticut, Aron Deutsch and Jacob Deutsch were charged by information and pleaded guilty to conspiracy to commit wire and mail fraud affecting a financial institution. Each played a part in a multifamily fraud scheme involving 24 mortgage loans on numerous multifamily properties totaling nearly \$50 million, including loans purchased by the Enterprises.

According to court documents and statements in court proceedings, BH Property Management, LLC (BHPM) managed numerous multifamily housing properties. Jacob, who ran BHPM's day-to-day operations, and employee Aron schemed to defraud several financial institutions, Freddie Mac and Fannie Mae, and the Department of Housing and Urban Development, by overstating the value of multifamily housing properties managed by BHPM for loans secured by those properties.

The Deutschs provided false and inflated income statements and financials for the properties, altered bank statements, false documents overstating the purchase price of various properties, and doctored checks and invoices showing false or overstated capital improvements made to those properties. The false information induced financial institutions to issue loans that they otherwise would not have issued or for amounts larger than they would have authorized. Freddie Mac and Fannie Mae then purchased the resulting loans.

As part of the scheme, Jacob provided false rent rolls and leases to the victim financial institutions and their appraisers; the falsified paperwork either overstated the number of renters by listing fictitious renters or falsely inflated the amount of rent paid by occupants. He also deceived inspectors by staging unoccupied apartments with furniture and then required BHPM employees to lie and say they lived there if inspectors asked whether there were vacancies. For example, a rent roll and income and expense summary submitted to CBRE Capital Markets, Inc. (CBRE) falsely represented that the multifamily property was 100 percent occupied; in actuality, not a single tenant resided there at the time. Later, Jacob emailed CBRE pictures of money orders and checks to reflect proof of rent payments from fake tenants on the falsified rent rolls; in fact, the money orders and checks had been purchased by Aron or BHPM employees at Aron's direction.

Former Real Estate Attorney and Wife Sentenced for Roles in Multiple Mortgage Fraud Schemes, Massachusetts

On August 25, 2022, in the District of Massachusetts, a former real estate attorney and his wife were sentenced in connection with various mortgage fraud schemes that resulted in losses for the Enterprises. Barry Plunkett Jr. was sentenced to 78 months in prison, 60 months supervised release, and Nancy Plunkett was sentenced to 12 months and one day in prison, 60 months supervised release. They were both ordered to pay over \$3 million in restitution, jointly and severally, and over \$3 million in forfeiture.

Plunkett Jr. previously pleaded guilty to bank fraud, aggravated identity theft, and tax evasion. Nancy previously pleaded guilty to bank fraud and aggravated identity theft.

Court documents revealed, until his October 2017 disbarment, Plunkett Jr. owned and operated the Plunkett Law Firm where Nancy was his office assistant and paralegal. In one scheme, they defrauded six mortgage lenders and 14 homeowners for whom their law firm handled the mortgage loan closings to refinance residential properties. The mortgage lenders were informed that pre-existing mortgages were paid off with the new loan proceeds when, in fact, the Plunketts intentionally failed to pay off the prior liens and instead converted more than \$900,000 for their own purposes.

In another scheme, they used various names, entities, and false documents to obtain three successive mortgage loans of \$412,000, \$470,000, and \$1.2 million on a home held in a family trust for which Plunkett Jr. was one of three beneficiaries. The home was the Plunketts' residence and pledged as collateral. They provided false and forged documents to the lenders, representing that the property was free and clear of existing mortgage liens. To secure the \$1.2 million loan, they misrepresented to a lender that Nancy, using her maiden name Matthews, was a single woman purchasing the property as a business investment; in fact, the Plunketts were married and the property was their residence.

Former Fannie Mae Approved REO Broker Sentenced in Multimillion-Dollar REO Kickback Scheme, California

On April 25, 2022, in the Central District of California, Peter Michno was sentenced to three years of probation, including eight months of home confinement, for his role in a multimillion-dollar REO kickback scheme. Michno's cooperation in this investigation resulted in a reduced sentence. He previously pleaded guilty to conspiracy to commit wire fraud involving deprivation of honest services.

According to court documentation, Michno was a Fannie Mae approved REO broker entitled to receive a commission from the sale of REO properties. He was not authorized to purchase Fannie Mae REO properties for himself or for his friends, relatives, and associates or permitted to pay referral fees, bribes, or kickbacks to Fannie Mae employees.

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As reported in an earlier Semiannual Report to Congress, the overall scheme involved Fannie Mae employees who assigned Fannie Mae-owned properties to real estate brokers and approved sales of the properties based on discounted offers. Michno paid cash bribes and kickbacks to Fannie Mae conspirators in exchange for listing assignments and the approval of below-market sales of Fannie Mae REO properties to him and his affiliates. He then transferred some of the properties to his conspirators as a kickback for the misperformance of their official duties.

Conspirator Found Guilty in Deed Fraud Scheme, Texas

On September 20, 2022, in the Southern District of Texas, after an eight-day trial, a federal jury convicted Clarence Roland III of conspiracy to commit wire fraud affecting a financial institution, wire fraud, and money laundering for his role in a deed fraud scheme where several of the properties were secured with mortgages acquired by the Enterprises.

