



OFFICE of
INSPECTOR GENERAL
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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

FHA's Office Of Asset Sales Did Not Have Adequate Information To Measure Its Loan Sales' Program Success

Audit Report Number: 2025-KC-0001

December 2, 2024

To: Susan A. Betts
Deputy Assistant Secretary for Finance and Budget, Office of Housing, HW

From: Kilah S. White
Assistant Inspector General for Audit, GA

Subject: FHA's Office Of Asset Sales Did Not Have Adequate Information To Measure Its Loan Sales' Program Success

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of the controls specific to the HUD-Held Vacant Loan Sales program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Patrick Anthony, Audit Director, at (716) 646-7056.

Highlights

FHA's Office Of Asset Sales Did Not Have Adequate Information To Measure Its Loan Sales' Program Success | 2025-KC-0001

What We Audited and Why

We audited the Federal Housing Administration (FHA), Office of Asset Sales' U.S. Department of Housing and Urban Development (HUD)-Held Vacant Loan Sales (HVLS) program. The audit objective was to assess the extent to which HUD tracks and measures its loan sales' program success and its achievement of mission outcomes as they relate to the Affordable Housing Action Plan.

What We Found

HUD did not have adequate information to measure its loan sales' program success as it relates to the affordable housing initiatives. HUD does not require third-party purchasers to report their identifying information, nor does it require them to report their final use of purchased properties, resulting in incomplete program outcome data. There were inconsistencies in the sales outcome reports provided by purchasers to HUD; and purchasers across HVLS sales did not provide sufficient documentation to support their reported uses of the mortgage loans and underlying properties. Postsale reporting is critical because HUD uses it to ensure that purchasers comply with the program requirements. However, because of inadequate measurement information, we were not able to determine HUD's success rate in achieving mission objectives. With better postsale reporting, HUD can better assess whether the HVLS program outcomes are furthering HUD's goals to promote affordable housing, expand opportunities for home ownership, and revitalize communities.

What We Recommend

We recommend that HUD (1) Update the Conveyance, Assignment, and Assumption Agreement to require purchasers to report final property outcomes and identifying information including those of third-party purchasers when applicable; (2) enhance data collection and processing controls to ensure consistency in reporting data; and (3) enhance existing program guidance within the Conveyance, Assignment, and Assumption Agreement to provide further detail regarding documentation retention requirements. HUD took actions prior to the audit report issuance to implement recommendation (3).

Table of Contents

Background and Objective.....	1
Results of Audit.....	3
FHA’s Office of Asset Sales Did Not Have Adequate Information To Measure its Loan Sales’ Program Success	3
Scope and Methodology	8
Appendixes.....	9
Appendix A – Auditee Comments and OIG’s Evaluation	9
Appendix B – Criteria.....	13

Background and Objective

FHA's Office of Asset Sales (OAS) coordinates the disposition of defaulted FHA-held single family, multifamily, and healthcare mortgage loans. Asset sales, commonly called note sales by the public, provide a disposition option for defaulted FHA loans that do not require FHA or its servicers to foreclose on the mortgage and sell the acquired property. OAS uses asset sales to reduce losses and improve recoveries for FHA's Mutual Mortgage Insurance Fund.

The Affordable Housing Action Plan, issued September 1, 2021, directed HUD to prioritize the sale of defaulted FHA-insured mortgage notes to owner occupants, nonprofits, and governmental organizations to help address the national affordable housing supply.¹ Throughout the years, FHA has implemented various distressed loan sale programs. A distressed loan is a delinquent loan that has exhausted loss mitigation options and is near or currently in foreclosure. From 2002 to 2005, FHA implemented the Accelerated Claims Disposition program to provide borrowers with increased opportunities to remain in their homes. In 2010, it implemented the Single Family Loan Sales program in response to the large number of defaulted mortgage loans in its portfolio caused by the 2008 housing crisis. This program provided another means for HUD to avoid foreclosure on the borrower and the sale of the acquired property. From 2012 to 2016, FHA implemented the Distressed Asset Stabilization program by auctioning two types of loan pools: large pools with no outcome requirements and smaller pools in which purchasers had to meet certain neighborhood-positive outcomes for at least 50 percent of the purchased mortgages.² For example, one such positive outcome was that purchasers were unable to foreclose for a year following the loan sale while having to provide borrowers with loan modification options.


