Federal Housing Finance Agency Office of Inspector General

Semiannual Report to the Congress

April 1, 2017, through September 30, 2017

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Table of Contents

Our Vision

Our vision is to be an organization that promotes excellence and trust through exceptional service to the Federal Housing Finance Agency (FHFA or Agency), Congress, stakeholders, and the American people. The FHFA Office of Inspector General (OIG) achieves this vision by being a first-rate independent oversight organization in the federal government that acts as a catalyst for effective management, accountability, and positive change in FHFA and holds accountable those, whether inside or outside of the federal government, who waste, steal, or abuse funds in connection with the Agency, Fannie Mae and Freddie Mac (the Enterprises), or any of the Federal Home Loan Banks (FHLBanks).

Our Mission

OIG promotes economy, efficiency, and effectiveness and protects FHFA and the entities it regulates against fraud, waste, and abuse, contributing to the liquidity and stability of the nation's housing finance system. We accomplish this mission by providing independent, relevant, timely, and transparent oversight of the Agency in order to promote accountability, integrity, economy, and efficiency; advising the Director of the Agency and Congress; informing the public; and engaging in robust enforcement efforts to protect the interests of the American taxpayers.

Core Values

OIG's core values are integrity, respect, professionalism, and results. Accordingly, we endeavor to maintain the highest level of integrity, professionalism, accountability, and transparency in our work. We follow the facts—wherever they go, without fear or favor; report findings that are supported by sufficient evidence in accordance with professional standards; and recommend actions tied to our findings. Our work is independent, risk-based, relevant, and timely. We play a vital role in promoting the economy and efficiency in the management of the Agency and view our oversight role both prospectively (advising the Agency on internal controls and oversight, for example) and retrospectively (by assessing the Agency's oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks in its role as regulator, and its operation of Fannie Mae and Freddie Mac in its role as conservator).

Because FHFA has been placed in the extraordinary role of regulator and conservator of the two Enterprises, which support over $5 trillion in mortgage loans and guarantees, our oversight role reaches matters delegated by FHFA to the Enterprises to ensure that the Enterprises are satisfying their delegated responsibilities and that taxpayer monies are not wasted or misused.

We emphasize transparency in our oversight work to the fullest reasonable extent and in accordance with our statutory obligations to foster accountability in the use of taxpayer monies and program results. We seek to keep the Agency's Director, members of Congress, and the American taxpayers fully and currently informed of our oversight activities, including problems and deficiencies in the Agency's activities as regulator and conservator, and the need for corrective action.

Report fraud, waste, or abuse by visiting www.fhfaoig.gov/ReportFraud or calling (800) 793-7724.

Snapshot of OIG Accomplishments
SAR Reporting Period
April 1, 2017–September 30, 2017

REPORTS
REPORTS ISSUED THIS PERIOD: 18
Includes audits, evaluations, a compliance review, special project reports, a management alert, and white papers.
RECOMMENDATIONS MADE THIS PERIOD: 20

DOLLAR IMPACT	
Questioned Costs	$32 million
REPORT TOTAL: $32 MILLION	

INVESTIGATIVE ACTIVITIES AND ACCOMPLISHMENTS	
Indictments/Charges	52
Arrests	34
Convictions/Pleas	56
Sentencings	65
Suspension/Debarment Referrals To Other Agencies	34
Suspended Counterparty Referrals To FHFA	26

MONETARY RESULTS FROM OIG INVESTIGATIONS	
Criminal Restitution	$32,397,583
Criminal Fines/Special Assessments/ Forfeitures	$12,430,848
Civil Settlements	$5,000,000
TOTAL INVESTIGATIONS MONETARY RESULTS: $49,828,431	

INVESTIGATIONS TOTAL: $49,828,431
REPORT TOTAL: $32,000,000
TOTAL OIG MONETARY RESULTS: $81,828,431

Snapshot of OIG Accomplishments
Fiscal Year 2017
October 1, 2016–September 30, 2017

REPORTS

REPORTS FOR FY 2017: 32

Includes audits, evaluations, compliance reports, special project reports, management alerts, white papers, and a risk assessment.

RECOMMENDATIONS MADE FOR FY 2017: 35

DOLLAR IMPACT

Questioned Costs	$56.2 million

REPORT TOTAL: $56.2 MILLION

INVESTIGATIVE ACTIVITIES AND ACCOMPLISHMENTS

Indictments/Charges	123
Arrests	95
Convictions/Pleas	117
Sentencings	118
Suspension/Debarment Referrals To Other Agencies	106
Suspended Counterparty Referrals To FHFA	54

MONETARY RESULTS FROM OIG INVESTIGATIONS

Criminal Restitution	$47,706,123
Criminal Fines/Special Assessments/ Forfeitures	$25,516,265
Civil Settlements	$12,587,000,000

TOTAL INVESTIGATIONS MONETARY RESULTS: $12,660,222,388

INVESTIGATIONS TOTAL: $12,660,222,388

REPORT TOTAL: $56,200,000

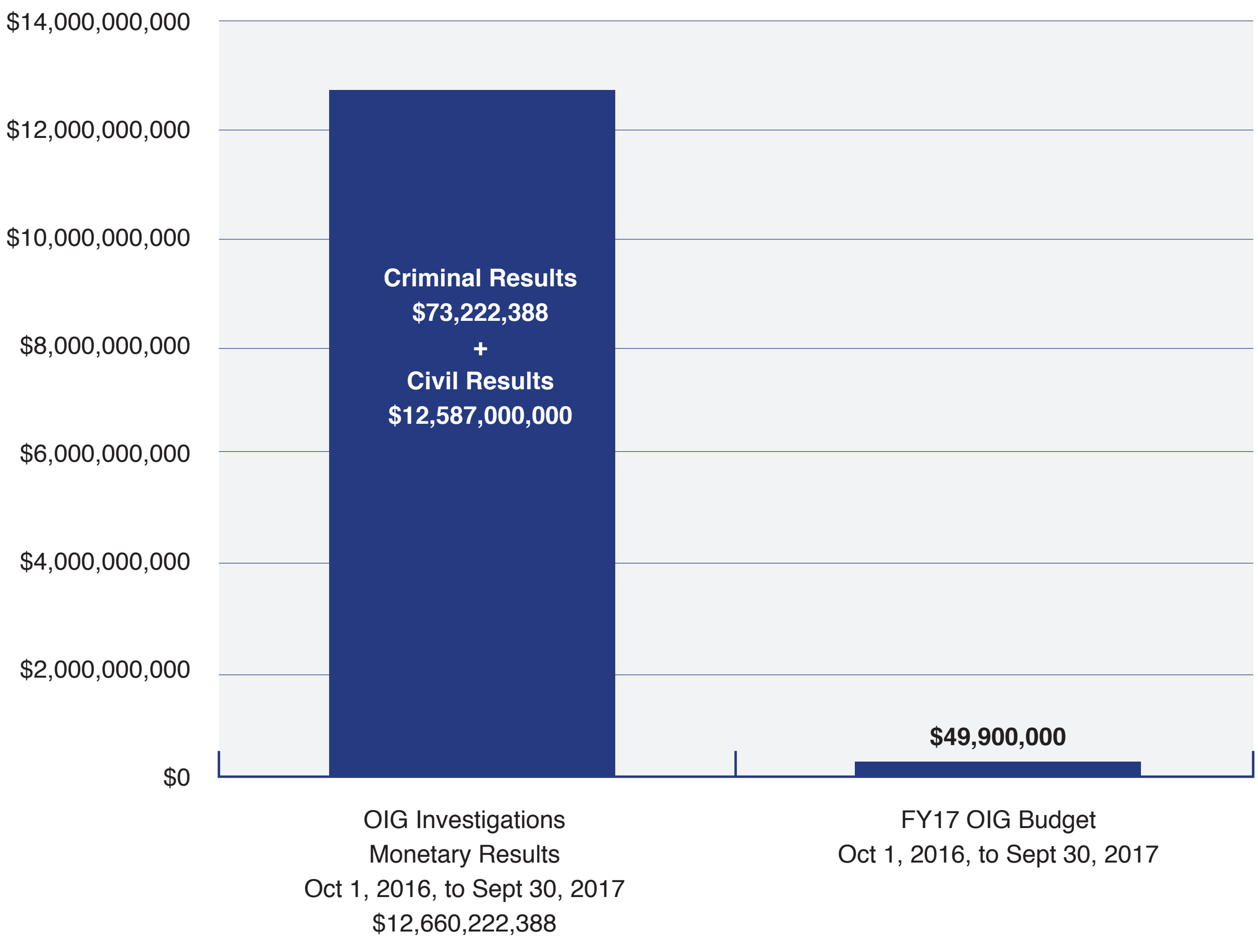
TOTAL OIG MONETARY RESULTS: $12,716,422,388

OIG Investigations Monetary Results

October 1, 2016–September 30, 2017

OIG's fiscal year 2017 (FY17) budget was $49.9 million, and was unchanged from FY 2016. During FY17, monetary results from OIG criminal and civil investigations are 253 times greater than OIG's budget, as demonstrated in Figure 1 (see below).

Figure 1. OIG Criminal and Civil Investigations Monetary Results October 1, 2016, Through September 30, 2017, vs. FY17 OIG Budget



A Message from the Inspector General

I am pleased to present this Semiannual Report, which covers the period from April 1, 2017, to September 30, 2017, on our efforts to promote the economy, efficiency, and effectiveness of FHFA and protect FHFA, and the entities that FHFA regulates against fraud, waste, and abuse, through independent, relevant, timely, and transparent oversight and robust law enforcement efforts.

Laura S. Wertheimer
Inspector General of the Federal Housing Finance Agency

Created by statute in July 2008, FHFA is charged with serving as regulator of the Enterprises and the FHLBanks. Additionally, in September 2008, FHFA placed the Enterprises in conservatorship and undertook the extraordinary dual role of supervisor and conservator. FHFA's conservatorships of the Enterprises, now in their tenth year, are of unprecedented scope, scale, and complexity. FHFA continues to serve in a unique role: it is both conservator and regulator of the Enterprises and regulator of the FHLBanks, and these dual roles present novel challenges.

Because of the unique, dual responsibilities undertaken by FHFA, we must structure our oversight program to examine FHFA's exercise of its responsibilities, which differ significantly from the typical federal financial regulator. OIG seeks to be a voice for, and protect the interests of, those who have funded Treasury's investment in the Enterprises—the American taxpayers.

To best leverage our resources to strengthen OIG's oversight, our work is risk-based and is focused on the four major management and performance challenges facing FHFA, the Enterprises in its conservatorship, and the entities it regulates, that we identified at the beginning of Fiscal Year (FY) 2017. (See OIG, Fiscal Year 2017 Management and Performance Challenges (October 6, 2016), online at www.fhfaoig.gov/Content/Files/FHFA%20management%20challenges%20FY2017.pdf.) During FY17, we published 32 reports, including audits, evaluations, compliance reviews, management alerts, special reports, and status reports, of which 18 were published during this semiannual period. All of these reports are available on our website, https://www.fhfaoig.gov, and on https://oversight.gov/, a publicly accessible, searchable website containing the latest public reports from federal Inspectors General who are members of the Council of the Inspectors General on Integrity and Efficiency.

Where our fact-finding has identified shortcomings, or processes that could be upgraded, our reports include actionable recommendations to assist FHFA in improving its effectiveness and efficiency. In this Semiannual Report, we continue our efforts to increase the transparency of our work for the public, Congress, and other stakeholders by summarizing all of our recommendations that were made, remain outstanding (and unimplemented), or were closed during the reporting period. See Appendix B. During each reporting period, we update information in Appendix B as new recommendations are issued or are closed, and we publish the updated information periodically in a Compendium of Open Recommendations on our website. (See OIG, Compendium of Open Recommendations (October 2017) online at www.fhfaoig.gov/reports/compendium_of_recommendations.)

Because we recognize that the best deterrent against mortgage and financial institutional fraud is a proactive and visible criminal law enforcement effort, our Office of Investigations conducts vigorous investigations into a wide variety of potential fraud schemes. Working closely with prosecutors, we follow the evidence wherever it leads to develop sufficient evidence to prove the elements of a crime and hold those persons accountable who seek to prey on innocent victims and defraud the regulated entities. When we do not find evidence sufficient to refer the matter to prosecutors to consider bringing criminal charges, we examine whether the evidence supports civil claims.

During this reporting period, OIG successfully conducted a number of investigations involving civil and criminal fraud, which resulted in significant criminal prosecutions and civil fraud enforcement, including:

- 52 indictments/charges;
- 56 convictions/pleas;
- 65 sentencings;
- More than $44 million in criminal restitutions, fines, special assessments, and forfeitures; and
- $5 million in civil settlements.

Through our written reports and our law enforcement efforts, both civilly and criminally, we hold institutions and their officials accountable for their actions or inactions. The work described in this Semiannual Report demonstrates the importance of effective, fair, and objective oversight conducted by OIG.

The accomplishments described in this Semiannual Report are a credit to the talented and dedicated professionals that I have the privilege to lead.

Laura S. Wertheimer
Inspector General
October 31, 2017

Executive Summary

Overview

The Federal Housing Finance Agency (FHFA or Agency) was created on July 30, 2008, when the President signed into law the **Housing and Economic Recovery Act of 2008 (HERA).*** HERA charged FHFA to serve as regulator of **Fannie Mae** and **Freddie Mac** (the Enterprises) and of the **Federal Home Loan Bank (FHLBank) System** (collectively, the **government-sponsored enterprises**, or the **GSEs**) and enhanced its resolution authority.

In September 2008, FHFA exercised its authority under HERA to place Fannie Mae and Freddie Mac into **conservatorship** in an effort to stabilize the residential mortgage finance market. Concurrently, the Department of the Treasury (Treasury) entered into a **Senior Preferred Stock Purchase Agreement (PSPA)** with each Enterprise to ensure that each maintained a positive net worth going forward. Under these PSPAs, U.S. taxpayers, through Treasury, have invested a total of $187.5 billion into the Enterprises since 2008. As conservator of the Enterprises, FHFA succeeded to all rights and powers of any stockholder, officer, or director of the Enterprises and is authorized under HERA to:

- Operate the Enterprises and
- Take such action as may be:
    - Necessary to put the Enterprises in a sound and solvent condition and
    - Appropriate to carry on the Enterprises' business and preserve and conserve the Enterprises' assets and property.

Initially, the conservatorships were intended to be a "time out" during a period of extreme stress to stabilize the mortgage markets and promote financial stability. Now in their tenth year, FHFA's conservatorships of the Enterprises are of unprecedented scope, scale, and complexity. Since September 2008, FHFA has served in the unique role of both conservator and regulator of the Enterprises and regulator of the FHLBank System. HERA also amended the **Inspector General Act of 1978** to establish an Office of Inspector General (OIG) within FHFA. OIG began operations on October 12, 2010, when its first Inspector General (IG) was sworn in. Because FHFA has acted as both regulator and conservator of the Enterprises since September 2008, OIG's responsibilities are correspondingly broader than those of an IG for any other prudential federal financial regulator because they include oversight of FHFA's actions as conservator to protect the U.S. taxpayers' investment of $187.5 billion in the Enterprises.

Our mission is to promote economy, efficiency, and effectiveness and protect FHFA and the entities it regulates against fraud, waste, and abuse, contributing to the liquidity and stability of the nation's housing finance system. We accomplish our mission by providing independent, relevant, timely, and transparent oversight to promote accountability, integrity, economy, and efficiency; advising the Director of the Agency and Congress; informing the public; and engaging in robust enforcement efforts to protect the interests of the American taxpayers.

OIG's operations are funded by annual assessments that FHFA levies on the Enterprises and the FHLBanks pursuant to 12 U.S.C. § 4516. For FY17, OIG's operating budget was $49.9 million.

This Report

This Semiannual Report to the Congress summarizes the work of OIG and discusses OIG operations for the reporting period of April 1, 2017, to September 30, 2017. Among other things, this report:

- Explains OIG's risk-based oversight strategy;
- Discusses the 18 audit, evaluation, and compliance reviews, management alerts, special reports, and white papers published during the period;
- Highlights some of the numerous OIG investigations that resulted in 52 indictments/charges, 56 convictions/pleas, and 65 sentencings of individuals responsible for fraud, waste, or abuse in connection with programs and operations of FHFA and the Enterprises; more than $44 million in criminal restitutions, fines, special assessments, and forfeitures; and $5 million in civil settlements;
- Summarizes OIG's outreach during the reporting period; and
- Reviews the status of OIG's audit, evaluation, and compliance recommendations.

*Terms and phrases in bold are defined in Appendix A, *Glossary and Acronyms.* If you are reading an electronic version of this Semiannual Report, then simply move your cursor to the term or phrase and click for the definition.

OIG's Oversight

OIG's Risk-Based Oversight Strategy

Currently, FHFA serves as supervisor of the Enterprises and the FHLBanks and as conservator of the Enterprises. FHFA's conservatorships of the Enterprises, now in their tenth year, are of unprecedented scope, scale, and complexity. FHFA serves in a unique role: it is both conservator and supervisor of the Enterprises and regulator of the FHLBanks, and these dual roles present novel challenges. Consequently, OIG must structure its oversight program to examine FHFA's exercise of its dual responsibilities, which differ significantly from the typical federal financial regulator. Beginning in Fall 2014, OIG determined to focus its resources on programs and operations that pose the greatest financial, governance, and/or reputational risk to the Agency, the Enterprises, and the FHLBanks in order to best leverage its resources to strengthen oversight. We established an integrated approach to identify these programs and operations of greatest risk and published our risk-based Audit and Evaluation Plan in February 2015, which has been updated annually.

Our current Audit and Evaluation Plan, adopted in March 2017, builds on the top management and performance challenges that faced FHFA in FY17. (Our current Audit and Evaluation Plan is available at www.fhfaoig.gov/Reports/AuditAndEvaluationPlan.) These challenges include:

- ***Conservatorship Operations.*** Since September 2008, FHFA has administered two conservatorships of unprecedented scope and undetermined duration. When then-Secretary of the Treasury Henry Paulson announced the conservatorships in September 2008, he explained that they were meant to be a "time out" during which the Enterprises would be stabilized, enabling the "new Congress and the next Administration [to] decide what role government in general, and these entities in particular, should play in the housing market." The current FHFA Director has echoed that view, recognizing that conservatorship "cannot [and] should not be a permanent state" for the Enterprises. However, putting the Enterprises into conservatorships has proven to be far easier than taking them out, and the "time out" period for the conservatorships is now in its tenth year.

Earlier in conservatorship, the Enterprises required $187.5 billion in financial investment from Treasury to avert their insolvency. Through September 2017, the Enterprises have paid to Treasury more than $275 billion in dividends on its investment. Despite their high leverage, lack of capital, conservatorship status, and uncertain future, the Enterprises have grown in size during conservatorship, and, according to FHFA, their combined market share of newly issued **mortgage-backed securities** (MBS) is more than 60%. The Enterprises' combined total assets are approximately $5.3 trillion and their combined debt exceeds $5 trillion. Although market conditions have improved and the Enterprises have returned to profitability, their ability to sustain profitability in the future cannot be assured for a number of reasons: the winding down of their investment portfolios and reduction in net interest income; the level of guarantee fees they will be able to charge and keep; the future performance of their business segments; the elimination by 2018 of a capital cushion to buffer against losses; and the significant uncertainties involving key market drivers such as mortgage rates, homes prices, and credit standards.

Under HERA, FHFA's actions as conservator are not subject to judicial review or intervention, nor are they subject to procedural safeguards that are ordinarily applicable to regulatory activities such as rulemaking. As conservator of the Enterprises, FHFA exercises control over trillions of dollars in assets and billions of dollars in revenue and makes business and policy decisions that influence and affect the entire mortgage finance industry.

- ***Supervision of the Regulated Entities.*** As discussed earlier, FHFA plays a unique role as both conservator and regulator for the Enterprises and as regulator for the FHLBank System. FHFA has repeatedly stated that effective supervision of the FHLBanks and the Enterprises is critical to ensuring their safety and soundness. Within FHFA, the Division of Federal Home Loan Bank Regulation (DBR) is responsible for supervision of the FHLBanks. Section 20 of the Federal Home Loan Bank Act requires each FHLBank to be examined at least annually. FHFA's Division of Enterprise Regulation (DER) is responsible for supervision of the Enterprises. Section 1317 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, requires FHFA to conduct annual on-site examinations of each Enterprise (codified at 12 U.S.C. § 4517). FHFA's annual examination program assesses Fannie Mae's and Freddie Mac's financial safety and soundness and overall risk management practices through ongoing monitoring, targeted examinations, and risk assessments.

- ***Information Technology Security.*** Systems security continues to be a preeminent issue for businesses and individuals alike. The regulated entities, like most modern institutions, rely on numerous, complex information technology (IT) systems to conduct almost every aspect of their work. These systems manage processes to **guarantee** and purchase loans, supporting more than $5 trillion in Fannie Mae and Freddie Mac mortgage assets. Both Enterprises and the FHLBanks have been the subject of cyberattacks, though none caused significant harm. All entities regulated by FHFA acknowledge that the substantial precautions put into place to protect their information systems might be vulnerable, and penetration of their systems poses a material risk to their business operations. Further, the Enterprises are increasingly relying on third-party service providers, which requires the sharing of sensitive information between Enterprise and third-party systems.

- ***Counterparties and Third Parties.*** The Enterprises rely heavily on counterparties and third parties for a wide array of professional services, including mortgage origination and servicing. That reliance exposes the Enterprises to counterparty risk—the risk that the counterparty will not meet its contractual obligations. FHFA has delegated to the Enterprises the management of their relationships with counterparties, and FHFA reviews that management largely through its supervisory activities. As participants in the mortgage market change, counterparties can affect the risks to be managed by Fannie Mae and Freddie Mac. In recent years, the Enterprises' businesses have changed dramatically in terms of the types of institutions originating and selling mortgages to them and servicing mortgages on their behalf.

OIG continued to focus much of its oversight during this reporting period on identifying vulnerabilities in these areas, recommending positive, meaningful actions that the Agency could take to mitigate these risks, and fulfilling its statutory mandates.

OIG Oversight Initiatives

In addition to adopting a risk-based strategy for OIG oversight, during the tenure of Inspector General Wertheimer, OIG has developed and implemented new initiatives and enhanced existing processes to strengthen its oversight and provide FHFA with critical information necessary to improve its programs and operations. In our last semiannual report, we provided highlights of those oversight initiatives, which we briefly summarize here.

Management Alerts

OIG issues management alerts to make FHFA aware of a significant matter requiring its immediate attention. During Inspector General Wertheimer's tenure, OIG has issued five alerts. In this reporting period, one alert was issued relating to the lack of clarity in the responsibilities reserved to the Nominating and Governance Committee of the Freddie Mac Board of Directors to address and resolve potential conflicts of interest involving Freddie Mac executive officers.

Special Reports and Status Reports

As we have explained, the unique dual responsibilities undertaken by FHFA as conservator and supervisor require OIG to structure its oversight program to examine FHFA's exercise of its dual responsibilities. OIG issues special reports and status reports to inform FHFA senior management, the public, Congress, and other stakeholders of significant developments involving ongoing FHFA projects and initiatives previously assessed by OIG. During this reporting period, OIG issued three special reports: FHFA's oversight from July 2016 to August 2017 of Fannie Mae's delegated responsibilities to build-out its newly leased space in Washington, D.C.; FHFA's administration of its Suspended Counterparty Program; and FHFA's award of housing examiner commissions to examiners commissioned by other regulators.

Office of Compliance and Special Projects

In December 2014, OIG created an Office of Compliance and Special Projects (OCom) to strengthen OIG's efforts to determine whether FHFA has fully implemented OIG recommendations and to undertake other special projects. Verification testing conducted by this office of FHFA's actual implementation efforts holds FHFA accountable for the corrective actions it has agreed to undertake. OCom issues compliance review reports based on its efforts to verify that FHFA has implemented the corrective actions it has agreed to undertake. In addition to holding FHFA accountable for implementing such corrective actions, OCom reports on whether FHFA's implementation efforts have corrected the shortcomings identified by OIG in its initial report. OCom's compliance reviews strengthen OIG's efforts to stimulate positive change in critical areas and promote the economy, efficiency, and effectiveness of FHFA.

OCom issued one compliance review during this reporting period in which we found that several key elements of the procedures adopted by FHFA, which were intended to provide it with a consistent approach for analyzing, deciding on, and monitoring the administrative operating budgets proposed by each Enterprise, either were not implemented or were implemented but feedback was not provided by stakeholders to inform FHFA's review and analysis.

OCom also conducts reviews and administrative investigations of hotline complaints alleging non-criminal misconduct and undertakes special projects. For example, OCom led a review into the merits of a hotline complaint alleging improprieties by an FHLBank.

Office of Risk Analysis

Central to OIG's ability to vigorously oversee the Agency's programs and operations is our ability to identify and assess emerging risks and revise our work plan to accommodate them. To assist in executing this portion of OIG's mission, the Office of Risk Analysis (ORA) was established. ORA is tasked with identifying, analyzing, monitoring, and prioritizing emerging and ongoing risks and with educating stakeholders on those issues. During this reporting period, ORA issued one white paper discussing Enterprise participation in purchasing multifamily mortgages. While the Enterprises are closely associated with purchases of single family mortgages, they have also played a substantial role in purchases of multifamily mortgages and their multifamily lending businesses are fundamentally different from their single-family business lines. In light of heightened public interest in the future structure of the housing finance system, OIG prepared this white paper to explain the Enterprises' role in the multifamily market, a critical aspect of the housing finance system. (See OIG, *Fannie Mae and Freddie Mac in the Multifamily Market* (WPR-2017-002, September 7, 2017), online at www.fhfaoig.gov/Reports/Whitepapers.)

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

OIG fulfills its mission through audits, evaluations, compliance and special projects, management alerts, and through investigations. In this section, OIG discusses its oversight activities through three of its operational offices: the Office of Audits, the Office of Evaluations, and the Office of Compliance and Special Projects. During this reporting period, OIG published 17 reports from these offices. All but one of these reports (which is a statutorily required audit on improper payments) tie to the four major management and performance challenges we identified to FHFA at the beginning of FY17.

Office of Audits

The Office of Audits (OA) conducts independent performance audits with respect to the Agency's programs and operations. OA also undertakes projects to address statutory requirements and stakeholder requests. As required by the Inspector General Act, OA performs its audits in accordance with the audit standards promulgated by the Comptroller General of the United States, which are known as generally accepted government auditing standards or GAGAS.

Office of Evaluations

The Office of Evaluations (OE) conducts program and management assessments and makes recommendations for improvement where applicable. OE provides independent and objective reviews, studies, and analyses of FHFA's programs and operations. Under the **Inspector General Reform Act of 2008,** IGs are required to adhere to the specific professional standards designated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). OE performs its evaluations in accordance with the standards CIGIE established for inspections and evaluations, which are known as the *Quality Standards for Inspection and Evaluation* (Blue Book).