According to court documentation, Roland conspired with Arlando Jacobs in a scheme to cancel and challenge mortgage loans held in the name of Jacobs or others.

Jacobs was previously sentenced in the Eastern District of Texas to 51 months in prison, five years supervised release, and ordered to pay \$7.6 million in restitution.

According to testimony, Roland and Jacobs solicited other conspirators to establish over 11 business entities or shell companies and office spaces with mailing addresses to carry out their scheme. Roland and others then fraudulently acquired real property by manipulating and filing false deeds and other documents. Roland sold the properties and received profits from the sales. The original mortgage liens were not paid off and the mortgage holders were ultimately defrauded.

The conspirators fabricated a series of documents to falsely create the appearance of transferred ownership of real property to the shell companies. They signed documents claiming to represent one of the many entities in the transactions, including Fannie Mae, often using the same names on many documents purporting to represent different entities. The documents were fraudulently notarized with fictitious notary stamps provided by conspirator Ira Davis, who previously pleaded guilty in the Eastern District of Texas to conspiracy to commit wire fraud; he will be sentenced at a later date.

Business Owner Pleads Guilty in Multimillion-Dollar Short Sale Fraud Scheme, New York

On July 11, 2022, in the Eastern District of New York, Iskyo Aronov pleaded guilty to conspiracy to commit wire and bank fraud in connection with a short sale scheme to defraud mortgage lenders and borrowers. Many of the affected mortgage loans were owned or guaranteed by the Enterprises.

Along with four others, Aronov was previously charged by indictment with conspiracy to commit wire and bank fraud and wire fraud.

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According to court documentation, the scheme participants misled mortgage lenders into approving short sale transactions at fraudulently depressed prices. In a short sale, with the approval of the mortgage lender or servicer, a borrower sells his or her property for less than the outstanding balance of the mortgage loan. The proceeds from the short sale, less approved closing costs, are applied to the balance owed to the lender, who typically agrees to forgive the borrower's remaining loan balance. Here, the conspirators allegedly fraudulently manipulated the short sale process by transferring properties for prices well above the short sale prices and failing to disclose this to the mortgage lenders and servicers. The conspirators also took steps to preclude other buyers from making higher offers for properties by failing to market properties as required by the lenders, and by filing fraudulent liens on properties.

Further, the schemers purportedly provided the mortgage lenders and servicers with false and misleading information in transaction documents and failed to disclose either payments made to the borrower and others related to the short sale or contemporaneous agreements to transfer the properties at inflated prices.

Business Owner Sentenced in PPP Fraud Scheme, New Jersey

On June 7, 2022, in the District of New Jersey, Gregory Blotnick was sentenced to 51 months in prison, two years supervised release, and ordered to pay over \$4.5 million in restitution and forfeiture for his role in a scheme that defrauded multiple FHLBank member banks to fraudulently obtain over \$6.8 million in PPP forgivable loans. He previously pleaded guilty to wire fraud and money laundering.

According to court documentation, Blotnick submitted 21 fraudulent PPP loan applications to 13 lenders on behalf of nine purported businesses that he controlled. He falsified information to the lenders, including number of employees, federal tax returns for his purported businesses, and payroll documentation. Of the approximately \$6.8 million sought, Blotnick obtained over \$4.5 million in PPP funds and then misused the loan proceeds, including by transferring funds to brokerage accounts where he placed more than \$3 million in losing stock trades.

Business Owner Sentenced for Fraudulently Obtaining Nearly \$1 Million in COVID Relief Funds, Pennsylvania

On April 14, 2022, in the Eastern District of Pennsylvania, Devron Brown was sentenced to 78 months in prison, five years supervised release, and ordered to pay \$939,350 in restitution and \$937,500 in forfeiture in connection with a scheme that defrauded a member bank of the FHLBank of Pittsburgh by unlawfully obtaining and misusing loan proceeds offered through PPP under the CARES Act. He previously pleaded guilty to bank fraud, attempted bank fraud, and money laundering.

According to court records, Brown fraudulently obtained approximately \$937,500 in PPP loan proceeds by making multiple false representations about his alleged construction business,

including the number of employees, wages paid, and payroll taxes. He used the loan money for personal purchases, including a residential property in Florida, a motorcycle, an all-terrain vehicle, a luxury automobile, and diamond jewelry, none of which are legitimate PPP purposes. Further, he caused a second fraudulent PPP loan application to be submitted for approximately the same amount, but that application was denied.

Four Conspirators Plead Guilty in Multimillion-Dollar COVID Relief Fraud Scheme, Texas

In June 2022, in the Southern District of Texas, Rifat Bajwa, Khalid Abbas, Hamza Abbas, and Pardeep Basra pleaded guilty to conspiracy to commit wire fraud for their roles in fraudulently obtaining and laundering millions of dollars in forgivable PPP loans under the CARES Act. A total of 16 individuals have been charged in the conspiracy and six others have pleaded guilty. Member banks of the FHLBank of New York and FHLBank of Des Moines received fraudulent applications.