In 2016, OAS initiated the HUD-Held Vacant Loan Sales (HVLS) demonstration.³ HVLS auctions are comprised of a portfolio of defaulted, formerly FHA-insured, single family reverse mortgage loans owned by HUD. This means that the last surviving borrower is deceased, no borrower is survived by a nonborrowing spouse, the property securing the mortgage loan is vacant, and the heirs of the estate have not paid off the debt. Selling these defaulted mortgages through a competitive auction generates savings for FHA by avoiding maintenance, foreclosure, and sales expenses that would be incurred with a disposition through the regular real estate sales process for each individual property.

OAS structured the HVLS 2022-1 auction to (1) increase recoveries to FHA's insurance fund; (2) promote sales first to mission-driven nonprofit organizations and units of State or local government; and (3) encourage mission outcomes, including increased affordable housing supply, expanded opportunities for

¹ The Affordable Housing Action Plan, issued September 1, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/09/01/fact-sheet-biden-harris-administration-announces-immediate-steps-to-increase-affordable-housing-supply/>

² We performed audits of the Distressed Asset Stabilization program: (1) HUD Did Not Conduct Rulemaking or Develop Formal Procedures for Its Single-Family Note Sales Program (2017-KC-0006); (2) HUD Generally Ensured That Purchasers in Its Note Sales Program Followed the Requirements Outlined in the Conveyance, Assumption, and Assignment Contracts, but Improvements Are Needed (2017-KC-0010); (3) HUD's DASP Note Sales Generally Resulted in Lower Loss Rates Than Conveyance Claims (2018-KC-0003); and (4) HUD Can Improve its Purchaser Qualification Vetting to Better Achieve its Mission Objectives (2024-KC-0001).

³ HUD Held Vacant Loan Sales (HVLS) is currently a demonstration and not a formalized program. This report will generally refer to HVLS as a program for simplicity.



home ownership, and revitalized communities. We will refer to item 3 above as mission outcomes throughout the report, and we will refer to purchaser's uses of mortgage loans and properties as mortgage loan and property outcomes. Since 2017, HUD has sold 11,978 mortgage loans, with a total updated loan balance of \$2.8 billion across 11 HVLS sales.

The HVLS 2022-1 loan sale, held December 2021, was the first sale in which OAS made 50 percent of mortgage loans available to mission-driven entities.⁴ The sale notice press release suggests that selling to nonprofits and other mission-driven entities helps HUD achieve its mission-focused outcomes and align with goals to increase affordable housing and help revitalize communities. According to internal HUD training documents, purchasers must be accountable for the loans purchased and the outcomes achieved, and HUD must be accountable for reporting accurate program results to stakeholders.

Mission-driven entities are provided benefits within the HVLS program. These benefits include significant mortgage loan discounts and access to loans that are not available for sale to for-profit investors or the public. HUD provides these benefits to nonprofit organizations and government entities with the intention of increasing achievement of affordable housing goals. For example, mission-driven entities with experience in affordable housing could renovate the properties and sell them to first-time home purchasers or convert them into affordable rental units.

Upcoming loan sales are marketed by a Federal Register notice. The sale notice provides information on the mortgage loans to be presented at auction, the application and bidding process, and the after-purchase requirements regarding postsale reporting. OAS uses Conveyance, Assignment, and Assumption Agreements (CAA) as the sales contracts to facilitate the transfer of HUD mortgage loans to the purchaser.

On April 18, 2024, we issued our report (2024-KC-0001) on HUD's loan purchaser qualification vetting. We found that HUD could improve its loan purchaser qualification vetting to ensure that proper entities participate in HVLS sales.

