



# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2023, through September 30, 2023



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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 semiannual reporting period from April 1, 2023, through September 30, 2023.

The 14 products published during this semiannual period consisted of audit and evaluation reports, compliance reviews, a white paper, a risk assessment, and a management advisory, and are available on our website and on Oversight.gov. As in prior reporting periods, we focused our resources on the Agency programs and operations that pose the greatest financial, governance, or reputational risk to FHFA, the Enterprises, Common Securitization Solutions, LLC, and the Federal Home Loan Banks. Our reports offered the Agency 30 actionable recommendations to remedy any identified shortcomings, and FHFA agreed to implement all of them.

In addition to these oversight efforts, 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 American public’s interests. One notable success arose from our decade-long participation in a working group investigating misconduct in the mortgage-backed securities market. During this semiannual period, following an extensive investigation by the working group, UBS AG and several of its U.S. affiliates agreed to pay \$1.435 billion to settle a civil action alleging misconduct related to its underwriting and issuance of residential mortgage-backed securities in 2006 and 2007.

Additionally, OIG continued to investigate and hold accountable individuals who fraudulently obtained pandemic relief funds. In Georgia, for example, a man was sentenced to prison and



Brian M. Tomney  
Inspector General

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ordered to pay restitution for his role in a fraud scheme seeking Paycheck Protection Program and Economic Injury Disaster Loans. Among the businesses he used to solicit loans was a company he previously used during a mortgage fraud conspiracy. OIG had investigated him for that mortgage fraud scheme, for which he was sentenced to probation and ordered to pay restitution. These and other investigative accomplishments are described further in this report’s Significant Cases section.

OIG’s corps of talented professionals remains committed to excellence in our oversight and enforcement activities. Their dedication to public service continues to drive results that further the mission. I am honored to lead them, and I thank them for their work.

Brian M. Tomney  
Inspector General  
September 30, 2023

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# Snapshot of OIG Accomplishments

**Semiannual Reporting Period  
April 1, 2023–September 30, 2023**

Reports Issued Includes audits, evaluations, compliance reviews, a white paper, a risk assessment, and a management advisory	14
Recommendations Made or Reopened	30
Investigative Activities:	
Indictments / Charges	38
Arrests	24
Convictions / Pleas	31
Sentencings	27
Suspension / Debarment Referrals to Other Agencies	17
Suspended Counterparty Referrals to FHFA	13
Investigative Monetary Results:	
Criminal Restitution	\$14,653,641
Civil Settlements	\$1,453,000,000
Criminal Fines / Special Assessments / Forfeitures	\$35,560,632
Investigations Total Monetary Results*	\$1,503,214,273

\* 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 Housing and Economic Recovery Act of 2008 established the Federal Housing Finance Agency (FHFA or Agency) in July 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 reliable sources of liquidity and funding for housing finance and community investment. As of June 30, 2023, the Enterprises collectively reported more than \$7.5 trillion in assets and the FHLBanks reported more than \$1.4 trillion.

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. They are now in their sixteenth year.

## OIG’s Risk-Based Oversight Strategy

FHFA’s dual roles as the regulated entities’ supervisor and the Enterprises’ conservator present unique challenges for OIG. These dual responsibilities put FHFA in a position different from other financial regulators, and OIG structures its oversight program to rigorously examine its exercise of both responsibilities. As part of that oversight, OIG makes informed and targeted 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 communication, planning, and strategy across OIG. Within the Office of the Chief of Staff, the Risk Analysis Division enhances OIG’s ability to focus our resources on the areas of greatest risk to FHFA and its regulated entities. The Division is tasked with monitoring, analyzing, and disseminating information on emerging and ongoing risks. Through its work, it contributes data and information to assist offices across OIG and issues products on 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 our assessment of the Agency’s most significant management and performance challenges that, if not addressed, could adversely affect FHFA’s accomplishment of its mission. Our memorandum identifying FHFA’s most significant management and performance

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challenges for Fiscal Year (FY) 2023 is available on our [website](#). A summary of the planned oversight activities during FY 2023 is discussed in our [Annual Plan](#).

FHFA’s most significant management and performance challenges for FY 2023 are:<sup>1</sup>

- Effective supervision of the regulated entities
- Stewardship of the Enterprise conservatorships
- Oversight of information risk for the regulated entities
- Oversight of counterparty risk, third-party risk, and fourth-party risk for the regulated entities
- Oversight of model risk for the regulated entities
- Oversight of people risk for the regulated entities
- Oversight of resiliency risk for the regulated entities

The first four challenges reiterated themes we identified in prior years. For FY 2023, we also highlighted FHFA’s oversight of key operational risks at the regulated entities, including model risk, people risk, and resiliency risk. Importantly, these challenges are interconnected.

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

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

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<sup>1</sup> Shortly after conclusion of the semiannual period, OIG released the [FHFA Fiscal Year 2024 Management and Performance Challenges](#) memorandum, which updated the FY 2023 memorandum. An overview of the related OIG oversight activities planned for FY 2024 is discussed in the [FHFA-OIG FY 2024 Annual Plan](#).

## 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 (IG Act), the Office of Audits performs its audits in accordance with standards established by the Comptroller General of the United States, commonly referred to as generally accepted government auditing standards, or the 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 IG Act, Inspectors General must adhere to the professional standards established 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 that FHFA took the corrective actions it said it implemented. OIG publishes its testing results to enable our stakeholders to assess 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 each OIG recommendation’s status. Finally, the Office consults with other OIG divisions before the proposed closure of recommendations to ensure that OIG applies consistent closure standards.

The Office of Compliance’s second primary responsibility is to manage the implementation of OIG’s internal controls program in accordance with the Federal Managers’ Financial Integrity Act of 1982 (31 U.S.C. § 3512) as implemented by the Office of Management and Budget’s 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

OIG issued 14 products during the semiannual reporting period from April 1, 2023, through September 30, 2023:

[Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023 Management Advisory](#) (OIG-2023-001, September 28, 2023)

[Risk Assessment of FHFA’s Charge Card Programs April 1, 2022 – March 31, 2023](#) (OIG-RA-2023-001, September 28, 2023)

[DBR Conducted Effective Oversight of FHLBanks’ Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance](#) (AUD-2023-009, September 28, 2023)

[FHFA Effectively Blocked Phishing Emails, But Requires Improvement in Managing Vulnerabilities on Its Public Websites](#) (AUD-2023-008, September 27, 2023)

[DBR Adapted the Scope of Its Federal Home Loan Bank Supervisory Activities in 2023 in Response to Market Disruptions](#) (EVL-2023-004, September 21, 2023)

[People Risk at FHFA’s Regulated Entities](#) (WPR-2023-003, September 21, 2023)

[FHFA Performed Active Oversight and Made Efforts to Ensure Fannie Mae’s Compliance with Its Directions to Improve Audit Committee Operations](#) (COM-2023-007, September 6, 2023)

[DER Implemented Controls to Ensure that the Enterprises and CSS Remediated Adverse Examination Findings Within FHFA Determined Reasonable Timeframes](#) (AUD-2023-007, September 6, 2023)

[FHFA Did Not Effectively Implement Records Management Training Controls for Onboarding and Offboarding Personnel](#) (COM-2023-006, August 23, 2023)

[Audit of the Federal Housing Finance Agency’s Privacy Program Fiscal Year 2023](#) (AUD-2023-006, August 23, 2023)

[FHFA Has Initiatives to Advance Equity and Support for Underserved Communities, but Tracking and Documentation Need Improvement](#) (AUD-2023-005, July 26, 2023)

[Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023](#) (AUD-2023-004, July 26, 2023)

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[FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program](#) (COM-2023-005, June 21, 2023)

[FHFA Completed Examination Work Sufficient to Determine Whether the Enterprises’ Credit Default Models Met Supervisory Expectations](#) (EVL-2023-003, April 19, 2023)

Detailed information on each report is available at the links above. Taken together, this body of work provides important insights across FHFA’s programs and operations, including the entities under the Agency’s purview.

## Enterprises and CSS

FHFA’s Division of Enterprise Regulation (DER) serves as regulator and supervisor for the Enterprises and their affiliate, CSS. Among other things, DER is responsible for examining the Enterprises’ models. In [EVL-2023-003](#), we found that examiners completed work sufficient for DER to determine whether the Enterprises’ credit default models met supervisory expectations. Although it made certain criticisms, DER did not identify unsafe or unsound model risk practices, and the Agency did not restrict the Enterprises’ business use of any of the credit default models.

In [AUD-2023-007](#), we found that DER implemented control activities to ensure that the Enterprises and CSS remediated adverse examination findings within FHFA-determined reasonable timeframes. In response to deficiencies we identified in a 2015 evaluation report (including inadequate record-keeping by the Fannie Mae Audit Committee and insufficient preparation for committee meetings), FHFA issued a supervisory direction to Fannie Mae’s Audit Committee Chair, requiring the committee to prioritize issues before meetings, provide materials in advance to members, and document its deliberations. We assessed FHFA’s efforts to ensure compliance with this supervisory direction in [COM-2023-007](#) and found that the Agency had performed active oversight and made efforts to ensure Fannie Mae’s compliance.

## FHLBank System

FHFA also serves as supervisor and regulator of the FHLBank System. Specifically, the Agency’s Division of Federal Home Loan Bank Regulation (DBR) ensures the safe and sound operation of the FHLBanks. In [EVL-2023-004](#), we assessed the extent to which DBR adapted its 2023 examination planning for a sample of six FHLBanks in response to an abrupt increase in demand for FHLBank advances and the collapse of several member banks. Based on our sample, we found that DBR planning practices generally incorporated previously identified areas of high risk for further review. We also found that examiners generally complied with the intent of DBR’s workpaper standards and adjusted their examination planning in response to the heightened risk environment resulting from the March 2023 market disruption. Another report, [AUD-2023-009](#), audited whether DBR conducted effective oversight of FHLBanks’ employee expense reimbursement processes and whether these processes presented significant risk to the FHLBank

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System. We found that DBR’s examinations of two FHLBanks’ policies and procedures, internal audit reports, and implementation of correction actions were sufficient for overseeing employee expense reimbursement processes, which do not pose a safety and soundness risk to the FHLBank System. While DBR’s oversight was effective for the examination periods within the audit scope, we found that DBR lacked documented guidance for examining FHLBanks’ employee expense reimbursement processes. We made two recommendations, and FHFA agreed with both.