According to court documents, in the overall scheme, conspirators purportedly submitted more than 80 false and fraudulent PPP loan applications. They falsified the number of employees and the average monthly payroll expenses of the applicant businesses. In total, the scheme participants sought over \$35 million in PPP loan funds and obtained approximately \$18 million in PPP loan proceeds.

Further, some of the money was laundered by writing checks to fictional employees. Those who received checks allegedly included some of the conspirators and their relatives. The fake paychecks were then allegedly cashed at Fascare International Inc. doing business as Almeda Discount Store, a check-cashing company. Charging documents alleged that over 1,100 falsified paychecks totaling more than \$3 million in fraudulent PPP loan proceeds were cashed at Almeda.

Criminal Investigative Results

Below are individuals sentenced, convicted, and charged during the reporting period, grouped by fraud category.

Loan Origination Schemes

Conspirators Sentenced for Scheme to Defraud Mortgage Lending Institutions			
Defendant	Role	Most Recent Action	District
Samuel Terrell Bell	Participant	Sentenced to: time served; ordered to pay \$138,000 in forfeiture	Eastern District of New York
Alex Barrett	Mortgage Broker	Sentenced to: two years of probation; ordered to pay \$147,563 in forfeiture	Eastern District of New York

Former Loan Officer Sentenced in Large-Scale Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Isaac DePaula	Loan Officer	Sentenced to: time served; three years supervised release; ordered to pay \$2,802,167 in restitution, joint and several	District of New Jersey

Attorney/Settlement Agent Sentenced in Reverse Mortgage Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Martin Eagan	Attorney/ Settlement Agent	Sentenced to: time served; one year of supervised release; ordered to pay \$578,837 in restitution, joint and several, and \$11,648 in forfeiture	District of New Jersey

Former Real Estate Attorney and Wife Sentenced for Roles in Multiple Mortgage Fraud Schemes

Defendant	Role	Most Recent Action	District
Barry Plunkett Jr.	Former Attorney	Sentenced to: 78 months in prison; 60 months supervised release; ordered to pay \$3,236,466 in restitution, \$3,054,759 joint and several, and \$3,221,408 in forfeiture	District of Massachusetts
Nancy Plunkett	Wife	Sentenced to: 12 months and one day in prison; 60 months supervised release; ordered to pay \$3,054,759 in restitution, joint and several, and \$3,221,408 in forfeiture	District of Massachusetts

Loan Officer Sentenced for Role in Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Christopher Schaller	Loan Officer	Sentenced to: 30 months in prison; three years supervised release; ordered to pay \$61,369 in restitution	Central District of Illinois

Conspirator Sentenced in Tax Fraud Scheme

Defendant	Role	Most Recent Action	District
Adolfo Arguez	Participant	Sentenced to: 36 months in prison; one year of supervised release; ordered to pay \$789,095 in restitution	Northern District of Illinois

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Two Sentenced in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Mark Wright	Loan Officer	Sentenced to: 18 months of probation; ordered to pay \$48,054 in restitution	District of Utah
Patricia Esch	Loan Officer Assistant	Pleaded guilty to: receipt of commission for procuring a loan; sentenced to 60 days probation; ordered to pay \$6,358 in restitution	District of Utah

Former Settlement Agent Pleaded Guilty in Embezzlement Scheme

Defendant	Role	Most Recent Action	District
Jamie Lynn Alford	Settlement Agent	Pleaded guilty to: conspiracy to commit wire fraud affecting a financial institution	District of Maryland

Conspirators Charged in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
German Lopez-Velasquez	Real Estate Agent	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; attempted bank fraud; witness tampering	Eastern District of California
Marko Lopez	Real Estate Agent	Charged by indictment with: conspiracy to commit bank fraud; bank fraud	Eastern District of California
Lisa Santos	Loan Officer	Charged by indictment with: conspiracy to commit bank fraud; bank fraud	Eastern District of California

Real Estate Broker and Business Owner Charged in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Maria Del Carmen Montes	Real Estate Broker	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; aggravated identity theft	Middle District of Florida
Carlos Ferrer	Business Owner	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; aggravated identity theft	Middle District of Florida

Loan Officer Charged in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Evelisse Hernandez	Loan Officer	Charged by indictment with: bank fraud; aggravated identity theft	Middle District of Florida

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Private School Business Manager Charged in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
James Melis	Participant	Charged by indictment with: bank fraud; wire fraud; aggravated identity theft	Middle District of Florida

Conspirator Charged in Multi-Layered Fraud Scheme

Defendant	Role	Most Recent Action	District
Scott Kaveny	Participant	Charged by information with: conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency; false statements to a mortgage lender	Southern District of Texas

Short Sale Schemes**Business Owner Pleaded Guilty in Multimillion-Dollar Short Sale Fraud Scheme**

Defendant	Role	Most Recent Action	District
Iskyo Aronov	Business Owner	Pleaded guilty to: conspiracy to commit wire and bank fraud	Eastern District of New York

