

REDACTED

Federal Housing Finance Agency
Office of Inspector General



Freddie Mac Did Not Follow State Instructions When Filing Complaints Against Residential Real Estate Appraisers

This report contains redactions of information that is privileged or otherwise protected from disclosure under applicable law.

..... EXECUTIVE SUMMARY

PURPOSE

We conducted this evaluation to assess FHFA's (Federal Housing Finance Agency or Agency) actions to ensure that complaints were filed in a timely manner for the appraisals subject to recommendations we made in our previous report, published December 2022, [*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*](#). We also assessed the Agency's actions regarding additional appraisals that contained overt language regarding protected classes identified during its fair lending compliance examination and communicated to Fannie Mae and Freddie Mac (together, the Enterprises) in April 2023 findings letters (Findings Letters).

RESULTS

We found that Freddie Mac did not follow all state requirements and instructions for filing complaints for the appraisals FHFA identified in its Findings Letter to Freddie Mac. In general, Freddie Mac did not follow applicable instructions from state authorities to provide copies of full appraisal reports with its complaints. Freddie Mac provided excerpted text only. In addition, Freddie Mac did not complete prescribed forms or otherwise provide descriptive information for complaints in accordance with instructions.

Fannie Mae confirmed that it included copies of appraisals with its complaints, used the prescribed forms, and followed the states' instructions.

In December 2022, we recommended that FHFA ensure certain complaints against residential real estate appraisers be filed in a timely manner. FHFA agreed with our recommendation and committed to coordinate with the Enterprises to ensure the complaints were submitted. FHFA instructed the Enterprises to submit complaints to state authorities; however, because Freddie Mac did not follow state instructions, its complaint submissions were incomplete. We do not consider those submissions "timely" for purposes of our recommendation.

FHFA told us that examiners reviewed the Enterprises' submissions during the course of ongoing monitoring of remediation activities and determined that Freddie Mac's appraisal complaint submissions "met expectations." The examination record reflects this determination; however, examiners did not document the analysis that supported the determination. FHFA confirmed that the scope of their remediation monitoring did not include verifying that the complaints were filed in accordance with state instructions.

The incompleteness of the subject complaints prevents us from concluding that FHFA ensured the complaints were submitted in a timely manner.

RECOMMENDATIONS

We made five recommendations to address our findings. In a written response, FHFA agreed with our recommendations.

This report was prepared by Adrienne Freeman, Investigative Counsel, and Reginald Warren, Program Analyst. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report. This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, www.fhfaoig.gov, and www.oversight.gov.

Kyle D. Roberts
Deputy Inspector General for Evaluations /s/

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ABBREVIATIONS

DER	Division of Enterprise Regulation
Enterprises	Fannie Mae and Freddie Mac
FHFA or Agency	Federal Housing Finance Agency
FHFA 2021 Review	<i>Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary</i> (Dec. 2021)
Findings Letters	Office of Fair Lending Oversight findings letters (April 2023)
OFLO	Office of Fair Lending Oversight
RTS	Remediation Tracking System
USPAP	Uniform Standards of Professional Appraisal Practice

BACKGROUND.....

In 2021, FHFA Concluded That Valuation Bias Persists in Residential Appraisal Reports

On December 14, 2021, FHFA published the key takeaways from its appraisal review (FHFA 2021 Review) to draw attention to overt references to race, ethnicity, and other biases prohibited under federal fair lending laws that FHFA found in appraisal reports it reviewed.¹ FHFA’s appraisal review highlighted 17 examples of overt references to prohibited bases contained in appraisal reports and concluded that valuation bias persists in housing finance in the United States.

In 2022, We Recommended That FHFA Ensure Complaints Are Submitted to State Authorities in a Timely Manner for the Identified Appraisals

In December 2022, we published an evaluation report that discussed the results of the FHFA 2021 Review.² We found that while the sample of appraisal reports contained evidence of valuation bias, FHFA had not filed complaints against the appraisers with the appropriate state appraiser licensing authorities to prompt investigations into potential noncompliance with the Uniform Standards of Professional Appraisal Practice (USPAP). We also found that the Agency had no policy on the subject.