### FHFA and the Regulated Entities

As we explained in [AUD-2023-005](#), in 2018, FHFA established the Office of Fair Lending Oversight (OFLO) within the Division of Housing Mission and Goals. OFLO works to ensure that the regulated entities operate consistently with the public interest and with sufficient overall risk management by providing fair, equitable, and nondiscriminatory access to credit and housing. OFLO also works to advance equity through its Equitable Housing Finance Program and internal policy assessments. FHFA identified several initiatives it says are designed to advance equity and support for underserved communities. The four initiatives we reviewed generally complied with their stated purposes. We also identified weaknesses in OFLO’s fair lending assessment tracking and documentation processes. FHFA agreed with our three recommendations to correct the identified shortcomings.

In [WPR-2023-003](#), we explained how people risk manifests at FHFA’s regulated entities in various ways, with internal and external factors contributing to that risk. Labor market dynamics, such as economic conditions and skill shortages, create stiff competition for the regulated entities to recruit and retain key talent, especially in crucial proficiencies. The regulated entities generally report that their missions attract talent, but they also say that workplace flexibilities, organizational size, and geographic location affect their people risk. In the presence of these factors and executive compensation restrictions, the Enterprises have had several senior officials depart since 2021, highlighting the importance of succession planning. While the Agency does not consider people risk as a top risk for the FHLBanks, it does acknowledge that people risk always exists and it is important for the FHLBanks to manage people risk through succession planning as well.

### Agency Operations

Our body of work encompasses not only FHFA’s oversight of the regulated entities but also the Agency’s internal operations. FHFA must manage information risk as a core component of Agency operations. In [AUD-2023-006](#), our contracted certified independent accounting firm found that the Agency had generally implemented comprehensive privacy and data protection policies, procedures, and practices governing the Agency’s collection, use, sharing, disclosure, transfer, storage, and security of information in an identifiable form relating to Agency employees and the public, consistent with legal and regulatory guidance. However, the Agency did not fully achieve implementation of certain privacy requirements. The same independent accounting firm

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concluded in [AUD-2023-004](#) that, collectively, the Agency’s information security programs and practices were effective and complied with the Federal Information Security Modernization Act and related information security policies and procedures, standards, and guidelines by achieving an overall Level 4 – Managed and Measurable maturity level. Although the Agency implemented effective information security programs and practices, a subset of selected controls was not fully effective. To support our ongoing oversight of FHFA’s compliance with the Federal Information Security Modernization Act, we periodically audit FHFA’s networks and information security. In [AUD-2023-008](#), we found that FHFA effectively implemented spam protection security control, safeguarding its network and systems against external threats. We also found vulnerabilities in FHFA’s websites of which its Office of Technology and Information Management was unaware because it was not using its own scanning tool. We issued 17 recommendations related to these information security shortcomings, all of which were accepted by FHFA.

We also performed a risk assessment of FHFA’s charge card programs. In [OIG-RA-2023-001](#), we found the risk of illegal, improper, or erroneous purchases and payments within FHFA’s purchase card program was low, while the risk within the travel card program was moderate. In connection with the risk assessment, we issued a management advisory, [OIG-2023-001](#), concerning deficiencies within FHFA’s travel card program that require management’s immediate attention. Specifically, we found that some employees did not comply with applicable travel guidance, and we made four recommendations, all of which were accepted by the Agency.

We conducted compliance reviews of two matters related to Agency operations. In a 2018 audit report, we had found that the Agency’s controls over its transportation benefits program were insufficient. In response to our two recommendations to correct these deficiencies, FHFA established new and revised transportation benefits procedures in early 2019, and we closed the recommendations. Our compliance review, [COM-2023-005](#), found that FHFA did not implement four of the five controls effectively; accordingly, we reopened the 2018 recommendations. In a 2020 audit report, we had found that FHFA did not adhere to records management training standards. In response to our recommendation, FHFA established procedures to ensure that it followed records management standards for onboarded and offboarded personnel, and we closed the recommendation in February 2021 based on these new procedures. We assessed the effectiveness of the new procedure’s implementation in [COM-2023-006](#) and found a number of deficiencies. Thus, we reopened the recommendation from the 2020 audit, as well. FHFA agreed to take corrective action in response to the three reopened recommendations.

## IG Act Information Concerning Reports

During the period ending September 30, 2023, OIG’s reports did not include recommendations with questioned costs, unsupported costs, or funds to be put to better use by management.

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We do not have reportable information for this period regarding management decisions related to an audit or evaluation issued in a previous reporting period.

During this reporting period, OIG did not close any evaluation or audit without disclosing the report’s existence to the public. We issued reports 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 made them available to our Congressional oversight committees.

## Recommendations

### Open Recommendations

The following table contains all open recommendations from the reporting period ending September 30, 2023, and previous semiannual reporting periods. For a regularly updated list of all open recommendations, see OIG’s monthly [Compendium of Unimplemented Recommendations](#). We do not currently have any open recommendations with questioned costs, unsupported costs, or funds to be put to better use by management from prior reporting periods.

Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should reiterate the requirements for documenting conservatorship decisions to all responsible offices. Further, the Division of Conservatorship Oversight and Readiness should evaluate FHFA’s conservatorship decision document management practices and assess the feasibility of improvements such as implementing a pre-issuance quality control review of responsible offices’ conservatorship decision documentation and implementing a centralized conservatorship decision documentation management system.</p>	<p><a href="#">FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures</a> (AUD-2023-003, March 29, 2023)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should update FHFA’s conservatorship decision policy and procedures to align with current practice and:</p> <ul style="list-style-type: none"> <li>• Provide clarity on approval authorities for issuing conservatorship directives and Common Securitization Solutions, LLC decisions.</li> <li>• Provide guidance on performing and documenting monitoring and surveillance activities.</li> <li>• Establish procedures for issuing guidance decisions.</li> <li>• Establish procedures describing FHFA’s practice to de-escalate Letter of Instruction decision requests.</li> </ul>	<p><a href="#"><u>FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures</u></a> (AUD-2023-003, March 29, 2023)</p>
<p>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.</p>	<p><a href="#"><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></a> (EVL-2022-003, September 27, 2022)</p>
<p>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.</p>	<p><a href="#"><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></a> (EVL-2022-003, September 27, 2022)</p>
<p>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.</p>	<p><a href="#"><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></a> (EVL-2022-003, September 27, 2022)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement guidance documenting examination procedures for evaluating Federal Home Loan Banks’ employee expense reimbursement processes. Guidance should include: (a) documenting examination analysis and results; and (b) following up on implementation of recommendations, including reviewing corrective actions.</p>	<p><a href="#">DBR Conducted Effective Oversight of FHLBanks’ Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance</a> (AUD-2023-009, September 28, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should obtain and review Federal Home Loan Banks’ internal audit results on employee expense reimbursements for the years that the Division of Federal Home Loan Bank Regulation does not include these expenses in its examinations to ensure that the Division of Federal Home Loan Bank Regulation is aware of any findings related to wasteful or fraudulent spending.</p>	<p><a href="#">DBR Conducted Effective Oversight of FHLBanks’ Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance</a> (AUD-2023-009, September 28, 2023)</p>
<p>Supervision: FHFA’s Office of Fair Lending Oversight Associate Director should develop and implement a process or mechanism that improves FHFA’s ability to track and retrieve all required fair lending assessments and supporting documentation in a timely, efficient, and accurate manner.</p>	<p><a href="#">FHFA Has Initiatives to Advance Equity and Support for Underserved Communities, but Tracking and Documentation Need Improvement</a> (AUD-2023-005, July 26, 2023)</p>
<p>Supervision: FHFA’s Office of Fair Lending Oversight Associate Director should ensure that determinations of the level of compliance risk and conclusion for all fair lending assessments are documented as part of its fair lending policy assessments.</p>	<p><a href="#">FHFA Has Initiatives to Advance Equity and Support for Underserved Communities, but Tracking and Documentation Need Improvement</a> (AUD-2023-005, July 26, 2023)</p>
<p>Supervision: FHFA’s Office of Fair Lending Oversight Associate Director should update policy, procedures, and guidelines to include specific steps for performing and documenting data quality checks for the Enterprises’ Fair Lending Reports.</p>	<p><a href="#">FHFA Has Initiatives to Advance Equity and Support for Underserved Communities, but Tracking and Documentation Need Improvement</a> (AUD-2023-005, July 26, 2023)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: In accordance with the Division of Enterprise Regulation priorities and policies, FHFA should update and refine the 2016 Common Securitization Solutions, LLC Module and other examination modules, as appropriate, in order to provide accurate examination guidance applicable to Common Securitization Solutions, LLC examination activities.</p>	<p><a href="#">FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance</a> (EVL-2023-002, March 20, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement procedures that require the Division of Federal Home Loan Bank Regulation to assign minimum examination frequencies for in-depth review of Affordable Housing Program risk areas consistent with their underlying risk and establish a requirement for affirmative Deputy Director approval when these minimum frequencies are not met.</p>	<p><a href="#">The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</a> (AUD-2023-001, February 9, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should perform an Affordable Housing Program workforce planning analysis using the minimum examination frequencies for Affordable Housing Program risk areas established in response to Recommendation 1 to determine current and future examination needs and address any staffing gaps identified.</p>	<p><a href="#">The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</a> (AUD-2023-001, February 9, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement a plan, consistent with the principles of the Official Documents Policy, to update the Affordable Housing Program examination module.</p>	<p><a href="#">The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</a> (AUD-2023-001, February 9, 2023)</p>