Office of Compliance and Special Projects

The Office of Compliance and Special Projects (OCom) addresses the reputational risk arising from the practical necessity of closing OIG recommendations based largely upon representations from the Agency. Pursuant to the Inspector General Act, IGs recommend remedial actions to correct shortcomings identified through reviews of agency programs and operations. When an agency accepts an IG recommendation and takes steps to implement the corrective action, the agency reports on its efforts to the IG and the IG typically relies on materials and representations from the agency to close the recommendation.

OCom is charged with several critical responsibilities. First, it consults with each division in the development of recommendations to ensure that such recommendations, if accepted and implemented, will be susceptible to follow-up verification testing. Second, it tracks, in real time, the status of all OIG recommendations, from issuance to closure to subsequent follow-up and testing. Third, it consults with each division prior to closure of a recommendation to facilitate application of a single standard across the office for closing recommendations. Last, it conducts testing on closed recommendations to independently verify whether FHFA has implemented in full the corrective actions it represented to OIG that it intended to take. The results of OCom's testing are published in compliance reviews.

OCom also undertakes special projects, which include reviews and administrative investigations of hotline complaints alleging non-criminal misconduct and assessments of significant ongoing issues that, in OIG's view, require prompt attention from FHFA leadership. OCom performs its compliance reviews and special projects in accordance with the Blue Book.

Oversight Activities This Period by Risk Area

Our Audit and Evaluation Plan identifies the four risk areas on which our audit, evaluation, and compliance projects have been focused. We now discuss our oversight activities during the reporting period, executed by OA, OE, and OCom, by risk area.

Conservatorship Operations

Non-Delegated Matter: FHFA Review of the Enterprises' Annual Budgets

In November 2012, FHFA, acting as conservator for the Enterprises, rescinded the Enterprises' authority to approve their annual budgets and required Agency review and approval. FHFA's stated purpose for that action was "to ensure that Enterprise budgets [are] properly aligned with both FHFA's strategic direction and its safety and soundness priorities." FHFA has reviewed and approved the Enterprises' annual operating budgets for fiscal years subsequent to 2012. In September 2015, we issued an evaluation report that assessed whether FHFA's budget approval process, as implemented, had been effective in ensuring that Enterprise budgets aligned with FHFA's strategic initiatives and safety and soundness priorities. We found that shortcomings in this process had not permitted FHFA to achieve the stated purpose for its required approval and made specific recommendations to address these shortcomings. In May 2016, in response to our recommendations, FHFA issued its *Enterprise Administrative Budget Oversight Procedures,* a set of procedures to enhance its budget review and approval process and to address the shortcomings we identified.

We conducted a compliance review to assess whether FHFA followed the written procedures it had adopted to analyze the Enterprises' proposed operating budgets for 2017, the first budget cycle governed by those procedures. We found that FHFA required the Enterprises to submit draft operating budgets for 2017 during the fourth quarter of 2016 and that FHFA completed its review and approval of the final proposed budgets prior to December 31, 2016. As a result, Enterprise spending for 2017, both in amount and direction, was reviewed and approved by the FHFA Director prior to the start of 2017.

We also found that several key elements in FHFA's revised budget review process either were not implemented or were implemented but feedback was not provided by stakeholders to the Division of Conservatorship (DOC) to inform its review and analysis.

Because 2016 was the first year in which the revised budget process was used, we suggested that DOC leadership more closely oversee the process in 2017 to ensure that all of its elements are implemented. (See OIG, *Compliance Review of FHFA's Process for Reviewing the Enterprises' Annual Operating Budgets* (COM-2017-006, September 19, 2017), online at www.fhfaoig.gov/Reports/Compliance_Reviews).

Non-delegated Matter: Existing Statutory Capital Requirements for the Enterprises

The purpose of capital is to provide a financial cushion to absorb unexpected losses and to support a business' operations. Consistent with this concept, FHFA has recognized that in the case of the Enterprises, capital provides a measure of assurance that the Enterprises will continue to operate, honor their obligations, and fulfill their statutory mission, without the need for a draw from the Treasury. The Safety and Soundness Act of 1992 established the "minimum capital" required of the Enterprises. In July 2008, HERA, which amended the Safety and Soundness Act, maintained the existing minimum capital requirements in the Safety and Soundness Act, and authorized the Enterprises' newly created regulator, FHFA, to "establish, by regulation, new permanent minimum capital requirements that are higher than the requirements under existing statutory authority."

We published this white paper to explain the current statutory and regulatory capital requirements for the Enterprises, which have been in place since 1992, as well as explain the Enterprises' reported capital shortfalls. (See OIG, *Existing Statutory Capital Requirements for Fannie Mae and Freddie Mac* (WPR-2017-001, August 17, 2017), online at www.fhfaoig.gov/Reports/Whitepapers).

Delegated Matter: Special Report: Update on FHFA's Oversight of Fannie Mae's Build-Out of its Newly Leased Class A Office Space in Midtown Center

In September 2017, we issued a Special Report updating the status of Fannie Mae's build-out of its headquarters in Washington, D.C. In June 2016, we had issued a Management Alert regarding FHFA's oversight of Fannie Mae's plans to build-out its newly leased Class A office space and attendant costs. At that time, we learned that the project's build-out costs had risen dramatically during the 14 months since the Agency approved the project, the plans for it included high-end features, and the FHFA official responsible for overseeing the build-out was unaware of the escalating costs. We found that the projected cost of the build-out presented significant financial and reputational risks that warranted "immediate, sustained, and comprehensive oversight" from FHFA, Fannie Mae's conservator.

In our Management Alert, we found that such oversight by Fannie Mae's conservator required it to determine whether the efficiencies of the upgrades specified by Fannie Mae justified their estimated costs and whether such upgrades were cost-effective or appropriate for an entity in a federal conservatorship with an uncertain future to install in leased commercial space. In our view, that standard was consistent with FHFA's statutory duties, as conservator, to "preserve and conserve the assets and property" of Fannie Mae. The Agency did not challenge, or object to, our finding that it should review the efficiencies of specific upgrades against their costs and determine whether they were "appropriate for an entity in conservatorship." We recommended that the Agency ensure that it had adequate staff, contractors, or both to oversee the build-out and budgets, and that it receive regular updates from Fannie Mae. The Agency accepted our recommendations and committed to "implement them to the extent that [it was] not already doing so."

We conducted this subsequent review to assess FHFA's oversight of Fannie Mae's build-out of the new headquarters over the past year. We found that FHFA established a four-member committee under the leadership of the Acting Deputy Director for DOC and retained an expert to conduct a value engineering and benchmarking study. FHFA did not provide its expert with a standard with which to conduct the study that reflected Fannie Mae's status as an entity in federal conservatorship with an unknown future. Instead, it directed its expert, in its Statement of Work, to compare the project design activities and costs to industry and government benchmarks and propose multiple benchmarks for FHFA to select from. FHFA's expert proposed this standard: whether the upgrades specified by Fannie Mae were reasonable when compared against the upgrades selected by major financial institutions and large public sector agencies, including FHFA, for their space. The Committee endorsed and FHFA approved the expert's proposed standard.

In our view, that standard relied on by FHFA and its expert—whether the upgrades selected were reasonable when compared to the upgrades in the headquarters of major financial institutions—is inconsistent with FHFA's statutory duties, as conservator, to "preserve and conserve the assets and property" of Fannie Mae. Because FHFA has not determined, as conservator, whether any, or all, of the individual upgrades "over and above" Class A space are appropriate expenditures for an entity in conservatorship with an uncertain future to install in leased commercial space, we questioned the basis for all upgrades above $175 per rentable square foot, totaling $32 million. (See OIG, *Special Report: Update on FHFA's Oversight of Fannie Mae's Build-Out of its Newly Leased Class A Office Space in Midtown Center* (COM-2017-007, September 28, 2017), online at www.fhfaoig.gov/Reports/StatusReports.)

Delegated Matter: FHFA Oversight of Freddie Mac Board of Directors' Execution of Ethics Governance Responsibilities

During the previous semiannual period, OIG completed an administrative investigation of a conflict of interest issue involving an entity within our oversight authority. Based on the findings from that investigation, we commenced an evaluation to assess FHFA's oversight, as conservator, over the Freddie Mac Board of Directors regarding the execution of its responsibilities relating to potential conflicts of interest disclosed by executive officers.

During the course of our fieldwork, we learned that the Freddie Mac Board of Directors added a provision to the charter of its Nominating and Governance Committee (NGC) in June 2016, charging the NGC with the responsibility to "review and address any conflicts of interest involving directors or executive officers." The revised NGC Charter contains no delegation of these responsibilities and does not authorize the NGC to task any Freddie Mac employee with executing these responsibilities. We confirmed that Freddie Mac had not revised its conflict of interest-related policies, as of mid-June

2017, to recognize the NGC's authority and responsibility to "review and address" conflicts of interest. Under FHFA's corporate governance regulations, each Enterprise Board of Directors retains ultimate responsibility for oversight of the Enterprise's operations, a responsibility that cannot be delegated to management. FHFA further expects that each Enterprise Board of Directors "shall remain reasonably informed of the condition, activities, and operations of the entity."

We found that Freddie Mac had not revised its policies and procedures that address resolution of conflicts of interest involving executive officers to align with the NGC's duties set forth in its charter. We also found that Freddie Mac lacked a formal structure to escalate potential conflicts of interest involving executive officers to the NGC for it to "review and address" or for routine reporting to the NGC on executive officers' existing conflicts and their mitigation. As a result, we concluded that there was a significant risk that the NGC will not be able to meet its obligations under its charter and that risk warranted oversight from FHFA, the conservator of Freddie Mac.

We recommended that FHFA, as conservator, direct the Board to clarify the scope of the NGC's responsibilities under its charter that relate to conflicts of interest involving executive officers and direct Freddie Mac to revise its policies and procedures to align with and facilitate the execution of the responsibilities assigned to the NGC. FHFA agreed with both recommendations. It also agreed that the language of the NGC charter and Freddie Mac's codes and policies should be clarified and that appropriate procedures for routine reporting of conflict of interest matters for executive officers to the NGC should be adopted. FHFA expects to issue a directive to Freddie Mac no later than February 25, 2018. (See OIG, *Management Alert: Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors* (OIG-2017-005, September 27, 2017), online at www.fhfaoig.gov/Reports/ManagementAlerts.)

Delegated Matter: NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements

The Enterprises provide liquidity to the housing finance system by purchasing residential mortgages. Historically, the Enterprises have either packaged these mortgages into mortgage-backed securities that were, in turn, sold to investors, or held them in a retained portfolio. Also in the retained portfolios are non-performing loans (NPL) that the Enterprises purchase out of mortgage-backed securities to make investors whole and facilitate loss mitigation.

After the Enterprises were placed into conservatorship in 2008, the Department of the Treasury provided financial support to the Enterprises pursuant to Preferred Stock Purchase Agreements (PSPAs), which have been amended several times. The PSPAs, as amended in 2012, require, among other things, the Enterprises to reduce their retained portfolio to no more than $250 billion for each Enterprise by December 31, 2018.

In 2015, FHFA granted approval to the Enterprises to sell NPLs, pursuant to sales requirements that included bidder qualifications, bidding transparency, loan modification protocols, loss mitigation protocols, handling sales of foreclosed properties, handling loans by subsequent **servicers**, and post-sale reporting from the buyer of the loans regarding borrower and neighborhood outcomes. According to

FHFA, NPL sales by the Enterprises act to reduce the number of delinquent loans held in their retained portfolios and transfer credit risk to the private sector.

We performed this audit to determine (1) what analyses FHFA performed prior to its decision to approve NPL sales and (2) FHFA's controls over NPL sales to ensure that the Enterprises met FHFA's established requirements. We found that FHFA followed prescribed protocols and processes in authorizing the Enterprises to sell NPLs. Once FHFA authorized NPL sales, it expected the Enterprises to establish controls to ensure compliance with FHFA's NPL sales requirements. FHFA oversees NPL sales by the Enterprises by reviewing aggregated data provided by the Enterprises.

We found that the templates used by the Enterprises did not contain some data fields that would be necessary for the Enterprises to determine buyer/servicer compliance with FHFA's sales requirements. We also determined that inquiries made during our fieldwork caused one Enterprise to identify possible violations of the no "walkaways" sales requirement.

FHFA agreed with our three recommendations to enhance its ability to monitor Enterprise sales of NPLs. (See OIG, *NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements* (AUD-2017-006, July 24, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Supervision of the Regulated Entities

Supervision of the Enterprises: Gap in DER's Quality Control Review Program

Each year, DER supervises the Enterprises through targeted examinations and ongoing monitoring activities. At the conclusion of each annual supervisory cycle, FHFA prepares and transmits a report of examination (ROE) to the board of directors for each Enterprise. The annual ROE constitutes DER's "primary work product that communicates . . . the cumulative results of [DER's] supervisory activities conducted during the annual examination cycle." Each ROE also contains numerical ratings that FHFA assigns for seven component areas, a rating system known as **CAMELSO**. In addition, FHFA assigns a composite rating for each Enterprise's overall safety, soundness, and risk management practices.

In this evaluation, we reviewed DER's processes for assigning CAMELSO ratings to the Enterprises and documenting the bases for those ratings. We found that DER examination managers prepare a draft ROE narrative that contains a proposed rating for each CAMELSO component within their purview. The examination managers then submit their draft narratives to the examiner-in-charge (EIC), who edits the narratives and compiles them into a draft ROE for the Deputy Director's approval.

During our fieldwork, we learned that DER's independent quality control review program, which was intended to confirm that examination findings and conclusions are adequately supported before DER communicates them to the Enterprises, did not meet the requirements established by FHFA in a 2013 supervision directive. Instead of performing a quality control review of the ROEs or the CAMELSO ratings before either was transmitted to an Enterprise, as required by the 2013 directive, DER performed quality control reviews of certain examination findings and conclusions. According to a DER official, these quality control reviews made it unnecessary to perform quality control reviews of the ROEs and the CAMELSO ratings because the information on which they were based had already been subjected to quality control review. We found, however, that DER did not perform quality control reviews for ongoing monitoring activities that did not result in findings communicated to the Enterprises in writing.

We determined that the ROEs issued to the Enterprises for the 2015 supervisory cycle contained conclusions derived from ongoing monitoring activities that had not been subject to a quality control review, which increased the risk that an ROE may inaccurately report that an Enterprise is meeting supervisory expectations or making progress in addressing weaknesses.

DER agreed with our recommendation to enhance its quality control review program to reach all conclusions from ongoing monitoring activities and represented that it would amend its quality control review guidance by August 1, 2018. (See OIG, *The Gap in FHFA's Quality Control Review Program Increases the Risk of Inaccurate Conclusions in its Reports of Examination of Fannie Mae and Freddie Mac* (EVL-2017-006, August 17, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Supervision of the Enterprises: DER's Closure of Four Matters Requiring Attention

During this semiannual report period, we closed a review of DER's supervision of an Enterprise's remediation of four Matters Requiring Attention (MRAs). Under FHFA's Advisory Bulletin 2012-01, *Categories of Examination Findings*, which was in effect at the time that DER issued the four MRAs, "MRAs are the most serious supervisory matters" and "require prompt remediation by the regulated entity and timely follow-up by FHFA." OIG initiated the review in July 2015 after reviewing DER records indicating the four MRAs continued to be "open" more than three and a half years after their issuance.

DER issued the four MRAs in December 2011. In June and December 2012, the Enterprise submitted closure packages to DER and asserted that management had fully addressed the MRAs. DER examiners concluded in March 2013 that the Enterprise had remediated the MRAs. In June 2013, the then-DER EIC sent the Enterprise a non-objection letter, informing the Enterprise that DER had no objections to the MRA closure packages; however, the EIC did not close the MRAs at that time.

DER changed its practice for assessing remediation and closing MRAs. In April 2013, a month after examiners concluded that the MRAs had been sufficiently remediated, DER issued an operating procedures bulletin that called for an Enterprise's internal audit function to validate that management's MRA remediation was complete and consistent with the remediation plan. Under the new operating procedure, DER examiners would assess the Enterprise's remediation activities through ongoing monitoring, including reviewing Internal Audit's validation work.

According to DER documents, the Enterprise's Internal Audit completed validation of the four MRAs by January 2015. In December 2015, a DER examiner determined that the Enterprise had completed the actions required to address the MRAs. DER issued a "remediation letter" to the Enterprise on January 29, 2016, informing the Enterprise that FHFA considers the MRAs to be satisfactorily addressed, and DER closed the MRAs. Given DER's conclusion that the MRAs were satisfactorily remediated and are now closed, we determined that an evaluation of DER's supervision of the Enterprise's remediation of these MRAs was not warranted and closed this review. (See OIG, *Closure of OIG Review of FHFA's Supervision of an Enterprise's Remediation of Matters Requiring Attention* (ESR-2017-005; June 12, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Supervision of the Regulated Entities: FHFA's Compliance with its Documentary Standards for Issuing Housing Finance Examiner Commissions

In 2011, FHFA officials reported to us that the efficiency and effectiveness of the Agency's examination program were impeded by an insufficient number of commissioned examiners. According to FHFA, commissioned examiners have the skills and technical knowledge necessary to lead the examination of a major risk area at the entities it supervises. In June 2013, FHFA established its Housing Finance Examiner Program (HFE Program) to enhance the efficiency and effectiveness of its examination program for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. According to FHFA, commissioned examiners have the skills and technical knowledge necessary to lead an examination of a major risk area that it supervises. Under the HFE Program, an examiner may receive an HFE commission in one of two ways. One way is to provide FHFA with specific documentation that another financial regulator has awarded a safety and soundness commission previously. Between June 2013 and February 2017, FHFA made eligibility determinations for 70 employees who claimed to have earned commissions from other financial regulators: it deemed 69 of the 70 to be eligible for commissions.

We undertook this review to verify whether FHFA satisfied its own standards when it made eligibility determinations for these 70 HFE commission applicants. We found that FHFA met its standards for 68 of its 70 determinations (97%). Our review identified no systemic weakness in FHFA's efforts to determine eligibility for HFE commissions. (See OIG, *FHFA's Compliance with its Documentary Standards for Issuing Housing Finance Examiner Commissions* (COM-2017-004, July 25, 2017), online at www.fhfaoig.gov/Reports/StatusReports.)

Supervision of the FHLBanks: FHFA's Examination Program for the FHLBanks' Internal Audit Functions Was Adequately Designed and Executed

In this audit, we assessed whether FHFA's DBR examination program for internal audit functions within the FHLBank System was adequately designed, if examination activities were executed and documented, and if supervisory determinations were supported. For this audit, we reviewed DBR's examinations of the internal audit functions of the 11 FHLBanks and the Office of Finance for two examination cycles. In total, we reviewed 22 DBR examinations of internal audit functions of the FHLBanks and the Office of Finance.

We found that DBR's examination program for internal audit functions within the FHLBank System was adequately designed and executed in a manner that provided adequate examination coverage during the review period. With two exceptions, we found that examination documentation supported DBR's supervisory determinations with regard to FHLBanks' internal audit functions during the review period. We determined the two exceptions were non-systemic; accordingly, we made no recommendations. (See OIG, *FHFA's Examination Program for the FHLBanks' Internal Audit Functions Was Adequately Designed and Executed* (AUD-2017-003, May 5, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Information Technology Security

DER Failed to Complete Many Planned Supervisory Activities for the 2016 Examination Cycle Related to Cybersecurity Risks at the Enterprises

The Enterprises store, process, and transmit significant amounts of financial data and personally identifiable information (PII) in connection with their mission to support the secondary mortgage market. FHFA recognizes that cybersecurity is a significant risk for both Enterprises in light of the frequency and sophistication of attacks on information technology systems of financial institutions. In its 2015 Performance and Accountability Report (PAR), the Agency represented that: "A key objective of FHFA's supervisory work will continue to be the effective oversight of how each Enterprise manages cyber risks and addresses vulnerabilities."

During this semiannual reporting period, we completed separate audits addressing aspects of DER's supervision of cybersecurity risks for Fannie Mae and Freddie Mac during the 2016 examination cycle. The audits had two objectives. First, we sought to determine whether the supervisory activities planned by DER relating to each Enterprise's cybersecurity risks for the 2016 examination cycle addressed the cybersecurity risks highlighted in its risk assessments and supervisory strategies for the Enterprises, applying the standard adopted by FHFA. Second, we sought to determine whether cybersecurity-related planned supervisory activities for the 2016 examination cycle were completed during that cycle in light of FHFA's representations in its 2015 PAR that "a key objective of FHFA's supervisory work" during 2016 would be oversight of how the Enterprises managed their cyber risk and addressed vulnerabilities.

For Fannie Mae, we found that DER did not establish a link in its supervisory planning documents to the risks it identified in its Operational Risk Assessment for the 2016 examination cycle. We were not able to confirm whether all the risks identified in that Operational Risk Assessment could be tracked to planned cybersecurity supervisory activities. We also could not determine whether the planned supervisory activities addressed the risks DER considered the most critical for the Enterprise because DER did not identify which risks were the most critical in either the Operational Risk Assessment or the Supervisory Strategy.

We found that DER did not complete any of its supervisory activities relating to Fannie Mae's current cybersecurity risks planned for the 2016 examination cycle during that cycle. As revised at mid-year, those planned activities included one targeted examination and three ongoing monitoring activities. We determined that DER completed its ongoing monitoring of Fannie Mae's remediation of three cybersecurity-related MRAs issued in prior years. We could not reconcile FHFA's representations that cybersecurity supervisory activities would be a key objective of FHFA's supervisory work during the 2016 supervisory cycle with DER's inability to complete any of four planned supervisory activities relating to Fannie Mae's cybersecurity risks during the 2016 examination cycle.

As part of this audit, we reviewed an August 2016 memorandum by DER staff to explain the reasons for the mid-year revisions to the 2016 supervisory plan which reported: "a number of staffing and structural changes in 2016...directly impacted execution of the 2016 examination plan." That memorandum stated that all ongoing monitoring activities and targeted examinations for 2016 were "descoped due to the limited time available due to the focus on MRA closure."

A reasonable inference from this memorandum is that DER staff held the view that DER lacked a sufficient complement of examiners to adequately perform its supervisory responsibilities.

We raised the same concern in an audit issued on September 30, 2016, in which we found that DER failed to conduct and complete more than half of its planned targeted examinations of Fannie Mae for the 2012 to 2015 examination cycles and completed no targeted examinations planned for the 2015 examination cycle before the 2015 ROE issued. We reported that the reason repeatedly provided by DER examiners and the then-current EIC for this failure was resource constraints, notwithstanding the consistent position of DER leadership and FHFA senior leadership that DER had an adequate complement of examiners to meet its supervisory responsibilities. Our findings in this 2017 audit—that DER completed none of its planned supervisory activities for the 2016 examination cycle relating to Fannie Mae's management of its cybersecurity risks—caused us to renew the caution we issued previously:

> For a federal financial regulator, responsible for supervising two Enterprises that together own or guarantee more than $5 trillion in mortgage assets and operate in conservatorship, to fail to complete a substantial number of planned targeted examinations, including failure to complete any of its 2015 planned targeted examinations for Fannie Mae within the 2015 supervisory cycle, is an unsound supervisory practice and strategy.

We also found that DER's failure to complete any of its planned supervisory activities during 2016 relating to Fannie Mae's management of cybersecurity risk (other than closing MRAs issued in prior years) meant that it had no findings to report in the section of the 2016 ROE titled "Information Security and Cyber-Security." Lacking supervisory information relating to the management of information security risks to report in the ROE, DER summarized the conclusions reached by Fannie Mae's Internal Audit function and by a contractor retained by Fannie Mae to perform a cyber risk assessment. We warned that there is a significant risk that DER's inability to complete any of its planned supervisory activities relating to Fannie Mae's management of its cybersecurity risks and reliance on conclusions reached by Fannie Mae's Internal Audit and its contractor deprived Fannie Mae's Board of Directors with information necessary to execute the cyber risk management responsibilities delegated to it by FHFA. (See OIG, *FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle* (AUD-2017-010, September 27, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

For Freddie Mac, we found that DER did not establish a link between the objectives of the planned supervisory activities and the cybersecurity risks. However, we were able to link the cybersecurity risks identified in the Operational Risk Assessment to the objectives for three of the five non-MRA planned cybersecurity supervisory activities for this cycle. We were not able to link the stated objectives for two of the five planned supervisory activities to cybersecurity risks identified in DER's Operational Risk Assessment. For the 2016 examination cycle, DER planned two targeted examinations at Freddie Mac, three ongoing monitoring activities relating to cybersecurity risks at Freddie Mac, and one other ongoing monitoring activity regarding Freddie Mac's effort to remediate an MRA issued by DER in a prior year. We found that DER did not complete one of its planned targeted examinations until after the 2016 ROE issued on March 10, 2017, and deferred the other. We also found that DER completed the three planned ongoing monitoring activities relating to cybersecurity risks at Freddie Mac as well as the planned MRA remediation ongoing monitoring activity. (See OIG, *FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle* (AUD-2017-011, September 27, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

We made specific recommendations to address the shortcomings identified in our audits. In its written management responses, FHFA agreed that cybersecurity is a significant area for risk management by the Enterprises and is a critical component of FHFA's supervision of the Enterprises. FHFA represented that it was working to improve its supervision protocols and processes to more effectively identify cybersecurity risks and address them in DER's examination activities and identified a number of planned corrective actions.

Statutory Audit: Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program

42 U.S.C. § 2000ee-2 requires FHFA to establish and implement comprehensive privacy and data protection procedures governing the agency's collection, use, sharing, disclosure, transfer, storage, and security of information in an identifiable form related to employees and the public. Such procedures are to be consistent with legal and regulatory guidance, including OMB Regulations, the Privacy Act of 1974, and section 208 of the E-Government Act of 2002. 42 U.S.C. § 2000ee-2 also requires the OIG to periodically conduct a review of FHFA's implementation of this section and report the results of our review to the Congress.

We contracted with the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to conduct a performance audit to meet our reporting requirement under 42 U.S.C. § 2000ee-2. The objective of the audit was to report on the effectiveness of FHFA's information security and privacy practices with a focus on FHFA's implementation of privacy controls and the nine requirements identified in 42 U.S.C. § 2000ee-2. Based on its audit work, Kearney concluded that FHFA effectively implemented seven of the nine privacy requirements in 42 U.S.C. § 2000ee-2, in addition to applicable privacy controls listed under the National Institute of Standards and Technology Special Publication 800-53, Rev. 4, Appendix J, Privacy Controls Catalog. In its report, Kearney made six recommendations to ensure FHFA identifies, monitors, and protects the PII it collects and to ensure that privileged user access is approved and documented. In its management response, FHFA agreed to implement the recommended corrective actions. (See OIG, *Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

FHFA's Processes for General Support System Component Inventory Need Improvement

We conducted this performance audit to determine whether FHFA has an effective process for managing its inventory of information system components for the FHFA General Support System. Because information in the audit report could be used to circumvent FHFA's **internal controls**, it has not been released publicly. (See OIG, *FHFA's Processes for General*

Support System Component Inventory Need Improvement (AUD-2017-005, May 25, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Counterparties and Third Parties

FHFA Should Improve its Administration of the Suspended Counterparty Program

The Enterprises and the FHLBanks have adopted counterparty risk management programs designed to protect them from excessive financial loss caused by deterioration in a counterparty's financial condition. FHFA adopted the Suspended Counterparty Program (SCP) in June 2012 to augment the regulated entities' programs and provide them with additional protection from the financial and reputational risks posed by individuals and businesses with a history of engaging in fraudulent conduct.