As discussed in our previous report, state licensing authorities do not have a uniform process but generally require a written complaint before proceeding with an investigation. “[T]he first step in initiating a state appraiser licensing authority’s investigation into appraiser misconduct, such as the failure to comply with USPAP due to bias, is the filing of a complaint in accordance with the individual state’s specific requirements.”³

We recommended that FHFA “ensure that complaints are filed with the relevant state appraiser licensing authorities” in a timely manner for the appraisals with overt references to prohibited

¹ See FHFA, [Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary](#) (Dec. 14, 2021).

² See OIG, [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](#) (EVL-2023-001) (Dec. 20, 2022). That report also acknowledged that FHFA shared information regarding potential violations of the Fair Housing Act and the Equal Credit Opportunity Act with the Department of Housing and Urban Development, the Department of Justice, and the Consumer Financial Protection Bureau.

³ *Id.* at 12.

bases. FHFA agreed with our recommendation and stated that it would coordinate with the Enterprises to ensure these complaints were submitted and that appraisal data was monitored.⁴

In 2023, FHFA Found Additional Problems and Instructed the Enterprises to Submit Complaints for Specified Appraisals

In April 2023, after completing examinations of fair lending compliance of residential home appraisal activities, FHFA’s Office of Fair Lending Oversight (OFLO) sent Findings Letters to Fannie Mae and Freddie Mac that informed management of the adverse findings from those examinations (the fair lending examination program of OFLO became part of a new FHFA division, the Division of Public Interest Examinations, in July 2024).⁵ Those findings included [REDACTED] related to explicit references to protected classes in appraisals of properties for which the Enterprises purchased the mortgage.

Each of the Findings Letters required the subject Enterprise to submit complaints to the relevant state appraiser licensing authorities for the appraisals FHFA identified as [REDACTED] as well as the appraisals the Agency identified during the FHFA 2021 Review.

FHFA Reported Completion of Corrective Actions

In May 2023, FHFA management reported that they completed the corrective actions identified in the management response to our recommendation by issuing the Findings Letters. In response, we informed management that the recommendation would remain open because it was intended to ensure that the complaints *were filed*. Because FHFA’s letters did not accomplish this result, we advised FHFA that we would review the recommendation for closure after we received documentation that confirmed the Enterprises had submitted the complaints as required.

OBJECTIVE AND SCOPE

The objective of this evaluation was to assess FHFA’s actions to ensure that the complaints for the appraisals subject to our recommendation, and the additional appraisals identified in FHFA’s Findings Letters, were submitted to the appropriate state appraiser licensing authorities in a timely manner. The scope of our review included the 17 appraisal examples listed in the FHFA

⁴ We also recommended that FHFA coordinate with the Enterprises to determine the extent to which the Enterprises use appraisals that improperly consider prohibited biases. We closed that recommendation in June 2023 based on FHFA’s corrective actions.

⁵ OFLO’s examinations began in July 2021. FHFA’s 2021 Review was undertaken in conjunction with these examinations.

2021 Review and [REDACTED] appraisals with “explicit references to protected classes” [REDACTED] and [REDACTED] that FHFA identified in the Findings Letters.

RESULTS

Finding 1: Freddie Mac Did Not Follow All State Requirements and Instructions for Filing Complaints Against Residential Real Estate Appraisers

We found that Freddie Mac’s efforts to submit complaints did not follow the instructions of the relevant state licensing authorities. In particular, the complaints we reviewed did not include a copy of the full appraisal report or contain descriptive information about the specific complaint as requested by most state authorities.

Freddie Mac Did Not Provide Copies of Appraisal Reports to State Authorities

We reviewed the complaint submission instructions for 17 state licensing authorities in our sample and found that they all either explicitly request or strongly imply that a copy of the full appraisal report should be provided by the complainant.⁶ The majority of authorities (13) expressly requested a copy of the appraisal; three of those authorities specifically require copies of the appraisal.⁷ One authority cautions that if it does not receive “a full and complete copy of the appraisal report” within ten days of the filing of the complaint form, the complaint may be closed.

We asked the Enterprises to provide a copy of submitted complaints and documentation that the complaints were submitted to the relevant state appraiser licensing authority. We reviewed the complaint emails Freddie Mac submitted to state authorities and determined that Freddie Mac did not provide copies of appraisal reports with any of its complaints. We asked Freddie Mac if it included a full copy of the relevant appraisal report with the complaint submissions. Freddie Mac responded that it “emailed the complaint letters with excerpts from the applicable appraisal reports,” and “all States have the authority to request a copy of the complete report from the appraisers.” We treated Freddie Mac’s response as an acknowledgement that it did not provide copies of the appraisal reports with its complaints.