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<p>Supervision: FHFA should, in a timely manner, ensure that complaints are filed with the relevant state appraiser licensing authorities for each appraisal from its December 2021 review in which FHFA found overt references to race, color, and other prohibited bases.</p>	<p><a href="#">FHFA Could Further Combat Appraisal Bias by Ensuring That Complaints Are Filed with State Authorities and Ensuring the Enterprises Use Appraisals That Comply with Federal Law</a> (EVL-2023-001, December 20, 2022)</p>
<p>Supervision: FHFA should revise the Division of Federal Home Loan 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.]</p>	<p><a href="#">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</a> (AUD-2019-008, July 10, 2019) and <a href="#">Compliance Review of DBR’s Quality Control for Examination Work Performed by Examiners-in-Charge</a> (COM-2021-007, August 25, 2021)</p>
<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"> <li>• Identifying the current examination skills and competencies of its examiners;</li> <li>• Forecasting the optimal staffing levels and competencies needed to meet its supervisory needs;</li> <li>• Evaluating whether a gap exists between skills that its workforce may currently need but does not possess; and</li> <li>• Addressing that gap.</li> </ul>	<p><a href="#">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</a> (AUD-2020-004, February 25, 2020)<sup>2</sup></p>

<sup>2</sup> 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 for DER’s planned corrective actions address the key aspects of the recommendation, this recommendation remains open. DER had extended the expected completion date for this project from April 30, 2023, to July 31, 2023. The planned corrective actions were submitted to us for review on July 31, 2023. We are in the process of assessing whether the actions have resulted in the implementation of a systematic workforce planning process for DER.

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<p>Supervision: FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.</p>	<p><a href="#">Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises (EVL-2014-002, December 19, 2013)</a><sup>3</sup> and <a href="#">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)</a></p>
<p>Supervision: FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.</p>	<p><a href="#">Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises (EVL-2014-002, December 19, 2013)</a><sup>4</sup> and <a href="#">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)</a></p>
<p>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.]</p>	<p><a href="#">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)</a> and <a href="#">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)</a></p>

<sup>3</sup> We are reporting the recommendation as open pending an assessment of FHFA actions taken in response to the recommendation in AUD-2020-004.

<sup>4</sup> We are reporting the recommendation as open pending an assessment of FHFA actions taken in response to the recommendation in AUD-2020-004.

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<p>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.</p>	<p><a href="#">FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle</a> (AUD-2017-010, September 27, 2017)<sup>5</sup></p>
<p>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.</p>	<p><a href="#">FHFA’s Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed</a> (AUD-2016-007, September 30, 2016) and <a href="#">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</a> (AUD-2016-006, September 30, 2016)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should utilize the Office of Technology and Information Management’s existing vulnerability scanning tool to supplement Cybersecurity and Infrastructure Security Agency scan reports to identify vulnerabilities not captured by the Cybersecurity and Infrastructure Security Agency’s scanning tool.</p>	<p><a href="#">FHFA Effectively Blocked Phishing Emails, But Requires Improvement in Managing Vulnerabilities on Its Public Websites</a> (AUD-2023-008, September 27, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should define the process for monitoring, scanning, and remediating vulnerabilities on its public websites in Office of Technology and Information Management Vulnerability Management Process document, including utilizing Office of Technology and Information Management’s existing vulnerability scanning tool to scan its public websites.</p>	<p><a href="#">FHFA Effectively Blocked Phishing Emails, But Requires Improvement in Managing Vulnerabilities on Its Public Websites</a> (AUD-2023-008, September 27, 2023)</p>

<sup>5</sup> We are reporting the recommendation as open pending an assessment of FHFA actions taken in response to 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).

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<p>Information Risk: FHFA-OIG’s Chief Counsel should update the <i>FHFA-OIG Privacy Program Plan</i> to include procedures to verify personnel’s completion of annual role-based privacy training. Procedures should include periodic progress checks and follow-up with personnel to ensure timely training completion.</p>	<p><a href="#"><u>Audit of the Federal Housing Finance Agency’s Privacy Program Fiscal Year 2023</u></a> (AUD-2023-006, August 23, 2023)</p>
<p>Information Risk: FHFA’s Senior Agency Official for Privacy should update the privacy impact assessments for the Emergency Notification System, the National Mortgage Database, and the cloud system to ensure privacy impact assessments accurately describe all security and privacy controls of the system and are approved by the required officials.</p>	<p><a href="#"><u>Audit of the Federal Housing Finance Agency’s Privacy Program Fiscal Year 2023</u></a> (AUD-2023-006, August 23, 2023)</p>
<p>Information Risk: FHFA’s Senior Agency Official for Privacy, in coordination with the originating office and the Office of General Counsel, should obtain and review proposed rules, and determine if a privacy impact assessment is required, in accordance with FHFA Policy No. 801, <i>Official Documents Policy</i>.</p>	<p><a href="#"><u>Audit of the Federal Housing Finance Agency’s Privacy Program Fiscal Year 2023</u></a> (AUD-2023-006, August 23, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should update FHFA’s Supply Chain Risk Management Strategy to include past due OMB M-22-18 requirements including:</p> <ul style="list-style-type: none"> <li>• Obtaining a self-attestation from the software producer before using the software;</li> <li>• Obtaining from software producers artifacts that demonstrate conformance to secure software development practices, as needed;</li> <li>• Establishing a system to store self-attestation letters from the software producer that are not publicly available in a central location; and</li> <li>• Assessing and developing training for reviewing and validating self-attestation letters.</li> </ul>	<p><a href="#"><u>Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</u></a> (AUD-2023-004, July 26, 2023)</p>

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<p>Information Risk: If FHFA is unable to meet the requirements in OMB M-22-18 and/or OMB M-23-16 in a timely manner, FHFA should consider [a] request for an extension or waiver in accordance with OMB M-22-18 and/or OMB M-23-16. If FHFA requests a waiver, FHFA should consider documenting a risk-based decision, and document any compensating controls.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should remediate past due exploitable vulnerabilities in accordance with Cybersecurity and Infrastructure Security Agency Binding Operating Directive 22-01 and the Office of Technology and Information Management Vulnerability Management Process.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should develop a plan of actions and milestones to track the remediation of past due Cybersecurity and Infrastructure Security Agency known exploitable vulnerabilities that cannot be remediated in a timely manner (within 14 days) in accordance with Cybersecurity and Infrastructure Security Agency’s Binding Operating Directive 22-01 and Office of Technology and Information Management Vulnerability Management Process. FHFA’s Acting Chief Information Officer should consider implementing compensating controls (i.e., isolating systems with un-remediated vulnerabilities) to mitigate the risk of the vulnerabilities.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should implement requirements across all Event Logging maturity tiers to ensure events are logged and tracked in accordance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>

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<p>Information Risk: FHFA’s Acting Chief Information Officer should identify and implement solutions, in coordination with vendors, where a solution does not exist for systems to natively forward event logs to the Security Information and Event Management tool. If there are no viable solutions, perform a risk assessment and cost benefit analysis. Based on the risk assessment, document any risk-based decisions, including compensating controls, for systems not in compliance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA-OIG’s Chief Information Officer should implement requirements across all Event Logging maturity tiers to ensure events are logged and tracked in accordance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA-OIG’s Chief Information Officer should identify and implement solutions, in coordination with vendors and [the] engineering team, to encrypt logs in transit between the source system and the Security Information and Event Management tool. If there are no viable solutions, perform a risk assessment and cost benefit analysis. Based on the risk assessment, document any risk-based decisions, including compensating controls, for systems not in compliance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should review and update the Cyber Incident Reporting Procedures, and the FHFA Common Control Plan to ensure they include FHFA’s three-year review cycle outlined in the Incident Response Standard.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should update the Disaster Recovery Procedures for FHFA Production Systems to include Job Performance Plan and its servers, and ensure they are included in the annual contingency testing.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>

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<p>Information Risk: FHFA’s Chief Information Officer should develop and maintain a complete and accurate cloud system component inventory, as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should ensure that privileged user access is appropriately approved in accordance with FHFA standards and guidelines.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should update the cloud system’s security plan to include FHFA’s current processes and implementation of all current National Institute of Standards and Technology security controls, and ensure the security plan is reviewed annually.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should develop and implement a solution to encrypt all data-at-rest on the cloud system as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>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.</p>	<p><a href="#">FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS)</a> (AUD-2022-003, December 13, 2021)</p>
<p>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.</p>	<p><a href="#">FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS)</a> (AUD-2022-003, December 13, 2021)</p>

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<p>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.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2020</a> (AUD-2021-001, October 20, 2020)</p>
<p>Internal Control over Agency Operations: FHFA management should reinforce FHFA’s Travel Policy and Federal Travel Regulation requirements to employees and approving officials through ongoing training and periodic reminders of responsibilities.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA management should ensure that employees submit travel vouchers within five working days after completing their travel.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA management should ensure that employees are aware and periodically reminded that the travel cards must be used for all official travel expenses.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA management should ensure that approving officials approve travel reimbursements within five calendar days of receipt of the voucher in the Agency’s electronic travel system.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA should develop and implement procedures to ensure:</p> <ul style="list-style-type: none"> <li>• FHFA employees and contractor employees complete required annual records management training;</li> <li>• Contractor employees complete required records management training at time of onboarding; and</li> <li>• FHFA senior officials (political appointees, senior agency officials, and senior executives) complete required targeted records management training at time of offboarding.</li> </ul> <p>[Closed in February 2021; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Needs to Strengthen Controls Over its Records Management Program to Comply with OMB and NARA Requirements</a> (AUD-2020-008, March 26, 2020) and <a href="#">FHFA Did Not Effectively Implement Records Management Training Controls for Onboarding and Offboarding Personnel</a> (COM-2023-006, August 23, 2023)</p>