FHFA promulgated interim and final rules requiring each regulated entity to refer to FHFA a current or former counterparty or an affiliate that has been convicted of, or sanctioned administratively for, engaging in mortgage-related fraud or other financial misconduct within the last three years (covered misconduct). The interim and final rules also limit FHFA's authority to suspend a current and former counterparty or an affiliate to a three-year period after a conviction or administrative sanction was imposed for covered misconduct.

We assessed the FHFA Office of General Counsel's (OGC) administration of the SCP to determine whether the program is achieving its stated objective. We found deficiencies in OGC's administration of the SCP, the remediation of which could enable the program to effectively limit the regulated entities' exposure to the risks inherent in doing business with counterparties found to have engaged in covered misconduct. As of December 31, 2016, OGC had a backlog of 424 referrals from other agencies, the majority of which had been pending for a year or more. OGC's failure to resolve referrals on a timely basis is consequential: we identified five instances in which OGC did not resolve referrals within a three-year period after a finding of covered misconduct, which precluded the suspending official from determining whether the counterparty should be suspended under the SCP.

Further, we found the length of three suspensions fell short of the periods called for in the Agency's internal guidelines and that the Agency did not document the mitigating factors that support the shorter suspensions, in contravention of FHFA's Records Management Policy.

We recommended that FHFA establish a plan to reduce the SCP backlog and document its reasons for any departures from the suspension periods prescribed in its guidelines. FHFA agreed with our recommendations. (See OIG, *FHFA Should Improve its Administration of the Suspended Counterparty Program* (COM-2017-005, July 31, 2017), online at www.fhfaoig.gov/Reports/StatusReports.)

Implementation by the Enterprises of the New Representation and Warranty Framework

Fannie Mae and Freddie Mac provide liquidity to the U.S. housing finance system by purchasing residential mortgages from lenders and bundling the purchased mortgages into securities for which they guarantee principal and interest. In guaranteeing the securities, the Enterprises assume the credit risk from possible default of the underlying mortgages. To mitigate this risk, the Enterprises require lenders that sell the residential mortgages to make specific contractual representations and warranties in which they represent that the mortgages meet specific **underwriting** standards. Historically, the Enterprises relied on the lenders' representations and warranties and conducted limited due diligence at the time the mortgages were purchased. When mortgages defaulted or the borrower missed payments, the Enterprises would review the loan files for evidence of breach of the representations and warranties and exercise their contractual rights to require lenders to repurchase, or buy back, non-compliant loans. The Enterprises' contractual rights to put back non-compliant loans at any point during the term of the loans enabled the Enterprises to reduce losses caused by underwriting defects.

In September 2012, FHFA announced that the Enterprises would launch a new representation and warranty framework (new framework). The objective of the new framework was to enhance transparency and certainty for lenders by clarifying when a mortgage loan may be subject to repurchase. The new framework, designed by the Enterprises to meet FHFA's objective, shifted some risk of non-compliance with representations and warranties from the lenders to the Enterprises (and therefore to taxpayers). The new framework required operational changes at the Enterprises to mitigate the additional risk, and FHFA recognized the need to test the adequacy of those changes, through its supervisory activities, to ensure the risk was mitigated.

During this semiannual reporting period, we completed separate audits of DER's supervision over each Enterprise's implementation of the new framework to assess (1) whether DER's planned supervisory activities relating to the Enterprises' implementation of the new framework for the 2015 and 2016 examination cycles could be tracked to its risk assessments and supervisory strategies for each Enterprise and (2) whether DER executed these planned supervisory activities during the 2015 and 2016 examination cycles. As part of our work, we also assessed whether the objectives of the planned supervisory activities during the 2015 and 2016 examination cycles would provide for the testing of controls to mitigate the risks identified with the new framework.

For Fannie Mae, during the 2015 examination cycle, we found that DER identified risks with respect to the Enterprise's implementation of the new framework. We also found that DER planned a targeted examination of Fannie Mae's quality control function during the 2015 examination cycle and that the objectives of that planned targeted examination, if completed as stated, would provide for the testing of controls to mitigate the risks identified with the new framework.

In March 2016, DER issued the ROE for the 2015 examination cycle in which DER reported on the results of the targeted examination of Fannie Mae's quality control function. We found, however, that no independent quality control review of this examination was conducted before the ROE issued, contrary to FHFA policy. Reporting examination findings in an ROE before they are vetted through a quality control process creates a risk that DER could provide misinformation to the Enterprise and its Board. DER did not identify risks associated with the new framework as a specific supervisory focus for the Fannie Mae 2016 examination cycle and did not perform any new framework-related supervisory activities during 2016.

To address the weaknesses identified in this audit, we recommended that FHFA reinforce FHFA and DER guidance and hold

DER leadership accountable to ensure that targeted examination conclusions presented in the ROE are based on work that has either undergone quality control review and been communicated in writing to the Enterprise, or the required quality control review has been waived by the Deputy Director of DER and documented in writing. In a written management response, FHFA disagreed with various statements in the report and the finding but agreed with our recommendation. In this regard, FHFA stated that by January 31, 2018, DER will provide training to all examination staff with regard to what should be included in the 2017 ROEs and by September 1, 2018, DER will amend its existing internal guidance to define the term "examination conclusions" to clarify what language must go through a quality control review before being included in the ROE. (See OIG, *FHFA's 2015 Report of Examination to Fannie Mae Failed to Follow FHFA's Standards Because It Reported on an Incomplete Targeted Examination of the Enterprise's New Representation and Warranty Framework* (AUD-2017-008, September 22, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

For Freddie Mac, during the 2015 examination cycle, we found that DER identified risks with respect to Freddie Mac's implementation of the new framework. To address the identified risks, DER, as planned, performed two ongoing monitoring activities related to Enterprise risk management issues. For the 2016 examination cycle, we found that DER identified the new framework as a supervisory focus. DER's 2016 Freddie Mac supervisory plan included three framework-related targeted examinations and one ongoing monitoring activity. These supervisory activities tracked to the new framework-related risks identified in the risk assessment. During the examination cycle, DER completed two of the planned targeted examinations, deferred the other to 2017, and completed the planned ongoing monitoring activity. We made no recommendations in our audit report. (See OIG, *FHFA's 2015 and 2016 Supervisory Activities, as Planned, Addressed Identified Risks with Freddie Mac's New Representation and Warranty Framework* (AUD-2017-009, September 22, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Agency Operations

Statutory Audit: FHFA Complied with Applicable Improper Payment Requirements During Fiscal Year 2016

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) (collectively, IPIA, as amended), requires federal agencies to periodically review, estimate, and report programs and activities that may be susceptible to significant improper payments. IPIA was amended by IPERA to direct federal Inspectors General to determine annually whether their respective agencies are in compliance with the statute and to submit a report to the head of the agency, Congressional oversight committees, the Comptroller General of the United States, and the controller of the Office of Management and Budget (OMB).

FHFA, through its Office of General Counsel, maintains that most requirements of the IPIA, as amended, are not applicable to the Agency because those requirements apply only to payments made with federal funds and FHFA does not finance its operations with federal funds. That said, FHFA asserts that it has put into place internal controls to achieve the intent of IPIA, as amended.

We conducted a performance audit to assess the Agency's compliance with the IPIA, as amended, for fiscal year 2016. We found that FHFA complied with the applicable provisions of the IPIA, as amended, as well as related criteria established by OMB. (See OIG, *FHFA Complied with Applicable Improper Payment Requirements During Fiscal Year 2016* (AUD-2017-004, May 10, 2017), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Reports and Recommendations

Below are the 18 audits, evaluations, compliance reports, management alerts, special reports, and white papers published during the period. See www.fhfaoig.gov for a complete list of all reports issued by OIG since its inception. A complete list of the recommendations made in all OIG reports is provided in Appendix B.

Report	Date
FHFA's Examination Program for the FHLBanks' Internal Audit Functions Was Adequately Designed and Executed (AUD-2017-003)	May 5, 2017
FHFA Complied with Applicable Improper Payment Requirements During Fiscal Year 2016 (AUD-2017-004)	May 10, 2017
FHFA's Processes for General Support System Component Inventory Need Improvement (AUD-2017-005)	May 25, 2017
Closure of OIG Review of FHFA's Supervision of an Enterprise's Remediation of Matters Requiring Attention (ESR-2017-005)	June 12, 2017
NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements (AUD-2017-006)	July 24, 2017
FHFA's Compliance with its Documentary Standards for Issuing Housing Finance Examiner Commissions (COM-2017-004)	July 25, 2017
FHFA Should Improve its Administration of the Suspended Counterparty Program (COM-2017-005)	July 31, 2017
The Gap in FHFA's Quality Control Review Program Increases the Risk of Inaccurate Conclusions in its Reports of Examination of Fannie Mae and Freddie Mac (EVL-2017-006)	August 17, 2017
Existing Statutory Capital Requirements for Fannie Mae and Freddie Mac (WPR-2017-001)	August 17, 2017
Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program (AUD-2017-007)	August 30, 2017

Report	Date
Fannie Mae and Freddie Mac in the Multifamily Market (WPR-2017-002)	September 7, 2017
Compliance Review of FHFA's Revised Process for Reviewing the Enterprises' Annual Operating Budgets (COM-2017-006)	September 19, 2017
FHFA's 2015 Report of Examination to Fannie Mae Failed to Follow FHFA's Standards Because it Reported on an Incomplete Targeted Examination of the Enterprise's New Representation and Warranty Framework (AUD-2017-008)	September 22, 2017
FHFA's 2015 and 2016 Supervisory Activities, as Planned, Addressed Identified Risks with Freddie Mac's New Representation and Warranty Framework (AUD-2017-009)	September 22, 2017
Management Alert: Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors (OIG-2017-005)	September 27, 2017
FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle (AUD-2017-010)	September 27, 2017
FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle (AUD-2017-011)	September 27, 2017
Special Report: Update on FHFA's Oversight of Fannie Mae's Build-Out of its Newly Leased Class A Office Space in Midtown Center (COM-2017-007)	September 28, 2017

Oversight Through OIG's Investigations

OIG is vested with statutory law enforcement authority that is exercised by its Office of Investigations. OI conducts criminal and civil investigations into those, whether inside or outside of government, who waste, steal, or abuse government monies in connection with programs and operations of the Agency and the GSEs.

Depending on the type of misconduct uncovered, OI investigations may result in criminal charges, civil complaints, and/or administrative sanctions and decisions. Civil claims can lead to settlements or verdicts with restitutions, fines, penalties, forfeitures, assessments, and exclusion of individuals or entities from participation in federal programs. Criminal charges filed against individuals or entities may result in plea agreements or trials, incarceration, restitution, fines, and penalties.

65
Defendants
227
Years in Prison

OI is staffed with special agents (SAs), investigative counsels, analysts, and attorney advisors. OIG's SAs investigate criminal matters involving allegations of fraud and misconduct.

Various elements contribute to determining the resources needed for each investigation and the length of time necessary to complete each investigation. For example, loan origination and **short sale** schemes—common types of mortgage fraud—can be labor intensive due to the extensive review and analysis of mortgage loan files and bank documents necessary to spot indications of fraud. Fraudulent loan modification schemes sometimes involve hundreds of victims. Those investigations require comprehensive document and financial records reviews, victim interviews, and the tracking of illicitly received fees charged by the perpetrators. In condominium or builder bailout scheme investigations, SAs carefully examine mortgage and bank documents to determine fraudulent patterns of behavior, including undisclosed incentives to attract buyers to purchase and invest in properties. In these investigations, SAs locate and interview investors, learn the nuances of how the scheme is organized, and determine how the perpetrators financially benefitted. In **bankruptcy** or foreclosure-delay schemes, SAs cull through documents received by the Enterprises and the FHLBanks, calculate scheme losses, and coordinate with United States Trustee Offices to determine if fraudulent paperwork has been submitted to initiate a bankruptcy. Other labor-intensive investigations conducted by SAs include REO, multifamily, and adverse possession schemes. Each of these schemes presents with unique circumstances and requires many hours of intense document analysis, potential victim and witness interviews, and other investigative techniques.

To increase OIG's effectiveness, four of OIG's attorney-investigators have been appointed as Special Assistant U.S. Attorneys in several judicial districts throughout the country. They have been assigned criminal matters arising from OI's investigations in the districts where they have been appointed and have pursued these investigations to conviction and sentencing.

To maximize criminal and civil law enforcement, OI works closely with other law enforcement agencies, including the Department of Justice (DOJ), the Federal Bureau of Investigation (FBI), the Department of Housing and Urban Development Office of Inspector General (HUD-OIG), Internal Revenue Service-Criminal Investigation (IRS-CI), and state and local law enforcement entities nationwide.

Figure 2. OI Monetary Results from April 1, 2017, Through September 30, 2017

	CRIMINAL INVESTIGATIONS	CIVIL INVESTIGATIONS
Fines[a]	$12,430,848	$-
Settlements	$-	$5,000,000
Restitutions	$32,397,583	$-
Total	$44,828,431	$5,000,000

[a]Fines include criminal fines, forfeiture and special assessments, and civil fines imposed by federal court.

Figure 3. Reports, Referrals, Prosecutions, and Convictions from April 1, 2017, Through September 30, 2017[a]

Investigative Reports[b]	33
Criminal Referrals to DOJ	68
Criminal Referrals to State and Local Prosecuting Authorities	20
Indictments and Informations During the Reporting Period That Resulted from Referral to Prosecutors During Prior Reporting Periods	40
Total Number of Indictments and Informations During the Reporting Period Resulting from OIG Referrals	52
Trials; Number of Defendants	7; 13
Convictions/Pleas	56
Sentencings	65

[a]All criminal charges and successive actions (pleas/convictions/sentencings) are supported with documents filed with the corresponding federal or state court. This includes both public and non-public documents (sealed). All referrals made to DOJ 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.

[b]For the purposes of this SAR, an investigative report is defined as the Report of Investigation finalized at the conclusion of the investigation, prior to case closure.

Since its inception, OIG has also maintained a hotline to provide easy access for individuals to report tips, complaints, or referrals (TCRs) of alleged violations of criminal and civil laws in connection with programs and operations of the Agency. OI is responsible for conducting a preliminary review of all hotline TCRs. OIG's hotline is staffed by a third-party vendor to protect the anonymity of the callers and to provide easy access for reporting. Every TCR, whether made by telephone directly to the hotline, email, website, or in person, is sent to the hotline and logged by the hotline. Attorneys in OI conduct a preliminary assessment to determine whether further review and investigation is appropriate. During this reporting period, 576 discrete contacts to the hotline were made involving TCRs, and 134 separate TCRs were logged by the hotline.

During the semiannual reporting period, OI conducted numerous criminal, civil, and administrative investigations, which resulted in the filing of criminal charges against 52 individuals, the conviction of 56 individuals, and 65 sentencings, as well as court-ordered fines and restitution awards.

Figures 2 and 3 summarize the results obtained during this reporting period from our investigative efforts.

Below, we discuss some of our civil and criminal cases. For ease of review, we group our criminal investigations during this period into the categories described below. In each category, we describe the nature of the crime and include a few highlights of matters investigated by OIG. For a summary of publicly reportable investigative outcomes for each category during this reporting period, see Appendices E–M.

Investigations: Civil Cases

During the semiannual reporting period, OI continued to actively participate in residential mortgage-backed securities (RMBS) investigations by working closely with U.S. Attorneys' offices to investigate allegations of fraud committed by financial institutions and individuals in connection with RMBS. OI SAs and attorneys reviewed evidence produced by various parties, conducted witness interviews, provided strategic litigation advice, and briefed other law enforcement agencies on the operations of the RMBS market.

Civil Complaint Filed Against Former Deutsche Bank Head of Subprime Mortgage Trading

On September 11, 2017, a civil complaint was filed against Paul Mangione, former Deutsche Bank head of subprime trading. The complaint alleges that Mangione engaged in a fraudulent scheme to misrepresent the characteristics of loans backing two RMBS that Deutsche Bank sold to investors that resulted in hundreds of millions of dollars in losses. This suit is brought pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and seeks an appropriate civil penalty.

As alleged in the complaint, Mangione engaged in a fraudulent scheme to sell $1.4 billion in securities by misleading investors about the quality of the loans backing the securitizations. The complaint further alleges that Mangione misled investors about the origination practices of Deutsche Bank's wholly-owned subsidiary, DB Home Lending LLC (DB Home) (formerly known as Chapel Funding, LLC), which was the primary originator of loans included in the deals. Mangione approved offering documents for the securities even though he knew they misrepresented key characteristics of the loans, including compliance with lending guidelines, borrowers' ability to pay, borrowers' fraud, and appraisal accuracy.

The complaint further asserted that offering documents falsely represented that DB Home had developed internal underwriting guidelines that it believed generated quality loans and that DB Home had instituted a quality control process that monitored loan production with the overall goal of improving the quality of loan production, among numerous other representations designed to instill in investors trust in DB Home's underwriting processes. The complaint alleged that Mangione knew that these statements were false.

Freddie Mac was an investor in the securities.

$2.5 Million Bank of America Settlement for Trading Ahead in Swaps Desk Scheme, NC

On September 22, 2017, DOJ announced that a settlement was reached with Bank of America to resolve the United States' investigation of certain trading activity by Bank of America's New York "Swaps Desk" involving trading ahead of block futures trades with its counterparties and then obstructing the CME Group Inc. (CME) investigation of the trading. As part of the settlement, Bank of America agreed to pay $2.5 million, to report certain suspected misconduct to the United States, and to improve and enhance Bank of America's compliance risk management program.

According to the Statement of Facts admitted to by Bank of America as part of the settlement, at least three former traders on its New York Swaps Desk eavesdropped on calls between certain large financial institution counterparties and Bank of America salespersons about block futures trades without announcing their presence and then used information obtained by eavesdropping to enter into transactions to hedge Bank of America's expected risk from those block futures trades. This practice was referred to as, among other things, "pre-hedging." Internally at Bank of America, and during the investigation, the traders promoted the explanation that any appearance of pre-hedging resulted from inaccurate timestamps.

Bank of America submitted a letter to the CME falsely stating that the traders "did not have advance knowledge of a block trade such as to enable them to engage in any trading prior to the execution of the block." After learning of the government's investigation, Bank of America retracted its letter and informed the CME that the traders had traded ahead of block futures trades. A FHFA regulated entity executed block futures through the Swaps Desk while the fraudulent activity was occurring.

PHH Ordered to Pay $74 Million for Alleged Mortgage Lending Violations

On August 8, 2017, DOJ announced that PHH Corp., PHH Mortgage Corp., and PHH Home Loans (collectively, PHH) agreed to pay the United States $74 million to resolve allegations that they violated the False Claims Act by knowingly originating and underwriting mortgage loans insured by federal programs and purchased by the Enterprises.

The settlement resolved allegations that PHH failed to comply with certain origination, underwriting, and quality control requirements of the Enterprises, as well as the government's contention that PHH originated and sold loans to the Enterprises from at least 2009 to 2013 that did not meet their requirements.

As part of the Settlement Agreement, the Enterprises will receive over $2.5 million.

Investigations: Criminal Cases

Below we highlight OIG criminal investigations during this semiannual reporting period in a number of different categories that resulted in criminal indictments, convictions, plea agreements, sentencings, and court-ordered fines and restitution judgments.

Condo Conversion and Builder Bailout Schemes

In these types of schemes, the sellers or developers wrongfully conceal from prospective lenders the incentives they've 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**, causing the lenders to suffer large losses.

Below we summarize two OIG investigations in this category that resulted in an indictment, plea agreements, sentencings, and court ordered restitution and forfeiture during this semiannual reporting period. (See Appendix E for a summary of publicly reportable investigative outcomes in this category.)

Guilty Pleas of Real Estate Professional and Mortgage Company Manager and Indictment of Straw Buyer in Condominium Conversion Fraud Scheme, Florida

Between May and June 2017, Carlos Escarria and Alejandro Tobon each pled guilty to conspiracy to commit bank and wire fraud, and Joaquin Cadavid was indicted on charges of conspiracy to commit bank fraud, bank fraud, and wire fraud affecting a financial institution for their roles in a condominium conversion fraud scheme.

Escarria, a real estate sales associate, and Tobon, a branch manager, worked at Transcontinental Lending Group, a company that originated mortgage loans. Escarria, Tobon, and others marketed and sold condominiums at The Preserves at Temple Terrace (The Preserves), a condominium conversion project in Tampa, Florida. As part of their marketing strategy, Escarria, Tobon, and other co-conspirators offered incentives to potential buyers, including cash back payments, down payment assistance, and payments of their mortgage and homeowners' association dues. The incentives provided to the borrowers were not disclosed to the lenders. Escarria also prepared and submitted to potential lenders loan applications that contained material misrepresentations regarding the buyers' income and source of the down payment funds, among others.

Cadavid, a **straw buyer**, acting in concert with Escarria, Tobon, and other co-conspirators, allegedly submitted loan applications to acquire eight condominiums at The Preserves. Cadavid knew the loan applications contained materially false misrepresentations and omissions, including the source of the down payment and income, as well as the fact that the lenders were unaware he was receiving cash back for each unit he acquired. Losses associated with Cadavid's transactions are estimated at approximately $1 million; overall scheme loss calculations are ongoing.

40-Year Prison Sentence, More than $180 Million Forfeiture Order for Former CFO of Resort Development; JPMorgan Chase Bank Former Senior Loan Officer Sentenced, Florida

David Schwarz was the former CFO and partial owner of the Cay Clubs Resorts, which marketed vacation rental units for 17 locations in Florida, Las Vegas, and the Caribbean and raised more than $300 million from approximately 1,400 investors by promising to develop dilapidated properties into luxury resorts. Cay Clubs Resorts incentivized investors by promising an upfront "leaseback" payment of 15–20% of the unit sales price at the time of closing. These incentives were concealed from the lenders and the Enterprises.

As the Cay Clubs enterprise experienced financial difficulties, Schwarz conspired with others at Cay Clubs to recruit insiders as straw buyers to obtain mortgages on Cay Clubs condominiums. The loan proceeds were then diverted to the failing Cay Clubs company and to pay out investor leaseback payments.

Ross Pickard was a senior loan officer at JPMorgan Chase Bank. He conspired with others in a scheme to defraud the bank by completing, certifying, and submitting mortgage loan applications for Cay Club condominiums on behalf of borrowers that contained false and fraudulent statements. The false statements included, but were not limited to, false occupancy, overinflated income and assets, as well as the understated liabilities. By relying on Pickard's false and fraudulent statements on the loan applications, JPMorgan Chase was induced into funding mortgage loans for otherwise unqualified borrowers.

In May 2017, Schwarz was sentenced to 480 months in prison, 5 years of supervised release, and ordered forfeiture of cash and real property of $304,439,754. An amended restitution order was filed during July 2017, ordering Schwarz's total restitution of $181,445,179. Both the forfeiture and restitution were ordered jointly and severally with co-conspirators.

In August 2017, Pickard was sentenced to 36 months in prison, 36 months of supervised release, and ordered to pay $33,330,503 in restitution and $470,484 in forfeiture for his role in this scheme, which caused losses to Fannie Mae and Freddie Mac of more than $11 million dollars.

Loan Origination Schemes

Loan or mortgage origination schemes are the most common type of mortgage fraud. They typically involve falsifying borrowers' income, assets, employment histories, and credit profiles to make them more attractive to lenders. Perpetrators often employ bogus Social Security numbers and fake or altered documents such as W-2s and bank statements to cause lenders to make loans they would not otherwise make.

Below we summarize four OIG investigations in this category that resulted in indictments, a plea agreement, sentencings, and court-ordered restitution during this semiannual reporting period. (See Appendix F for a summary of publicly reportable investigative outcomes in this category.)

10-Year Prison Sentence and Guilty Plea in Loan Origination Fraud Scheme, New Jersey

Between August and September 2017, Artis Hunter was sentenced to 10 years in prison, and Laquan Jones was sentenced to 5 years of probation and ordered to pay $6,000 in restitution for their roles in a loan origination/money laundering scheme.

Hunter and co-conspirators defrauded numerous lenders by using stolen identities to create the hallmarks of a legitimate residential mortgage or home equity line of credit (HELOC) transaction, replete with a borrower/buyer, seller, title company, homeowner's insurance company, closing attorney, and other parties. (A HELOC is a line of credit that uses the borrower's home as collateral.) The loan applications contained many falsified documents, including closing documents, wire transfer documents, and title insurance documents, all of which were purportedly witnessed or reviewed by parties and professionals who, in fact, either did not exist or had no knowledge of the transactions. By creating the illusion of a legitimate transaction, unsuspecting lenders were deceived into disbursing loan proceeds to a bank account opened in the name of a fraudulent title company or fictitious law firm. The loan proceeds were then withdrawn by co-conspirators who made repeated fraudulent withdrawals at multiple ATMs and bank branches.

The owners of the homes connected to the loans were never parties to the transactions, and with respect to the mortgage loans, none of the homes were actually sold. The co-conspirators established virtual offices to maintain the appearance that all necessary parties were actively involved in legitimate lending transactions.

At least seven properties are involved in this scheme with overall losses of more than $900,000. In a related case, during April 2017, Melissa Phillip pled guilty to financial facilitation of criminal activity for her role in this scheme.

Licensed Real Estate Agent/Loan Broker Sentenced, Ordered to Pay More than $2 Million, California

On April 17, 2017, Lynn Maina was sentenced to 4 months in prison, 36 months of supervised release, and ordered to pay $2,246,600 in restitution for her role in a loan origination conspiracy scheme.

Maina was employed by Affiliated Financial Services (AFS) as a licensed real estate agent brokering mortgage loans. Maina and co-conspirators prepared and submitted to mortgage lenders several false documents, including fraudulent loan applications, falsified letters that explained away problems with credit histories, and fabricated credit reports.

When the defrauded mortgage lenders realized that the documents they had relied on to approve loan applications had false statements, they demanded that AFS repurchase the mortgage loans. Instead of repurchasing the loans, however, Maina continued the fraud by convincing the underlying borrowers to refinance with other lenders using the same false information.

Maina and her co-conspirators earned salaries and commissions based on the fraudulent loans that were brokered through AFS. At least five of the refinanced loans associated with Maina's scheme were owned by Freddie Mac. As a result of the fraud, Freddie Mac suffered losses of approximately $1 million.