⁶ The instruction adds that a complaint that is closed due to the lack of a full and complete copy of the appraisal report “can be refiled at a later date.”

⁷ The four remaining states requested “relevant documentation.” Given that the appraisal report is the best source of evidence of the language the appraiser used, we interpret “all relevant documents” to include the appraisal report. See the Appraisal Subcommittee’s [Appraisal Complaint National Hotline “State Appraiser, AMC and Banking Regulators” Interactive Map and List](#), which provides access to the appraisal complaint submission processes of each state authority.

In a supplemental communication with OIG, Freddie Mac explained that it did not provide appraisal reports due to concerns over the release of the homeowners' personally identifiable information (PII). Freddie Mac could not provide contemporaneous documentation we could use to confirm this assertion. We note that Fannie Mae confirmed that it submitted copies of appraisal reports directly to state authorities. Neither FHFA nor Fannie Mae raised the PII issue.

We also asked Freddie Mac whether state authorities provided confirmation that the Enterprise's complaint submissions were accepted for the appraisals within our scope. In a written response, Freddie Mac stated "there is no established process where States send a confirmation. Each State is different."⁸

Freddie Mac Did Not Follow State Complaint Submission Instructions

Our review of complainant submission instructions for the relevant state authorities found that 15 of the 17 authorities expressly request the complainant to use the state-provided submission form or online portal for appraisal complaints;⁹ and nine of those states require the state-provided submission form. Although the states' instructions are not uniform, they request details about the complaint. For example, one state authority instructs the complainant to identify the suspected violation of the Uniform Standards of Professional Appraisal Practice.¹⁰ Most of these state authorities also inform the complainant that the complaint form will or may be shared with the relevant appraiser, other government agencies, or enter the public record.

We determined that Freddie Mac did not complete the state prescribed forms. We asked Freddie Mac whether it completed the state complaint forms for the appraisals FHFA identified. According to Freddie Mac, "All complaints were sent via an email using a standard template developed in conjunction with our legal department." Freddie Mac did not explain how its "standard template" satisfied the individual states' requests for details about the complaint. We reviewed the relevant state instructions as well as Freddie Mac's standard template and concluded that Freddie Mac did not provide descriptive information in its standard template that many state authorities requested.¹¹

⁸ Freddie Mac subsequently provided copies of a number of confirmations it received from state authorities; however, none of those confirmations pertained to the appraisals within the scope of our evaluation.

⁹ The remaining two state authorities are not as definitive; however, in our view, they express a strong preference for the state's complaint forms and processes.

¹⁰ "The following question applies if you are an appraiser or have appraisal experience: 'If you believe the appraisal in question may have violated the Uniform Standards of Professional Appraisal Practice (USPAP), please specify the USPAP rule(s) you suspect were violated and why.'"

¹¹ Most state authorities in our sample request information that was not included in Freddie Mac's generic complaint emails, such as indicating if the complaint is related to pending legal action or if attorneys have been consulted and listing the contact information of witnesses.

Fannie Mae Confirmed That It Provided Full Copies of Appraisal Reports and Followed State Complaint Submission Instructions

Fannie Mae reported to us that it submitted complaints for the 17 examples identified in the FHFA 2021 Review and for an additional [REDACTED] appraisals with explicit references to protected classes that FHFA identified in its Findings Letter. In response to OIG inquiries, Fannie Mae stated that full copies of appraisal reports were provided with each complaint and that “[a]ll of the complaints were filed using the state’s forms or [online] portals, following the submission process for each individual state.”¹²

Fannie Mae also provided documentation from state authorities that confirmed receipt of the complaints. Those confirmations evidenced that an investigation was opened for the majority of the complaints we reviewed (but not all states provided a confirmation).

Fannie Mae’s Properly Filed Complaints Partially Mitigated Freddie Mac’s Incomplete Submissions

OFLO’s Findings Letters directed the Enterprises to separately file certain complaints against the same appraiser for the same appraisals. The result was an overlap with respect to the appraisals that were the subject of FHFA’s 2021 Review. Of those appraisals, it appears that Fannie Mae’s properly submitted complaints fully mitigated Freddie Mac’s incomplete complaints.