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<p>Internal Control over Agency Operations: FHFA should develop, document, and implement control activities to ensure that (a) only current FHFA employees are receiving transportation benefits, (b) no employee is improperly participating in both transportation benefit programs, (c) the Transit Benefits System has a record/certification for each employee who receives a transportation benefit, and (d) SmarTrip® cards are physically controlled. Such control activities include periodic reconciliation of approved transit subsidy recipients in the Transit Benefits System to FHFA transit subsidy recipients listed on the Washington Metropolitan Area Transit Authority Monthly Activity Reports, periodic reconciliation of approved transit subsidy recipients to active parking permit recipients, and periodic inventory counts of SmarTrip® cards registered to FHFA and undistributed parking permits. [Closed in June 2019; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs Audit Report</a> (AUD-2018-013, September 25, 2018) and <a href="#">FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program</a> (COM-2023-005, June 21, 2023)</p>
<p>Internal Control over Agency Operations: FHFA should ensure that the Transit Benefits System has accurate and up-to-date records of, and current certifications for, each FHFA employee who receives a transportation benefit. [Closed in June 2019; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs Audit Report</a> (AUD-2018-013, September 25, 2018) and <a href="#">FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program</a> (COM-2023-005, June 21, 2023)</p>
<p>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 Office of Government Ethics regulations and FHFA policy.</p>	<p><a href="#">FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</a> (AUD-2022-011, September 8, 2022)</p>

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<p>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 Office of Government Ethics regulations and FHFA policy.</p>	<p><a href="#">FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</a> (AUD-2022-011, September 8, 2022)</p>
<p>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.</p>	<p><a href="#">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</a> (AUD-2022-004, January 5, 2022)</p>

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### Closed, Rejected Recommendations and Potential Cost Savings

The following table contains recommendations closed as rejected. See [OIG’s Compendium of Unimplemented Recommendations](#) for a comprehensive list, updated monthly, of all recommendations closed as rejected. We currently have 44 recommendations that were rejected by the Agency. OIG has identified a total potential cost savings of \$893,525,860<sup>6</sup> based on our oversight of Agency operations and programs.

Closed, Rejected Recommendation	Report Title and Date
<p>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.</p>	<p><a href="#">FHFA’s Approval of Senior Executive Succession Planning at Fannie Mae Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</a> (EVL-2019-001, March 26, 2019)</p>

<sup>6</sup> 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
<p>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.</p>	<p><a href="#">FHFA’s Approval of Senior Executive Succession Planning at Freddie Mac Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</a> (EVL-2019-002, March 26, 2019)</p>
<p>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.</p>	<p><a href="#">Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce</a> (OIG-2018-004, September 6, 2018)</p>
<p>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.</p>	<p><a href="#">Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce</a> (OIG-2018-004, September 6, 2018)</p>
<p>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).</p>	<p><a href="#">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</a> (OIG-2017-004, March 23, 2017)</p>

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<p>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).</p>	<p><a href="#"><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></a> (OIG-2017-004, March 23, 2017)</p>
<p>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.</p>	<p><a href="#"><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></a> (COM-2016-004, June 16, 2016)</p>
<p>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.</p>	<p><a href="#"><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></a> (COM-2016-004, June 16, 2016)</p>
<p>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.</p>	<p><a href="#"><u>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u></a> (COM-2016-002, March 17, 2016)</p>
<p>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.</p>	<p><a href="#"><u>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u></a> (COM-2016-002, March 17, 2016)</p>

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<p>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.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>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.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>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.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>Supervision: FHFA should issue a formal position on the use of non-binding supervisory guidance as criteria for supervisory activities.</p>	<p><a href="#">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</a> (OIG-2021-004, September 20, 2021)</p>
<p>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.</p>	<p><a href="#">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</a> (AUD-2021-010, July 22, 2021)</p>
<p>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.</p>	<p><a href="#">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</a> (EVL-2021-002, March 22, 2021)</p>

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<p>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.</p>	<p><a href="#"><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></a> (EVL-2021-002, March 22, 2021)</p>
<p>Supervision: FHFA should establish measurable objectives and risk tolerances for the Enterprises’ 97% loan-to-value 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.</p>	<p><a href="#"><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></a> (AUD-2020-014, September 29, 2020)</p>
<p>Supervision: FHFA should establish and communicate clear expectations for use of revised and new examination modules by DER examiners.</p>	<p><a href="#"><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></a> (EVL-2019-003, September 10, 2019)</p>
<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><a href="#"><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></a> (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><a href="#"><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></a> (EVL-2018-002, March 28, 2018)</p>

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<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"> <li>• 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</li> <li>• 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.</li> </ul>	<p><a href="#"><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></a> (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><a href="#"><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></a> (EVL-2016-009, July 14, 2016)</p>
<p>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).</p>	<p><a href="#"><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></a> (EVL-2016-007, July 14, 2016)</p>
<p>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.</p>	<p><a href="#"><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></a> (EVL-2016-007, July 14, 2016)</p>

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<p>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.</p>	<p><a href="#"><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></a> (EVL-2016-007, July 14, 2016)</p>
<p>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.</p>	<p><a href="#"><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></a> (EVL-2016-008, July 14, 2016)</p>
<p>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.</p>	<p><a href="#"><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></a> (EVL-2016-005, March 31, 2016)</p>
<p>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.</p>	<p><a href="#"><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></a> (EVL-2016-005, March 31, 2016)</p>
<p>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.</p>	<p><a href="#"><u>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</u></a> (EVL-2016-004, March 29, 2016)</p>

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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.	<a href="#"><u>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</u></a> (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.	<a href="#"><u>Evaluation of the Division of Enterprise Regulation’s 2013 Examination Records: Successes and Opportunities</u></a> (EVL-2015-001, October 6, 2014)
Counterparties, Third Parties, and Fourth 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.	<a href="#"><u>FHFA Should Improve its Administration of the Suspended Counterparty Program</u></a> (COM-2017-005, July 31, 2017)
Counterparties, Third Parties, and Fourth 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.	<a href="#"><u>FHFA’s Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines</u></a> (AUD-2014-018, September 26, 2014)
Counterparties, Third Parties, and Fourth 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.	<a href="#"><u>FHFA’s Representation and Warranty Framework</u></a> (AUD-2014-016, September 17, 2014)
Counterparties, Third Parties, and Fourth Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.	<a href="#"><u>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections</u></a> (AUD-2014-012, March 25, 2014)

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<p>Counterparties, Third Parties, and Fourth 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.</p>	<p><a href="#">FHFA Oversight of Enterprise Handling of Aged Repurchase Demands</a> (AUD-2014-009, February 12, 2014)</p>
<p>Counterparties, Third Parties, and Fourth 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.</p>	<p><a href="#">FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections</a> (AUD-2014-005, January 15, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should publish Fannie Mae’s reduction targets and overpayment findings.</p>	<p><a href="#">Evaluation of Fannie Mae’s Servicer Reimbursement Operations for Delinquency Expenses</a> (EVL-2013-012, September 18, 2013)</p>
<p>Model Risk: 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"> <li>Identifying the appropriate number of Enterprise high-risk models to be examined each year through targeted examinations;</li> <li>Identifying the current examination skills and competencies of examiners engaged in supervisory activities of high-risk models;</li> <li>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;</li> <li>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.</li> </ul>	<p><a href="#">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</a> (EVL-2020-001, March 25, 2020)</p>

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<p>Model Risk: 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><a href="#"><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></a> (EVL-2020-001, March 25, 2020)</p>
<p>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.</p>	<p><a href="#"><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></a> (AUD-2021-009, June 25, 2021)</p>
<p>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.</p>	<p><a href="#"><u>Management Advisory: FHFA Failed to Enforce a Provision of an IT Services Contract, Resulting in More than \$80,000 in Questioned Costs</u></a> (OIG-2020-001, March 3, 2020)</p>
<p>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.</p>	<p><a href="#"><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></a> (AUD-2018-011, September 6, 2018)</p>

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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 also with 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, which collectively hold more than \$7.5 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, which have over \$1.4 trillion in assets, 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** – This fraud scheme 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. This 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** – In loan modification/property disposition fraud, fraudulent actors 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

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sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.

- **Adverse Possession/Distressed Property** – These fraud schemes use 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. Violators use fraudulent tactics, such as filing false bankruptcy petitions, while collecting significant fees from the homeowners.
- **Condo Conversion and Builder Bailout** – Sellers or developers in these fraud schemes 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.
- **Residential Mortgage-Backed Securities (RMBS)** – In this type of fraud scheme, traders fraudulently manipulate the buying and selling prices of RMBS bonds, causing customers to pay more to purchase the RMBS securities and to receive less when they sell RMBS securities.
- **Multifamily Loans** – Multifamily loan fraud relates to loans purchased by the Enterprises to finance multifamily properties.
- **Victim-Specific Schemes** – These fraud schemes include those 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) – Fraud perpetrated against these programs includes schemes where FHLBank member banks are 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.

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## Significant Cases

Below we summarize some of the most significant cases from the semiannual reporting period April 1, 2023, through September 30, 2023. Investigations often span multiple years; in the first section we highlight results from significant cases completed and closed this period, and the sections that follow detail significant new criminal prosecutions or material updates to previously reported investigations.

### Closed Case Summaries

The Office of Investigations closed 15 significant criminal investigations during this reporting period.