The audit objective was to assess the extent to which HUD tracks and measures its loan sales' program success and its achievement of mission outcomes as they relate to the Affordable Housing Action Plan. We focused on the HVLS 2022-1 sale. A previous HUD OIG audit focused on the qualification process; this audit further examined and assessed the extent to which HUD tracks and measures its loan sale program's success and its achievement of mission outcomes as they relate to the affordable housing initiatives.

⁴ Mission-driven entities are nonprofit organizations and units of State or local government or a joint venture in which the controlling partner is a nonprofit or unit of State or local government.



Results of Audit

FHA's Office Of Asset Sales Did Not Have Adequate Information To Measure Its Loan Sales' Program Success

HUD did not have adequate information to measure its loan sales' program success as it relates to the affordable housing initiatives. This condition occurred because HVLS is an evolving program with frequent updates to its outcome measurement and associated controls. With better postsale reporting, HUD can better assess whether the HVLS program outcomes are furthering HUD's goals to promote affordable housing, expand opportunities for home ownership, and revitalize communities.

HUD Did Not Have Adequate Information To Measure Its Loan Sales' Program Success

HUD received incomplete data for the 1,605 purchased loans by the 13 purchasers in the sale program. Specifically, HUD lacked data about when purchasers sold their properties to third-party purchasers, and there were inconsistencies in the sales outcome reports provided by purchasers to HUD. Additionally, across multiple sales, more than 30 percent of purchasers could not validate reported loan statuses or property outcomes with required documentation.

HUD Received Incomplete Program Outcome Data When Purchasers Sold Their Properties To Third-party Purchasers

HUD did not require third-party purchasers to report their identifying information, nor did it require them to report their final use of purchased properties.

Once purchasers obtain mortgage loans through the HVLS program, they can foreclose and then sell the underlying property to third-party purchasers. Purchasers are responsible to report to HUD that the properties were sold to a third-party, but they are not required to report to HUD identifying information of the third party or the final use of these properties. Identifying information could assist HUD in determining whether the third party was a nonprofit, governmental entity, individual, or investor entity.

According to an internal HUD review, in the last four HVLS sales between 2021 and 2023, more than 40 percent of mortgage loans were sold to third-party purchasers. For the sale we reviewed in HVLS 2022-1, 29.97 percent of purchasers had sold their mortgage loans to a third-party as of March 2024. With approximately 2 years left to report, that number could increase. However, the result of our review indicates that HUD does not have adequate data to assess the outcome of these properties following the sale to purchasers.

HUD's Sales Outcome Reports Are Inconsistent

HUD requires quarterly sales outcomes reports from purchasers to assess and measure its program success. However, two reports we reviewed, January 2024 and April 2024, were inconsistent. For example, the January report contained a data field to record mission outcome accomplishments, but it was removed in the April report despite this field being required by the CAA. Another data field was added to both reports, but it was not required or mentioned by the CAA. In addition, at least 10 percent of the loans or properties' outcomes originally reported in the January report was not consistent with the

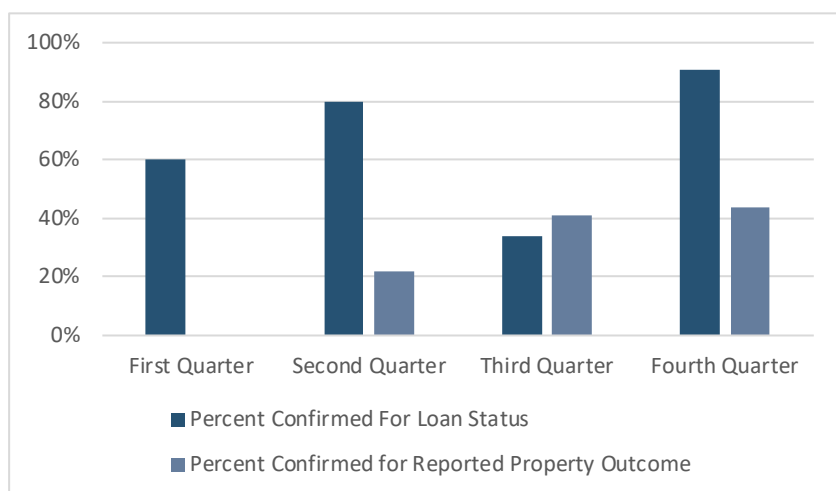
April report due to reporting errors and the above-mentioned field changes. HUD relies on these outcome reports to support its evaluation and measurement of its program success.