There is relatively little overlap in the *additional* appraisals FHFA identified [REDACTED] during its fair lending examinations. For those appraisals, Fannie Mae’s submissions mitigated [REDACTED] of Freddie Mac’s [REDACTED]. The result is that over a year has passed since FHFA instructed Freddie Mac to submit complaints for those appraisals, but Freddie Mac’s complaints remain incomplete.

Recommendations

We recommend that FHFA’s Office of General Counsel:

1. Seek Freddie Mac legal counsel’s formal position regarding the privacy issues the Enterprise raised with respect to personally identifiable information contained in appraisals that are submitted to state licensing authorities.
2. Assess Freddie Mac legal counsel’s formal position and issue guidance to both Enterprises to ensure a consistent approach.

¹² Verifying these statements fell outside the scope of this evaluation. According to OFLO, FHFA will assess the Enterprises’ remediation actions as part of its normal remediation review process.

We recommend that the Division of Public Interest Examinations:

3. If FHFA’s assessment in recommendation no. 2 warrants, ensure that Freddie Mac resubmits complaints from our sample to the relevant state authorities and include copies of the full appraisal report without duplicating complaints previously submitted by Fannie Mae.
4. Ensure that Freddie Mac updates its existing complaint submission practices so that future complaints filed against appraisers follow the instructions of state appraiser licensing authorities for each complaint, consistent with FHFA’s legal position and guidance to the Enterprises in conjunction with recommendation no. 2.

Finding 2: FHFA Determined That the Enterprises’ Filings Met FHFA’s Supervisory Expectations but Examiners Did Not Document Any Corresponding Analysis

OFLO’s examination of fair lending compliance in appraisal practices identified [REDACTED]. FHFA directed Freddie Mac to take numerous actions to remediate those findings, and Freddie Mac submitted a remediation plan.¹³ The remediation plan set a target date of February 2025 for Freddie Mac to complete all corrective actions, and an interim target date of March 2024 for Freddie Mac to complete filing complaints against appraisers.

OFLO’s Fair Lending Examination Procedures Do Not Require Examiners to Document the Basis for Supervisory Determinations Regarding Interim Targets in Remediation Plans

OFLO examiners assess the progress of an Enterprise’s remediation activities as part of their ongoing monitoring activities. With respect to interim milestones, examiners review the Enterprise’s quarterly reporting and update OFLO’s Remediation Tracking System (RTS) to document the results of those reviews.¹⁴ We confirmed that the relevant RTS entry reflects OFLO’s determination that Freddie Mac’s complaints “met expectations.” However, examiners did not document any corresponding analysis and basis for that determination. An OFLO official advised us that OFLO’s fair lending exam procedures do not require examiners to prepare a memorandum that documents their analysis of interim actions. Moreover, OFLO confirmed that the scope of the relevant ongoing monitoring activities did not include verifying

¹³ OFLO’s Operational Procedures Bulletin, *Enterprise Fair Lending and Fair Housing Compliance Examination Policies and Procedures*, govern such examinations. The exam procedures call for an Enterprise to submit a written remediation plan that includes proposed timeframes for implementing corrective action, and state that FHFA and the Enterprise will work together to develop a remediation plan with “interim targets” for completing remediation activities.

¹⁴ OFLO’s exam procedures focus more on an *Enterprises’* responsibilities during the remediation process and require a “detailed quarterly update” from the Enterprise.

that the complaints were filed in accordance with the instructions given by the relevant state licensing authorities.

Our review of OFLO's exam procedures confirmed that they do not prescribe the minimum documentation standards examiners must meet when performing ongoing monitoring of an Enterprise's remediation activities. The procedures are silent with respect to how examiners should document substantive analysis that supports a determination about an interim target or milestone.¹⁵ They focus on the examiners' duties and related documentation standards that apply when examiners close an adverse exam finding; that is, once all remediation activities have been completed.

OFLO's Examination Documentation Standards Are Less Rigorous Than Standards Established by FHFA's Division of Enterprise Regulation

OFLO's exam procedures lack the level of detail regarding documentation standards found in examination guidance and procedures adopted by FHFA's Division of Enterprise Regulation (DER), the division responsible for carrying out examinations and ongoing supervision of the Enterprises. DER's exam procedures call for examiners to use an analysis memorandum (in addition to updating DER's remediation tracking system) "to document all examination work...from immediately after [] issuance" of the finding "through [] closure." DER's procedures state, in pertinent part, "If examiners receive interim deliverables, then the examiner must update the [analysis memorandum] to record the receipt and provide a view, if possible, on the adequacy of the interim deliverable." In contrast, OFLO's exam procedures do not contain a comparable requirement.