The criminal investigations resulted in 46 convictions, with sentences totaling over 141 years in prison, and restitution and forfeiture orders totaling more than \$113 million. The schemes perpetrated in these cases included loan origination fraud, adverse possession of multiple properties, a conspiracy to defraud an FHLBank’s Affordable Housing Program, multifamily loan fraud, a check kiting scheme victimizing multiple FHLBank member banks, foreclosure rescue fraud, and a multimillion-dollar COVID relief fraud scheme that targeted FHLBank member banks. Select summaries are provided below:

A president of an Oklahoma City-based mortgage lending and loan servicing company defrauded FHLBank member banks and their residential mortgage subsidiaries by misusing lines of credit, as well as selling loans funded by the banks, many to Fannie Mae, without paying off the lines of credit. Additionally, the company president defrauded Fannie Mae by diverting escrow monies intended to pay homeowners’ taxes, insurance, principal, and interest, to cover the mortgage company’s operating expenses and for personal indulgences such as building a custom vacation home.

In a case targeting fraud against the FHLBank of Atlanta’s Affordable Housing Program, a source of grants for housing and community development, three conspirators submitted over 90 false certifications to member banks for the receipt of grant funding for the rehabilitation of low-income homes. Certifications were submitted that homes had been inspected and that the cost of the rehabilitation work was reasonable, when in fact, the homes either were never inspected, or were never inspected for cost reasonableness.

A business owner applied for a \$3.1 million multifamily loan and submitted false and fraudulent documents regarding the occupancy of the multifamily property, including false rent rolls that fabricated tenants and overstated the rents collected. Based on the false representations, the business owner’s company qualified and was approved for the Small Balance Loan Program offered by Freddie Mac. The owner failed to make payments on the loan which subsequently went into default, causing \$2 million in loss to Freddie Mac.

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In another case, nine conspirators targeted distressed homeowners claiming they could stop their home foreclosures if homeowners made monthly payments to the participants in the scheme. Instead, the fraudsters delayed foreclosures and eviction actions by filing fraudulent bankruptcy documents, false court documents, and false fractional interest grant deeds. These documents were sent to the servicers of mortgage loans, which would stop the foreclosure by invoking the bankruptcy “automatic stay.” Many homeowners lost their homes to foreclosure despite paying this group hundreds of dollars a month over the course of many years.

In a different case, eight conspirators used fictitious, stolen, or synthetic identities to submit more than 150 fraudulent applications seeking nearly \$22 million in COVID relief funds. In support of these applications, the defendants also submitted false and fictitious documents to lenders, including fabricated identity documents, tax documents, and payroll records. The conspirators obtained more than \$18 million in COVID relief funds. The defendants then used the fraudulently obtained loan proceeds for downpayments on luxury homes. They also used the illicit funds to buy gold coins, diamonds, jewelry, luxury watches, fine imported furnishings, designer handbags, clothing, and a Harley-Davidson motorcycle. Three of the subjects absconded after their convictions, were arrested in Montenegro, and were extradited back to the United States to serve their sentences.

## Loan Origination

### Private School Business Manager Sentenced in Origination Fraud Scheme, Florida

On July 14, 2023, in the Middle District of Florida, James Melis was sentenced to 51 months in prison, 60 months supervised release, and was ordered to pay \$684,000 in restitution and \$439,177 in forfeiture for carrying out a mortgage origination fraud scheme involving two loans owned by Fannie Mae.

According to court records, Melis deceived a mortgage lender that he was a qualified borrower for two properties he owned. Melis used the personal identification information of another person on loan applications. He also prepared and submitted false and fraudulent income tax returns, fictitious mortgage satisfaction documents falsely representing that his properties had equity, and lease agreements falsely showing he received substantial rental income. Both mortgage loans were approved and funded based on the misrepresentations.

Separate from the origination fraud, Melis abused his position as business manager at a private school by attaching his personal bank account to the school’s PayPal account without authorization. When parents made tuition payments to the school’s account, Melis initiated fraudulent electronic fund transfers to his personal account. He then spent the stolen funds on travel and luxury items.

### Loan Officer Sentenced in Origination Fraud Scheme, Florida

On September 13, 2023, in the Middle District of Florida, Omayra Ujaque was sentenced to 32 months in prison, two years supervised release, and ordered to pay \$63,990 in restitution, jointly

and severally, for her role in a loan origination fraud scheme that included loans owned by the Enterprises. Ujaque was convicted by a federal jury of bank fraud and aggravated identity theft.

According to evidence presented at trial, Ujaque falsified the borrowers' income by fabricating or inflating the amounts of their monthly child support payments on mortgage loan applications that she signed and certified to her financial institution's underwriting department. Ujaque also created fictitious Final Judgments of Dissolution of Marriage and Final Orders Modifying Child Support that fraudulently represented that the borrowers were entitled to receive non-existent monthly child support payments, and forged judges' signatures on the fabricated orders and judgments.

Additionally, Ujaque created false Florida Department of Revenue Statements listing fraudulent monthly child support payments, including prepaid debit card statements showing borrower withdrawals of the non-existent monthly child support payments. In most cases, the borrowers did not have the listed children or had never been married.

Ujaque's misrepresentations led to the approval and funding of the mortgage loans.

Ujaque also submitted her own application containing the same type of false information and was approved for a mortgage loan.

### **Former Bank Vice President Pleaded Guilty in Origination Fraud Scheme, Illinois**

On April 28, 2023, in the Southern District of Illinois, Richard Pigg pleaded guilty to bank fraud and arson of real property for his role in a loan origination fraud scheme.

Court documents revealed that Pigg, a former loan officer and vice president at the Community First Bank of the Heartland, a member bank of the FHLBank of Chicago, used his position to fraudulently obtain over \$600,000 from the bank to purchase investment properties and pay credit card bills and real estate taxes. Pigg enticed bank customers to act as straw purchasers, on his behalf, to obtain real property through mortgage loans financed by the Community First Bank of the Heartland. He originated and approved loans while failing to disclose the true nature of his relationship with the straw purchasers. Pigg also increased the loan amounts by thousands of dollars over the purchase price of the investment properties to fraudulently obtain excess cash at closings on the properties that he deposited into accounts controlled by him.

Further, Pigg deliberately destroyed two rental properties owned or managed by him and attempted to defraud an insurance company by submitting a claim for the loss due to destruction by fire that he knowingly and intentionally caused.

### **Loan Modification**

#### **Two Guilty Pleas and a Sentencing in Multimillion-Dollar Loan Fraud Scheme, California**

In the summer of 2023, in Los Angeles County Superior Court, two conspirators pleaded guilty,

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with one being sentenced, for their roles in a sophisticated mortgage and green loan fraud scheme executed over several years resulting in approximately \$15 million in losses.

Artur Ayvazyan pleaded guilty to conspiracy, grand theft, money laundering, mortgage fraud, unlawful transfer of identifying information, forgery relating to identity theft, and procuring or offering a false or forged instrument and was sentenced to seven years in prison and ordered to pay over \$8.4 million in restitution, jointly and severally.

Arshek Bartoumian pleaded guilty to conspiracy to commit grand theft, grand theft, and procuring or offering a false or forged instrument and has yet to be sentenced.

According to the court records, Ayvazyan, Bartoumian, and 11 others, collectively, ran a scheme that used stolen identities to obtain mortgage loans, and green loans, which is funding provided for energy-efficient home improvements for homeowners. These identities were allegedly used to apply for millions of dollars in loans from unsuspecting lenders of mortgage and green loans. Subsequently, the money was wired to conspirator-controlled bank accounts.

### **Former Mortgage Company Owner Sentenced in \$7 Million Mortgage Fraud Scheme, California**

On June 23, 2023, in Sacramento Superior Court, California, Steven Rogers pleaded guilty to grand theft, elder abuse, prohibited acts by a foreclosure consultant, and unemployment fraud and was sentenced to 10 years in prison and ordered to pay \$154,930 in restitution, jointly and severally, for his role in a \$7 million mortgage fraud scheme throughout California. Several of the affected mortgage loans were owned or guaranteed by the Enterprises.

Robert Sedlar, one of Roger’s conspirators, was convicted of similar charges after a jury trial in May 2023 and has yet to be sentenced.

According to court records, the conspirators victimized elderly people in financial distress who sought mortgage relief services from Grand View Financial LLC (Grand View), a company operated by Rogers, Sedlar, and another conspirator.

Grand View advertised assistance to desperate homeowners facing foreclosure. The conspirators promised consumers that if they transferred title of their house to Grand View and paid money, the company would eliminate the mortgage lien and deed the home back to the homeowner, clear of any liens. They filed false court documents, false documents with the county recorders’ offices, and false bankruptcies that stalled the foreclosures but did nothing to eliminate the liens, all while collecting funds from the victims.

All of the victims lost their homes as a result.

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## PPP Loan Fraud

Since April 2020, after joining a multiagency effort to investigate CARES Act-related fraud at the request of the Fraud Section of the Department of Justice’s (DOJ) Criminal Division, the Office of Investigations has aggressively pursued COVID relief fraud investigations and prosecutions.

During this reporting period, Agency investigations resulted in the following: criminal charges against 17 individuals; seven convictions; and four sentencing totaling 135 months in prison.

### **Convicted Mortgage Fraud Conspirator Also Sentenced in COVID Relief Fraud Scheme, Georgia**

On August 16, 2023, in the Northern District of Georgia, Maurice Lawson was sentenced to 21 months in prison, three years supervised release, and ordered to pay \$437,870 in restitution for his role in a fraud scheme seeking PPP loans and Economic Injury Disaster Loans, which included the victimization of an FHLBank member bank. Lawson pleaded guilty to wire fraud.

Lawson was previously investigated by OIG and prosecuted in the same district for his role in a mortgage fraud scheme resulting in the approval of more than 100 fraudulent mortgages, as published in an earlier semiannual report. For his role in that scheme, he was sentenced to three years of probation including 180 days home confinement and ordered to pay \$58,282 in restitution, jointly and severally.