More Than 30 Percent of Purchasers Did Not Maintain Required Documentation

A HUD internal review found that more than 30 percent of purchasers could not validate their reported loan statuses or property outcomes with required documentation.⁵ The CAA required purchasers to maintain documentation for up to 6 years to support their reported final use of their purchased mortgage loans.⁶

Figure 1 shows the internal review of 16 different purchasers. The review focused on how many reported loan statuses and property outcomes could be confirmed with the underlying documentation provided by the purchasers. For example, the first quarter of FY 2023 shows that HUD confirmed only 60 percent for loan status and 0 percent for reported property outcome with adequate documentation. The overall findings for fiscal year 2023 are described below.⁷

Figure 1. Loan and property status supported by documentation.



Source: HUD's Internal Review, Purchaser Reporting Compliance Report FY 23 Quarter 4

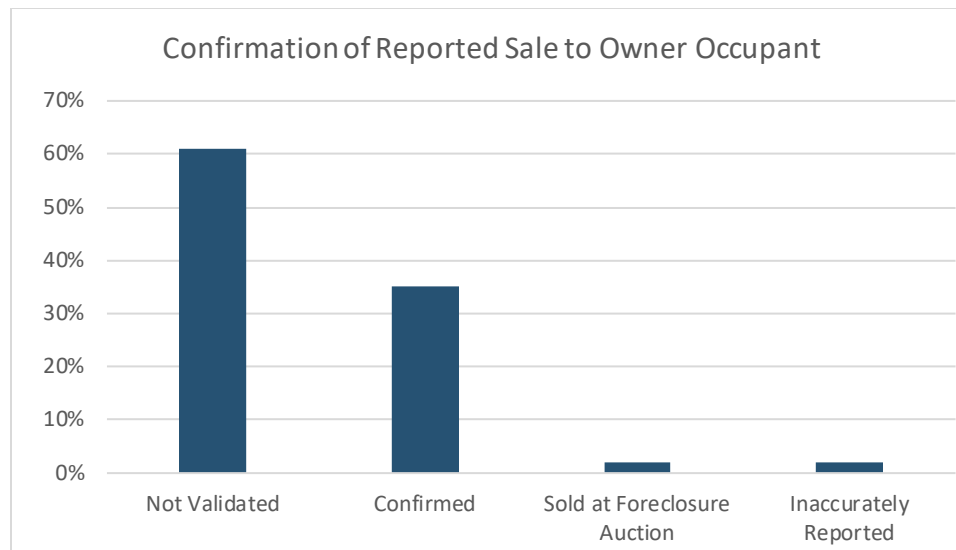
The internal review also found deficiencies related to reported mission-driven property outcomes; specifically, properties sold to owner occupants. OAS internal documents stated that being sold to owner occupants is a primary mission-driven outcome that is tracked by HUD to assess its program results. Figure 2 illustrates the internal review's findings regarding the reported sold-to-owner-occupants property outcomes. Of the 46 loans in the sample, only 35 percent were confirmed with sufficient documentation.

Figure 2. Confirmation of reported sale to owner occupant.

⁵ HUD's internal review was conducted in FY 2023, analyzing multiple sales across the HVLS program.

⁶ CAA, Section 2.08, required purchasers to maintain documentation supporting their reported outcomes.