Incomplete Complaints Are Not "Timely" For Purposes of Our 2022 Recommendation

In December 2022, we recommended that FHFA ensure specific complaints against residential real estate appraisers be filed "in a timely manner." Several months after our report was issued, FHFA instructed the Enterprises to file complaints with the applicable state authorities. In the present evaluation, we found that Freddie Mac's complaints did not follow instructions and submit all information requested by state licensing authorities. Accordingly, we concluded that those complaints were incomplete. Given the lack of documented analysis by FHFA, we could not assess OFLO's basis for determining that Freddie Mac's incomplete complaints nevertheless met FHFA's supervisory expectations.

¹⁵ We also found that the current version of the procedures does not reference the RTS. According to Division of Public Interest Examinations, the Exam Procedures are being updated to include an item in RTS for each matter with an adverse examination finding in response to a previous OIG recommendation. See OIG, [*The Fair Lending Examination Program Was Implemented in Accordance with Policies and Procedures, But Guidance Needs Improvement*](#) (AUD-2024-005) (May 8, 2024).

We do not consider the incomplete complaints to be filed timely.¹⁶ We therefore conclude that FHFA did not satisfy the intent of our recommendation.

Recommendation

We recommend that the Division of Public Interest Examinations update its fair lending examination procedures to:

5. Establish examination performance and documentation standards for ongoing monitoring of remediation activities that:
 - a. Are no less rigorous than the standards established for examiners by the Division of Enterprise Regulation and
 - b. Require examiners to document the basis for determinations regarding completed corrective actions taken by the Enterprises to remediate time-sensitive examination findings.

FHFA COMMENTS AND OIG EVALUATION.....

We provided FHFA an opportunity to respond to a draft of this evaluation report. FHFA management provided technical comments, which we considered in finalizing this report. FHFA management also provided a written response, which we included in Appendix II. In its management response, FHFA agreed with our recommendations. We consider FHFA’s planned corrective actions responsive to our recommendations. The recommendations will remain open until we confirm that corrective actions have been implemented.

FHFA’s management response to this report states, in pertinent part, “[w]hen OIG requested documentation of the complaint submissions in June 2023, FHFA required that the Enterprises expedite filing of complaints and provided documentation to OIG promptly in September 2023.” We make the following clarification: we confirmed that OFLO provided copies of the Enterprises’ complaint submissions to another organizational unit within FHFA in September 2023. OIG did not receive those materials until we requested them in conjunction with this evaluation in 2024.

¹⁶ Our view of timeliness is consistent with FHFA’s expectations for other types of submissions. For example, FHFA’s regulation for new Enterprise activities stipulates that a Notice of New Activity from the Enterprises will not be considered until the information required has been submitted. In addition, FHFA’s regulation on validation and approval of credit score models stipulates that an Enterprise has no obligation to assess any incomplete application.

APPENDIX I: METHODOLOGY.....

We conducted this evaluation to assess FHFA’s actions to ensure that the complaints for the appraisals subject to our recommendation, the appraisals listed in the FHFA review titled *Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary*, published December 14, 2021, and the additional appraisals identified in FHFA’s Findings Letters, were submitted to the appropriate state appraiser licensing authorities in a timely manner.

To meet this objective, we requested and reviewed complaints submitted by the Enterprises and matched them with 17 appraisal examples listed in the FHFA 2021 Review and the additional appraisals listed under “Explicit References to Protected Class” in the Findings Letters to the Enterprises. We also reviewed state complaint forms and instructions, the Findings Letters, the FHFA 2021 Review, correspondence between OFLO and the Enterprises that included remediation plans, Enterprise quarterly reports, and other OFLO and Enterprise documents germane to the Enterprises’ appraisal process and OFLO’s remediation monitoring procedures, such as:

- *Enterprise Fair Lending and Fair Housing Compliance Examination Policies and Procedures*, Operating Procedures Bulletin, July 2022.
- *Enterprise Fair Lending and Fair Housing Compliance*, Advisory Bulletin 2021-04, Dec. 2021.
- *FHFA Policy Statement on Fair Lending*, 12 C.F.R. Chapter XII.
- FHFA’s 2022 and 2023 Reports of Examination for Fannie Mae and Freddie Mac.
- OFLO Memorandum Re: *Implementation of Enterprise Fair Lending and Fair Housing Rating System*, Jan. 2024.