Loan Modification Schemes**Business Owner Ordered to Pay Over \$6 Million in Restitution, Federally, in Connection with Real Estate Fraud Scheme**

Defendant	Role	Most Recent Action	District
Patrick Soria	Business Owner	Ordered to pay \$6,046,813 in restitution	Central District of California

Business Owner Pleaded Guilty and was Sentenced, Locally, in Connection with Real Estate Fraud Scheme

Defendant	Role	Most Recent Action	District
Patrick Soria	Business Owner	Pleaded guilty to: grand theft; attempting to file a false or forged instrument; sentenced to: two years of probation; ordered to pay \$354,380 in restitution	Orange County, CA District Attorney's Office

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Conspirators Charged in Multi-State Loan Modification Fraud Scheme

Defendant	Role	Most Recent Action	District
Mohammed Zafaranchi	Participant	Charged by indictment with: conspiracy to commit wire fraud; wire fraud; money laundering; destruction of records in a federal investigation	Western District of Washington
Mark Lezama	Participant	Charged by indictment with: conspiracy to commit wire fraud; wire fraud; money laundering; destruction of records in a federal investigation	Western District of Washington

Property Management and REO Schemes**Former Title Company President and Title Agent Sentenced in Mortgage Fraud Scheme**

Defendant	Role	Most Recent Action	District
Ana Amador	Former Title Company President	Sentenced to: 72 months in prison; three years supervised release	Southern District of Florida
Sunilda Casilla	Title Agent	Sentenced to: 60 months in prison; three years supervised release	Southern District of Florida

Former Fannie Mae REO Broker Sentenced in Multimillion-Dollar REO Kickback Scheme

Defendant	Role	Most Recent Action	District
Peter Michno	REO Broker	Sentenced to: three years of probation including eight months home confinement	Central District of California

Conspirator Found Guilty in Deed Fraud Scheme

Defendant	Role	Most Recent Action	District
Clarence Roland III	Participant	Convicted by a federal jury of: conspiracy to commit wire fraud affecting a financial institution; wire fraud; money laundering	Southern District of Texas

Attorney Charged for Defrauding Clients and Employees of Over \$3.9 Million

Defendant	Role	Most Recent Action	District
Matthew Browndorf	Attorney	Charged by indictment with: wire fraud; money laundering	District of Maryland

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Adverse Possession, Distressed Property, and Bankruptcy Fraud Schemes

Conspirator Sentenced in Bankruptcy Fraud Scheme

Defendant	Role	Most Recent Action	District
Nana Baidoobonso-Iam	Participant	Sentenced to: 36 months in prison; three years supervised release; ordered to pay \$3,075 in restitution	District of Kansas

Conspirator Charged in Adverse Possession Scheme

Defendant	Role	Most Recent Action	District
Merenthia Harris	Participant	Charged by superseding indictment with: theft of property greater than \$300,000	Dallas County, TX District Attorney's Office

Condo Conversion and Builder Bailout Schemes

Conspirator Sentenced in Builder Bailout Scheme

Defendant	Role	Most Recent Action	District
James Carroll	Chief Financial Officer	Sentenced to: 41 months in prison, two years supervised release; ordered to pay \$12,423,627 in restitution, joint and several	Northern District of Illinois

Conspirator Convicted in Builder Bailout Scheme

Defendant	Role	Most Recent Action	District
Mohamed Salah	Participant	Convicted by a federal jury of: conspiracy to commit wire and bank fraud	Central District of California

Multifamily Schemes

Restitution Ordered for Over \$57 Million in Decade-Long Fraud Scheme

Defendant	Role	Most Recent Action	District
Seth Levine	Business Owner	Ordered to pay \$57,341,699 in restitution	District of New Jersey

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Four Real Estate Management Company Employees Sentenced in Multifamily Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
Robert Morgan	Chief Executive Officer	Sentenced to: time served	Western District of New York
Todd Morgan	Project Manager	Sentenced to: time served	Western District of New York
Frank Giacobbe	Business Owner	Sentenced to: one year and one day of probation	Western District of New York
Michael Tremiti	Vice President of Finance	Sentenced to: time served	Western District of New York

Business Owner Sentenced in Multifamily Fraud Scheme

Defendant	Role	Most Recent Action	District
Robert Corrao	Business Owner	Sentenced to: time served; one year of supervised release	Western District of New York

Conspirators Pleaded Guilty for Roles in Multifamily Fraud Scheme

Defendant	Role	Most Recent Action	District
Jacob Deutsch	Participant	Charged by information and pleaded guilty to: conspiracy to commit wire and mail fraud affecting a financial institution	District of Connecticut
Aron Deutsch	Participant	Charged by information and pleaded guilty to: conspiracy to commit wire and mail fraud affecting a financial institution	District of Connecticut

Fraud Affecting the FHLBanks or FHLBank Member Institutions as a Result of (or Related to) the CARES Act PPP**Business Owner Sentenced in COVID Relief Fraud Scheme**