⁷ The results of percentage confirmed for loan status fluctuates because different purchasers are reviewed in different quarters.



Source: HUD's Internal Review, Purchaser Reporting Compliance Report FY 23 Quarter 4

HUD's HVLS Is an Evolving Program With Frequent Updates to Its Outcome Measurement and Associated Controls

Since 2017, HUD had made four substantial program updates to HVLS in its measurement of program outcomes and associated internal controls. Due to the program's evolving nature, we found that for the sale reviewed, HUD's contract with purchasers did not require them to collect information from third-party purchasers, HUD lacked a process to make outcome data consistent following its reporting changes, and HUD's contract with purchasers lacked detail related to document retention.

HUD's Contract With Purchasers Did Not Require Them To Collect Information From Third-party Purchasers

For the sale reviewed, HUD did not require its mortgage loan purchasers to solicit identifying information or property outcomes from third-party purchasers. The CAA required that the purchaser report to HUD that it sold the property but did not require reporting on who or what kind of entity ultimately obtained the property or what was the eventual final use of the property. This resulted in HUD lacking complete outcome data when a purchaser sold its loan or property to a third-party purchaser.

HUD Lacked a Process To Make Outcome Data Consistent Following Its Reporting Changes

Since the first HVLS sale in 2017, there had been seven changes to the way purchasers reported on their postsale loan and property outcomes to HUD. These changes also impacted the reporting of mission outcomes. For the HVLS 2022-1 sale, HUD made a reporting change to add additional reporting requirements related to mission outcomes for the properties. OAS stated that postsale reporting formats had evolved over time to get better reporting data. However, HUD did not have a formal process for maintaining consistency throughout its reporting changes. Such a process could entail updating internal policies to perform analysis comparing prechange data with postchange data to ensure that reporting results are consistent.

HUD's Contract With Purchasers Lacked Detail Regarding Document Retention

The CAA stated that HUD may require purchasers to submit documentation supporting the purchasers' postsale reporting. However, the CAA did not provide further detail identifying what specific documents had to be retained. In addition, HUD's compliance contractor stated that some nonprofit purchasers did not have significant mortgage loan servicing experience, which impacted their ability to identify what documentation to maintain. They also stated that some nonprofits relied on contractors to service the mortgage loans and to maintain the required documentation. However, these nonprofits may not have robust quality controls to ensure that the contractors properly maintained the documentation.⁸

HUD Risks Not Measuring Its Mission Goals

With better postsale reporting, HUD can better assess whether the HVLS program outcomes are furthering HUD's goals to promote affordable housing, expand opportunities for home ownership, and revitalize communities. We found that as of the April 2024 purchaser postsale report, less than 1 percent of total reported loans resulted in mission outcomes for the sale under review. However, because of inadequate measurement information, we were not able to fully verify that this number was an accurate representation of the actual program outcomes. Specifically, some loans sold to third-party purchasers could have ultimately been used for affordable housing purposes.

Also, this success rate could change because the final reporting period will end in April 2028, since purchasers have until April 2026 to complete reporting, with an additional 2 years followup if necessary.

OAS stated that it continues to conduct self-reviews and enhance its program controls and some of these enhancements are prompted by current and prior OIG reviews. Following the sale reviewed, HUD took the following steps to improve tracking and measurement in future loan sales:⁹


- First look requirement: HUD now requires that purchasers offer properties to owner-occupant purchasers, governmental entities, and eligible nonprofit organizations for at least a 30-day priority purchase period and to limit marketing of the property to its metropolitan area.
- Increased supporting documentation: HUD now provides purchasers with detail regarding the type of documents required in the CAA. Also, beginning with the HVLS 2024-2 sale, HUD will require that supporting documentation be provided for all cases with a property outcome reported as sold to owner occupant and sold to owner occupant for affordable housing.
- Mandatory purchaser training: HUD now requires mandatory purchaser training related to first look requirements, mission outcomes, reporting, and documentation requirements.