According to the court documentation, Lawson applied for at least seven PPP or Economic Injury Disaster Loans for six different businesses. The applications contained an assortment of fictitious information, including false tax forms, fabricated social security cards, fraudulent addresses, and falsified average monthly payroll claims. Lawson sought \$537,120, and received \$419,020, in loan proceeds. Among the businesses used to seek these loans was Coastal Drape, LLC, the same company that he used during his mortgage fraud conspiracy. Lawson received funds from one of the fraudulent COVID relief loan applications days after being sentenced for mortgage fraud.

## GSE/FHLBank

### **Former Wells Fargo Bank Executive Sentenced for Role in Account Sales, California**

On September 15, 2023, the former head of Wells Fargo’s retail banking division, Carrie Tolstedt, was sentenced to three years of probation, including six months of home confinement, and ordered to pay a \$100,000 fine in connection with the bank’s widespread sales practices misconduct, which included opening millions of unauthorized accounts. Well Fargo is a member bank of multiple FHLBanks. Tolstedt pleaded guilty to obstructing a government examination.

According to court records, from approximately 2007 to 2016, Tolstedt was head of the Community Bank and Wells Fargo’s senior executive vice president of community banking. Community Bank

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managed many of the products that Wells Fargo sold to individual customers and small businesses, including checking and savings accounts, CDs, and debit cards.

Wells Fargo previously admitted that, from 2002 to 2016, excessive sales goals led Community Bank employees to open millions of unauthorized or fraudulent accounts. Many of these practices were referred to within Wells Fargo as “gaming.” Gaming included using existing customers’ identities, without their consent, to open accounts, then forging customer signatures and creating PINs to activate unauthorized debit cards.

According to her plea agreement, by 2004, Tolstedt was aware of sales practices misconduct within Community Bank and that employees were terminated each year for gaming. By 2006, corporate investigations uncovered steadily increasing employee terminations for gaming. The misconduct was linked in part to sales goals within Community Bank. Termination numbers likely underestimated the scope of the problem.

Although Community Bank eventually took steps to identify sales misconduct, the measures flagged only a small portion of activity for investigation. As of 2014, only about 1 percent of the most egregious employees engaging in “red flag” activity were investigated. The remaining 99 percent were left unexamined.

In 2015, Tolstedt participated in a memorandum that she knew would be provided to the Office of the Comptroller of the Currency for its examination of sales practice issues at Wells Fargo. To minimize the scope of misconduct within Community Bank, Tolstedt failed to disclose statistics for employee termination or resignation, nor did she disclose the internal investigation of employees who were flagged for potential sales practices misconduct.

In 2020, Wells Fargo acknowledged the widespread sales practices misconduct within Community Bank and paid a \$3 billion penalty.

### **Business Owner Pleaded Guilty in Mortgage Fraud Scheme, Puerto Rico**

On June 13, 2023, in the District of Puerto Rico, Carlos Velez-Cruz pleaded guilty to bank fraud and false statements in a loan application for his role in a mortgage fraud scheme where FHLBank member banks were victims.

According to court records, Velez-Cruz, president and owner of First Security Mortgage, falsely represented to Caribe Federal Credit Union that First Security Mortgage held the promissory notes on several loans that were used as collateral to draw funds from First Security Mortgages’ warehouse line of credit, when in fact the promissory notes had already been sold to third parties when the funds were drawn.

## RMBS

In January 2012, the Attorney General issued a memorandum announcing the formation of the RMBS Working Group as a part of the President’s Financial Fraud Enforcement Task Force. The Working Group was designed to investigate misconduct in the market for mortgage-backed securities. Specifically, the RMBS Working Group sought to streamline and strengthen current and future efforts to identify, investigate, and prosecute instances of wrongdoing in the securitization of RMBS. The DOJ led Working Group, along with OIG, included the Department of Housing and Urban Development, the Securities and Exchange Commission, the Federal Bureau of Investigation (FBI), the Internal Revenue Service, the Consumer Financial Protection Bureau, the Financial Crimes Enforcement Network, and several state attorneys general.

Since inception of the RMBS Working Group, DOJ has negotiated civil settlements worth over \$36 billion. OIG, in collaboration with DOJ, has initiated 37 full investigations to examine alleged misconduct of banks, mortgage originators, and rating agencies leading up to the 2008 financial crisis.

The following case summaries illustrate the impact of the investigations from the RMBS Working Group.

### **UBS Pays \$1.435 Billion for Fraud in the Sale of Residential Mortgage-Backed Securities, New York**

On August 14, 2023, UBS AG and several of its U.S. affiliates agreed to pay \$1.435 billion to settle a civil action alleging misconduct related to UBS’ underwriting and issuance of RMBS in 2006 and 2007. The securitized loan packages included loans insured by the Enterprises.

Following an extensive investigation, the United States filed a complaint alleging that UBS defrauded investors in connection with the sale of 40 RMBS. The complaint alleged that UBS knowingly made false and misleading statements to buyers in violation of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). FIRREA’s alleged violations involved mail, wire, and bank fraud statutes.

Additionally, contrary to UBS’ representations, UBS allegedly knew that significant numbers of the loans backing the RMBS did not comply with underwriting guidelines. Further, UBS knew the property values were unsupported and that many loans had not followed consumer protection laws. UBS was allegedly aware because it had conducted extensive due diligence prior to the RMBS’ issuance. Ultimately, the 40 RMBS sustained substantial losses.

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## **Nomura Securities International Will Pay a \$35 Million Penalty for Fraudulent Trading of Residential Mortgage-Backed Securities, Connecticut**

On August 22, 2023, Nomura Securities International (NSI) and the U.S. Attorney’s Office entered into a non-prosecution agreement relating to NSI’s fraudulent trading of RMBS, which included loans insured by the Enterprises.

As part of the agreement, NSI will pay a penalty of \$35 million as well as pay \$807,717 in restitution to victim customers. Victims include firms affiliated with recipients of federal bailout funds through the Troubled Asset Relief Program and firms investing as fiduciaries on behalf of pension funds, charitable and educational endowments, insurance companies, and others.

The government’s investigation revealed that NSI, principally from its trading floor in New York City, perpetrated a scheme from 2009 to 2013 to defraud its customers by increasing its profits on RMBS trades. NSI conducted this scheme by and through its employees, who acted with the knowledge, encouragement, and participation of NSI supervisors, including those tasked with compliance responsibilities. As published in an earlier semiannual report, individual RMBS traders were also criminally prosecuted for their roles in this scheme.

NSI misrepresented material facts in RMBS trades and then lied to those who suspected that they had been the victims of fraud. NSI concealed its fraudulent conduct from its customers, and from its own employees who were not participants in the scheme, to prevent or delay discovery.

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## Criminal Investigative Results

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

### Loan Origination Schemes

Private School Business Manager Sentenced in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
James Melis	Participant	Sentenced to: 51 months in prison; 60 months supervised release; ordered to pay \$684,000 in restitution; \$439,177 in forfeiture	Middle District of Florida

Loan Officer Sentenced in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Omayra Ujaque	Loan Officer	Sentenced to: 32 months in prison; two years supervised release; ordered to pay \$63,990 in restitution, joint and several	Middle District of Florida

Real Estate Agent Sentenced in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Daliany Velazquez	Real Estate Agent	Sentenced to: time served; three years supervised release; ordered to pay \$6,700 in forfeiture	Middle District of Florida

Business Owner Pleaded Guilty for Role in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Carlos Ferrer	Business Owner	Pleaded guilty to: conspiracy to commit bank fraud	Middle District of Florida

Individual Charged in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Kenneth Blair	Participant	Charged by indictment with: bank fraud; aggravated identity theft	Middle District of Florida

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Real Estate Agent and Loan Officer Sentenced in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Yoanis Bertematti	Real Estate Agent	Sentenced to: two years of probation	Southern District of Florida
Zaily Jomolca Brito	Loan Officer	Sentenced to: two years of probation	Southern District of Florida

Title Company Owner Sentenced in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Lee Ann Benninghoff	Title Company Owner	Sentenced to: one day in prison; two years supervised release	Western District of Pennsylvania

Former Bank Vice President Pleaded Guilty in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Richard Pigg	Former Bank Vice President	Pleaded guilty to: bank fraud; arson of real property	Southern District of Illinois

Former Real Estate Broker Pleaded Guilty to Gun Charge in Addition to Previous Guilty Plea in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Shawn Johnson	Former Real Estate Broker	Pleaded guilty to: being a felon in possession of a firearm and ammunition	Western District of North Carolina

Individual Charged in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Thomas Costabile	Participant	Charged by state felony complaint with: grand theft; mortgage fraud; procuring or offering a false or forged instrument	California Attorney General’s Office

## Short Sale Schemes

Four Conspirators Sentenced in Multi-Year Mortgage Fraud Scheme			
Defendant	Role	Most Recent Action	District
Anthony Garvin	Real Estate Agent/ Investor	Sentenced to: 24 months in prison; three years supervised release	District of New Jersey
Christopher Goodson	Real Estate Attorney	Sentenced to: 20 months in prison; three years supervised release	District of New Jersey

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Kareem Jeter	Business Owner	Sentenced to: time served; two years supervised release; ordered to pay \$545,344 in restitution, joint and several	District of New Jersey
Christopher Baker	Participant	Sentenced to: time served; two years supervised release; ordered to pay \$441,344 in restitution, joint and several	District of New Jersey

**Conspirator Sentenced in Short Sale Fraud Scheme**

Defendant	Role	Most Recent Action	District
Mehdi Kassai	Participant	Sentenced to: 16 months in prison; three years supervised release	District of New Jersey