Indictment of Attorney and Loan Officer in Mortgage Fraud Scheme, Illinois

On April 11, 2017, Jessica Arong O'Brien and Maria Bartko were indicted on fraud charges relating to an alleged mortgage fraud scheme.

According to the indictment, O'Brien fraudulently caused lenders to provide approximately $1.4 million in mortgage and commercial loans through false representations and concealing material facts in documents submitted to the lenders, such as the buyer's income, employment, liabilities, intent to occupy, identity, cash to close, and sale price. O'Brien allegedly used the fraudulently obtained mortgage loan proceeds to purchase or refinance mortgages on investment properties. O'Brien then allegedly obtained a commercial line of credit to maintain the properties before selling them to Bartko and a straw buyer whom O'Brien knew would be fraudulently qualified for mortgage loans.

At the time O'Brien was obtaining the fraudulent loans, she was employed as a special assistant attorney general for the Illinois Department of Revenue and owned O'Brien Realty, LLC. Additionally, she was working part time as a loan officer at Amronbanc Mortgage Corporation, where she met Bartko, a loan officer. At the time of indictment, O'Brien was employed as a judge with the Cook County Circuit Court in Illinois. To date, the investigation has identified more than $750,000 in losses to the Enterprises.

Sentencing of Loan Officer in Straw Buyer Scheme, Illinois

On June 14, 2017, loan officer Nicholas Burge was sentenced to 48 months in prison, two years supervised release, and ordered to pay $1,335,248 in restitution.

Burge conspired with others to aid straw buyers to fraudulently obtain at least five mortgage loans valued at approximately $1.5 million by making materially false representations in documents submitted to lenders. Soon after the properties were sold to the straw buyers, the mortgages went into default. The fraud resulted in an estimated $800,000 loss to the Enterprises.

Loan Modification and Property Disposition Schemes

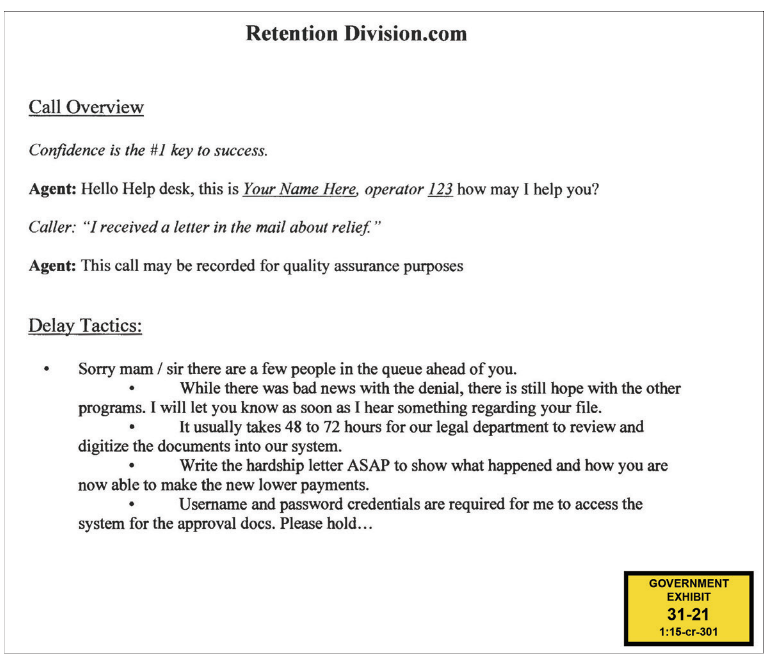
These schemes prey on homeowners. Businesses typically advertise that they can secure loan modifications if the homeowners pay significant **upfront fees** or take other action that enriches the defendant. Typically, these businesses take little or no action, leaving homeowners in a worse position.

Below we summarize five OIG investigations in this category that resulted in a criminal indictment, a trial conviction, plea agreements, sentencings, and court-ordered restitution and forfeiture during this semiannual reporting period. (See Appendix H for a summary of publicly reportable investigative outcomes in this category.)

Three Found Guilty After Trial in $10 Million Nationwide Loan Modification Scheme; Sentenced to Prison Terms of up to 20 Years; Restitution Ordered up to $10.2 Million, Virginia

On July 19, 2017, Sammy Araya, Michael Henderson, and Jen Seko were sentenced to a combined 39 years in prison after their convictions by a federal jury for their roles in a nationwide, multi-year mortgage modification fraud scheme that victimized hundreds of homeowners out of at least $10 million. Araya, Henderson, and Seko were sentenced to 240 months, 144 months, and 84 months in prison, respectively, and 36 months of supervised release. Restitution hearings were held between August and September 2017, where each co-defendant was jointly and severally ordered restitution, ranging from $9 to $10.2 million.

According to court records and evidence presented at trial, Araya, Henderson, and Seko operated a large-scale scam that victimized vulnerable individuals and families across the country for several years. The conspirators sent targeted mass mailers to homeowners facing foreclosure through Seko's company, Seko Direct Marketing. The mailers referenced federal programs designed to help struggling homeowners and were titled "Notice of Mortgage Relief," among other misleading titles. The mailers listed various toll-free telephone numbers for the homeowners to call for assistance. When a victim homeowner called the toll-free number listed on the mailer, a member of the conspiracy posing as a "customer service representative" would answer the phone and collect financial information from the victim. Henderson served as one of the purported "customer service representatives" and helped to distribute the money collected by the scam, while Araya was the mastermind and principal beneficiary of the fraudulent operation.



Retention Division.com

Call Overview

Confidence is the #1 key to success.

Agent: Hello Help desk, this is *Your Name Here*, operator *123* how may I help you?

Caller: "I received a letter in the mail about relief."

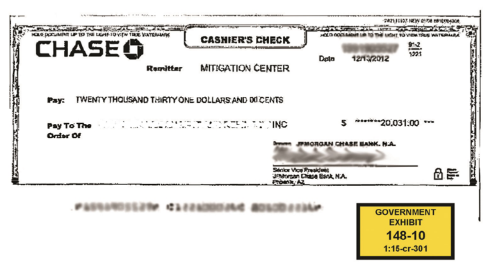
Agent: This call may be recorded for quality assurance purposes

Delay Tactics:

- Sorry mam / sir there are a few people in the queue ahead of you.
  - While there was bad news with the denial, there is still hope with the other programs. I will let you know as soon as I hear something regarding your file.
  - It usually takes 48 to 72 hours for our legal department to review and digitize the documents into our system.
  - Write the hardship letter ASAP to show what happened and how you are now able to make the new lower payments.
  - Username and password credentials are required for me to access the system for the approval docs. Please hold…

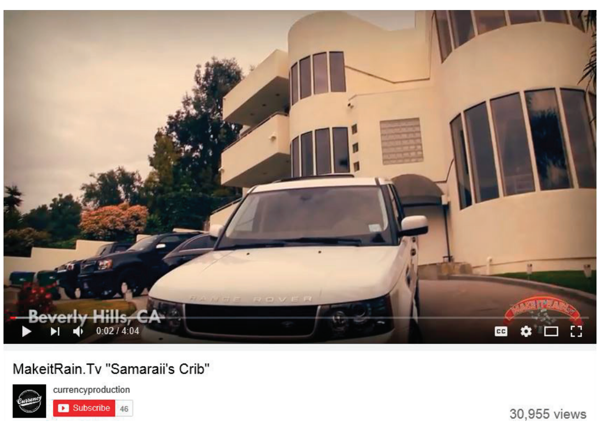
GOVERNMENT EXHIBIT 31-21 1:15-cr-301

Excerpts of a call script used by employees of Retention Division (Araya's business) to solicit business from victims.



Check used to purchase over $20,000 in gold coins from Araya's Mitigation Center bank account.

After being contacted by another member of the conspiracy and told that their mortgage modification had been approved, the victim homeowners would be told that their lender required a "reinstatement fee," usually in the amount of thousands of dollars. Victims were also told that they were required to make several "trial" mortgage modification payments. After these so-called "trial payments" were completed, their modification would be complete, and their new lower mortgage payment would become permanent for the life of the loan. In reality, however, the members of the conspiracy were simply diverting the victims' payments for their own personal benefit, without doing anything to assist in modifying the victims' mortgages. Araya used the proceeds of the fraud to purchase expensive vehicles, a racehorse, luxury goods, personal travel, and a reality television show he produced called "Make It Rain.TV."



Screen shot of YouTube video for Araya's "Make It Rain TV" show with his cars and residence.

This scheme had devastating consequences for the victim homeowners, all of whom were already in a precarious financial position. Many victims suffered substantially greater financial hardship after falling victim to this conspiracy than they were already facing when they entered into the fraudulent agreements with the conspirators. In many cases, the lenders ultimately foreclosed on the victims' homes after the victims had been induced to make their "trial" mortgage payments to the members of the conspiracy rather than to their lenders. In addition to the millions stolen from struggling homeowners, the scheme resulted in an estimated $3.8 million in losses to financial institutions and approximately $1.1 million in potential losses to the Enterprises.

In related cases, on June 1, 2017, Nicholas Estilow and Sabrina Rafo were sentenced for their roles in this scheme. Estilow and Rafo were sentenced to 80 and 60 months in prison, respectively, and 3 years of supervised release. Both defendants were additionally ordered restitution of over $3.6 million and forfeiture of over $9.3 million, jointly and severally.

Sentencing of Loan Scheme Operator; Over 500 Homeowners Victimized, California

Screen shot of Rasher's YouTube Video advertising his fraud scheme.

On September 29, 2017, Kevin Rasher was sentenced to 97 months in prison, 3 years of supervised release, and ordered to pay $2,240,526 in restitution relating to his operation of a fraud scheme that stole millions from over 500 distressed homeowners by falsely promising that he could help them avoid foreclosure by obtaining mortgage modifications.

Rasher admitted that he falsely told distressed homeowners that he was an employee of the government or that he was an attorney, and that the homeowners had been approved for a reduced mortgage payment or interest rate. Rasher then instructed the homeowners to mail their mortgage payments to one of his businesses, claiming that he would forward the money to the homeowners' mortgage lenders. Instead of forwarding the money to the mortgage lenders, Rasher deposited the money into his bank accounts and used it for his own personal expenses. Included in the overall scheme were loans owned by the Enterprises.

Sentencing of Co-Owner and Guilty Pleas of Co-Owner and Operator in Nationwide Loan Modification Scheme with Over 10,000 Victims, Utah

Chad Gettel and others operated CC Brown Law LLC (CC Brown), a purported loan modification services and processing business. Gettel, along with others, was aware of and approved the false representations and promises used in the company's mailed marketing materials and sales telemarketing calls, including that CC Brown was a national law firm with a 90% success rate in obtaining loan modifications, that a formal board of attorneys reviewed and approved all client information prior to acceptance, and that the modification process would take an average of four months. Gettel admitted he knew this information was false, yet allowed CC Brown employees to assert these claims to prospective customers.

On August 3, 2017, Chad Gettel was sentenced to 84 months in prison, 3 years of supervised release, and ordered to pay $590,129 in restitution, jointly and severally, for his role in this scheme.

In related cases, during May 2017, John McCall pled guilty to conspiracy to commit wire fraud and money laundering, and Sheridan Black pled guilty to conspiracy and was sentenced to 24 months' court-supervised probation.

This scheme to defraud distressed homeowners and the Enterprises has impacted over 10,000 victims nationwide.

Trial Conviction in Foreclosure Rescue Fraud Scheme, Maryland

On June 23, 2017, a federal jury convicted Ana Gomez on charges of mail fraud and conspiracy to commit mail and wire fraud for her role in a foreclosure rescue fraud scheme.

Gomez and her co-conspirators claimed they could help homeowners who wanted to modify their mortgage loans, including loans owned by the Enterprises, and prevent foreclosure of their homes. The co-conspirators sold the victims on a "principal reduction" program that included an upfront fee and monthly payments for 10 to 15 years. Gomez and her co-conspirators directed victims to make monthly payments to them and to companies they controlled, in lieu of to their lenders.

The co-conspirators mailed monthly invoices to most of their victims that falsely indicated that the "principal balance" was being paid down. Some of the victims paid Gomez in person each month at her residence while others deposited their payments directly into bank accounts controlled by Gomez's co-conspirators. Victims were discouraged from opening mail received from their lenders and instead were asked to provide these documents to the co-conspirators. No attempts were made by the co-conspirators to negotiate with lenders on behalf of the victims, many of whom lost their homes. Overall scheme losses, including payments made by victims, are estimated between $1 to $2 million.

Indictment in $7 Million Foreclosure-Avoidance Scam, California

On June 8, 2017, Michael "Mickey" Henschel was indicted on charges of conspiracy, bankruptcy fraud, and wire fraud for his role as the alleged mastermind of a foreclosure-avoidance scam that targeted distressed homeowners and defrauded victims of more than $7 million.

According to the indictment, Henschel and co-conspirators marketed illegal foreclosure and eviction-delay services to homeowners who had defaulted on their mortgages and to renters who were facing eviction. As part of the scheme, Henschel and others allegedly convinced homeowners to sign fake grant deeds that purported to show the homeowners had conveyed an interest in their property to fictional third parties. Henschel and his co-conspirators allegedly filed bankruptcies in the names of fictional persons and entities to trigger the automatic stay provision of the Bankruptcy Code, which meant that foreclosure sales were stalled. Henschel allegedly delayed evictions in a similar way, filing fraudulent documents in state eviction actions and sending similar documents to sheriff's offices.

The indictment also alleged that Henschel charged some homeowners large fees before agreeing to clear title to their properties, in addition to the monthly fees paid for the illegal services. Henschel and his co-conspirators collected more than $7 million dollars from victims during this scheme. Preliminary loss calculations associated with mortgages owned by the Enterprises are in excess of $800,000 and are anticipated to increase substantially.

Short Sale Schemes

Short sales occur when a lender allows a borrower who is "**underwater**" on his/her loan—that is, the borrower owes more than the property is worth—to sell his/her property for less than the debt owed. Short sale fraud usually involves a borrower who intentionally misrepresents or fails to disclose material facts to induce a lender to agree to a short sale.

Below we summarize three OIG investigations in this category that resulted in criminal indictments, sentencings, and court-ordered restitution and forfeiture during this semiannual reporting period. (See Appendix G for a summary of publicly reportable investigative outcomes in this category.)

Three Charged in a Buy-and-Bail Short Sale Scheme, Michigan

On August 29, 2017, William Elias and two employees of Elias Realty, Kimberly Doren and Daniel Trubak, were indicted on charges including conspiracy to commit bank fraud and falsification of records. Elias and Doren were charged with additional violations, including bank fraud, conspiracy to commit money laundering, and money laundering. Elias, Doren, and Trubak allegedly operated a buy-and-bail scheme through Elias Realty. Through extensive advertising, the co-conspirators contacted struggling homeowners and promised to help the homeowners sell their homes, eliminate their debt, and buy new homes. The co-conspirators advised the homeowners to buy a second home and facilitated the submission of mortgage applications. Allegedly, the mortgage applications for the second homes falsely inflated the values of the first homes and misrepresented that the borrowers intended to keep their existing homes as rental properties. In reality, however, the homes were worth significantly less than stated in the mortgage applications, and the homeowners had no intention of renting their homes; rather, they intended to sell them by short sale.

Once the second homes were purchased, the co-conspirators allegedly instructed the homeowners to stop making mortgage payments on the first homes and assisted the homeowners with short sale applications submitted to their lenders for their original properties given the financial hardships due to having two active mortgages. Many homeowners were permitted to conduct short sales, and lenders forgave the difference between the short sale prices and the outstanding amount of the loans. In some instances, however, the financial institutions did not agree to the short sales, and the mortgages were foreclosed. Losses to the Enterprises are more than $4 million.

Sentencing of Buyer in Short Sale Fraud Scheme, California

During August 2017, Mahendra Prasad was sentenced to 15 months in prison, 5 years of supervised release, and ordered to pay $328,000 in restitution, jointly and severally, and $328,000 in forfeiture for his participation in a short-sale fraud scheme.

Prasad and co-conspirators submitted loan applications containing material misstatements to purchase properties. The applications included false statements concerning employment, income, and the buyers' intent to occupy the properties as their primary residence. Instead of residing in the properties, the co-conspirators rented the properties and collected rental payments. Later, the co-conspirators engaged in fraudulent short sale transactions by submitting false documentation to lenders, including fraudulently signed arm's length affidavits claiming no relationship to the buyers, when in fact the buyers were co-conspirators.

This short sale fraud scheme involved at least 25 properties, some of which were owned by the Enterprises, and caused losses of at least $3 million.

Sentencings in Complex Short Sale Fraud Scheme, California

During July 2017, Eric Wolfe was sentenced to 200 months in prison, and Brian Deden was sentenced to 24 months in prison for their respective roles in a short sale fraud scheme. Defendant Wolfe was also ordered to pay over $140,000 in restitution and $500,000 in forfeiture.

An OIG investigation found evidence of a wide-ranging conspiracy in which numerous conspirators engaged in several schemes to fraudulently obtain money: a "flopping" scheme where banks were convinced to accept short sale prices that were lower than a legitimate buyer would be willing to pay; recording false second and third liens; tricking distressed homeowners into signing their properties over to the conspirators, and renting distressed properties while simultaneously stalling foreclosure through the use of fraudulent documents. The Enterprises, as owners of the mortgages on at least eight of the properties, suffered losses.

Property Management and REO Schemes

Numerous foreclosures left the Enterprises with an inventory of **real estate owned (REO)** properties. The REO inventory has sparked a number of different schemes to either defraud the Enterprises, which use contractors to secure, maintain and repair, price, and ultimately sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.

Below we summarize an OIG investigation in this category that resulted in sentencings and court-ordered forfeiture during this semiannual reporting period. (See Appendix I for a summary of publicly reportable investigative outcomes in this category.)

Four Licensed Real Estate Agent Family Members Sentenced in REO Scheme, Arizona

On September 7, 2017, Daphne Iatridis and Arthur Telles, husband and wife, along with her sons Brendyn and Spenser Iatridis, were sentenced for their roles in a fraud scheme involving the sale of foreclosed properties. Prison sentences ranged from 10 to 30 months, with each defendant additionally receiving probation or supervised release. Daphne Iatridis and Telles were further ordered to forfeit 26 properties.

Iatridis, a licensed real estate agent, was approved by Fannie Mae to list real estate properties it owned as a result of foreclosure. Daphne Iatridis, Telles, and her sons Brendyn and Spenser Iatridis (also real estate agents), used trusts and the stolen identities of family members and others to purchase Fannie Mae properties listed by Daphne Iatridis, which is in violation of Fannie Mae rules. The co-conspirators profited from the scheme in many ways, including purchasing the REO properties at a discounted price, earning commissions on the purchase and sale of the properties, overcharging Fannie Mae for maintenance and expenses, and renting the properties. The co-conspirators spent over $1.3 million to purchase 28 Fannie Mae REO properties.

Adverse Possession and Distressed Property Schemes

Adverse possession 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. They use fraudulent tactics, such as filing false bankruptcy petitions, while collecting significant fees from the homeowners.

Below we summarize an OIG investigation in this category that resulted in sentencings during this semiannual reporting period. (See Appendix J for a summary of publicly reportable investigative outcomes in this category.)

Sovereign Citizens Sentenced in Adverse Possession Scheme, Illinois

Between May and September 2017, David Farr and Torrez Moore were sentenced to 14 years and 11 years in prison, respectively, for their roles in an adverse possession scheme. Farr was additionally sentenced to 3 years of probation.

Farr, Moore, and others falsely asserted ownership of foreclosed or vacant properties owned by Fannie Mae or lenders and either moved into the property themselves, or rented the home to a third party and acted as a landlord. On multiple occasions, the co-conspirators unlawfully entered the properties, changed the locks, and filed fraudulent documents with the county recorder's officer to verify their alleged ownership of the properties.

The co-conspirators identified themselves as "Moors," one segment of a sovereign citizens group that claims not to be subject to the government's jurisdiction.

RMBS Schemes

In this type of scheme, traders fraudulently manipulate the buying and selling prices of RMBS, causing customers to pay more to purchase the RMBS and to receive less when they sell RMBS.

Below we summarize an OIG investigation in this category that resulted in a guilty verdict at trial and a plea agreement during this semiannual reporting period. (See Appendix K for a summary of publicly reportable investigative outcomes in this category.)

Guilty Trial Verdict and Guilty Plea of Former Nomura Securities Traders, Connecticut

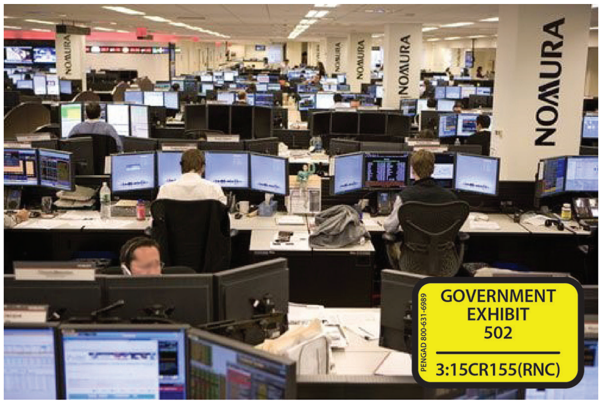


Photo trial exhibit of Nomura Trading Floor.

On June 15, 2017, Michael Gramins was found guilty at trial of conspiracy to commit securities fraud and wire fraud.
Gramins was an executive director on the RMBS Desk at Nomura Securities International (Nomura). He engaged in a conspiracy to defraud customers of Nomura by fraudulently inflating the purchase price at which Nomura could buy an RMBS bond to induce their victim-customers to pay a higher price for the bond. Gramins also fraudulently deflated the price at which Nomura could sell an RMBS bond to induce their victim-customers to sell bonds at cheaper prices, causing Nomura to profit illegally. Gramins trained subordinates to lie to customers, provided them with language to use in deceiving customers, and encouraged them to engage in the practice.

In a related case, on April 4, 2017, Frank Dinucci was charged and pled guilty to conspiracy to commit securities and wire fraud.

Multifamily Schemes

Investigations in this category involve a variety of fraud schemes that relate to loans purchased by the Enterprises to finance multifamily properties. Multifamily properties have five or more units and are primarily rental apartment communities.

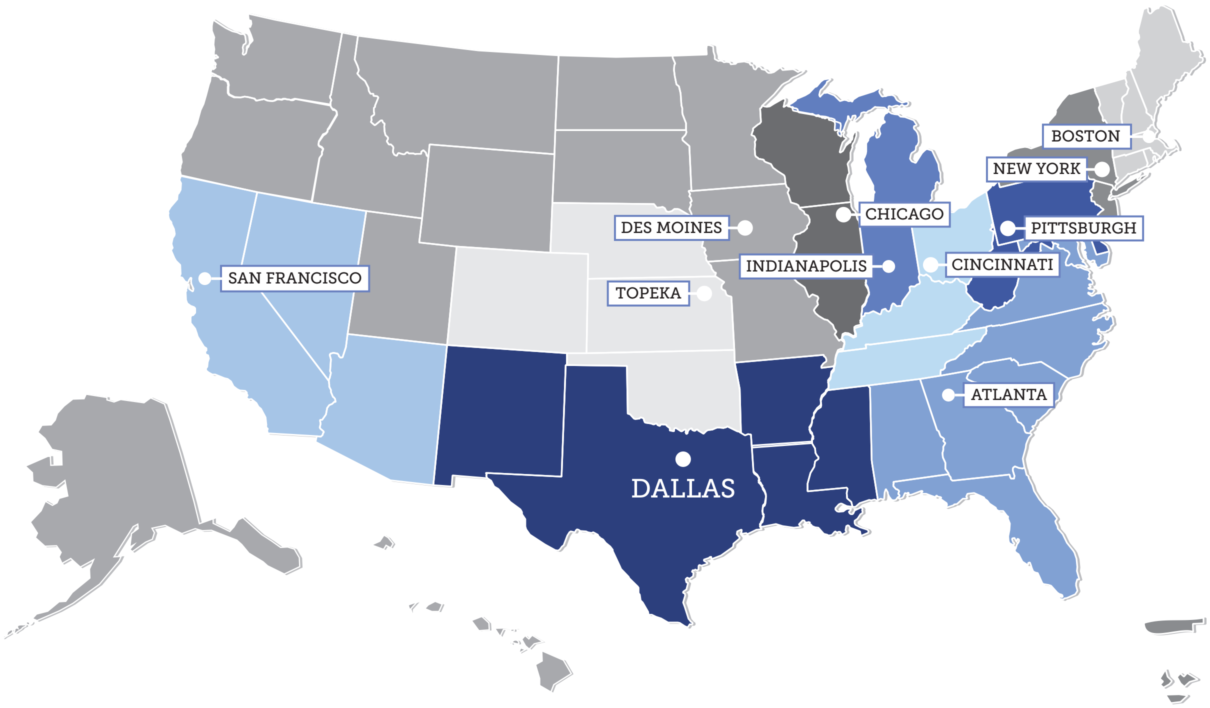
Below we summarize an OIG investigation in this category that resulted in a sentencing and court-ordered restitution during this semiannual reporting period. (See Appendix L for a summary of publicly reportable investigative outcomes in this category.)

Sentencing in Embezzlement Scheme, Arizona

On September 11, 2017, Shana Johnson was sentenced to 44 months in prison, 3 years of supervised release, and ordered to pay over $2.1 million in restitution associated with an embezzlement scheme.

Johnson worked as an accountant for a property management company in Arizona. She embezzled over $2.4 million from bank accounts associated with properties managed by her employer, including four multifamily properties financed by Freddie Mac. Johnson stole the money from the accounts, including Freddie Mac custodial accounts, by using the company's accounts to issue approximately 450 fraudulent checks, totaling over $1.4 million, to a relative. Johnson also caused the company to initiate nearly $1 million in unauthorized electronic transfers to pay for personal expenses including her purchase of two cars. To hide her theft, she falsified journal entries, bank statements, bank reconciliation reports, and financial statements. Johnson was fired after her employer discovered the fraud.

Johnson then relocated to Georgia, where she became employed in a similar capacity with yet another property management company, and resumed her fraudulent activity. Once again, Johnson embezzled at least an additional $482,960.



Map of the 11 FHLBank Districts

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

Investigations in this category include a variety of schemes involving Fannie Mae, Freddie Mac, the FHLBanks, or members of FHLBanks.

Below we summarize three OIG investigations in this category that resulted in criminal indictments, a plea agreement, sentencings, and court-ordered restitution during this semiannual reporting period. (See Appendix M for a summary of publicly reportable investigative outcomes in this category.)

Former CEO, CIO, and CFO of the FHLBank of Dallas Indicted, Texas

On August 29, 2017, three former executives of the FHLBank of Dallas, Terence C. Smith, Nancy B. Parker, and Michael J. Sims, former President and CEO, CIO, and CFO, respectively, were indicted on multiple charges related to their roles in a scheme to defraud the FHLBank of Dallas. The FHLBank of Dallas is part of the FHLBank system, created to support mortgage lending and related community investment.