Conclusion

HUD could better measure its Loan Sales Program outcomes with enhanced data collection. This condition occurred because HVLS is an evolving program with frequent changes to its outcome

⁸ We did not perform audit fieldwork to evaluate purchasers' quality controls or to verify the number of HVLS purchasers with deficient internal controls.

⁹ We did not perform detailed verification testing of the listed items, and we did not perform verification of tracking and participation for HUD-provided training.



measurement and associated controls. With better postsale reporting, HUD can better assess whether the HVLS program outcomes are furthering HUD's goals to promote affordable housing, expand opportunities for home ownership, and revitalize communities. As noted in the report, a significant number of properties are sold to third-party purchasers. Third-party identifying information could help HUD understand who is buying its loans. However, enhancing controls related to data collection as well as guidance enhancements for document retention can help HUD ensure that property outcome reporting is accurate and supported.

Recommendations

We recommend that the Director of the Office of Asset Sales

- 1A. Update the Conveyance, Assignment, and Assumption Agreement to require purchasers to report final property outcomes and identifying information including those of third-party purchasers when applicable.
- 1B. Enhance data collection and processing controls to ensure consistency in reporting data.
- 1C. Enhance existing demonstration guidance within the Conveyance, Assignment, and Assumption Agreement to provide further detail regarding documentation retention requirements.

HUD implemented the recommendation by adding language in the Conveyance, Assignment, and Assumption Agreement. We have verified the new language in the CAA. Therefore, no further action is required by the Office of Asset Sales. At issuance of this audit report, we will enter a management decision into HUD's Audit Resolution and Corrective Action Tracking System, along with a copy of the CAA, to show that a final action was completed.

Scope and Methodology

We conducted our audit work from May 2023 through June 2024. We conducted onsite fieldwork for this assignment in Denver, CO. Our audit period covered November 2022 through June 2024.

To accomplish our objective, we:

- Reviewed relevant laws, regulations, and HUD's guidance.
- Reviewed OAS policies and procedures.
- Interviewed HUD's staff and relevant contractors to gain an understanding of relevant loan sales requirements, results, and demonstration controls to maintain compliance with HUD's requirements.
- Reviewed records provided by OAS to determine demonstration achievement.
- Reviewed and analyzed postsale reporting to determine whether mission outcomes were in alignment with HUD policies.

We relied on postsales reporting data provided by HUD's program financial advisor. We did not perform detailed assessments of the reliability of the data; however, we interviewed the program financial advisor, the transaction specialist, and OAS to obtain an understanding of systems, processes, and associated controls and determined their data to be sufficient for our purposes.

HVLS 2022-1 included 1,605 mortgage loans representing \$398 million in unpaid principal balance. Fifty percent of the loans were offered to qualifying nonprofits and governmental entities. Twenty-three nonprofits participated in the HVLS 2022-1 sale. During the sale, 789 loans were awarded to nonprofits and governmental entities, and 806 loans were awarded to 2 for-profit entities. We did not select a sample for our review of the purchased loans. We reviewed the postsale reporting for all 13 purchasers that purchased the loans.

We reviewed the postsale reporting data and performed data analysis to determine the number of mortgage loans sold that met the affordable housing goal. We relied upon the findings of the internal HUD review, but we did not verify the results. We used Federal internal control standards in our assessment of HUD's policies and processes to measure its program success (See appendix B).