**Loan Modification Schemes**

**A Sentencing and Trial Conviction in \$7 Million Mortgage Fraud Scheme**

Defendant	Role	Most Recent Action	District
Steven Rogers	Former Mortgage Company Owner	Pleaded guilty to: grand theft; elder abuse; engaging in a prohibited acts as a foreclosure consultant; unemployment fraud; sentenced to: 10 years in prison; ordered to pay \$154,930 in restitution, joint and several	California Attorney General’s Office
Robert Sedlar	Former Mortgage Company President	Convicted at trial of: conspiracy; grand theft; elder abuse; filing false or forged documents in a public office; engaging in a prohibited acts as a foreclosure consultant	California Attorney General’s Office

**Two Guilty Pleas and a Sentencing in Multimillion-Dollar Loan Fraud Scheme**

Defendant	Role	Most Recent Action	District
Arshek Bartoumian	Participant	Pleaded guilty to: conspiracy to commit grand theft; grand theft; procuring or offering a false or forged instrument	California Attorney General’s Office
Artur Ayvazyan	Participant	Pleaded guilty to: conspiracy; grand theft; money laundering; mortgage fraud; unlawful transfer of identifying information; forgery relating to identity theft; procuring or offering a false or forged instrument; sentenced to: seven years in prison; ordered to pay \$8,472,049 in restitution, joint and several	California Attorney General’s Office

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**Two Conspirators Charged in Debt Elimination Fraud Scheme**

Defendant	Role	Most Recent Action	District
Willie Hicks	Participant	Charged by superseding indictment with: conspiracy to commit wire and mail fraud; wire fraud	District of Maryland
Mary Ann Mendoza	Participant	Charged by superseding indictment with: conspiracy to commit wire and mail fraud; wire fraud	District of Maryland

**Property Management and REO Schemes**

**Guilty Plea in Multi-State Deed Fraud Scheme**

Defendant	Role	Most Recent Action	District
Ira Davis	Business Owner	Pleaded guilty to: conspiracy to commit wire fraud	Eastern District of Texas

**Condo Conversion and Builder Bailout Schemes**

**Former Attorney Sentenced in Builder Bailout Scheme**

Defendant	Role	Most Recent Action	District
Jeffrey Budzik	Former Attorney	Sentenced to: time served; six months supervised release including one month of home confinement; ordered to pay \$10,698,698 in restitution, joint and several	Northern District of Illinois

**Multifamily Schemes**

**Co-CEO Pleaded Guilty in Multifamily Loan Fraud Scheme**

Defendant	Role	Most Recent Action	District
Tyler Ross	Co-Chief Executive Officer	Pleaded guilty to: conspiracy to make false statements in a loan application	Eastern District of Michigan

**Fraud Affecting the FHLBanks or FHLBank Member Institutions as a Result of (or Related to) the CARES Act PPP**

**Business Owner Sentenced for Fraudulently Obtaining Nearly \$9 Million in COVID Relief Loans, Using Some Proceeds for Gambling and Stock Trading Activities**

Defendant	Role	Most Recent Action	District
Andrew Marnell	Business Owner	Sentenced to: 79 months in prison; five years supervised release	Central District of California

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Individual Sentenced in COVID Relief Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Ego Ferguson Sr.	Participant	Sentenced to: 30 months in prison; three years supervised release; ordered to pay \$2,824,211 in restitution	Southern District of Florida

Individual Sentenced for Witness Tampering in PPP Loan Fraud Investigation			
Defendant	Role	Most Recent Action	District
Anthony Lee	Participant	Sentenced to: five months in prison; three years supervised release	Southern District of Florida

Convicted Mortgage Fraud Conspirator Also Sentenced in COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Maurice Lawson	Participant	Sentenced to: 21 months in prison; three years supervised release; ordered to pay \$437,870 in restitution	Northern District of Georgia

Two Conspirators Pleaded Guilty in Connection with COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Larry Jordan	Participant	Pleaded guilty to: conspiracy to commit wire and bank fraud; bank fraud; engaging in monetary transactions with criminally derived property	Western District of New York
Sutukh El	Participant	Pleaded guilty to: conspiracy to commit wire and bank fraud	Western District of New York

Business Owner Pleaded Guilty in COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Rose Giachelli	Business Owner	Pleaded guilty to: conspiracy to commit wire fraud	Western District of Tennessee

Two Pleaded Guilty in COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Jacquelyn Pena	Participant	Pleaded guilty to: conspiracy to commit wire fraud; money laundering	District of New Jersey
Kent Encarnacion	Participant	Pleaded guilty to: conspiracy to commit wire fraud; money laundering	District of New Jersey

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<b>Conspirators Charged in COVID Relief Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Jean Rabbitt	Participant	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; conspiracy to commit wire fraud; wire fraud; aggravated identity theft; conspiracy to engage in monetary transactions in property derived from specified unlawful activity; engaging in monetary transactions in property derived from specified unlawful activity; making false statements in a loan application	District of New Jersey
Kevin Aguilar	Participant	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; conspiracy to commit wire fraud; wire fraud; aggravated identity theft; conspiracy to engage in monetary transactions in property derived from specified unlawful activity; engaging in monetary transactions in property derived from specified unlawful activity	District of New Jersey

<b>Five Conspirators Charged in Multimillion-Dollar COVID Relief Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Muhammad Anis	Participant	Charged by information with: conspiracy	Southern District of Texas
Nishant Patel	Participant	Charged by information with: conspiracy	Southern District of Texas
Harjeet Singh	Participant	Charged by information with: conspiracy	Southern District of Texas
Ammas Uddin	Participant	Charged by information with: conspiracy	Southern District of Texas
Arham Uddin	Participant	Charged by information with: conspiracy	Southern District of Texas

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**Three Charged in COVID Relief Fraud Scheme**

Defendant	Role	Most Recent Action	District
Ashia McGee	Participant	Charged by indictment with: wire fraud	Northern District of Illinois
Torrey Price	Participant	Charged by indictment with: wire fraud	Northern District of Illinois
Aaron Price	Participant	Charged by indictment with: wire fraud	Northern District of Illinois

**Fraud Affecting the Enterprises, FHLBanks, or FHLBank Member Institutions**

**Conspirator Sentenced in Bank Fraud Scheme**

Defendant	Role	Most Recent Action	District
Cameron Porter	Participant	Sentenced to: 37 months in prison; five years supervised release; ordered to pay \$495,000 in restitution, joint and several; \$5,000 in forfeiture	Middle District of Florida

**Former Wells Fargo Bank Executive Sentenced for Role in Account Sales**

Defendant	Role	Most Recent Action	District
Carrie Tolstedt	Former Senior Executive Vice President	Sentenced to: three years of probation, including six months home confinement; ordered to pay a \$100,000 fine	Central District of California

**Attorney Sentenced for Role in Bankruptcy Fraud Related to a Multimillion-Dollar Embezzlement Conspiracy Resulting in a Bank Failure**

Defendant	Role	Most Recent Action	District
Jan Kowalski	Attorney	Sentenced to: 37 months in prison; two years supervised release; ordered to pay \$357,492 in restitution	Northern District of Illinois

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**Two Found Guilty and Three Pleaded Guilty in Multi-Million Dollar Embezzlement Conspiracy Resulting in a Bank Failure**

Defendant	Role	Most Recent Action	District
Mirosław Krejza	Real Estate Developer	Convicted by a federal jury of: conspiracy to commit embezzlement and falsify bank records; aiding and abetting embezzlement	Northern District of Illinois
Marek Matczuk	Contractor	Convicted by a federal jury of: conspiracy to commit embezzlement and falsify bank records; aiding and abetting embezzlement	Northern District of Illinois
William Mahon	Former Board of Directors Member	Pleaded guilty to: conspiracy to make false entries in the records of a financial institution with the intent to deceive the Office of the Comptroller of the Currency; willfully filing a false individual income tax return	Northern District of Illinois
George Kodzamba	Former Board of Directors Member	Pleaded guilty to: conspiracy to make false entries in the records of a financial institution with the intent to deceive the Office of the Comptroller of the Currency	Northern District of Illinois
Janice Weston	Former Board of Directors Member	Pleaded guilty to: conspiracy to make false entries in the records of a financial institution with the intent to deceive the Office of the Comptroller of the Currency	Northern District of Illinois

**Business Owner Pleaded Guilty in Mortgage Fraud Scheme**

Defendant	Role	Most Recent Action	District
Carlos Velez-Cruz	Business Owner	Pleaded guilty to: bank fraud; false statements in a loan application	District of Puerto Rico

**Former Investment Advisor Pleaded Guilty in Loan Fraud Scheme**

Defendant	Role	Most Recent Action	District
Joshua Coleman	Former Investment Advisor	Pleaded guilty to: wire fraud	Eastern District of Pennsylvania

**Two Conspirators Pleaded Guilty in Loan Fraud Scheme**

Defendant	Role	Most Recent Action	District
Latoya Ford	Participant	Pleaded guilty to: conspiracy to commit wire and bank fraud	Western District of North Carolina
Bruce Marko	Participant	Pleaded guilty to: conspiracy to commit wire and bank fraud	Western District of North Carolina

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Former Bank Executive Pleaded Guilty in Embezzlement Scheme			
Defendant	Role	Most Recent Action	District
Rhenaë Risher	Bank Vice President	Pleaded guilty to: embezzlement by a bank employee	Southern District of Mississippi

Former Bank Vice President Pleaded Guilty in Embezzlement Scheme			
Defendant	Role	Most Recent Action	District
Angela Flippin	Former Bank Vice President	Charged by information and pleaded guilty to: embezzlement by a bank employee; filing a false federal tax return	Western District of Missouri

Four Charged in Bank Fraud Scheme			
Defendant	Role	Most Recent Action	District
William Mills	Loan Broker	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; false statements in a loan application; conspiracy to commit money laundering	Southern District of Texas
Hugo Villanueva	Tax Preparer	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; false statements in a loan application; conspiracy to commit money laundering	Southern District of Texas
Bun Khath	Loan Broker	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; false statements in a loan application; conspiracy to commit money laundering	Southern District of Texas
Jennifer Williams	Business Owner	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; false statements in a loan application; conspiracy to commit money laundering	Southern District of Texas

Real Estate Attorney Charged in Embezzlement Scheme			
Defendant	Role	Most Recent Action	District
Matthew Dickason	Real Estate Attorney	Charged by information with: wire fraud	Northern District of Georgia

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## OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period April 1, 2023, through September 30, 2023

### Reports; Referrals to Federal, State, and Local Prosecuting Authorities; Prosecutions; and Convictions: April 1, 2023 – September 30, 2023\*

Investigative Reports**	28
Criminal Referrals to the Department of Justice	67
Criminal Referrals to State and Local Prosecuting Authorities	4
Indictments and Informations during the Reporting Period that Resulted from Referrals to Prosecutors during Prior Reporting Periods	27
Total Indictments and Informations during the Reporting Period Resulting from OIG Referrals	38
Trials	3
Defendants Tried	4
Convictions / Pleas	31
Sentencings	27

\* 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.