We also reviewed our prior evaluation report on appraisal bias, interviews from that evaluation, FHFA’s completion of corrective actions memo for that report, and our response to FHFA’s memo.

To supplement our review, we requested additional information from FHFA and the Enterprises regarding the appraisal complaint processes, documentation, and correspondence.

This evaluation was conducted between April 2024 and July 2024 under the authority of the Inspector General Act and in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation* (December 2020).

APPENDIX II: FHFA MANAGEMENT RESPONSE.....

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Federal Housing Finance Agency

MEMORANDUM

TO: Kyle D. Roberts, Deputy Inspector General for Evaluations

FROM: Sean Dent, Principal Deputy General Counsel SEAN DENT Digitally signed by SEAN DENT
Date: 2024.11.20
10:50:10 -05'00'

James Wylie, Deputy Director, Division of Public Interest Examinations JAMES WYLIE Digitally signed by JAMES WYLIE
Date: 2024.11.20
10:33:24 -05'00'

SUBJECT: Draft Evaluation Report: *Freddie Mac Did Not Follow State Instructions When Filing Complaints Against Residential Real Estate Appraisers (EVL-2024-04)*

DATE: November 20, 2024

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft evaluation report. The objective of OIG's evaluation was to assess FHFA's actions to ensure that complaints were filed in a timely manner for the appraisals subject to recommendations made in the OIG's previous report, published December 2022.

As noted in the draft evaluation report, FHFA completed the actions from the December 2022 Management Response to EVL-2023-001, including instructing the Enterprises to submit complaints to state authorities. OIG also noted in the draft report that FHFA examiners reviewed the Enterprises' submissions, documented their review, and determined that they met expectations in accordance with existing examination procedures. In May 2023, FHFA provided OIG with documentation of its instruction to the Enterprises to submit complaints to state authorities. When OIG requested documentation of the complaint submissions in June 2023, FHFA required that the Enterprises expedite filing of complaints and provided documentation to OIG promptly in September 2023.

Complaints to state appraiser regulatory bodies are just one part of FHFA's commitment to addressing appraisal bias. Since publication of EVL-2023-001 in December 2022, FHFA has taken the following actions to promote fair home valuations and valuation accuracy:

- Working with the Federal Housing Administration (FHA) and the Enterprises to develop and implement appraisal [Reconsideration of Value \(ROV\) standards](#);
- Releasing [loan-level appraisal data](#) for the Enterprises and, more recently, [incorporating FHA data](#) into FHFA's appraisal data releases;

- Hosting an [Appraisal Subcommittee \(ASC\) Hearing on Appraisal Bias](#), as well as participating in the series of hearings dedicated to the topic;
- As part of an interagency rulemaking team, issuing the [final automated valuation model \(AVM\) quality control rulemaking](#) to help ensure credibility and integrity of AVMs;
- Providing [public analysis](#) on the contribution of [time adjustments to appraisal disparities](#);
- [Expanding access to appraisal waivers](#); and,
- Codifying FHFA's fair lending supervision of the regulated entities, including collateral valuation, in the final [Regulation on Fair Lending Oversight and Equitable Housing Finance](#) (12 CFR Part 1293).

The report identified five recommendations to address OIG's findings: the first two are addressed to the Office of General Counsel (OGC) and the remaining three to the Division of Public Interest Examinations (DPIE). As outlined below, FHFA provides its corrective action(s) associated with each of the recommendations.

OIG recommends that FHFA's Office of General Counsel:

Recommendation 1: *Seek Freddie Mac legal counsel's formal position regarding the privacy issues the Enterprise raised with respect to personally identifiable information contained in appraisals that are submitted to state licensing authorities.*

Management Response 1: FHFA agrees with the recommendation. FHFA will request submission of Freddie Mac legal counsel's analysis and conclusions with respect to PII compliance as soon as practicable.