The indictment alleges that Smith, Parker, and Sims submitted a series of fraudulent reimbursement requests for personal travel that they identified as business-related, causing the bank to pay approximately $780,000. The defendants incurred these expenses in connection with first class airfare, limousine services, concerts, vineyard tours, luxury hotel rooms, lavish meals, and expensive liquor and wine during more than 30 trips they took to Las Vegas, Nevada; Amelia Island, Florida; Coronado, California; San Diego, California, and other locations. In each instance, the defendants falsely stated that the purpose of their travel was to attend various conferences, planning meetings, strategy meetings, or operations meetings. In fact, however, they did not attend any conference or conduct any legitimate planning, strategy, or operations meetings. In addition to being reimbursed for numerous trips that served no legitimate business purpose, the indictment alleges that the defendants further defrauded the FHLBank of Dallas by requesting payment of more than $450,000 for unused vacation time.

The indictment also charges Parker separately with multiple counts for conspiring to embezzle from the FHLBank of Dallas in connection with a scheme to have the bank pay for $17,000 worth of Christmas gifts, such as a wine sommelier, computer, and video/photography equipment for Smith.

Guilty Plea and Sentencing in Identity Theft Scheme, Virginia

On August 23, 2017, Allan Richardson pled guilty to access device fraud. As an intern at Freddie Mac's headquarters, Richardson had access to a spreadsheet that contained PII of current and former employees of Freddie Mac and affiliates. Richardson took photographs of a computer screen displaying parts of the spreadsheet containing PII using his cellphone camera. Richardson then sold the pictures to Allise Jones, who used the stolen information to obtain fraudulent identification documents and credit accounts used to defraud financial institutions, retailers, and others.

Richardson had access to PII for over 2,000 Freddie Mac employees.

On May 19, 2017, Jones was sentenced to 66 months in prison, 3 years of supervised release, and ordered to pay $85,847 in restitution for her role in this scheme.

Sentencing of Nonprofit Owner and Accountant, Mississippi

On July 6, 2017, Marlene Williams and Kayla Lindsey were sentenced for their roles in a scheme to defraud the Federal Home Loan Bank of Dallas. The FHLBank of Dallas provides Affordable Housing Program (AHP) funds to eligible entities through a competitive grant funds program created by Congress to address local housing needs.

Williams, Executive Director of a nonprofit organization, Fiscal Integrity & Economic Development Association, Inc. (FIED), and Lindsey, Chief Financial Officer of FIED, applied to the FHLBank of Dallas for AHP funds through Trustmark Bank, an FHLBank of Dallas member bank. FIED was approved for, and received, the AHP funds.

The grant that Williams and Lindsey administered from the FHLBank of Dallas was intended to provide home repairs for low- to moderate-income households. Lindsey and Williams admitted they hired contractors to perform repairs under the grant and instructed the contractors to inflate their invoices by 20%, which was kicked back to them. The fraudulently inflated invoices were submitted to the FHLBank of Dallas through its local member institution, Trustmark Bank. The FHLBank of Dallas issued more than $892,000 in grants associated with 142 properties to FIED; Lindsey and Williams received over $186,000 in kickbacks resulting from the fraudulent invoices.

Outreach

OIG develops public-private partnerships where appropriate. It delivered 33 fraud awareness briefings to different audiences to raise awareness of its law enforcement mission and of fraud schemes targeting FHFA programs.

OIG has developed and intends to further strengthen ongoing close working relationships with other law enforcement agencies, including DOJ and U.S. Attorneys' offices; FBI; HUD-OIG; FDIC-OIG; IRS-CI; the Office of the Special Inspector General for the Troubled Asset Relief Program; the Financial Crimes Enforcement Network; state attorneys general; mortgage fraud working groups; and other federal, state, and local law enforcement agencies nationwide. OI also works closely with Fannie Mae's Mortgage Fraud Program and with Freddie Mac's Financial Fraud Investigation Unit.

During this reporting period, OIG worked with additional local and state partners, including the Wayne County, Michigan, District Attorney's Office; the Montgomery County, Maryland, Police Department; the Prince George's County, Maryland, Police Department; the New Jersey Attorney General's Office; the Nassau County, New York, District Attorney's Office; New York State Department of Financial Services; the Ventura County, California, District Attorney's Office; the Stanislas County, California, District Attorney's Office; the Orange County, California, District Attorney's Office; the Alameda County, California, District Attorney's Office; the Chicago Police Department; the Cook County, Illinois, State's Attorney Office; the Elk Grove Village, Illinois, Police Department; the California Attorney General's Office; the Arizona Attorney General's Office; the Michigan Attorney General's Office; the Mesquite, Texas, Police Department; the Cedar Hill, Texas, Police Department; the Mississippi State Attorney General's Office; the Miami-Dade Police Department; and the Florida Department of Law Enforcement.

Investigations: Administrative Actions

In addition to the criminal cases brought as a result of OIG investigations, OI's investigative work regularly results in administrative referrals to other entities for action. For example, a criminal case of mortgage fraud that results in a guilty plea by a licensed real estate agent, attorney, or certified public accountant for participation in a bank fraud scheme might result in a referral by OIG to a state licensing body for disciplinary actions. When a real estate professional is prosecuted for mortgage fraud, that prosecution may cause OIG to refer the matter to another federal agency for possible suspension or debarment of that individual from participation in federal programs. During this reporting period, OIG made 34 such referrals for suspension and debarment.

Suspended Counterparty Referrals

FHFA has adopted a Suspended Counterparty Program under which it issues "suspension orders directing the regulated entities to cease or refrain" from doing business with counterparties (and their affiliates) that were previously found to have "engaged in covered misconduct." Suspension of such counterparties is warranted to protect the safety and soundness of the regulated entities. For purposes of the program, covered misconduct means "convictions or administrative sanctions within the past three years based on fraud or similar misconduct in connection with the mortgage business of a type that would be likely to cause significant financial or reputational harm to a regulated entity or otherwise threaten the safe and sound operation of a regulated entity."

During this reporting period, OIG made 26 referrals of counterparties to FHFA for consideration of potential suspension under its Suspended Counterparty Program.

A summary of OIG's referrals during the reporting period is captured in Figure 4 (see below).

Figure 4. Administrative Actions from April 1, 2017, Through September 30, 2017

ADMINISTRATIVE ACTIONS	
Suspension/Debarment Referrals to other agencies	34
Suspended Counterparty Program Referrals to FHFA	26

OIG's Regulatory Activities and Outreach

Regulatory Activities

Pursuant to the Inspector General Act, OIG assesses whether proposed legislation and regulations related to FHFA are efficient, economical, legal, or susceptible to fraud and abuse. OIG is currently assessing proposed, interim final, and final rules published by FHFA in the *Federal Register*. Any recommendations or comments upon those rules will be made after these assessments conclude.

Public and Private Partnerships, Outreach, and Communications

The Enterprises and the FHLBanks play a critical role in the U.S. housing finance system, and the financial crisis has shown that financial distress at the Enterprises can threaten the U.S. economy. American taxpayers put their money and confidence in the hands of regulators and lawmakers to restore stability to the economy, and decisions were made to invest $187.5 billion in the Enterprises. The continuing significant role of the Enterprises and FHLBanks in housing finance demands constant supervision and monitoring. Fundamental to OIG's mission is independent and transparent oversight of Agency programs and operations and of the Enterprises to the extent FHFA, as conservator, has delegated responsibilities to them.

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 prevent fraud, encourage transparency, and ensure accountability, responsibility, and ethical leadership.

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 and briefings to congressional staff on OIG work.

Hotline

During this reporting period, the OIG hotline continued to serve as a vehicle through which Agency, Enterprise, and FHLBank employees and members of the public can report suspected fraud, waste, abuse, mismanagement, or misconduct in Agency programs and operations. The individuals reporting can choose to remain anonymous.

Close Coordination with Other Oversight Organizations

During the reporting period, OIG made numerous presentations to state and local law enforcement agencies, prosecutors, mortgage fraud working groups across the country, and individual federal agencies sometimes involved in mortgage fraud investigations, such as HUD-OIG, FBI, U.S. Postal Inspection Service, IRS-CI, and DOJ.

We maintained active participation in coordinated oversight activities during this reporting period:

- ***FBI Cybercrimes Task Force.*** The FBI's Washington, D.C., field office spearheads a cybercrimes task force, and OIG has assigned two special agents to it. This multiagency task force focuses on investigating cybercrimes. OIG made this assignment to help combat such crimes and to work in partnership with multiple federal agencies. This concerted effort will help prosecute cybercriminals and stop cyberattacks made against institutions maintaining PII, trade secrets, and financial data.

- ***CIGIE.*** OIG actively participates in several CIGIE committees and working groups:
  - o The Inspection and Evaluation Committee
  - o The Investigation Committee
  - o The Audit Committee

- ***Council of Inspectors General on Financial Oversight (CIGFO).*** 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. OIG is a permanent member of CIGFO, along with the IGs of Treasury, FDIC, the Securities and Exchange Commission, and others. By statute, CIGFO may convene working groups to evaluate the effectiveness and internal operations of FSOC.

Private-Public Partnerships

Housing finance professionals are on the frontlines and often have a real-time understanding of emerging threats and misconduct. We speak with officials at the FHLBanks and the Enterprises to benefit from their insights and also make presentations to industry groups. Recent presentations include: the United States Trustee Program (nationwide); TransUnion Fraud Investigations; Midwest Financial Fraud Investigators; the Better Business Bureau of Dallas; Indiana Department of Revenue; Real Estate Fraud Advisory Team, Ventura County, California; and local and regional banks.

Appendix A: Glossary and Acronyms

Glossary of Terms

Bankruptcy: A legal procedure for resolving debt problems of individuals and businesses; specifically, a case filed under one of the chapters of Title 11 of the U.S. Code.

CAMELSO: FHFA's examiners use a uniform rating system called CAMELSO, under which each regulated entity and the Office of Finance is assigned a common composite rating based on an evaluation of various aspects of its operations. Specifically, the composite rating of an FHLBank, Fannie Mae, or Freddie Mac is based on an evaluation and rating of seven components: Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk.

Conservatorship: A legal procedure for the management of financial institutions for an interim period during which the institution's conservator assumes responsibility for operating the institution and conserving its assets. Under the Housing and Economic Recovery Act of 2008, the Enterprises were placed into conservatorships overseen by FHFA. As conservator, FHFA has undertaken to preserve and conserve the assets of the Enterprises and restore them to safety and soundness. FHFA also has assumed the powers of the boards of directors, officers, and shareholders; however, the day-to-day operational decision-making of each company is delegated by FHFA to the Enterprises' existing management.

Default: Occurs when a mortgagor misses one or more payments.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010: Legislation that intends to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail," to protect the American taxpayer by ending bailouts, and to protect consumers from abusive financial services practices.

Fannie Mae: A federally chartered corporation that purchases residential mortgages and pools them into securities that are sold to investors. By purchasing mortgages, Fannie Mae supplies funds to lenders so they may make loans to home buyers.

Federal Home Loan Bank System: The FHLBanks are 11 regional cooperative banks that U.S. lending institutions use to finance housing and economic development in their communities. Created by Congress, the FHLBanks have been the largest source of funding for community lending for eight decades. The FHLBanks provide loans (or "advances") to their member banks but do not lend directly to individual borrowers.

Foreclosure: A legal process used by a lender to obtain possession of a mortgaged property in order to repay part or all of the debt.

Freddie Mac: A federally chartered corporation that purchases residential mortgages and pools them into securities that are sold to investors. By purchasing mortgages, Freddie Mac supplies funds to lenders so they may make loans to home buyers.

Government-Sponsored Enterprises: Business organizations chartered and sponsored by the federal government.

Guarantee: A pledge to investors that the guarantor will bear the default risk on a pool of loans or other collateral.

Housing and Economic Recovery Act of 2008: Legislation that established FHFA, which oversees the GSEs' operations, and OIG. HERA also expanded Treasury's authority to provide financial support to the GSEs.

Inspector General Act of 1978: Legislation that authorizes establishment of offices of inspectors general, "independent and objective units" within federal agencies, that: (1) conduct and supervise audits and investigations relating to the programs and operations of their agencies; (2) provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of agency programs and to prevent and detect fraud, waste, or abuse in such programs and operations; and (3) provide a means for keeping the head of the agency and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

Inspector General Reform Act of 2008: Legislation that amends the Inspector General Act to enhance the independence of inspectors general and to create the Council of the Inspectors General on Integrity and Efficiency.

Internal Controls: Processes effected by an entity's oversight body, management, and other personnel that provide reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories: (1) operations—effectiveness and efficiency of operations; (2) reporting—reliability of reporting for internal and external use; and (3) compliance—compliance with applicable laws and regulations. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of resources.

Mortgage-Backed Securities: Debt securities that represent interests in the cash flows—anticipated principal and interest payments—from pools of mortgage loans, most commonly on residential property.

OIG Fiscal Year 2017: OIG's FY17 covers October 1, 2016, through September 30, 2017.

Real Estate Owned: Foreclosed homes owned by government agencies or financial institutions, such as the Enterprises or real estate investors. REO homes represent collateral seized to satisfy unpaid mortgage loans. The investor or its representative must then sell the property on its own.

Securitization: A process whereby a financial institution assembles pools of income-producing assets (such as loans) and then sells securities representing an interest in the assets' cash flows to investors.

Senior Preferred Stock Purchase Agreements: Entered into at the time the conservatorships were created, the PSPAs authorize the Enterprises to request and obtain funds from Treasury, among other matters. Under the PSPAs, the Enterprises agreed to consult with Treasury concerning a variety of significant business activities, capital stock issuance, dividend payments, ending the conservatorships, transferring assets, and awarding executive compensation.

Servicers: Intermediaries between mortgage borrowers and owners of the loans, such as the Enterprises or mortgage-backed securities investors. Servicers collect the borrowers' mortgage payments, remit them to the owners of the loans, maintain appropriate records, and address delinquencies or defaults on behalf of the owners of the loans. For their services, they typically receive a percentage of the unpaid principal balance of the mortgage loans they service. The recent financial crisis has put more emphasis on servicers' handling of defaults, modifications, short sales, and foreclosures, in addition to their more traditional duty of collecting and distributing monthly mortgage payments.

Short Sale: The sale of a mortgaged property for less than what is owed on the mortgage.

Straw Buyer: A person whose credit profile is used to serve as a cover in a loan transaction. Straw buyers are chosen for their ability to qualify for a mortgage loan, causing loans that would ordinarily be declined to be approved. Straw buyers are often paid a fee for their involvement in purchasing a property and usually never intend to own or occupy the property.

Underwater: Term used to describe situations in which the homeowner's equity is below zero (i.e., the home is worth less than the balance of the loan[s] it secures).

Underwriting: The process of analyzing a loan application to determine the amount of risk involved in making the loan. It includes a review of the potential borrower's credit worthiness and an assessment of the property value.

Upfront Fees: One-time payments made by lenders when a loan is acquired by an Enterprise. Fannie Mae refers to upfront fees as "loan level pricing adjustments" and Freddie Mac refers to them as "delivery fees."

Acronyms and Abbreviations

AB 2015-01	Advisory Bulletin 2015-01, *FHLBank Fraud Reporting*
Agency	Federal Housing Finance Agency
Blue Book	*Quality Standards for Inspection and Evaluation*
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
DOC	Division of Conservatorship
DOJ	Department of Justice
EIC	Examiner-in-Charge
Enterprises	Fannie Mae and Freddie Mac
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FHFA	Federal Housing Finance Agency
FHLBank	Federal Home Loan Bank
FSOC	Financial Stability Oversight Council
FY17	Fiscal Year 2017
GAO	Government Accountability Office
GAGAS	Generally Accepted Government Auditing Standards
GSE	Government-Sponsored Enterprise
HERA	Housing and Economic Recovery Act of 2008
HFE	Housing Finance Examiner
HUD-OIG	Department of Housing and Urban Development Office of Inspector General
IG	Inspector General
IRS-CI	Internal Revenue Service-Criminal Investigation
IT	Information Technology
MBS	Mortgage-Backed Securities
MRA	Matter Requiring Attention
NIST	National Institute of Standards and Technology
OA	Office of Audits
OCom	Office of Compliance and Special Projects
OGC	Federal Housing Finance Agency Office of General Counsel

OE	Office of Evaluations
OI	Office of Investigations
OIG	Federal Housing Finance Agency Office of Inspector General
OMB	Office of Management and Budget
ORA	Office of Risk Analysis
PAR	Performance and Accountability Report
PCBank	Pierce Commercial Bank
PCBHL	PC Bank Home Loans
PII	Personally Identifiable Information
PSPA	Senior Preferred Stock Purchase Agreement
REO	Real Estate Owned
RMBS	Residential Mortgage-Backed Securities
ROE	Report of Examination
SA	Special Agent
TCRs	Tips, Complaints, or Referrals
Treasury	Department of the Treasury

Appendix B: OIG Recommendations

In accordance with the provisions of the Inspector General Act, one of the key duties of OIG is to provide to FHFA recommendations that promote transparency, efficiency, and effectiveness in the Agency's operations and aid in the prevention and detection of fraud, waste, or abuse. Since OIG began operations in October 2010, we have made more than 375 recommendations. Figure 5 (see page 56) summarizes OIG's recommendations and their status for all reports with at least one recommendation still pending, and includes all recommendations made during this reporting period. Figure 6 (see page 84) summarizes reports for which all recommendations have been closed. Figure 7 (see page 89) summarizes OIG's outstanding unimplemented recommendations, and Figure 8 (see page 90) summarizes OIG's outstanding unimplemented recommendations by risk area. OIG publishes its Compendium of Open Recommendations on its website.

Figure 5. Summary of OIG Recommendations

No.	Recommendation	Report Name and Date	Status
AUD-2017-010-2 **AUD-2017-011-1**	FHFA should reinforce, through training and supervision of DER personnel, the requirements established by FHFA and reinforced by DER guidance, for the risk assessment and supervisory planning process. Specifically: a. Ensure that the annual supervisory strategy identifies significant risks and supervisory concerns and explains how the planned supervisory activities to be conducted during the examination cycle address the most significant risks in the operational risk assessment. (Applies to AUD-2017-010 and AUD-2017-011) b. Ensure that supervisory activities planned during an examination cycle to address the most significant risks in the operational risk assessment are completed within the examination cycle. (Applies to AUD-2017-010)	*FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle* (AUD-2017-010, September 27, 2017); *FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risk at Freddie Mac for the 2016 Examination Cycle* (AUD-2017-011, September 27, 2017)	Recommendation partially agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-010-3 **AUD-2017-011-2**	FHFA should, except for rare instances where DER has an urgent need to communicate significant supervisory concerns to an Enterprise board, ensure that all supervisory conclusions and findings reported by DER in the Enterprise's annual ROEs are based on completed work that has been previously communicated, when required, in writing to the Enterprise.	*FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle* (AUD-2017-010, September 27, 2017); *FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risk at Freddie Mac for the 2016 Examination Cycle* (AUD-2017-011, September 27, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.

No.	Recommendation	Report Name and Date	Status
AUD-2017-010-1	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.	*FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle* (AUD-2017-010, September 27, 2017)	Recommendation partially agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-008-1	FHFA should reinforce the requirements of DER-OPB-02 and hold DER leadership accountable to ensure that targeted examination conclusions presented in the ROE are based on work that has either (1) undergone quality control review and been communicated in writing to the Enterprise, or (2) the required quality control review has been waived by the Deputy Director of DER and documented in writing.	*FHFA's 2015 Report of Examination to Fannie Mae Failed to Follow FHFA's Standards Because it Reported on an Incomplete Targeted Examination of the Enterprise's New Representation and Warranty Framework* (AUD-2017-008, September 22, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-007-1	The FHFA Privacy Office should conduct a comprehensive business process analysis to identify all FHFA business processes that collect PII in electronic and hardcopy form to build an inventory of where PII is stored.	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-007-2	The FHFA Privacy Office should develop manual and automated processes to maintain an accurate and complete inventory of where PII is stored.	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-007-3	The FHFA Privacy Office should establish, implement, and train end users to apply naming conventions to files and folders containing PII.	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.

No.	Recommendation	Report Name and Date	Status
AUD-2017-007-4	The FHFA Privacy Office should conduct a feasibility study of available technologies to supplement the manual and automated processes to identify and secure PII at rest and in transit.	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-007-5	FHFA should enhance System Owner training to include FHFA access control policies.	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-007-6	FHFA should review all privileged user accounts, obtain authorizations for users where none are currently documented, and remove access for those not authorized.	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-006-1	FHFA should, based on the goals and requirements of NPL sales, as established by the Agency: a. Determine the information necessary to assess whether all of the goals and requirements are being met; b. Update/modify the NPL sales reporting requirements as necessary to obtain that information; and c. Update/modify the templates the Enterprises use to collect loan-level data from NPL buyers and servicers, as necessary.	*NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements* (AUD-2017-006, July 24, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.

No.	Recommendation	Report Name and Date	Status
AUD-2017-006-2	FHFA should direct the Enterprises to: a. Put controls in place to identify and track the simultaneous reporting of charge-off and vacant property, as indicating a possible walkaway violation; and b. Take action, as necessary, to ensure that servicers resolve possible walk away violations through foreclosure, or sale or donation of the loan.	*NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements* (AUD-2017-006, July 24, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-006-3	FHFA should communicate to the Enterprises that they have the authority to review loan files to verify the accuracy of data provided by NPL buyers and servicers, in support of compliance with FHFA's sales requirements.	*NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements* (AUD-2017-006, July 24, 2017)	Closed—Final action taken by FHFA.
AUD-2017-005-1	Because information in the report could be used to circumvent FHFA's internal controls, it has not been released publicly.	*FHFA's Processes for General Support System Component Inventory Need Improvement* (AUD-2017-005, May 25, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-005-2	Because information in the report could be used to circumvent FHFA's internal controls, it has not been released publicly.	*FHFA's Processes for General Support System Component Inventory Need Improvement* (AUD-2017-005, May 25, 2017)	Recommendation agreed to by FHFA; implementation of recommendation is pending.
AUD-2017-002-1	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Performance Audit of the Federal Housing Finance Agency Office of Inspector General's Information Security Program Fiscal Year 2016* (AUD-2017-002, October 26, 2016)	Recommendation agreed to by OIG management; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
AUD-2017-002-2	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Performance Audit of the Federal Housing Finance Agency Office of Inspector General's Information Security Program Fiscal Year 2016* (AUD-2017-002, October 26, 2016)	Recommendation agreed to by OIG management; implementation of recommendation pending.
AUD-2017-002-3	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Performance Audit of the Federal Housing Finance Agency Office of Inspector General's Information Security Program Fiscal Year 2016* (AUD-2017-002, October 26, 2016)	Recommendation agreed to by OIG management; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
AUD-2016-007-1 **AUD-2016-006-1** **AUD-2016-005-5**	FHFA should revise existing guidance to require examiners to prepare complete documentation of supervisory activities and maintain such documentation in the official system of record, and train DER examiners on this guidance.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016); *FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)	Closed—Recommendation rejected.

No.	Recommendation	Report Name and Date	Status
AUD-2016-007-2 **AUD-2016-006-2**	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.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)	Recommendation partially agreed to by FHFA; implementation of recommendation pending FHFA provided documentation on August 17, 2017, that it assessed whether staffing levels were sufficient to carry out DER responsibilities for fulfillment of FHFA's mission for fiscal year 2018 However, we made the same recommendation in AUD-2017-010 and reported the recommendation remained opened.
AUD-2016-007-3 **AUD-2016-006-3**	FHFA should develop and implement guidance that clearly requires supervisory plans to identify and prioritize the planned targeted examinations that are to be completed for each supervisory cycle, in order to fully inform the ROE and CAMELSO ratings for that cycle.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017 Recommendation remains open and will be monitored.

No.	Recommendation	Report Name and Date	Status
AUD-2016-007-4 **AUD-2016-006-4**	FHFA should develop and implement a control that provides for the tracking and documentation of planned targeted examinations, through disposition, in DER's official system of record.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2016-007-5 **AUD-2016-006-5**	FHFA should reinforce and hold EICs accountable to follow DER's requirement to fully document the risk-based justifications for changes to the supervisory plan, and that changes to supervisory plans are documented and approved by the EIC. Ensure that examiners follow DER Operating Procedures Bulletin 2013-DER-OPB-03 1 to fully document the risk-based justifications for changes to the supervisory plan, and that changes to supervisory plans are documented and approved by the EIC.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017 Recommendation remains open and will be monitored.

No.	Recommendation	Report Name and Date	Status
AUD-2016-005-1	FHFA should ensure that risk assessments support the supervisory plans in terms of the targeted examinations included in those supervisory plans and the priority assigned to those targeted examinations.	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017 Recommendation remains open and will be monitored.
AUD-2016-005-2	FHFA should reinforce and hold the EICs accountable to meet FHFA's requirement for risk assessments to be updated semiannually, and as additional information is learned that causes significant changes to the risk profile, such information, from whatever sources, should be factored into the risk assessment during the next update.	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017 Recommendation remains open and will be monitored.
AUD-2016-005-3	FHFA should direct DER to develop and implement controls to ensure that high priority planned targeted examinations are completed before lower priority targeted examinations, unless the reason(s) for performing a lower priority targeted examination in lieu of a higher priority planned targeted examination is documented and risk based (e.g., change in process, delay in implementation).	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017 Recommendation remains open and will be monitored.

No.	Recommendation	Report Name and Date	Status
AUD-2016-005-4	FHFA should enhance DER guidance to provide a common definition for the priority assigned to targeted examinations and require examiners to document the basis of the priority assigned to targeted examinations.	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017 Recommendation remains open and will be monitored.
AUD-2014-021-1	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2014* (AUD-2014-021, September 30, 2014)	Closed—Final action taken by OIG.
AUD-2014-021-2	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2014* (AUD-2014-021, September 30, 2014)	Closed—Final action taken by OIG.
AUD-2014-021-3	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2014* (AUD-2014-021, September 30, 2014)	Recommendation partially agreed to by OIG management; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
AUD-2014-021-4	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2014* (AUD-2014-021, September 30, 2014)	Closed—Final action taken by OIG.
AUD-2014-021-5	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2014* (AUD-2014-021, September 30, 2014)	Closed—Final action taken by OIG.
AUD-2014-021-6	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2014* (AUD-2014-021, September 30, 2014)	Closed—Final action taken by OIG.
AUD-2014-019-1	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	Closed—Final action taken by FHFA.

No.	Recommendation	Report Name and Date	Status
AUD-2014-019-2	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	Closed—Final action taken by FHFA.
AUD-2014-019-3	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	Closed—Final action taken by FHFA.
AUD-2014-019-4	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	OIG review pending closure.
AUD-2014-019-5	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	OIG review pending closure.