Defendant	Role	Most Recent Action	District
Lola Kasali	Business Owner	Sentenced to: 70 months in prison; five years supervised release; ordered to pay \$2,027,686 in restitution and \$1,937,500 in forfeiture	Southern District of Texas

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Four Conspirators Pleaded Guilty in Multimillion-Dollar COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Rifat Bajwa	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Southern District of Texas
Pardeep Basra	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Southern District of Texas
Khalid Abbas	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Southern District of Texas
Hamza Abbas	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Southern District of Texas

Business Owner Sentenced for Fraudulently Obtaining Nearly \$1 Million in COVID Relief Funds

Defendant	Role	Most Recent Action	District
Devron Brown	Business Owner	Sentenced to: 78 months in prison; five years supervised release; ordered to pay \$939,350 in restitution and \$937,500 in forfeiture	Eastern District of Pennsylvania

Conspirator Sentenced in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Bridgitte Keim	Participant	Sentenced to: 24 months in prison; three years supervised release; ordered to pay \$121,659 in restitution and \$7,500 in forfeiture	Middle District of Florida

Conspirator Charged in COVID Relief Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
Ego Ferguson Sr.	Participant	Charged by indictment with: wire fraud; engaging in transactions in criminally derived property	Southern District of Florida

Business Owner Sentenced in PPP Fraud Scheme

Defendant	Role	Most Recent Action	District
Gregory Blotnick	Business Owner	Sentenced to: 51 months in prison; two years supervised release; ordered to pay \$4,557,631 in restitution and forfeiture	District of New Jersey

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One Pleaded Guilty and One Charged in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Nivah Garcis	Business Owner	Charged by information and pleaded guilty to: wire fraud; money laundering; conspiracy to commit bank fraud	District of New Jersey
Darryl Isom-Young	Business Owner	Charged by federal criminal complaint with: conspiracy to commit bank fraud; bank fraud; money laundering	District of New Jersey

Three Pleaded Guilty and One Charged in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Ramiro Mendes	Participant	Pleaded guilty to: wire fraud	Central District of California
Mateus Mendes	Participant	Pleaded guilty to: wire fraud	Central District of California
Ammon Mendes	Participant	Pleaded guilty to: wire fraud	Central District of California
Joao Mendes	Participant	Charged by information with: wire fraud	District of Massachusetts

Fraud Affecting FHFA, the Enterprises, the FHLBanks, or FHLBank Member Institutions**Two Sentenced and One Pleaded Guilty for Defrauding the FHLBank Affordable Housing Program**

Defendant	Role	Most Recent Action	District
Charles Mincey Jr.	Contractor	Sentenced to: eight months in prison; three years supervised release; ordered to pay \$91,990 in restitution	District of South Carolina
Karl Zerbst Jr.	Real Estate Broker	Sentenced to: five years of probation including six months of home confinement; ordered to pay \$246,689 in restitution	District of South Carolina
Aaron Spann	Participant	Pleaded guilty to: conspiracy to commit wire fraud and making false statements in a loan application	District of South Carolina

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Three Conspirators Sentenced in Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
Andrew Erpelding	Former Bank Vice President/Regional Manager	Sentenced to: time served; five years supervised release; ordered to pay \$2,102,150 in restitution, joint and several	Southern District of Iowa
Michael Slater	Former Lending Service President	Sentenced to: 14 months in prison; three years supervised release; ordered to pay \$4,528,191 in restitution, joint and several	Southern District of Iowa
Susan McLaughlin	Former Bank Vice President	Sentenced to: time served	Southern District of Iowa

Two Sentenced in \$1.2 Million Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Angela Asbell	Bank Employee	Sentenced to: five months in prison; three years supervised release; ordered to pay \$1,215,137 in restitution, joint and several	Northern District of Oklahoma
Douglas Mayfield	Business Owner	Sentenced to: three years supervised release; ordered to pay \$1,215,137 in restitution, joint and several, and forfeiture	Northern District of Oklahoma

Two Sentenced and Two Pleaded Guilty in Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
Dwight Peebles Jr.	Participant	Sentenced to: 18 months in prison; two years supervised release; ordered to pay \$3,125,208 in restitution, joint and several, and \$500,000 in forfeiture	Western District of North Carolina
Amrish Patel	Participant	Sentenced to: 15 months in prison; two years supervised release; ordered to pay \$3,125,208 in restitution, joint and several, and \$500,000 in forfeiture	Western District of North Carolina
Denise Woodard	Participant	Pleaded guilty to: conspiracy to commit bank fraud	Western District of North Carolina
Derrick Harrison	Participant	Pleaded guilty to: conspiracy to commit bank fraud	Western District of North Carolina

Attorney Sentenced in Connection with Funds Received from Failed Chicago Bank

Defendant	Role	Most Recent Action	District
Patrick Thompson	Attorney	Sentenced to: four months in prison; 12 months supervised release; ordered to pay \$58,515 in restitution	Northern District of Illinois

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Real Estate Developer and Former Bank Chief Financial Officer Pleaded Guilty in Multimillion-Dollar Embezzlement Conspiracy Resulting in the Failure of a Chicago Bank