We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendixes

Appendix A – Auditee Comments and OIG’s Evaluation

Ref to OIG Evaluation – Auditee Comments

Comment 1 >

	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-8000	
Office of Housing	
DATE:	October 30, 2024
MEMORANDUM FOR:	Kilah S. White, Assistant Inspector General for Audit
FROM:	Susan Betts, Deputy Assistant Secretary for Finance and Budget, HW SUSAN BETTS <small>Digitally signed by SUSAN BETTS Date: 2024.10.30 16:05:39 -0400</small>
SUBJECT:	Response to Discussion Draft Report - FHA's Office of Asset Sales Did Not Have Adequate Information to Measure Its Loan Sales' Program Success (Audit Report Number: 2025-KC-0001)
<p>Thank you for giving us the opportunity to respond to the Discussion Draft Report - <i>FHA's Office of Asset Sales Did Not Have Adequate Information to Measure Its Loan Sales' Program Success</i>. The Office of Housing (Housing) has reviewed the subject draft report.</p> <p>Housing appreciates the recommendations towards improving purchaser reporting and data collection processes and is pleased that the OIG recognized the efforts that Housing has already made to the process. As noted in the OIG's report, Housing has already identified improvements to its loan sales program and purchaser reporting, including:</p> <ul style="list-style-type: none">• Mandatory purchaser training• Increased supporting documentation <p>For recommendation 1A, the OIG recommends that the Director of Asset Sales should update the Conveyance, Assignment, and Assumption Agreement (CAA) to require purchasers to report final property outcomes and identifying information including those of third-party purchasers when applicable. This is a requirement for all HUD-Held Vacant Loan Sales beginning with the first sale in 2017-1, see language below.</p> <p><u>Section 2.08(a)(iii) General Reporting Requirements.</u> <i>The Post-Sale Report and Follow-Up Report Requirements set forth in Exhibit H-1 (the "Post-Sale Reporting Requirements") are applicable for all Mortgage Loans purchased, regardless of whether they have been sold by the Purchaser.</i></p> <p>Beginning in HVLS 2022-2 Part 2, additional language was added to reinforce this requirement. See additional language below.</p> <p><u>Section 2.08(b)(iii)</u></p>	

Comment 2 >

Purchaser must submit the Post-Sale Reporting and Compliance Self Certification regarding compliance with this Section 2.08 in the format provided in Exhibit H-2 with each Post-Sale Report and Follow-up Report (if applicable). Purchaser's Post-Sale Reporting and Compliance obligations continue regardless of whether Purchaser transfers the Mortgage Loan or REO Property to a third party.

For recommendation 1B, OIG recommends that the Director of Asset Sales should enhance data collection and processing controls to ensure consistency in reporting data. The Department is committed to improving its sales outcome reporting processes to ensure accuracy, consistency, and compliance with the CAA. We will implement necessary controls to rectify the identified issues and work towards strengthening our internal oversight. An example is a formal process for maintaining consistency throughout reporting changes, which could require updating internal policies to perform analysis comparing pre-revision data with post-revision data to ensure that reporting results remain consistent. These measures will not only address the specific findings but also contribute to the overall integrity of HUD's program evaluation framework. We appreciate your continued collaboration as we work towards ensuring the success and transparency of our program outcomes.

Comment 3>

For recommendation 1C, OIG recommends that the Director of Asset Sales should enhance existing demonstration guidance within the CAA to provide further detail regarding documentation retention requirements. For this audit, the OIG had been reviewing the sales from fiscal year 2022. Since those sales, HUD has already input language in the CAA to (1) identify the documentation to be retained and (2) clarify the timeline for documentation submission.

Section 2.08(a)(iv)

Report Documentation and Failure to Report. HUD, in its sole and absolute discretion, may require a Purchaser to submit documentation supporting the information provided in any Post-Sale Report or Follow-Up Report ("Report Documentation") or to demonstrate compliance with any post-sale servicing requirements set forth in this Agreement. The Post-Sale Report includes mandatory reporting data on REO First Look Requirements and Mission Outcomes as described in Exhibit I. The Documentation Column of Exhibit H attached to this Agreement identifies the mandatory documents, including those detailed below in section 2.08 (b)(vi). Unless stated, alternative documentation is not allowed, except upon written authorization of HUD, in its sole and absolute discretion.

Report Documentation may be requested after submission of the First Post Sale Report and for any time within two (2) years following the submission of the final Post-Sale Report or Follow-Up Report, if applicable. Upon receipt of HUD's written request, Purchaser will provide the Report Documentation to HUD within thirty (30) Calendar Days.