No.	Recommendation	Report Name and Date	Status
AUD-2014-019-6	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	Closed—Final action taken by FHFA.
AUD-2014-019-7	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	Closed—Final action taken by FHFA.
AUD-2014-019-8	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)	Closed—Final action taken by FHFA.
AUD-2012-003-1	FHFA's Division of Housing Mission and Goals should formally establish a policy for its review process of underwriting standards and variances including escalation of unresolved issues reflecting potential lack of agreement.	*FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards* (AUD-2012-003, March 22, 2012)	Based on COM-2016-001, this recommendation was reopened. Further corrective action under review by OIG.
AUD-2012-003-2	FHFA's Division of Examination Program and Support should enhance existing examination guidance for assessing adherence to underwriting standards and variances from them.	*FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards* (AUD-2012-003, March 22, 2012)	Closed—Final action taken by FHFA.

No.	Recommendation	Report Name and Date	Status
EVL-2017-006-1	DER should enhance its quality control review program so that examination conclusions from ongoing monitoring activities which do not result in findings or remediation letters are subject to a quality control review prior to being communicated to the Enterprises in ROEs.	*The Gap in FHFA's Quality Control Review Program Increases the Risk of Inaccurate Conclusions in its Reports of Examination of Fannie Mae and Freddie Mac* (EVL-2017-006, August 17, 2017)	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2017-004-1	FHFA should develop, communicate to DER examination staff, and implement an examiner rotation practice or policy that explains the time frame for examiner rotation, whether examiners would be rotated across or within Enterprises, and which types of examiners, in addition to the EICs, would be subject to the rotation practice or policy.	*FHFA's Practice for Rotation of its Examiners Is Inconsistent between its Two Supervisory Divisions* (EVL-2017-004, March 28, 2017)	Closed—Final action taken by FHFA.
EVL-2017-004-2	FHFA should direct DER to implement a mechanism to track and document over time DER examiner assignments by Enterprise and risk area to facilitate implementation of the examiner rotation practice or policy.	*FHFA's Practice for Rotation of its Examiners Is Inconsistent between its Two Supervisory Divisions* (EVL-2017-004, March 28, 2017)	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2017-002-1	In 2017, or as expeditiously as possible, FHFA should complete the examination activities necessary to determine whether [the Enterprise's] risk management of nonbank seller/servicers meets FHFA's supervisory expectations as set forth in its supervisory guidance. These activities should include an independent assessment of the [related matters].	*FHFA's Examinations Have Not Confirmed Compliance by One Enterprise with its Advisory Bulletins Regarding Risk Management of Nonbank Sellers and Servicers* (EVL-2017-002, December 21, 2016)	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
EVL-2016-009-1	FHFA should revise its *Examination Manual* to: • Require that each final ROE be addressed and delivered to the board of directors of an Enterprise by DER examiners to eliminate any confusion over the meaning of the term "issue;" • Establish a timetable for submission of the final ROE to each Enterprise's board of directors and for DER's presentation of the ROE results, conclusions, and supervisory concerns to each Enterprise board; • Require each Enterprise board to reflect its review of each annual ROE in meeting minutes; and • Require each Enterprise board to reflect its review and approval of its written response to the ROE in its meeting minutes.	*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* (EVL-2016-009, July 14, 2016)	Recommendation partially agreed to by FHFA; OIG review pending closure.

No.	Recommendation	Report Name and Date	Status
EVL-2016-009-2	FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise's board of directors that explains: • The purpose for DER's annual presentation to each Enterprise board of directors on the ROE results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and • The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response.	*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* (EVL-2016-009, July 14, 2016)	Recommendation partially agreed to by FHFA; OIG review pending closure.
EVL-2016-009-3	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.	*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* (EVL-2016-009, July 14, 2016)	Closed—Recommendation rejected.

No.	Recommendation	Report Name and Date	Status
EVL-2016-008-1	FHFA should direct DER to develop and adopt a standard template for Enterprise ROEs, issue instructions for completing that template, and promulgate guidance that establishes baseline elements that must be included in each ROE, such as: clear communication of deficient, unsafe, or unsound practices; explanation of how those practices gave rise to supervisory concerns and deficiencies; and prioritization of remediation of supervisory concerns and deficiencies.	*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* (EVL-2016-008, July 14, 2016)	Recommendation partially agreed to by FHFA; OIG review pending closure.
EVL-2016-008-2	FHFA should direct DER to revise its guidance to require ROEs to focus the boards' attention on 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.	*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* (EVL-2016-008, July 14, 2016)	Closed—Recommendation rejected.
EVL-2016-008-3	FHFA should develop written procedures for the "fatal flaw" review of the ROE by Enterprise management that establish the purpose of the review, its duration, and a standard message for conveying this information to Enterprise management.	*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* (EVL-2016-008, July 14, 2016)	OIG review pending closure.

No.	Recommendation	Report Name and Date	Status
EVL-2016-007-1	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.	*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)	Recommendation partially agreed to by FHFA; implementation of recommendation pending.
EVL-2016-007-2	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 MRA tracking system.	*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)	Closed—Final action taken by FHFA.
EVL-2016-007-3	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).	*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)	Closed—Recommendation rejected.

No.	Recommendation	Report Name and Date	Status
EVL-2016-007-4	FHFA should require DER to conduct and document, in an Analysis Memorandum or other work paper, an independent assessment of the adequacy of each Enterprise MRA remediation plan and the basis upon which such plan is either accepted or rejected, and to maintain that document in DER's supervisory record-keeping system.	*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)	Closed—Final action taken by FHFA.
EVL-2016-007-5	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.	*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)	Closed—Recommendation rejected.
EVL-2016-007-6	FHFA should require DER, when evaluating whether to close an MRA, to conduct and document (in an Analysis Memorandum or other work paper) an independent analysis of the adequacy and sustainability of the Enterprise's remediation activity, or where appropriate, the adequacy of the Enterprise's internal audit validation work, and maintain that document in DER's supervisory record-keeping system.	*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)	Closed—Final action taken by FHFA.

No.	Recommendation	Report Name and Date	Status
EVL-2016-006-1	FHFA should direct the Fannie Mae Board to enhance Fannie Mae's existing cyber risk management policies to: a. Require a baseline Enterprise-wide cyber risk assessment with subsequent periodic updates; b. Describe information to be reported to the Board and committees; c. Include a cyber risk framework and cyber risk appetite.	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues* (EVL-2016-006, March 31, 2016)	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-006-2	FHFA should instruct the Fannie Mae Board to establish and communicate a desired target state of cyber risk management for Fannie Mae that identifies and prioritizes which risks to avoid, accept, mitigate, or transfer through insurance.	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues* (EVL-2016-006, March 31, 2016)	Closed—Final action taken by FHFA.
EVL-2016-006-3	FHFA should direct the Fannie Mae Board to oversee management's efforts to leverage industry standards to: a. Protect against and detect existing threats; b. Remain informed on emerging risks; c. Enable timely response and recovery in the event of a breach; and d. Achieve the desired target state of cyber risk management identified in recommendation 2 above within a time period agreed upon by the Board.	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues* (EVL-2016-006, March 31, 2016)	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
EVL-2016-003-1	FHFA should comply with FSOC recommendations to take formal and timely action to compare existing regulatory guidance to appropriate elements of the NIST Framework and identify the gaps between existing regulatory guidance and appropriate elements of the NIST Framework.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework* (EVL-2016-003, March 28, 2016)	Closed—Final action taken by FHFA.
EVL-2016-003-2	FHFA should comply with FSOC recommendations to determine the priority in which to address the gaps.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework* (EVL-2016-003, March 28, 2016)	Closed—Final action taken by FHFA.
EVL-2016-003-3	FHFA should comply with FSOC recommendations to address the gaps, as prioritized, to reflect and incorporate appropriate elements of the NIST Framework.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework* (EVL-2016-003, March 28, 2016)	OIG review pending closure.
EVL-2016-003-4	FHFA should comply with FSOC recommendations to revise existing regulatory guidance to reflect and incorporate appropriate elements of the NIST Framework in a manner that achieves consistency with other federal financial regulators.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework* (EVL-2016-003, March 28, 2016)	OIG review pending closure.
EVL-2016-001-1	FHFA should implement detailed risk assessment guidance that provides minimum requirements for risk assessments that facilitate comparable analyses for each Enterprise's risk positions, including common criteria for determining whether risk levels are high, medium, or low, year over year.	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels* (EVL-2016-001, January 4, 2016)	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
EVL-2016-001-2	FHFA should implement detailed risk assessment guidance that provides standard requirements for format and the documentation necessary to support conclusions in order to facilitate comparisons between Enterprises and reduce variability among DER's risk assessments for each Enterprise and between the Enterprises.	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels* (EVL-2016-001, January 4, 2016)	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-001-3	FHFA should direct DER to train its EICs and exam managers in the preparation of semi-annual risk assessments, using enhanced risk assessment guidance consistent with recommendations EVL-2016-001-1 and EVL-2016-001-2.	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels* (EVL-2016-001, January 4, 2016)	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-007-1	FHFA should ensure that DER's recently adopted procedures for quality control reviews meet the requirements of Supervision Directive 2013-01 and require DER to document in detail the results and findings of each quality control review in examination workpapers, including any shortcomings found during the quality control review.	*Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations* (EVL-2015-007, September 30, 2015)	OIG review pending closure.
EVL-2015-007-2	FHFA should evaluate the effectiveness of the new quality control procedures, as implemented, one year after adoption.	*Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations* (EVL-2015-007, September 30, 2015)	Closed—Final action taken by FHFA.

No.	Recommendation	Report Name and Date	Status
EVL-2015-003-1	FHFA should test the new human resource system to ensure that it will provide data sufficient to enable the Agency to perform comprehensive analyses of workforce issues.	*Women and Minorities in FHFA's Workforce* (EVL-2015-003, January 13, 2015)	Closed—Final action taken by FHFA.
EVL-2015-003-2	FHFA should regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.	*Women and Minorities in FHFA's Workforce* (EVL-2015-003, January 13, 2015)	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-003-3	FHFA should adopt a diversity and inclusion strategic plan.	*Women and Minorities in FHFA's Workforce* (EVL-2015-003, January 13, 2015)	Closed—Final action taken by FHFA.
EVL-2015-003-4	FHFA should research opportunities to partner with inner-city and other high schools, where feasible, to ensure compliance with HERA.	*Women and Minorities in FHFA's Workforce* (EVL-2015-003, January 13, 2015)	Closed—Final action taken by FHFA.
EVL-2014-002-1	FHFA should review its implementation of the 2013 Enterprise examination plans and document the extent to which resource limitations, among other things, may have impeded their timely and thorough execution.	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises* (EVL-2014-002, December 19, 2013)	Closed—Final action taken by FHFA.
EVL-2014-002-2	FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises* (EVL-2014-002, December 19, 2013)	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2014-002-3	FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises* (EVL-2014-002, December 19, 2013)	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
EVL-2013-012-1	FHFA should ensure Fannie Mae takes the actions necessary to reduce servicer reimbursement processing errors. These actions should include utilizing its process accuracy data in a more effective manner and implementing a red flag system.	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses* (EVL-2013-012, September 18, 2013)	Closed—Final action taken by FHFA.
EVL-2013-012-2	FHFA should require Fannie Mae to: • quantify and aggregate its overpayments to servicers regularly; • implement a plan to reduce these overpayments by (1) identifying their root causes, (2) creating reduction targets, and (3) holding managers accountable; and • report its findings and progress to FHFA periodically.	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses* (EVL-2013-012, September 18, 2013)	OIG review pending closure.
EVL-2013-012-3	FHFA should publish Fannie Mae's reduction targets and overpayment findings.	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses* (EVL-2013-012, September 18, 2013)	Closed—Recommendation rejected.
EVL-2013-010-1	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	*Reducing Risk and Preventing Fraud in the New Securitization Infrastructure* (EVL-2013-010, August 22, 2013)	OIG review pending closure
EVL-2013-010-2	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	*Reducing Risk and Preventing Fraud in the New Securitization Infrastructure* (EVL-2013-010, August 22, 2013)	Closed—Final action taken by FHFA.

No.	Recommendation	Report Name and Date	Status
EVL-2013-010-3	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	*Reducing Risk and Preventing Fraud in the New Securitization Infrastructure* (EVL-2013-010, August 22, 2013)	OIG review pending closure.
EVL-2013-010-4	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	*Reducing Risk and Preventing Fraud in the New Securitization Infrastructure* (EVL-2013-010, August 22, 2013)	OIG review pending closure.
EVL-2012-005-1	FHFA should continue its ongoing horizontal review of unsecured credit practices at the FHLBanks by: • following up on any potential evidence of violations of the existing regulatory limits and taking supervisory and enforcement actions as warranted; and • determining the extent to which inadequate systems and controls may compromise the FHLBanks' capacity to comply with regulatory limits and taking any supervisory actions necessary to correct such deficiencies as warranted.	*FHFA's Oversight of the Federal Home Loan Banks' Unsecured Credit Risk Management Practices* (EVL-2012-005, June 28, 2012)	Closed—Final action taken by FHFA.
EVL-2012-005-2	To strengthen the regulatory framework around the extension of unsecured credit by the FHLBanks, as a component of future rulemakings, FHFA should consider the utility of: • establishing maximum overall exposure limits; • lowering the existing individual counterparty limits; and • ensuring that the unsecured exposure limits are consistent with the FHLBank System's housing mission.	*FHFA's Oversight of the Federal Home Loan Banks' Unsecured Credit Risk Management Practices* (EVL-2012-005, June 28, 2012)	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
COM-2017-005-1	FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.	*FHFA Should Improve its Administration of the Suspended Counterparty Program* (COM-2017-005, July 31, 2017)	Recommendation agreed to by FHFA; implementation of recommendation pending.
COM-2017-005-2	FHFA should document its reasons for any departures from the suspension periods prescribed in the guidelines.	*FHFA Should Improve its Administration of the Suspended Counterparty Program* (COM-2017-005, July 31, 2017)	Recommendation agreed to by FHFA; implementation of recommendation pending.
COM-2016-004-1	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.	*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* (COM-2016-004, June 16, 2016)	OIG review pending closure.
COM-2016-004-2	FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to DOC for its review and for FHFA approval through the design and construction of Fannie Mae's leased space in Midtown Center.	*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* (COM-2016-004, June 16, 2016)	OIG review pending closure.

No.	Recommendation	Report Name and Date	Status
COM-2015-001-1	FHFA should determine the causes of the shortfalls in the Housing Finance Examiner Commission Program that we have identified, and implement a strategy to ensure the program fulfills its central objective of producing commissioned examiners who are qualified to lead major risk sections of GSE examinations.	*OIG's Compliance Review of FHFA's Implementation of Its Housing Finance Examiner Commission Program* (COM-2015-001, July 29, 2015)	Recommendation agreed to by FHFA; implementation of recommendation pending.
OIG-2017-005-1	FHFA, as conservator, should direct the Freddie Mac Board to clarify the scope of the NGC's responsibilities under its Charter that relate to conflicts of interest involving executive officers.	*Management Alert—Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors* (OIG-2017-005, September 27, 2017)	Recommendation agreed to by FHFA; implementation of recommendation pending.
OIG-2017-005-2	FHFA, as conservator, should direct Freddie Mac to revise its policies and procedures to align with the responsibilities assigned to the NGC and facilitate the NGC's execution of its responsibilities.	*Management Alert—Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors* (OIG-2017-005, September 27, 2017)	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report Name and Date	Status
OIG-2017-004-1	Take appropriate action to address conflicts of interest issue involving an entity within FHFA's oversight authority Public release by OIG of 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).	*Administrative Investigation of Hotline Complaints: Conflicts of Interest Issue* (OIG-2017-004, March 23, 2017)	OIG review pending closure.
OIG-2017-004-2	Take appropriate action to address conflicts of interest issue involving an entity within FHFA's oversight authority Public release by OIG of 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).	*Administrative Investigation of Hotline Complaints: Conflicts of Interest Issue* (OIG-2017-004, March 23, 2017)	OIG review pending closure.

Figure 6. Summary of OIG Reports Where All Recommendations Are Closed

Report	No. of Recommendations
Review of FHFA's Tracking and Rating of the 2013 Scorecard Objective for the New Representation and Warranty Framework Reveals Opportunities to Strengthen the Process (AUD-2016-002)	3
FHFA Should Improve its Examinations of the Effectiveness of the Federal Home Loan Banks' Cyber Risk Management Programs by Including an Assessment of the Design of Critical Internal Controls (AUD-2016-001)	2
Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program - 2015 (AUD-2015-003)	5
Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program - 2015 (AUD-2015-002)	3
CliftonLarsenAllen, LLP's Independent Audit of the Federal Housing Finance Agency's Privacy Program - 2014 (AUD-2014-020)	6
FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines (AUD-2014-018)	1
FHFA Oversight of Freddie Mac's Information Technology Investments (AUD-2014-017)	3
FHFA's Representation and Warranty Framework (AUD-2014-016)	2
FHFA Oversight of Fannie Mae's Collection of Funds from Servicers that Closed Short Sales Below the Authorized Prices (AUD-2014-015)	3
FHFA Actions to Manage Enterprise Risks from Nonbank Servicers Specializing in Troubled Mortgages (AUD-2014-014)	2
CohnReznick LLP's Independent Audit of FHFA's Oversight of Enterprise Monitoring of the Financial Condition of Mortgage Insurers (AUD-2014-013)	3
FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections (AUD-2014-012)	2
FHFA's Use of Government Travel Cards (AUD-2014-010)	4
FHFA Oversight of Enterprise Handling of Aged Repurchase Demands (AUD-2014-009)	3
FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages (AUD-2014-008)	14
FHFA's Implementation of Active Directory (AUD-2014-007)	4
FHFA's Use of Government Purchase Cards (AUD-2014-006)	4
FHFA Oversight of Fannie Mae's Reimbursement Process for Pre-Foreclosure Property Inspections (AUD-2014-005)	4
FHFA Oversight of Fannie Mae's Remediation Plan to Refund Contributions to Borrowers for the Short Sale of Properties (AUD-2014-004)	3
Fannie Mae's Controls Over Short Sale Eligibility Determinations Should be Strengthened (AUD-2014-003)	6

Report	No. of Recommendations
Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Office of Inspector General's Information Security Program - 2013 (AUD-2014-002)	4
Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program - 2013 (AUD-2014-001)	15
FHFA Can Strengthen Controls over Its Office of Quality Assurance (AUD-2013-013)	7
Additional FHFA Oversight Can Improve the Real Estate Owned Pilot Program (AUD-2013-012)	3
FHFA Can Improve Its Oversight of Fannie Mae's Recoveries from Borrowers Who Possess the Ability to Repay Deficiencies (AUD-2013-011)	1
FHFA Can Improve Its Oversight of Freddie Mac's Recoveries from Borrowers Who Possess the Ability to Repay Deficiencies (AUD-2013-010)	4
Action Needed to Strengthen FHFA Oversight of Enterprise Information Security and Privacy Programs (AUD-2013-009)	5
FHFA Should Develop and Implement a Risk-Based Plan to Monitor the Enterprises' Oversight of Their Counterparties' Compliance with Contractual Requirements Including Consumer Protection Laws (AUD-2013-008)	1
Enhanced FHFA Oversight Is Needed to Improve Mortgage Servicer Compliance with Consumer Complaint Requirements (AUD-2013-007)	9
FHFA Can Enhance Its Oversight of FHLBank Advances to Insurance Companies by Improving Communication with State Insurance Regulators and Standard-Setting Groups (AUD-2013-006)	2
FHFA's Oversight of the Asset Quality of Multifamily Housing Loans Financed by Fannie Mae and Freddie Mac (AUD-2013-004)	2
CliftonLarsonAllen LLP's Evaluation of the Federal Housing Finance Agency's Information Security Program - 2012 (AUD-2013-003)	10
FHFA's Oversight of Contract No. FHF-10-F-0007 with Advanced Technology Systems, Inc. (AUD-2013-002)	5
FHFA's Oversight of the Enterprises' Efforts to Recover Losses from Foreclosure Sales (AUD-2013-001)	3
CliftonLarsonAllen LLP's Audit of FHFA's Controls and Protocols over Sensitive and Proprietary Information Collected and Exchanged with the Financial Stability Oversight Council (AUD-2012-009)	6
FHFA's Conservator Approval Process for Fannie Mae and Freddie Mac Business Decisions (AUD-2012-008)	9
FHFA's Oversight of the Enterprises' Management of High-Risk Seller/Servicers (AUD-2012-007)	2
FHFA's Call Report System (AUD-2012-006)	3
FHFA's Supervisory Risk Assessment for Single-Family Real Estate Owned (AUD-2012-005)	1

Report	No. of Recommendations
FHFA's Supervisory Framework for Federal Home Loan Banks' Advances and Collateral Risk Management (AUD-2012-004)	7
FHFA's Supervision of Freddie Mac's Controls over Mortgage Servicing Contractors (AUD-2012-001)	5
FHFA's Oversight of Fannie Mae's Default-Related Legal Services (AUD-2011-004)	3
Clifton Gunderson LLP's Independent Audit of the Federal Housing Finance Agency's Privacy Program and Implementation - 2011 (AUD-2011-003)	9
Clifton Gunderson LLP's Independent Audit of the Federal Housing Finance Agency's Information Security Program - 2011 (AUD-2011-002)	5
Audit of the Federal Housing Finance Agency's Consumer Complaints Process (AUD-2011-001)	3
FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate (EVL-2016-005)	4
FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies (EVL-2016-004)	6
FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose (EVL-2015-006)	4
FHFA's Oversight of Governance Risks Associated with Fannie Mae's Selection and Appointment of a New Chief Audit Executive (EVL-2015-004)	5
Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities (EVL-2015-001)	1
Freddie Mac Could Further Reduce Reimbursement Errors by Reviewing More Servicer Claims (EVL-2014-011)	2
FHFA's Oversight of the Enterprises' Lender-Placed Insurance Costs (EVL-2014-009)	1
Status of the Development of the Common Securitization Platform (EVL-2014-008)	2
Recent Trends in Federal Home Loan Bank Advances to JPMorgan Chase and Other Large Banks (EVL-2014-006)	1
FHFA's Reporting of Federal Home Loan Bank Director Expenses (EVL-2014-005)	2
FHFA's Oversight of the Servicing Alignment Initiative (EVL-2014-003)	3
FHFA's Oversight of Derivative Counterparty Risk (ESR-2014-001)	1
FHFA's Oversight of Fannie Mae's 2013 Settlement with Bank of America (EVL-2013-009)	1
FHFA's Oversight of the Federal Home Loan Banks' Compliance with Regulatory Limits on Extensions of Unsecured Credit (EVL-2013-008)	2

Report	No. of Recommendations
FHFA's Initiative to Reduce the Enterprises' Dominant Position in the Housing Finance System by Raising Gradually Their Guarantee Fees (EVL-2013-005)	2
FHFA's Oversight of the Federal Home Loan Banks' Affordable Housing Programs (EVL-2013-04)	3
Case Study: Freddie Mac's Unsecured Lending to Lehman Brothers Prior to Lehman Brothers' Bankruptcy (EVL-2013-03)	3
FHFA's Oversight of the Enterprises' Compensation of Their Executives and Senior Professionals (EVL-2013-001)	1
FHFA's Oversight of Freddie Mac's Investment in Inverse Floaters (EVL-2012-009)	4
Evaluation of FHFA's Oversight of Fannie Mae's Transfer of Mortgage Servicing Rights from Bank of America to High Touch Servicers (EVL-2012-008)	4
Follow-up on Freddie Mac's Loan Repurchase Process (EVL-2012-007)	1
FHFA's Certifications for the Preferred Stock Purchase Agreements (EVL-2012-006)	2
Fannie Mae's and Freddie Mac's Participation in the 2011 Mortgage Bankers Association Convention and Exposition (ESR-2012-004)	2
FHFA's Oversight of the Enterprises' Charitable Activities (ESR-2012-003)	2
Evaluation of FHFA's Management of Legal Fees for Indemnified Executives (EVL-2012-002)	2
FHFA's Oversight of Troubled Federal Home Loan Banks (EVL-2012-001)	3
Evaluation of the Federal Housing Finance Agency's Oversight of Freddie Mac's Repurchase Settlement with Bank of America (EVL-2011-006)	2
Evaluation of Whether FHFA Has Sufficient Capacity to Examine the GSEs (EVL-2011-005)	4
Evaluation of FHFA's Oversight of Fannie Mae's Management of Operational Risk (EVL-2011-004)	3
Evaluation of FHFA's Role in Negotiating Fannie Mae's and Freddie Mac's Responsibilities in Treasury's Making Home Affordable Program (EVL-2011-003)	1
Evaluation of Federal Housing Finance Agency's Oversight of Fannie Mae's and Freddie Mac's Executive Compensation Programs (EVL-2011-002)	8
Federal Housing Finance Agency's Exit Strategy and Planning Process for the Enterprises' Structural Reform (EVL-2011-001)	2
Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (COM-2016-002)	2
Administrative Investigation of an Anonymous Hotline Complaint Alleging Use of FHFA Vehicles and FHFA Employees in a Manner Inconsistent with Law and Regulation (OIG-2017-001)	7

Figure 7 (see next page) summarizes OIG's outstanding unimplemented recommendations, comprised of open recommendations and closed, rejected recommendations, which were closed in light of the Agency's permanent rejection or failure to follow through on corrective action. At the end of the semiannual period, OIG had 62 open recommendations, including 43 issued before April 1, 2017, and 20 closed, rejected recommendations, all of which were issued before April 1, 2017. These unimplemented recommendations come from 43 different reports.

Questioned and unsupported costs and funds put to better use identified by OIG have the potential to produce savings. OIG identified questioned costs during a prior reporting period of $48,229,370 (see OIG, *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* (COM-2016-004, June 16, 2016)), and $24.2 million[a] (see OIG, *Fannie Mae Dallas Regional Headquarters Project* (OIG-2017-002, Dec. 15, 2016)), both online at www.fhfaoig.gov/Reports/ManagementAlerts. During the current reporting period, OIG questioned costs of $32 million (see OIG, *Special Report: Update on FHFA's Oversight of Fannie Mae's Build-Out of its Newly Leased Class A Office Space in Midtown Center* (COM-2017-007, Sept. 28, 2017)), online at https://www.fhfaoig.gov/Reports/StatusReports. Recommendation AUD-2014-005-1, which was rejected by FHFA, had $5,015,505 in funds put to better use. OIG has thus questioned over $109 million in aggregate costs and funds put to better use.

Figure 8 (see page 90) lists OIG's outstanding unimplemented recommendations, including both open recommendations and closed, rejected recommendations, organized by risk area. Summaries for all reports are available at www.fhfaoig.gov or through the links provided in the accompanying table.

[a] FHFA, in a letter dated September 29, 2017, disagreed with OIG's calculation of questioned costs reported in this Management Alert.