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## Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation<sup>7</sup>

Pursuant to the IG Act, Sections 5(a)(13), (14), (16)(B), and 5(g), 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)(13) and 5(g) 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.

Sections 5(a)(14) and 5(g) 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)(16)(B) and 5(g) 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.

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<sup>7</sup> This portion of the Semiannual Report to Congress shows the IG Act Section 5 semiannual report requirements as amended by Pub. L. No. 117-263, §§ 5235(1), 5273(2) (Dec. 23, 2022).

# Peer Reviews

## OIG Peer Review Results

Peer Review Results	Date Reported
<p><b>Office of Audits:</b> 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.</p>	<p>September 21, 2022</p>
<p><b>Office of Evaluations and Office of Compliance:</b> The most recent peer review of the Office of Evaluations and the Office of Compliance was conducted by the Treasury Inspector General for Tax Administration (TIGTA), which 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. This is the highest rating under applicable peer review standards. In addition, the peer review team found that all four of the reports it reviewed generally complied with Blue Book standards.</p>	<p>September 8, 2022</p>
<p><b>Office of Investigations:</b> The most recent peer review of our investigative function was conducted by the General Services Administration (GSA) OIG. GSA-OIG issued an Opinion Letter and a Letter of Observations detailing the results of its review. In the Opinion Letter, GSA-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, GSA-OIG recognized OIG for employing three “best practices” in its investigative operations.</p>	<p>July 5, 2023</p>

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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

Peer Review Conducted	Date Concluded	Outstanding Recommendation
<p><b>Office of Audits:</b> OIG’s Office of Audits conducted a peer review of the Legal Services Corporation (LSC) OIG’s audit function.</p>	<p>September 26, 2023</p>	<p>OIG found that the system of quality control for the audit organization of LSC OIG in effect for the year ended March 31, 2023, has been suitably designed and complied with to provide LSC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects. There are no outstanding recommendations related to the system report.</p>
<p><b>Office of Evaluations and Office of Compliance:</b> OIG’s Office of Evaluations and Office of Compliance conducted an inspection and evaluation peer review of the Office of Inspector General for the U.S. Department of Labor (DOL OIG).</p>	<p>April 25, 2023</p>	<p>OIG determined that DOL OIG’s policies and procedures generally were consistent with the seven Blue Book standards addressed in the peer review. All three reports we reviewed generally complied with the covered Blue Book standards. There are no outstanding recommendations.</p>

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# 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, 1,219 discrete contacts to the Hotline were made involving tips, complaints, and referrals. This included 204 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 various CIGIE committees and working groups, including the Audit Committee, the Inspection and Evaluation Committee, the Investigations Committee, and the Integrity Committee.

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## 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 the Financial Stability Oversight Council (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, Securities and Exchange Commission, 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 2023, issued in July 2023, 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.

## Law Enforcement Outreach

### Federal Bureau of Investigation 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 personally identifiable information, trade secrets, and financial data.

### Public Awareness of OIG’s Law Enforcement Mission

During this reporting period, OIG delivered 14 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.

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### **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.

## **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, therefore, we also have no related reports to the Agency head.

### **Federal Financial Management Improvement Act of 1996**

For the semiannual reporting period ending September 30, 2023, Section 5(a)(7) of the IG Act did not apply to the Agency or OIG.<sup>8</sup>

## **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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<sup>8</sup> This paragraph reflects the IG Act Section 5 semiannual report requirement as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

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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 <sup>9</sup>	Pages
Section 404(a)(2) – Review of legislation and regulations.	59
Section 5(a)(1) – A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA and associated reports and recommendations for corrective action made by OIG.	4-24
Section 5(a)(2) – An identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	11-33
Section 5(a)(3) – A summary of significant investigations closed.	36-37
Section 5(a)(4) – An identification of the total number of convictions resulting from investigations.	3, 53
Section 5(a)(5) – Information regarding each audit, inspection, or evaluation report issued, including a listing of each audit, inspection, or evaluation, and if 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, including whether a management decision had been made.	7-11
Section 5(a)(6) – Information regarding any management decision made this period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	11
Section 5(a)(7) – The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	59

<sup>9</sup> This table shows the IG Act Section 5 semiannual report requirements as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

Source/Requirement <sup>9</sup>	Pages
Section 5(a)(8) – 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.	55
Section 5(a)(9) – A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	56
Section 5(a)(10) – A list of any peer reviews of another IG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented.	56
Section 5(a)(11) – 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.	53
Section 5(a)(12) – A description of the metrics used for developing the data for the statistical tables under the prior paragraph.	53
Section 5(a)(13) – A report on each investigation conducted by OIG where allegations of misconduct were substantiated involving a senior Government employee or senior official, including the name of the senior Government employee, 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
Section 5(a)(14) – 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
Section 5(a)(15) – 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; and a summary of each report made to the FHFA head under section 6(c)(2).	59
Section 5(a)(16) – Detailed descriptions of the particular circumstances of each inspection, evaluation, and audit conducted by OIG that is closed and was not disclosed to the public; and each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	11, 54

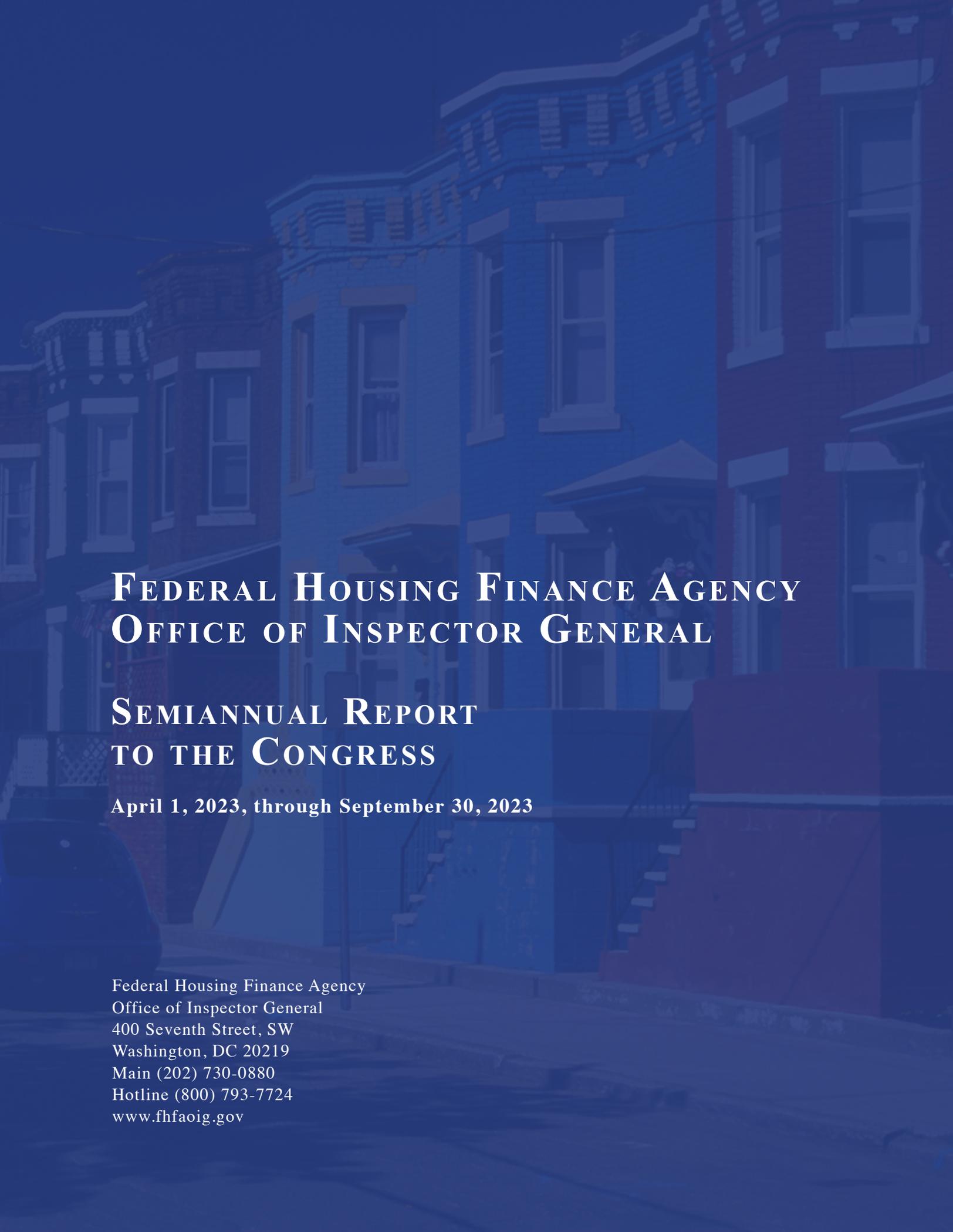
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# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

## SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2023, through September 30, 2023

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