Defendant	Role	Most Recent Action	District
Boguslaw Kasprowicz	Real Estate Developer	Pleaded guilty to: conspiracy to commit embezzlement and falsify bank records; filing false personal and corporate tax returns	Northern District of Illinois
Rosallie Corvite	Former Chief Financial Officer	Pleaded guilty to: conspiracy to commit embezzlement and falsify bank records	Northern District of Illinois

Two Sentenced and Two Pleaded Guilty in Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Kelly Huffman	Bank Employee	Sentenced to: time served; 12 months unsupervised release	District of North Dakota
Tyler Hofland	Participant	Sentenced to: time served; one year of supervised release; ordered to pay \$98,136 in restitution, joint and several	District of North Dakota
Brady Torgerson	Bank Employee	Pleaded guilty to: bank fraud	District of North Dakota
Brent Torgerson	Bank Employee	Pleaded guilty to: misapplication of bank funds	District of North Dakota

Conspirators Sentenced in Bank Account Takeover Scheme

Defendant	Role	Most Recent Action	District
Jasmine Townsend	Participant	Sentenced to: time served; four years supervised release; ordered to pay \$55,884 in restitution, joint and several, and \$57,561 in forfeiture	Middle District of Florida
Gregory Caliz	Participant	Sentenced to: 81 months in prison; five years supervised release; ordered to pay \$6,800 in restitution, joint and several	Middle District of Florida

Conspirator Pleaded Guilty in Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Christopher Alholm	Participant	Pleaded guilty to: conspiracy to commit bank fraud; aggravated identity theft	Middle District of Florida

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Business Owner Found Guilty in Multimillion-Dollar Check Kiting Scheme

Defendant	Role	Most Recent Action	District
Tyler Gillum	Business Owner	Convicted at trial of: bank fraud; making a false statement to the Small Business Administration; making a false statement in a loan or credit application	District of Kansas

Business Owner Charged in Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Carlos Velez-Cruz	Business Owner	Charged by indictment with: bank fraud; false statements in a loan application	District of Puerto Rico

Financial Advisor Charged in Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Eddy Blizzard	Financial Advisor	Charged by indictment with: bank fraud; aggravated identity theft	District of Maryland

Former Employee of Government Contractor Pleaded Guilty and Sentenced for Theft of FHFA Equipment

Defendant	Role	Most Recent Action	District
Tyler Carey	Participant	Pleaded guilty to: theft of government property; sentenced to: one year of probation	District of Maryland

Appraisal Company Owner Charged in Appraisal Fraud Scheme

Defendant	Role	Most Recent Action	District
Drew Baker	Business Owner	Charged by state felony information with: mortgage fraud; identity theft	King County, WA, Prosecuting Attorney's Office

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OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period April 1, 2022, through September 30, 2022

Reports, Referrals to Federal, State, and Local Prosecuting Authorities, Prosecutions and Convictions, April 1, 2022, - September 30, 2022*

Investigative Reports**	26
Criminal Referrals to the Department of Justice	40
Criminal Referrals to State and Local Prosecuting Authorities	3
Indictments and Informations during the Reporting Period that Resulted from Referrals to Prosecutors during Prior Reporting Periods	35
Total Indictments and Informations during the Reporting Period Resulting from OIG Referrals	37
Trials	3
Defendants Tried	4
Convictions / Pleas	37
Sentencings	42

* All criminal charges and successive actions (pleas/convictions/sentencings) are supported with documents filed with the corresponding federal or state court, including non-public (sealed) documents. All referrals made to the Department of Justice and to state prosecutors are captured within each investigative file; these actions are tabulated via a statistical report run in OIG's case management system. Criminal referrals on this chart include both individuals and entities.

** For the purposes of this table, an investigative report is defined as the Report of Investigation finalized at the conclusion of an investigation, prior to case closure.

Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation

Pursuant to the IG Act, Sections 5(a)(19), (20), (22)(B), and 5(e), OIG is required to report certain information regarding (1) investigations involving senior government employees and (2) government officials found to have engaged in whistleblower retaliation. In this section, OIG also reports on the results of hotline complaints and administrative inquiries involving the above.

Sections 5(a)(19) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving a senior government employee when allegations of misconduct were substantiated. OIG does not have reportable information for this period.

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Sections 5(a)(20) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on any instance of whistleblower retaliation, including information about an official found to have engaged in retaliation. OIG does not have reportable information for this period.

Sections 5(a)(22)(B) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving a senior government employee that is closed and was not disclosed to the public. OIG does not have reportable information for this period.

Closed, Undisclosed Audits and Evaluations

Pursuant to Section 5(a)(22)(A) of the IG Act, OIG must report on evaluations and audits that were closed and not disclosed to the public. During this reporting period, OIG did not close any evaluation or audit without disclosing the existence of the report to the public. As disclosed on our website, we recently closed a special project on FHFA’s organizational optimization blueprint. Because of ongoing FHFA initiatives, we conclude this effort is not yet ready for review. We will monitor the Agency’s progress and initiate an evaluation at the appropriate time.