Figure 7. Summary of OIG Outstanding Unimplemented Recommendations

Fiscal Year	Number of Unimplemented Recommendations	Total Number of Reports with Unimplemented Recommendations	Dollar Value of Aggregate Potential Cost Savings
2011	0 open recommendations 0 closed, rejected recommendations	0	$-
2012	2 open recommendations 0 closed, rejected recommendations	2	$-
2013	4 open recommendations 1 closed, rejected recommendation	2	$-
2014	5 open recommendations 8 closed, rejected recommendations	9	$5,015,505
2015	3 open recommendations 1 closed, rejected recommendation	4	$-
2016	22 open recommendations 10 closed, rejected recommendations	13[b]	$-
2017	26 open recommendations 0 closed, rejected recommendations	13[c]	$-
TOTAL	**62 open recommendations** **20 closed, rejected recommendations**	**43**	**$5,015,505**

[b] Recommendations from AUD-2016-007 are repeated in AUD-2016-006 and AUD-2016-005. Each repeated recommendation is only counted once; the reports are counted separately.

[c] As with 2016, some audit recommendations appear in two reports (AUD-2017-010 and AUD-2017-011). Recommendations are counted only once; reports are counted separately.

Figure 8. Summary of OIG Open Recommendations and Closed, Unimplemented Recommendations

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Open Recommendations			
Conservatorship: Non-Delegated Responsibilities			
Oversight of Fannie Mae Headquarters Consolidation and Relocation	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.	Improved oversight	*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* (COM-2016-004, June 16, 2016)
	FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to DOC for its review and for FHFA approval through the design and construction of Fannie Mae's leased space in Midtown Center.	Improved oversight	*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* (COM-2016-004, June 16, 2016)
Conservatorship: Delegated Responsibilities			
Development of Common Securitization Platform	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	Improved fraud prevention	*Reducing Risk and Preventing Fraud in the New Securitization Infrastructure* (EVL-2013-010, August 22, 2013)
	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	Improved fraud prevention	*Reducing Risk and Preventing Fraud in the New Securitization Infrastructure* (EVL-2013-010, August 22, 2013)
	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	Improved fraud prevention	*Reducing Risk and Preventing Fraud in the New Securitization Infrastructure* (EVL-2013-010, August 22, 2013)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Review and Enhancement of Underwriting Standards	FHFA's Division of Housing Mission and Goals should formally establish a policy for its review process of underwriting standards and variances, including escalation of unresolved issues reflecting potential lack of agreement.	Improved oversight	*FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards* (AUD-2012-003, March 22, 2012); see also *Compliance Review of FHFA's Implementation of Its Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances* (COM-2016-001, December 17, 2015)
Conflicts of Interest	Take appropriate action to address conflicts of interest issue involving an entity within FHFA's oversight authority. Public release by OIG of 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).	Improved oversight	*Administrative Investigation of Hotline Complaints: Conflicts of Interest Issue* (OIG-2017-004, March 23, 2017)
	Take appropriate action to address conflicts of interest issue involving an entity within FHFA's oversight authority Public release by OIG of 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).	Improved oversight	*Administrative Investigation of Hotline Complaints: Conflicts of Interest Issue* (OIG-2017-004, March 23, 2017)
	FHFA, as conservator, should direct the Freddie Mac Board to clarify the scope of the Nominating and Governance Committee's responsibilities under its Charter that relate to conflicts of interest involving executive officers.	Improved oversight	*Management Alert: Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors* (OIG-2017-005, September 27, 2017)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA, as conservator, should direct Freddie Mac to revise its policies and procedures to align with the responsibilities assigned to the NGC and facilitate the NGC's execution of its responsibilities.	Improved oversight	*Management Alert: Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors* (OIG-2017-005, September 27, 2017)
Compliance with Requirements	FHFA should, based on the goals and requirements of NPL sales, as established by the Agency: a. Determine the information necessary to assess whether all of the goals and requirements are being met; b. Update/modify the non-performing loan sales reporting requirements as necessary to obtain that information; and c. Update/modify the templates the Enterprises use to collect loan-level data from non-performing loan buyers and servicers, as necessary.	Improved compliance	*NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements* (AUD-2017-006, July 24, 2017)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should direct the Enterprises to: a. Put controls in place to identify and track the simultaneous reporting of charge-off and vacant property, as indicating a possible walk away violation; and b. Take action, as necessary, to ensure that servicers resolve possible walk away violations through foreclosure, or sale or donation of the loan.	Improved compliance	*NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements* (AUD-2017-006, July 24, 2017)
Supervision			
Examiner Capacity	FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.	Improved supervision	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises* (EVL-2014-002, December 19, 2013)
	FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.	Improved supervision	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises* (EVL-2014-002, December 19, 2013)
	FHFA should assess whether the 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.	Improved supervision	*FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle* (AUD-2017-010, September 27, 2017)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Accreditation of Examiners	FHFA should determine the causes of the shortfalls in the Housing Finance Examiner Commission Program that we have identified, and implement a strategy to ensure the program fulfills its central objective of producing commissioned examiners who are qualified to lead major risk sections of GSE examinations.	Improved quality	*OIG's Compliance Review of FHFA's Implementation of Its Housing Finance Examiner Commission Program* (COM-2015-001, July 29, 2015)
Examiner Rotation	FHFA should direct DER to implement a mechanism to track and document over time DER examiner assignments by Enterprise and risk area to facilitate implementation of the examiner rotation practice or policy.	Improved supervision	*FHFA's Practice for Rotation of its Examiners Is Inconsistent between its Two Supervisory Divisions* (EVL-2017-004, March 28, 2017)
Quality Control	FHFA should ensure that DER's recently adopted procedures for quality control reviews meet the requirements of Supervision Directive 2013-01 and require DER to document in detail the results and findings of each quality control review in examination workpapers, including any shortcomings found during the quality control review.	Improved quality	*Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations* (EVL-2015-007, September 30, 2015)
	DER should enhance its quality control review program so that examination conclusions from ongoing monitoring activities which do not result in findings or remediation letters are subject to a quality control review prior to being communicated to the Enterprises in ROEs.	Improved quality	*The Gap in FHFA's Quality Control Review Program Increases the Risk of Inaccurate Conclusions in its Reports of Examination of Fannie Mae and Freddie Mac* (EVL-2017-006, August 17, 2017)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should reinforce the requirements of DER-OPB-02 and hold DER leadership accountable to ensure that targeted examination conclusions presented in the ROE are based on work that has either (1) undergone quality control review and been communicated in writing to the Enterprise, or (2) the required quality control review has been waived by the Deputy Director of DER and documented in writing.	Improved quality	*FHFA's 2015 Report of Examination to Fannie Mae Failed to Follow FHFA's Standards Because it Reported on an Incomplete Targeted Examination of the Enterprise's New Representation and Warranty Framework* (AUD-2017-008, September 22, 2017)
Risk Assessments for Supervisory Planning	FHFA should implement detailed risk assessment guidance that provides minimum requirements for risk assessments that facilitate comparable analyses for each Enterprise's risk positions, including common criteria for determining whether risk levels are high, medium, or low, year over year.	Improved understanding of risk	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels* (EVL-2016-001, January 4, 2016)
	FHFA should implement detailed risk assessment guidance that provides standard requirements for format and the documentation necessary to support conclusions in order to facilitate comparisons between Enterprises and reduce variability among DER's risk assessments for each Enterprise and between the Enterprises.	Improved understanding of risk	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels* (EVL-2016-001, January 4, 2016)
	FHFA should direct DER to train its EICs and exam managers in the preparation of semi-annual risk assessments, using enhanced risk assessment guidance consistent with recommendations EVL-2016-001-1 and EVL-2016-001-2.	Improved understanding of risk	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels* (EVL-2016-001, January 4, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should reinforce through training and supervision of DER personnel, the requirements established by FHFA, and reinforced by DER guidance, for the risk assessment and supervisory planning process Specifically: a. Ensure that the annual supervisory strategy identifies significant risks and supervisory concerns and explains how the planned supervisory activities to be conducted during the examination cycle address the most significant risks in the operational risk assessment. (Applies to AUD-2017-010 and AUD-2017-011) b. Ensure that supervisory activities planned during an examination cycle to address the most significant risks in the operational risk assessment are completed within the examination cycle. (Applies to AUD-2017-010)	Improved supervision	*FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle* (AUD-2017-010, September 27, 2017); *FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle* (AUD-2017-011, September 27, 2017)
Targeted Examinations Completed	FHFA should ensure that risk assessments support the supervisory plan in terms of the targeted examinations included in those supervisory plans and the priority assigned to those targeted examinations.	Improved supervision	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should reinforce and hold the EICs accountable to meet FHFA's requirement for risk assessments to be updated semiannually, and as additional information is learned that causes significant changes to the risk profile, such information, from whatever sources, should be factored into the risk assessment during the next update.	Improved supervision	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)
	FHFA should direct DER to develop and implement controls to ensure that high-priority planned targeted examinations are completed before lower priority targeted examinations, unless the reason(s) for performing a lower priority targeted examination in lieu of a higher priority planned targeted examination is documented and risk based (e g , change in process, delay in implementation).	Improved supervision	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)
	FHFA should enhance DER guidance to provide a common definition for the priority assigned to targeted examinations and require examiners to document the basis of the priority assigned to targeted examinations.	Improved supervision	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	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.	Improved supervision	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)
	FHFA should develop and implement guidance that clearly requires supervisory plans to identify and prioritize the planned targeted examinations that are to be completed for each supervisory cycle, in order to fully inform the ROE and CAMELSO ratings for that cycle.	Improved supervision	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should develop and implement a control that provides for the tracking and documentation of planned targeted examinations, through disposition, in DER's official system of record.	Improved supervision	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)
	FHFA should reinforce and hold EICs accountable to follow DER's requirement to fully document the risk-based justifications for changes to the supervisory plan, and that changes to supervisory plans are documented and approved by the EIC. Ensure that examiners follow DER Operating Procedures Bulletin 2013-DER-OPB-03 1 to fully document the risk-based justifications for changes to the supervisory plan, and that changes to supervisory plans are documented and approved by the EIC.	Improved supervision	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016)
Communication of Deficiencies to Enterprise Boards	FHFA should, except for rare instances where DER has an urgent need to communicate significant supervisory concerns to an Enterprise board, ensure that all supervisory conclusions and findings reported by DER in the Enterprise's annual ROEs are based on completed work that has been previously communicated, when required, in writing to the Enterprise.	Improved supervision	*FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle* (AUD-2017-010, September 27, 2017); *FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle* (AUD-2017-011, September 27, 2017)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should revise its *Examination Manual* to: • Require that each final ROE be addressed and delivered to the board of directors of an Enterprise by DER examiners to eliminate any confusion over the meaning of the term "issue;" • Establish a timetable for submission of the final ROE to each Enterprise's board of directors and for DER's presentation of the ROE results, conclusions, and supervisory concerns to each Enterprise board; • Require each Enterprise board to reflect its review of each annual ROE in meeting minutes; and • Require each Enterprise board to reflect its review and approval of its written response to the ROE in its meeting minutes.	Improved Board oversight	*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* (EVL-2016-009, July 14, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise's board of directors that explains: • The purpose for DER's annual presentation to each Enterprise board of directors on the ROE results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and • The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response.	Improved Board oversight	*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* (EVL-2016-009, July 14, 2016)
Assessing Remediation of Deficiencies	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.	Improved remediation of deficiencies	*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)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Identification of Deficiencies and Their Root Causes	FHFA should direct DER to develop and adopt a standard template for Enterprise ROEs, issue instructions for completing that template, and promulgate guidance that establishes baseline elements that must be included in each ROE, such as: clear communication of deficient, unsafe, or unsound practices; explanation of how those practices gave rise to supervisory concerns or deficiencies; and prioritization of remediation of supervisory concerns and deficiencies.	Improved Board oversight	*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* (EVL-2016-008, July 14, 2016)
	FHFA should develop written procedures for the "fatal flaw" review of the ROE by Enterprise management that establish the purpose of the review, its duration, and a standard message for conveying this information to Enterprise management.	Improved Board oversight	*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* (EVL-2016-008, July 14, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Extension of Unsecured Credit by Federal Home Loan Banks	To strengthen the regulatory framework around the extension of unsecured credit by the FHLBanks, as a component of future rulemakings, FHFA should consider the utility of: • establishing maximum overall exposure limits; • lowering the existing individual counterparty limits; and • ensuring that the unsecured exposure limits are consistent with the Federal Home Loan Bank System's housing mission.	Improved compliance	*FHFA's Oversight of the Federal Home Loan Banks' Unsecured Credit Risk Management Practices* (EVL-2012-005, June 28, 2012)
Counterparties			
Collection of Funds from Servicers	FHFA should require Fannie Mae to: • quantify and aggregate its overpayments to servicers regularly; • implement a plan to reduce these overpayments by (1) identifying their root causes, (2) creating reduction targets, and (3) holding managers accountable; and • report its findings and progress to FHFA periodically.	Improved financial management	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses* (EVL-2013-012, September 18, 2013)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Compliance with Advisory Bulletins	In 2017, or as expeditiously as possible, FHFA should complete the examination activities necessary to determine whether [the Enterprise's] risk management of nonbank seller/servicers meets FHFA's supervisory expectations as set forth in its supervisory guidance These activities should include an independent assessment of the [related matters].	Improved risk management	*FHFA's Examinations Have Not Confirmed Compliance by One Enterprise with its Advisory Bulletins Regarding Risk Management of Nonbank Sellers and Servicers* (EVL-2017-002, December 21, 2016)
Improved Fraud Prevention	FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.	Improved fraud prevention	*FHFA Should Improve its Administration of the Suspended Counterparty Program* (COM-2017-005, July 31, 2017)
	FHFA should document its reasons for any departures from the suspension periods described in the guidelines.	Improved fraud prevention	*FHFA Should Improve its Administration of the Suspended Counterparty Program* (COM-2017-005, July 31, 2017)
Information Technology			
OIG Information Technology Security	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	Improved information security	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program–2014* (AUD-2014-021, September 30, 2014)
	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	Improved information security	*Performance Audit of the Federal Housing Finance Agency Office of Inspector General's Information Security Program Fiscal Year 2016* (AUD-2017-002, October 26, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	Improved information security	*Performance Audit of the Federal Housing Finance Agency Office of Inspector General's Information Security Program Fiscal Year 2016* (AUD-2017-002, October 26, 2016)
	Because information in the report could be used to circumvent OIG's internal controls, the recommendations have not been released publicly.	Improved information security	*Performance Audit of the Federal Housing Finance Agency Office of Inspector General's Information Security Program Fiscal Year 2016* (AUD-2017-002, October 26, 2016)
FHFA Information Technology Security	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	Improved information security	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)
	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	Improved information security	*Kearney & Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014* (AUD-2014-019, September 26, 2014)
	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	Improved information security	*FHFA's Processes for General Support System Component Inventory Need Improvement* (AUD-2017-005, May 25, 2017)
	Because information in the report could be used to circumvent FHFA's internal controls, the recommendations have not been released publicly.	Improved information security	*FHFA's Processes for General Support System Component Inventory Need Improvement* (AUD-2017-005, May 25, 2017)
Information Technology Risk Examinations	FHFA should comply with FSOC recommendations to address the gaps, as prioritized, to reflect and incorporate appropriate elements of the NIST Framework.	Improved risk management	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework* (EVL-2016-003, March 28, 2016

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should comply with FSOC recommendations to revise existing regulatory guidance to reflect and incorporate appropriate elements of the NIST framework in a manner that achieves consistency with other federal financial regulators.	Improved risk management	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework* (EVL-2016-003, March 28, 2016
Cyber Risk Oversight	FHFA should direct the Fannie Mae Board to enhance Fannie Mae's existing cyber risk management policies to: a. Require a baseline Enterprise-wide cyber risk assessment with subsequent periodic updates; b. Describe information to be reported to the Board and committees; c. Include a cyber risk framework and cyber risk appetite.	Improved risk management	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues* (EVL-2016-006, March 31, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should direct the Fannie Mae Board to oversee management's efforts to leverage industry standards to: a. Protect against and detect existing threats; b. Remain informed on emerging risks; c. Enable timely response and recovery in the event of a breach; and d. Achieve the desired target state of cyber risk management identified in Recommendation 2 within a time period agreed upon by the Board.	Improved risk management	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues* (EVL-2016-006, March 31, 2016)
Privacy Information and Data Protection	The FHFA Privacy Office should conduct a comprehensive business process analysis to identify all FHFA business processes that collect PII in electronic and hardcopy form to build an inventory of where PII is stored.	Improved protection of privacy information	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)
	The FHFA Privacy Office should develop manual and automated processes to maintain an accurate and complete inventory of where PII is stored.	Improved protection of privacy information	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)
	The FHFA Privacy Office should establish, implement, and train end users to apply naming conventions to files and folders containing PII.	Improved protection of privacy information	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)
	The FHFA Privacy Office should conduct a feasibility study of available technologies to supplement the manual and automated processes to identify and secure PII at rest and in transit.	Improved protection of privacy information	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should enhance System Owner training to include FHFA access control policies.	Improved information security	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)
	FHFA should review all privileged user accounts, obtain authorizations for users where none are currently documented, and remove access for those not authorized.	Improved information security	*Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program* (AUD-2017-007, August 30, 2017)
Agency Operations			
Oversight of FHFA Workforce Matters	FHFA should regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.	Improved opportunities and oversight	*Women and Minorities in FHFA's Workforce* (EVL-2015-003, January 13, 2015)
Closed Unimplemented Recommendations			
Property Inspection Quality Controls	FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.	Improved quality	*FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections* (AUD-2014-012, March 25, 2014)
Improperly Reimbursed Property Inspection Claims	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.	Improved accuracy	*FHFA Oversight of Fannie Mae's Reimbursement Process for Pre-Foreclosure Property Inspections* (AUD-2014-005, January 15, 2014)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Seller/Servicer Resolution of Aged Repurchase Demands	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.	Improved oversight	*FHFA Oversight of Enterprise Handling of Aged Repurchase Demands* (AUD-2014-009, February 12, 2014)
Oversight of Enterprise Implementation of Representation and Warranty Framework	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.	Improved framework management	*FHFA's Representation and Warranty Framework* (AUD-2014-016, September 17, 2014)
Seller/Servicer Compliance with Guidance	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.	Improved compliance	*FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines* (AUD-2014-018, September 26, 2014)
Collection of Funds from Servicers	FHFA should publish Fannie Mae's reduction targets and overpayment findings.	Improved transparency	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses* (EVL-2013-012, September 18, 2013)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Examination Recordkeeping Practices	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.	Improved efficiency	*Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities* (EVL-2015-001, October 6, 2014)
Oversight of Enterprise Executive Compensation	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.	Improved oversight	*Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance* (COM-2016-002, March 17, 2016)
	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.	Improved oversight	*Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance* (COM-2016-002, March 17, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Oversight of Servicing Alignment Initiative	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.	Improved servicing compliance and minimized losses	*FHFA's Oversight of the Servicing Alignment Initiative* (EVL-2014-003, February 12, 2014)
	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.	Improved servicing compliance and minimized losses	*FHFA's Oversight of the Servicing Alignment Initiative* (EVL-2014-003, February 12, 2014)
	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.	Improved servicing compliance and minimized losses	*FHFA's Oversight of the Servicing Alignment Initiative* (EVL-2014-003, February 12, 2014)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Targeted Examinations Completed	FHFA should revise existing guidance to require examiners to prepare complete documentation of supervisory activities and maintain such documentation in the official system of record, and train DER examiners on this guidance.	Improved supervision	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016); *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* (AUD-2016-006, September 30, 2016); *FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Oversight of Enterprise Remediation of Deficiencies	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.	Improved remediation of deficiencies	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies* (EVL-2016-004), March 29, 2016)
	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.	Improved remediation of deficiencies	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies* (EVL-2016-004, March 29, 2016)
Communication of Deficiencies to Enterprise Boards	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.	Improved Board oversight	*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* (EVL-2016-009, July 14, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Assessing Remediation of Deficiencies	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).	Improved remediation of deficiencies	*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)
	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.	Improved remediation of deficiencies	*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)
Identification of Deficiencies and Their Root Causes	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.	Improved Board oversight	*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* (EVL-2016-008, July 14, 2016)
Communication of Deficiencies to Enterprise Boards	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.	Improved Board oversight	*FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate* (EVL-2016-005, March 31, 2016)

Appendix C: Information Required by the Inspector General Act

Section 5(a) of the Inspector General Act, as amended, 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, OIG presents a table that directs the reader to the pages of this report on which various information required by the Inspector General Act, as amended, may be found.

Source/Requirement	Pages
Section 5(a)(1)- A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA.	10-11, 15-29
Section 5(a)(2)- A description of the recommendations for corrective action made by OIG with respect to significant problems, abuses, or deficiencies.	15-29, 55-114
Section 5(a)(3)- An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.	55-83, 88-114
Section 5(a)(4)- A summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	30-45, 122-150
Section 5(a)(5)- A summary of each report made to the Director of FHFA about information or assistance requested and unreasonably refused or not provided.	119
Section 5(a)(6)- A listing, subdivided according to subject matter, of each audit and evaluation report issued by OIG during the reporting period and for each report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.	15-29, 88-89, 116-117
Section 5(a)(7)- A summary of each particularly significant report.	15-29
Section 5(a)(8)- Statistical tables showing the total number of audit and evaluation reports and the total dollar value of questioned and unsupported costs.	3, 28-29, 116-117
Section 5(a)(9)- Statistical tables showing the total number of audit and evaluation reports and the dollar value of recommendations that funds be put to better use by management.	3, 28-29, 116-117
Section 5(a)(10)(A)- A summary of each audit and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.	117
Section 5(a)(10)(B)- A summary of each audit and evaluation report issued before the commencement of the reporting period for which no FHFA comment was returned within 60 days of providing the report to the Agency.	117
Section 5(a)(10)(C)- A summary of each audit and evaluation report issued before the commencement of the reporting period for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	88-114
Section 5(a)(11)- A description and explanation of the reasons for any significant revised management decision made during the reporting period.	117
Section 5(a)(12)- Information concerning any significant management decision with which the Inspector General is in disagreement.	117

Source/Requirement	Pages
Section 5(a)(13)- The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	117-118
Section 5(a)(14)- An appendix containing the results of any peer review conducted by another IG; or the date of the last peer review if no peer review was conducted during the reporting period.	118
Section 5(a)(15)- A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	118
Section 5(a)(16)- A list of any peer reviews of another IG during the reporting period.	118
Section 5(a)(17)- Statistical tables showing, for the reporting period, the total number of: investigative reports issued; persons referred to DOJ 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.	31
Section 5(a)(18)- A description of the metrics used for developing the data for the statistical tables under paragraph (17)	31
Section 5(a)(19)- A report on each investigation conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated, including a detailed description of the facts and circumstances of the investigation, and the status and disposition of the matter.	118-119
Section 5(a)(20)- A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences FHFA imposed to hold that official accountable.	118-119
Section 5(a)(21)- A detailed description of any attempt by FHFA to interfere with the independence of OIG, including with budget constraints designed to limit OIG's capabilities, and incidents where FHFA has resisted or objected to OIG oversight activities or restricted or significantly delayed access to information.	119
Section 5(a)(22)(A)- Detailed descriptions of the particular circumstances of each evaluation and audit conducted by OIG that is closed and was not disclosed to the public.	119
Section 5(a)(22)(B)- Detailed descriptions of the particular circumstances of each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	118-119

Reports Identifying Questioned Costs, Unsupported Costs, and Funds to Be Put to Better Use by Management Issued During the Semiannual Period

Section 5(a)(6) of the Inspector General Act, as amended, requires that OIG list its audit reports, inspection reports, and evaluation reports issued during the semiannual period that include questioned costs, unsupported costs, and funds to be put to better use. Section 5(a)(8) and section 5(a)(9), respectively, require OIG to publish statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of questioned and unsupported costs, and of recommendations that funds be put to better use by management. Oversight conducted by OIG is not limited to reports issuing from inspections, audits, and evaluations. As this semiannual report explains, OIG also issues management alerts, special reports, status reports, and compliance reports in furtherance of its mission. Figure 9 (see page 117) summarizes the questioned and unsupported costs identified in an OIG report issued during this semiannual period and any recommendations that funds be put to better use.

Figure 9. Funds to Be Put to Better Use by Management, Questioned Costs, and Unsupported Costs for the Period April 1, 2017, Through September 30, 2017

Report Issued	Recommendation No.	Date	Potential Monetary Benefits		
			Questioned Costs	Unsupported Costs	Funds Put to Better Use
COM-2017-007		Sep. 28, 2017	$32,000,000	$-	$-
Total			**$32,000,000**	**$-**	**$-**

Audit and Evaluation Reports with No Management Decision

Section 5(a)(10)(A) of the Inspector General Act, as amended, requires that OIG report on each audit, inspection, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. There were no audit, inspection, or evaluation reports issued before April 1, 2017, that await a management decision.

No Agency Response Within 60 Days

Section 5(a)(10)(B) of the Inspector General Act, as amended, requires that OIG report on each audit, inspection, and evaluation report issued before the commencement of the reporting period for which no FHFA comment was returned within 60 days of providing the report to the Agency. There were no audit, inspection, or evaluation reports issued before April 1, 2017, for which OIG did not receive a response within 60 days of providing the report to the Agency for comment.

Significant Revised Management Decisions

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significant revised management decision made during the reporting period. During the six-month reporting period ended September 30, 2017, there were no significant revised management decisions.

Significant Management Decisions with Which the Inspector General Disagrees

Section 5(a)(12) of the Inspector General Act, as amended, requires that OIG report information concerning any significant management decision with which the Inspector General is in disagreement. During the six-month reporting period ended September 30, 2017, there was one significant management decision received from FHFA with which the Inspector General disagreed. During the prior reporting period, OIG issued a management alert, *Administrative Investigation of Hotline Complaints: Conflicts of Interest Issue* (OIG-2017-004, March 23, 2017). FHFA provided its management decision on the two recommendations contained in that report to OIG during this reporting period. OIG disagrees with FHFA's management decision.

Federal Financial Management Improvement Act of 1996

Section 5(a)(13) of the Inspector General Act, as amended, requires that OIG report information concerning instances of and reasons for failures to meet any intermediate target dates from remediation plans designed to remedy findings that the Agency's financial management systems do not comply with federal financial management system requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level. This reporting provision did not apply to the Agency or OIG for the reporting period.

In its *Financial Audit: Federal Housing Finance Agency's Fiscal Years 2016 and 2015 Financial Statements* report, GAO did not identify any deficiencies in FHFA's internal controls over financial reporting that it considered to be a material weakness or significant deficiency. HERA requires GAO to conduct this audit.

Peer Reviews

Sections 5(a)(14), (15), and (16) of the Inspector General Act, as amended, require that OIG provide information relevant to the semiannual period on any peer reviews of OIG, unimplemented recommendations from any peer reviews of OIG, and any peer reviews conducted by OIG.