Recommendation 2: *Assess Freddie Mac legal counsel's formal position and issue guidance to both Enterprises to ensure a consistent approach.*

Management Response 2: FHFA agrees with the recommendation. FHFA will review Freddie Mac's submission and develop guidance for future referrals that will be communicated to both Enterprises by March 31, 2025.

OIG recommends that FHFA's Division of Public Interest Examinations:

Recommendation 3: *If FHFA's assessment in recommendation no. 2 warrants, ensure that Freddie Mac resubmits complaints from our sample to the relevant state authorities and include copies of the full appraisal report without duplicating complaints previously submitted by Fannie Mae.*

Management Response 3: In response to the recommendation, if FHFA's assessment in recommendation no. 2 warrants, FHFA will ensure that Freddie Mac resubmits complaints from

OIG's sample to the relevant state authorities and include copies of the full appraisal report without duplicating complaints previously submitted by Fannie Mae.

DPIE will provide direction to Freddie Mac within 30 calendar days of receiving FHFA OGC's assessment on the complaints to be resubmitted and require Freddie Mac to submit to FHFA copies of its resubmitted complaints no later than 60 calendar days following that direction. DPIE will confirm that Freddie Mac followed the instructions of state appraiser licensing authorities for each complaint and provide the complaints and documentation of its review to OIG within 30 calendar days of receiving Freddie Mac's resubmitted complaints.

Recommendation 4: *Ensure that Freddie Mac updates its existing complaint submission practices so that future complaints filed against appraisers follow the instructions of state appraiser licensing authorities for each complaint, consistent with FHFA's legal position and guidance to the Enterprises in conjunction with recommendation no. 2.*

Management Response 4: In response to the recommendation, consistent with FHFA OGC's legal position and guidance to the Enterprises in conjunction with recommendation no. 2, DPIE will ensure that Freddie Mac updates its existing complaint submission practices such that future complaints filed against appraisers follow the instructions of state appraiser licensing authorities for each complaint.

DPIE will provide direction to Freddie Mac within 30 calendar days of receiving FHFA OGC's assessment and require Freddie Mac to submit to FHFA its revised complaint submission practices no later than 60 calendar days following that direction. DPIE will confirm that Freddie Mac's complaint submission practices follow the instructions of state appraiser licensing authorities for each complaint. DPIE will provide the revised complaint submission practices and documentation of its review to OIG within 30 calendar days of receiving Freddie Mac's revised complaint submission practices.

Recommendation 5: *Establish examination performance and documentation standards for ongoing monitoring of remediation activities that:*

- a. are no less rigorous than the standards established for examiners by the Division of Enterprise Regulation and*
- b. require examiners to document the basis for determinations regarding completed corrective actions taken by the Enterprises to remediate time-sensitive examination findings.*

Management Response 5: In response to the recommendation, FHFA will establish examination performance and documentation standards for the Office of Consumer Protection's ongoing monitoring of remediation activities that are no less rigorous than the standards established for examiners by the Division of Enterprise Regulation and require examiners to document the basis for determinations regarding completed corrective actions taken by the Enterprises to remediate time-sensitive examination findings.

FHFA will issue an updated Operating Procedures Bulletin for Office of Consumer Protection examinations requiring a remediation deliverable analysis memorandum be opened and updated no less frequently than quarterly for each ongoing remediation matter. Office of Consumer Protection examination staff will document the basis for determinations regarding completed corrective actions taken by the Enterprises to remediate time-sensitive examination findings in this remediation deliverable analysis memorandum. The Operating Procedures Bulletin will be issued no later than March 31, 2025, and FHFA will provide documentation of its issuance to OIG no later than April 18, 2025.

We would like to acknowledge the dedication and professionalism by the OIG staff who conducted this evaluation. We find the report and its conclusions valuable as the Agency continues to enhance the appraisal bias complaints process.

cc: Clinton Jones
Edom Aweke
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Annalyce Shufelt
Tasha Cooper

Federal Housing Finance Agency Office of Inspector General

To report potential fraud, waste, abuse, mismanagement, or any other kind of criminal or noncriminal misconduct relative to FHFA's programs or operations:

- Call: 1-800-793-7724
- Fax: 202-318-0358
- Visit: www.fhfaoig.gov/ReportFraud
- Write: FHFA Office of Inspector General
Attn: Office of Investigations – Hotline
400 Seventh Street SW
Washington, DC 20219