Additionally, OIG issued reports during this period that contained information identified by OIG as non-public, privileged, or otherwise protected from disclosure under applicable law; accordingly, OIG has not publicly disclosed such contents. We have provided unredacted reports to FHFA and also made them available to our Congressional oversight committees.

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Peer Reviews

OIG Peer Review Results

Peer Review Results	Date Reported
Office of Audits: The most recent peer review was conducted by the National Aeronautics and Space Administration OIG. OIG received an external peer review rating of pass, the highest rating an audit organization can receive.	September 21, 2022
Office of Evaluations and Office of Compliance: During this reporting period, the Treasury Inspector General for Tax Administration (TIGTA) completed a peer review of the Office of Evaluations and the Office of Compliance and issued a final report on September 8, 2022. TIGTA determined that Office of Evaluations and Office of Compliance policies were generally consistent with the applicable Blue Book standards addressed by the peer review team. In addition, the peer review team found that all four of the reports it reviewed generally complied with Blue Book standards.	September 8, 2022
Office of Investigations: The most recent peer review of our investigative function was conducted by the United States Nuclear Regulatory Commission (NRC) OIG. NRC-OIG issued an Opinion Letter and a Letter of Observations detailing the results of its review. In the Opinion Letter, NRC-OIG reported that OIG’s system of internal safeguards and management procedures for our investigative function is in compliance with the quality standards established by CIGIE and the applicable Attorney General guidelines. In the Letter of Observations, NRC-OIG recognized OIG for employing five “best practices” in its investigative operations.	July 12, 2017

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Outstanding Recommendations from Any Peer Review of OIG

OIG has no outstanding recommendations from any peer reviews.

Peer Reviews Conducted by OIG and Outstanding Recommendations

OIG did not conduct any peer reviews during this period and there are no outstanding recommendations from peer reviews conducted by OIG.

Outreach

Public and Private Partnerships, Outreach, and Communications

OIG prioritizes outreach and engagement to communicate its mission and work to members of Congress and to the public and to actively participate in government-wide oversight community activities. We continue to forge public and private partnerships to address fraud and coordinate oversight activities.

Highlights of our efforts during this reporting period include the following:

Congress

To fulfill its mission, OIG works closely with Congress and is committed to keeping it fully apprised of our oversight of FHFA. During this semiannual reporting period, OIG provided information on OIG work to congressional staff.

Hotline

The OIG Hotline serves as a vehicle through which employees of the Agency, the Enterprises, the FHLBanks, and members of the public can report suspected fraud, waste, abuse, mismanagement, or misconduct in Agency programs and operations. The Hotline is managed by OIG’s Office of Investigations, and potential criminal violations are investigated by that office. Potential civil or administrative matters are referred to the appropriate OIG operating division for review and appropriate follow-up. During this reporting period, 912 discrete contacts to the Hotline were made involving tips, complaints, and referrals. This included 152 separate complaints logged by the Hotline.

For more information about OIG’s Hotline, including OIG contact information, see <https://www.fhfaig.gov/ReportFraud>.

Coordinated Oversight Activities and Professional Organizations

During the reporting period, OIG maintained active participation in coordinated oversight activities and professional organizations, including the following:

Council of the Inspectors General on Integrity and Efficiency

OIG actively participates in several CIGIE committees and working groups, including the Audit Committee, the Inspection and Evaluation Committee, and the Investigations Committee.

Council of Inspectors General on Financial Oversight

The Council of Inspectors General on Financial Oversight (CIGFO) was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to oversee FSOC, which is charged with identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the U.S. financial system.

The FHFA IG is a statutory member of CIGFO, along with the IGs of the Department of the Treasury, Federal Deposit Insurance Corporation, SEC, and others. By statute, CIGFO may convene working groups to evaluate the effectiveness and internal operations of FSOC.

Additionally, in accordance with the Act, CIGFO issues an annual report to FSOC and to Congress that includes (1) a section by each member IG that highlights the concerns and recommendations of the IG based on ongoing and completed work, with a focus on issues that may apply to the broader financial sector; and (2) a summary of the general observations by the Council with a focus on measures that should be taken to improve financial oversight.

CIGFO’s annual report for 2022, issued in July 2022, is available on its [website](#) and [Oversight.gov](#).

Additionally, OIG leadership and staff serve in various significant public and private professional organizations supporting CIGIE, CIGFO, and the Federal community.

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Law Enforcement Outreach

Federal Bureau of Investigation (FBI) Cybercrimes Task Force

The FBI’s Washington, D.C., field office spearheads a multiagency cybercrimes task force, and OIG assigns special agents to assist with task force law enforcement activities. OIG makes these assignments to help combat cybercrimes and to work in partnership with multiple federal agencies. This concerted effort helps prosecute cybercriminals and stop cyberattacks made against institutions maintaining PII, trade secrets, and financial data.

Public Awareness of OIG’s Law Enforcement Mission

During this reporting period, OIG delivered 22 fraud awareness briefings to diverse audiences to raise awareness of its law enforcement mission and fraud schemes targeting FHFA programs.