In the event Purchaser fails to submit any or an incomplete Post-Sale Report, Follow-Up Report (if applicable) or Report Documentation when due, upon a timely written request from Purchaser for an extension, HUD may grant an extension to Purchaser, in its sole and absolute discretion, the terms of which will be designated in a written response but shall not exceed fifteen (15) Calendar Days.

Notwithstanding anything to the contrary in this subsection (a), in the event Purchaser demonstrates a pattern of failing to report, submitting incomplete Post-Sale Reports or an incomplete Follow-Up

Comment 4 >

Report, or failing to provide requested Report Documentation, HUD, in its sole and absolute discretion, may refuse to qualify or accept bids from Purchaser, and its individual members, affiliates, subsidiaries, or other related parties, participating in one or more subsequent sales.

Thank you again for the review of these sales and your constructive feedback on ways to improve the reporting of data from our purchasers. HUD will continue to review this process and make additional improvements as necessary.

Separately, we are providing technical comments for consideration. Should you have any questions or need additional information, please contact me at (202) 402-2785.

OIG Evaluation of Auditee Comments

Comment 1	We recognize OAS's guidance enhancement that provides additional language regarding postsale reporting. While we believe the guidance will improve outcome reporting, a further enhancement should be made to ensure that OAS has the opportunity to identify what types of entities are purchasing the loans when they transfer to a third-party purchaser. We look forward to working with OAS during the audit resolution process.
Comment 2	We acknowledge HUD's agreement with the recommendation. We recognize OAS' current and ongoing commitment to enhancing its Loan Sales program through improvements to its data collection and processing controls. We look forward to working with OAS during the audit resolution process.
Comment 3	We commend OAS on providing further detail regarding documentation retention requirements within the Conveyance, Assignment, and Assumption Agreement. We have verified the new language in the CAA. Therefore, we consider this recommendation resolved, and we will close it once the final report is issued.
Comment 4	OAS has provided us with technical comments for our consideration. We have examined each technical comment and incorporated the feedback into the report as appropriate.

Appendix B – Criteria

Standards for Internal Control in the Federal Government (Green Book)

Section 13.02 and 13.03, Identification of Information Requirements

13.02 Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information requirements at the relevant level and requisite specificity for appropriate personnel.

13.03 Management identifies information requirements in an iterative and ongoing process that occurs throughout an effective internal control system. As change in the entity and its objectives and risks occurs, management changes information requirements as needed to meet these modified objectives and address these modified risks.

Section 13.04, Relevant Data From Reliable Sources

13.04 Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring

Section 13.05, Data Processed Into Quality Information


13.05 Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information.

13.06 Management processes relevant data from reliable sources into quality information within the entity's information system. An information system is the people, processes, data, and technology that management organizes to obtain, communicate, or dispose of information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks

Section 15.02, 15.03, and 15.04, Communication With External Parties

15.02 Management communicates with and obtains quality information from external parties using established reporting lines. Open two-way external reporting lines allow for this communication. External parties include suppliers, contractors, service organizations, regulators, external auditors, government entities, and the general public.

15.03 Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks. Management includes in these



communications information relating to the entity's events and activities that impact the internal control system.

15.04 Management receives information through reporting lines from external parties. Information communicated to management includes significant matters relating to risks, changes, or issues that impact the entity's internal control system. This communication is necessary for the effective operation of internal control.

Section 15.08 and 15.09, Appropriate Methods of Communication

15.08 Based on consideration of the factors, management selects appropriate methods of communication. Management periodically evaluates the entity's methods of communication so that the organization has the appropriate tools to communicate quality information throughout and outside of the entity on a timely basis.

15.09 Government entities not only report to the head of the government, legislators, and regulators, but to the general public as well. In the Federal Government, entities not only report to the President and Congress, but also to the general public. Entities consider appropriate methods when communicating with such a broad audience.