Public-Private Partnerships

Housing finance professionals are on the frontlines and often have a real-time understanding of emerging threats and misconduct. OIG speaks with officials at the Enterprises and the FHLBanks regularly to benefit from their insights. OIG also makes presentations to academic and industry groups. Recent presentations include: the Illinois Fraud Working Group (IL), Los Angeles Real Estate Fraud Task Force (CA), Palm Beach County Economic Crimes /Intelligence Working Group (FL), South Florida Financial Institution Security Association (FL), Disney and Disney Springs (FL), Nevada Bankruptcy Fraud Working Group (NV), and Memphis Area Financial Investigators Association (TN).

Coordination Among Law Enforcement Agencies

OIG has developed ongoing and close working relationships with other law enforcement agencies, including: Department of Justice and U.S. Attorneys’ offices; FBI; Department of Housing and Urban Development-OIG; Federal Deposit Insurance Corporation-OIG; Internal Revenue Service–Criminal Investigation; Small Business Administration-OIG; the U.S. Trustee Program (nationwide); Financial Crimes Enforcement Network; state attorneys general; and other federal, state, and local law enforcement agencies nationwide.

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Other Inspector General Act Reporting Requirements

FHFA’s Refusal to Provide Information and Attempts to Interfere with OIG Independence

OIG has no instances to report for this period.

Federal Financial Management Improvement Act of 1996

For the six-month reporting period ending September 30, 2022, Section 5(a)(13) of the IG Act did not apply to the Agency or OIG.

Review of Legislation and Regulations

OIG, through its Office of Counsel, stays up to date on all applicable proposed legislation that is publicly available or disseminated by the CIGIE Legislation Committee. When appropriate, OIG comments on enacted law or proposed legislative matters relating to FHFA’s programs and operations. OIG’s Office of Counsel also reviews all proposed regulations pertaining to FHFA and provides recommendations when appropriate.

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Index of Information Required by the Inspector General Act

The IG Act provides that OIG shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing our activities during the immediately preceding six-month periods ending March 31 and September 30.

Below is a table directing the reader to the pages of this report on which various information required by the IG Act is provided.

Source/Requirement	Pages
Section 4(a)(2) – Review of legislation and regulations.	60
Section 5(a)(1) – A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA.	4-14
Section 5(a)(2) – A description of the recommendations for corrective action made by OIG with respect to significant problems, abuses, or deficiencies.	7-14
Section 5(a)(3) – An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.	15-35
Section 5(a)(4) – A summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	36-54
Section 5(a)(5) – A summary of each report made to the Director of FHFA about information or assistance requested and unreasonably refused or not provided.	60
Section 5(a)(6) – A listing, subdivided according to subject matter, of each audit and evaluation report issued by OIG during the reporting period and for each report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.	7-15
Section 5(a)(7) – A summary of each particularly significant report.	7-14
Section 5(a)(8) – Statistical tables showing the total number of audit and evaluation reports and the total dollar value of questioned and unsupported costs.	3, 15
Section 5(a)(9) – Statistical tables showing the total number of audit and evaluation reports and the dollar value of recommendations that funds be put to better use by management.	3, 15

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Section 5(a)(10)(A) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.	15
Section 5(a)(10)(B) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which no FHFA comment was returned within 60 days of providing the report to the Agency.	15
Section 5(a)(10)(C) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	15-35
Section 5(a)(11) – A description and explanation of the reasons for any significant revised management decision made during the reporting period.	15
Section 5(a)(12) – Information concerning any significant management decision with which the Inspector General is in disagreement.	15
Section 5(a)(13) – The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	60
Section 5(a)(14) – An appendix containing the results of any peer review conducted by another IG; or the date of the last peer review if no peer review was conducted during the reporting period.	56
Section 5(a)(15) – A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	57
Section 5(a)(16) – A list of any peer reviews of another IG during the reporting period.	57
Section 5(a)(17) – Statistical tables showing, for the reporting period, the total number of: investigative reports issued; persons referred to the Department of Justice for criminal prosecution; persons referred to State and local prosecuting authorities for criminal prosecution; and indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	54
Section 5(a)(18) – A description of the metrics used for developing the data for the statistical tables under paragraph (17).	54

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Section 5(a)(19) – A report on each investigation conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated, including the name of the official if already made public by OIG, a detailed description of the facts and circumstances of the investigation, and the status and disposition of the matter.	54-55
Section 5(a)(20) – A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences FHFA imposed to hold that official accountable.	54-55
Section 5(a)(21) – A detailed description of any attempt by FHFA to interfere with the independence of OIG, including with budget constraints designed to limit OIG’s capabilities, and incidents where FHFA has resisted or objected to OIG oversight activities or restricted or significantly delayed access to information.	60
Section 5(a)(22)(A) – Detailed descriptions of the particular circumstances of each evaluation and audit conducted by OIG that is closed and was not disclosed to the public.	55
Section 5(a)(22)(B) – Detailed descriptions of the particular circumstances of each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	54-55

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FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2022, through September 30, 2022

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