During the reporting period, the United States Nuclear Regulatory Commission Office of Inspector General (NRC-OIG) completed a peer review of OIG's investigative function. On July 12, 2017, NRC-OIG issued an Opinion Letter and a Letter of Observations detailing the results of its review. In the Opinion Letter, the NRC-OIG reported that OIG's system of internal safeguards and management procedures for our investigative function is in compliance with the quality standards established by the CIGIE and the applicable Attorney General guidelines. In the Letter of Observations, NRC-OIG recognized OIG for employing five "best practices" in its investigative operations.

The most recent peer review of our audit organization was conducted by the Pension Benefit Guaranty Corporation Office of Inspector General (PBGC-OIG) and reported on February 28, 2017. OIG received a final System Review Report with a rating of pass, which is the highest rating that can be issued to an audit organization.

Copies of both peer review reports are on OIG's website; see www.fhfaoig.gov/Reports/PeerReview.

During this semiannual period, OIG conducted a peer review of the Architect of the Capitol, Office of Inspector General's Investigative Unit (AOC-OIG). The review was conducted in conformity with the Quality Standards for Investigations and the Quality Assessment Review (QAR) Guidelines established by the CIGIE. The review team found the examined areas to be in compliance with CIGIE standards. On September 12, 2017, AOC-OIG was provided with a report on the QAR and a Letter of Observations following the peer review; its review and response to our letter is ongoing.

Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation

In accordance with the Inspector General Act, as amended, Sections 5(a)(19), (20), (22)(B), and 5(e), OIG is required to report certain information regarding (1) investigations involving senior government employees or (2) government officials found to have engaged in whistleblower retaliation.

Sections 5(a)(19) and 5(e)(1) of the Inspector General Act, as amended, 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 any reportable information during the applicable time frame.

Sections 5(a)(20) and 5(e)(1) of the Inspector General Act, as amended, 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 by an official found to have engaged in retaliation. OIG does not have any reportable information during the applicable time frame.

Sections 5(a)(22)(B) and 5(e)(1) of the Inspector General Act, as amended, 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 involving a senior government employee that is closed and was not disclosed to the public. OIG does not have any reportable information during the applicable time frame.

Audits or Evaluations That Were Closed and Not Disclosed

Sections 5(a)(22)(A) and 5(e)(1) of the Inspector General Act, as amended, 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, confidential supervisory information, trade secrets)—the particular circumstances of each inspection, evaluation, and audit OIG conducted that is closed and was not disclosed to the public. During this reporting period, OIG did not close any inspection, evaluation, or audit without disclosing the existence of the report to the public. OIG issued several reports during this reporting period that contained information which is privileged, confidential, or could be used to circumvent FHFA's internal controls, and, accordingly, OIG has not publicly disclosed such contents.

Interference with Independence

Section 5(a)(21) of the Inspector General Act, as amended, requires that OIG report any attempt by FHFA to interfere with the independence of the office, including through budget constraints designed to limit OIG's capabilities and resistance or objection to OIG's oversight activities or restricting or significantly delaying access to information. OIG does not have any reportable information during the applicable time frame.

Appendix D: OIG Reports

Below are the 18 audits, evaluations, compliance reports, management alerts, special reports, and white papers published during the period. See www.fhfaoig.gov for OIG's reports.

REPORT	DATE
FHFA's Examination Program for the FHLBanks' Internal Audit Functions Was Adequately Designed and Executed (AUD-2017-003)	May 5, 2017
FHFA Complied with Applicable Improper Payment Requirements During Fiscal Year 2016 (AUD-2017-004)	May 10, 2017
FHFA's Processes for General Support System Component Inventory Need Improvement (AUD-2017-005)	May 25, 2017
Closure of OIG Review of FHFA's Supervision of an Enterprise's Remediation of Matters Requiring Attention (ESR-2017-005)	June 12, 2017
NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements (AUD-2017-006)	July 24, 2017
FHFA's Compliance with its Documentary Standards for Issuing Housing Finance Examiner Commissions (COM-2017-004)	July 25, 2017
FHFA Should Improve its Administration of the Suspended Counterparty Program (COM-2017-005)	July 31, 2017
The Gap in FHFA's Quality Control Review Program Increases the Risk of Inaccurate Conclusions in its Reports of Examination of Fannie Mae and Freddie Mac (EVL-2017-006)	August 17, 2017
Existing Statutory Capital Requirements for Fannie Mae and Freddie Mac (WPR-2017-001)	August 17, 2017
Performance Audit of the Federal Housing Finance Agency's (FHFA) Privacy Program (AUD-2017-007)	August 30, 2017
Fannie Mae and Freddie Mac in the Multifamily Market (WPR-2017-002)	September 7, 2017
Compliance Review of FHFA's Revised Process for Reviewing the Enterprises' Annual Operating Budgets (COM-2017-006)	September 19, 2017
FHFA's 2015 Report of Examination to Fannie Mae Failed to Follow FHFA's Standards Because it Reported on an Incomplete Targeted Examination of the Enterprise's New Representation and Warranty Framework (AUD-2017-008)	September 22, 2017

REPORT	DATE
FHFA's 2015 and 2016 Supervisory Activities, as Planned, Addressed Identified Risks with Freddie Mac's New Representation and Warranty Framework (AUD-2017-009)	September 22, 2017
Management Alert: Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors (OIG-2017-005)	September 27, 2017
FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle (AUD-2017-010)	September 27, 2017
FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle (AUD-2017-011)	September 27, 2017
Special Report: Update on FHFA's Oversight of Fannie Mae's Build-Out of its Newly Leased Class A Office Space in Midtown Center (COM-2017-007)	September 28, 2017

Appendix E: OI Publicly Reportable Investigative Outcomes Involving Condo Conversion and Builder Bailout Schemes

In these types of schemes, the sellers or developers wrongfully conceal from prospective lenders the incentives they've 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, causing the lenders to suffer large losses.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencings of Real Estate Professionals in $39 Million Builder Bailout Fraud, Florida			
This scheme involves the sale of multiple condominium conversion properties and numerous mortgage brokers, real estate agents, and settlement agents across southern and central Florida. The investigation has documented 165 transactions involving multiple co-conspirators and over $39 million in mortgage loans.			
Ivan Peralta	Real Estate Broker/ President of Real Estate Brokerage Business	Ordered to pay $465,857 in restitution; sentenced to 33 months in prison and 2 years of supervised release.	September 25, 2017, & July 14, 2017
Rosario Peralta	President of Mortgage Brokerage Business	Ordered to pay $465,857 in restitution; sentenced to 27 months in prison and 2 years of supervised release.	September 25, 2017, & July 14, 2017
Dagoberto Rodriguez	Real Estate Agent	Sentenced to 12 months of home confinement, 5 years of probation, and ordered to pay $383,788 in restitution, joint and several	June 27, 2017
Maria del Carmen Rodriguez	Straw Buyer	Amended judgment filed ordering $465,857 in restitution, joint and several.	April 24, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing and Trial Acquittal in Condominium Fraud Scheme, Florida			
Co-conspirators facilitated the sale of condominiums to straw buyers at inflated prices, then paid undisclosed incentives and caused false documentation to be submitted to financial institutions in order to qualify buyers for loans for which they otherwise would not have qualified. A co-conspirator allegedly wired the closing proceeds to a shell company that disbursed the undisclosed incentives to the participants of the transaction in an attempt to further conceal the payments from lenders and regulators.			
Rebecca Gheiler	Former President	Acquitted at trial	September 7, 2017
Osbel Sanchez	Sales Associate	Sentenced to time served, 3 years of supervised release, and ordered to pay $322,167 in restitution, joint and several. Previously ordered to pay $40,000 in forfeiture.	April 24, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Nine Sentenced, Two Plead Guilty, and Nine Charged in Condominium Bank Fraud Scheme, Florida			
Co-conspirators enriched themselves by using straw buyers and unqualified buyers to purchase and finance residential properties. To do this, the co-conspirators submitted loan applications and other documents to lenders containing materially false statements. The Enterprises purchased several loans involved in this fraud scheme.			
Pedro Allende	Vice President of Title Company	Ordered to pay $2,723,974 in restitution, joint and several; sentenced to 38 months in prison and 3 years of supervised release.	September 5, 2017, & May 10, 2017
Mirna Pena	Director/President of Title Company	Ordered to pay $2,723,974 in restitution, joint and several; sentenced to 27 months in prison and 3 years of supervised release.	September 5, 2017, & May 10, 2017
Eduardo Cruz Toledo	Real Estate Sales Associate/Recruiter	Ordered to pay $1,068,987 in restitution, joint and several; sentenced to 1 year and 1 day in prison and 5 years of supervised release.	September 1, 2017, & June 23, 2017
Jorge Sola	Marketing Company Operator	Ordered to pay $1,626,304 in restitution, joint and several; sentenced to 1 year and 1 day in prison and 5 years of supervised release.	August 30, 2017, & May 26, 2017
Jose Salazar	Straw Buyer	Ordered to pay $563,894 in restitution, joint and several; sentenced to 1 year and 1 day in prison and 5 years of supervised release.	August 29, 2017, & June 23, 2017

Cynthia Velasquez	Straw Buyer	Sentenced to 1 year and 1 day in prison and 5 years of supervised release.	August 25, 2017
Herberto Gamboa	Marketing Company Operator	Ordered to pay $1,134,871 in restitution, joint and several; sentenced to 24 months in prison and 3 years of supervised release.	August 23, 2017, & June 2, 2017
Miguel Soto, Jr.	Acting Manager/ Recruiter	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Hector Santana	Director of Sales/ Recruiter	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Barbara Zas	Recruiter	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Maria Diaz	President of Mortgage Brokerage Business/ Recruiter	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Barbara Camayd	President of Title Company	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Jenny Nillo	Marketing Company Operator/Recruiter	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Jaime Sola Avila	Recruiter	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Emily Echavarria	Real Estate Broker/ Recruiter	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Yipsy Clavelo	Straw Buyer	Charged by superseding indictment with bank fraud and conspiracy to commit bank fraud and wire fraud.	August 8, 2017
Carlos Mesa, Jr.	Straw Buyer	Sentenced to 8 months in prison and 5 years of supervised release.	July 28, 2017
Michael Gonzalez	Straw Buyer	Sentenced to 5 months in prison, 5 years of supervised release, and ordered to pay $257,538 in restitution, joint and several.	July 28, 2017
Yanet Huet	Straw Buyer	Pled guilty to conspiracy to commit bank fraud and wire fraud and bank fraud.	July 24, 2017
Miguel Faraldo	Marketing Company Operator/Recruiter	Pled guilty to conspiracy to commit bank fraud and wire fraud.	June 16, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Real Estate Agent in Property Flipping Scheme, Tennessee			
Co-conspirators engaged in a property flipping scheme wherein straw buyers were paid undisclosed incentives to purchase houses. At one time, the Enterprises owned three of the 10 properties involved in this scheme.			
Thomas Boyd	Real Estate Agent	Sentenced to 30 months in prison, 3 years of supervised release, and ordered to pay $383,375 in restitution.	August 23, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Mortgage Broker and Guilty Plea of Owner in Condominium Scheme, Florida			
Co-conspirators sold condominium units to unqualified buyers by offering undisclosed incentives, and prepared and submitted false and fictitious loan documents to financial institutions to facilitate the sales.			
Scot Rounds	Mortgage Broker	Sentenced to 3 years of supervised release and ordered to pay $602,730 in restitution.	August 22, 2017
Brian Allard	Owner/Developer	Pled guilty to bank fraud.	May 22, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Forty-Year Prison Sentence for Former CFO of Cay Clubs and Sentencing of Former JPMorgan Chase Bank Senior Loan Officer, Florida			
Cay Clubs Resorts, which operated resort-style hotels/condominiums throughout the United States, operated as a massive Ponzi and securities fraud scheme. The scheme defrauded 1,400 investors, FDIC-insured banks, and the Enterprises out of over $300 million. The scheme caused a loss to Freddie Mac of $8,390,663 and to Fannie Mae of $2,850,086.			
Ross Pickard	Former Senior Loan Officer	Sentenced to 36 months in prison, 3 years of supervised release, and ordered to pay $33,330,503 in restitution and $470,484 in forfeiture.	August 17, 2017
David Schwarz	Former Cay Clubs Owner/CFO	Ordered to pay $181,445,179 in restitution, joint and several; ordered to pay $303,439,754 in forfeiture, joint and several; sentenced to 480 months in prison and 5 years of supervised release.	July 10, 2017, May 9, 2017, & May 4, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea in Builder Bailout Scheme, Illinois			
Co-conspirators participated in a mortgage fraud scheme through the marketing and sales of condominiums by making false promises to buyers regarding various financial incentives. The co-conspirators also deceived lenders by concealing material facts in order to fraudulently induce the lenders to approve non-conforming loans to unqualified buyers. The fraud scheme caused more than $14.7 million in losses with approximately $1.3 million in losses to the Enterprises.			
Nunzio Grieco	Director of Contract Administration	Pled guilty to false statements.	August 4, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Three Charged in Bank Fraud Scheme, Texas			
Brett Immel, a partner in a business called Hanover Companies, located investors to purchase homes from builders in exchange for a fee. Immel allegedly directed home buyers to Wright and Bomar to assist with obtaining mortgages. The three co-conspirators allegedly prepared two versions of documents representing the mortgage transactions. The first set of documents, provided to the builder, included payments received by Hanover Companies for locating investors. The second set, which was provided to lenders, omitted the payments to Hanover Companies and overinflated the sellers' profits, purchase price, and the amount of funds needed by the buyer to purchase the property. Lenders allegedly relied on the false documentation and wired funds to accounts controlled by Wright and Bomar, who then paid kickbacks to Hanover Companies. Allegedly, of the more than $11 million in loan proceeds, over $3.8 million were undisclosed payments to Hanover Companies. The Enterprises secured mortgages on 64 of the 66 properties identified in this investigation.			
Brett Immel	Partner at Hanover Companies	Charged by superseding indictment with conspiracy to commit bank fraud.	July 12, 2017
James Wright	Title Attorney	Charged by superseding indictment with conspiracy to commit bank fraud.	July 12, 2017
Daniel Bomar	Escrow Officer	Charged by information with conspiracy to commit bank fraud.	May 16, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Title Company Owner Sentenced in Builder Bailout Scheme, Florida			
Patricia Lynn Smith raised funds from a complicit investor to close numerous home purchases by straw buyers using fraudulent loan applications. The investor funds were used primarily to fund the borrowers' cash to close for the loans. Smith used the loan proceeds to pay the recruiters of the straw buyers and to repay the investor his funds, plus a commission for his role. The investor then paid Smith a kickback fee for facilitating the transaction. The Enterprises suffered a combined loss of approximately $1,175,248 because of this scheme.			
Patricia Lynn Smith	Title Company Owner	Sentenced to 3 years of probation with 6 months' home confinement and ordered to pay $3,733,877 in restitution.	June 15, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Indictment of Straw Buyer and Guilty Pleas of Real Estate Professional and Mortgage Company Manager in Condominium Conversion Fraud Scheme, Florida			
Co-conspirators allegedly marketed and sold condominium units at a condo conversion project known as The Preserves, by offering potential buyers incentives that were not disclosed to lenders, and preparing and submitting loan applications containing material misrepresentations.			
Alejandro Tobon	Branch Manager	Pled guilty to conspiracy to commit bank and wire fraud.	June 9, 2017
Carlos Escarria	Real Estate Sales Associate	Pled guilty to conspiracy to commit bank and wire fraud.	May 30, 2017
Joaquin Cadavid	Straw Buyer	Charged by superseding indictment with conspiracy to commit bank fraud, bank fraud, and wire fraud affecting a financial institution.	May 25, 2017

Appendix F: OI Publicly Reportable Investigative Outcomes Involving Loan Origination Schemes

Loan or mortgage origination schemes are the most common type of mortgage fraud. They typically involve falsifying borrowers' income, assets, employment histories, and credit profiles to make them more attractive to lenders. Perpetrators often employ bogus Social Security numbers and fake or altered documents, such as W-2s and bank statements, to cause lenders to make loans they would not otherwise make.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencings and Guilty Plea in Loan Origination Fraud Scheme, New Jersey			
Co-defendants defrauded numerous lenders by using stolen identities to create the hallmarks of a legitimate residential mortgage or HELOC transaction, complete with a borrower/buyer, seller, title company, homeowner's insurance company, closing attorney, and other parties. By creating the illusion of a legitimate transaction, unsuspecting lenders were deceived into disbursing loan proceeds to a bank account opened in the name of a fraudulent title company or fictitious law firm. The loan proceeds were then withdrawn by the co-defendants who made repeated fraudulent withdrawals at multiple ATMs and bank branches. At least seven properties are involved in this scheme with overall losses in excess of $900,000 Fannie Mae suffered losses.			
Laquan Jones	Participant	Sentenced to 5 years of probation and ordered to pay $6,000 in restitution.	September 28, 2017
Artis Hunter	Participant	Sentenced to 10 years in prison.	August 11, 2017
Melissa Phillip	Participant	Pled guilty to financial facilitation of criminal activity in the third degree.	April 28, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Indictment of Loan Processor at Mortgage Brokerage, Illinois			
While working as a loan processor, Amber Cook allegedly participated in a scheme to defraud lenders by including materially false information regarding assets and income in loan applications, at times creating false documents to support the false loan applications. Losses to the Enterprises from this alleged scheme are in excess of $1.8 million.			
Amber Cook	Loan Processor	Charged by indictment with bank fraud and false statements.	August 24, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Trial Verdict and Guilty Pleas in Loan Origination Scheme, New York			
Co-conspirators recruited straw buyers to purchase properties using fraudulent mortgage loan applications in exchange for a fee. The loan applications misstated the borrowers' incomes, employment histories, and amounts of money in their bank accounts. In addition, the co-conspirators provided fictitious documents and falsified bank statements to support the misrepresentations made on the loan applications. The loans on the properties defaulted, resulting in losses of over $240,000 to Freddie Mac and another financial institution.			
Nimboko Miller	Recruiter	Found guilty at trial of conspiracy to commit bank fraud and bank fraud.	July 17, 2017
Christopher Scott, Jr.	Participant	Pled guilty to conspiracy to commit bank fraud.	May 30, 2017
Christopher Scott, Sr.	Participant	Pled guilty to conspiracy to commit bank fraud.	May 17, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencings in Multi-Defendant Origination Scheme, Illinois			
The co-defendants, along with others, participated in a scheme to defraud lenders of mortgage loans, federal student loans, and small business loans. The participants in the scheme used their own identities and the personal information of identity theft victims to commit the fraud, which involved submitting false documents to lenders and using straw buyers to obtain loans. The loss exposure to the Enterprises was nearly $1 million.			
Anthony Trice	Participant	Sentenced to 33 months in prison, 1 year of supervised release, and ordered to pay $398,211 in restitution, joint and several.	June 28, 2017
Jerrod Weathersby	Participant	Sentenced to 39 months in prison, 2 years of supervised release, and ordered to pay $398,211 in restitution, joint and several.	June 27, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Two Indicted in Loan Origination Fraud Scheme, Florida			
Lazaro Rojas and Adrian Diaz De Villegas allegedly recruited unqualified straw buyers to purchase residential properties. Rojas, a loan officer, and Diaz de Villegas, his business partner, prepared, or caused to be prepared, mortgage loan applications and related documents that contained false and fraudulent information, including the straw buyers' employment, income, assets, and occupancy intent. In addition, Rojas and Diaz De Villegas provided the straw buyers "cash to close" and offered kickbacks to them that were not disclosed to the lenders. After the closings, many of the straw buyers/co-conspirators failed to pay their mortgages and the properties subsequently went into default. As a result of this scheme, Fannie Mae and others suffered losses.			
Adrian Diaz De Villegas	Participant	Charged by indictment with conspiracy to commit bank fraud and wire fraud affecting a financial institution, bank fraud, and wire fraud affecting a financial institution.	June 20, 2017
Lazaro Rojas	Loan Officer	Charged by indictment with conspiracy to commit bank fraud and wire fraud affecting a financial institution, bank fraud, and wire fraud affecting a financial institution.	June 20, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea of Attorney/Title Company Owner in Bank Fraud Scheme, Massachusetts			
Margaret Connolly, owner and operator of Madison Title Company, defrauded lenders by obtaining multiple mortgages for her residence. To make it appear that the property she was using as security was unencumbered, Connolly submitted fraudulent loan applications and fictitious title reports to lenders. In connection with the associated mortgage loan applications, Connolly misstated her personal assets, claimed to own properties she did not, understated her liabilities, and misrepresented her and her husband's employment income. Relying on these misrepresentations, lenders were defrauded into providing over $2 million in mortgages.			
Margaret Connolly	Attorney/Title Company Owner	Pled guilty to bank fraud.	June 15, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Loan Officer in Straw Buyer Scheme, Illinois			
Nicholas Burge, a loan officer, conspired with others to aid straw buyers to fraudulently obtain at least five mortgage loans valued at approximately $1.49 million by making materially false representations in documents submitted to lenders. Soon after the properties were sold to the straw buyers, the mortgages went into default. The fraud resulted in approximately $800,000 in losses to the Enterprises.			
Nicholas Burge	Loan Officer	Sentenced to 48 months in prison, 2 years of supervised release, and ordered to pay $1,335,248 in restitution.	June 14, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea of Title Company Owner, Missouri			
Adair County Title & Escrow (ACTE), owned and operated by Nancy Porter, contracted with Stewart Title, a title insurance guarantee company, to sell title insurance policies underwritten by Stewart Title to home buyers. Eventually, Stewart Title terminated its contract with ACTE. Nonetheless, ACTE continued to sell title insurance policies purportedly underwritten by Stewart Title to home buyers. ACTE charged customers for these fraudulent policies and collected and retained the fees it obtained. In total, ACTE closed approximately 527 fraudulent transactions resulting in approximately $419,000 in fees.			
Nancy Porter	Title Company Owner	Charged by information and pled guilty to wire fraud.	June 7, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Licensed Real Estate Agent/Loan Broker Sentenced, California			
Lynn Maina, a licensed real estate agent, prepared and submitted to mortgage lenders a number of false documents, including fraudulent loan applications and falsified letters to explain away problems with credit histories and fabricated credit reports. Freddie Mac owned at least five loans associated with Maina's scheme, and incurred losses of approximately $1 million.			
Lynn Maina	Real Estate Agent	Sentenced to 4 months in prison, 3 years of supervised release, and ordered to pay $2,246,600 in restitution.	April 17, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Indictment of Attorney and Loan Officer in Mortgage Fraud Scheme, Illinois			
Jessica Arong O'Brien allegedly fraudulently caused lenders to provide approximately $1.4 million in mortgage and commercial loans through false representations and concealing material facts in documents submitted to the lenders, such as the buyer's income, employment, liabilities, intent to occupy, identity, cash to close, and sale price. O'Brien then allegedly used the fraudulently obtained mortgage loan proceeds to purchase or refinance mortgages on investment properties and obtain a commercial line of credit to maintain the properties, before selling them to Maria Bartko and a straw buyer whom O'Brien knew would not qualify for a mortgage loan unless under fraudulent pretenses.			
Maria Bartko	Loan Officer	Charged by indictment with mail fraud affecting a financial institution.	April 11, 2017
Jessica Arong O'Brien	Attorney/ Loan Officer/ Real Estate Agent	Charged by indictment with mail fraud affecting a financial institution and bank fraud.	April 11, 2017

Appendix G: OI Publicly Reportable Investigative Outcomes Involving Short Sale Schemes

Short sales occur when a lender allows a borrower who is "underwater" on his/her loan—that is, the borrower owes more than the property is worth—to sell his/her property for less than the debt owed. Short sale fraud usually involves a borrower who intentionally misrepresents or fails to disclose material facts to induce a lender to agree to a short sale.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Three Charged in a Buy-and-Bail Short Sale Scheme, Michigan			
Co-conspirators allegedly operated a buy-and-bail scheme through Elias Realty. Through extensive advertising, the co-conspirators contacted struggling homeowners and promised to help the homeowners sell their homes, eliminate their debt, and buy new homes. To accomplish this, the co-conspirators advised the homeowners to buy a second home and facilitated the submission of mortgage applications. Allegedly, the mortgage applications for the second homes falsely inflated the values of the first homes and misrepresented that the borrowers intended to keep their existing homes as rental properties. In reality, however, the homes were worth significantly less than stated in the mortgage applications, and the homeowners had no intention of renting their homes; rather, they intended to sell them by short sale. Once the second homes were purchased, the co-conspirators allegedly instructed the homeowners to stop making mortgage payments on the first homes and assisted the homeowners with short sale applications submitted to their lenders for their original properties given the financial hardships due to having two active mortgages. Many homeowners were permitted to conduct short sales and lenders forgave the difference between the short sale prices and the outstanding amount of the loans. In some instances, however, the financial institutions did not agree to the short sales and the mortgages were foreclosed. Estimated losses to the Enterprises are more than $4 million.			
William Elias	Business Owner/ Real Estate Broker	Charged by indictment with conspiracy to commit bank fraud; falsification of records in a federal investigation, aiding and abetting; bank fraud; conspiracy to commit money laundering; money laundering; HUD transactions fraud.	August 29, 2017
Kimberly Doren	Processing Manager/ Real Estate Salesperson	Charged by indictment with conspiracy to commit bank fraud; falsification of records in a federal investigation, aiding and abetting; bank fraud; conspiracy to commit money laundering; money laundering; HUD transactions fraud.	August 29, 2017
Daniel Trubak	Real Estate Salesperson	Charged by indictment with conspiracy to commit bank fraud; falsification of records in a federal investigation, aiding and abetting.	August 29, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Buyer in Short Sale Fraud Scheme, California			
Mahendra Prasad submitted a loan application containing material misstatements to purchase a property. The application included false statements concerning his employment, income, and intent to occupy the property as his primary residence. Instead of residing in the property, Prasad rented the property and collected rental payments. Later, Prasad engaged in a fraudulent short sale transaction by submitting false documentation to the lender, including a fraudulently signed arm's length affidavit claiming he had no relationship to the buyer, when in fact the buyer was a co-conspirator. This short sale fraud scheme involved at least 25 properties, some of which were owned by the Enterprises, and caused losses to lenders of at least $3 million.			
Mahendra Prasad	Participant	Ordered to pay $328,000 in forfeiture; sentenced to 15 months in prison, 5 years of supervised release, and ordered to pay $328,000 in restitution, joint and several.	August 21, 2017, & August 14, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencings in Complex Short Sale Fraud Scheme, California			
Conspirators engaged in several schemes to fraudulently obtain money, including: a "flopping" scheme where banks were convinced to accept short sale prices that were lower than a legitimate buyer would be willing to pay; recording false second and third liens; tricking distressed homeowners into signing their properties over to criminal actors; and renting distressed properties while simultaneously stalling foreclosure through the use of fraudulent documents. The Enterprises, as owners of the mortgages on at least eight of the properties, suffered losses.			
Brian Deden	Notary/Licensed Real Estate Broker	Sentenced to 2 years in prison and ordered to pay $300 in restitution.	July 25, 2017
Eric Wolfe	Licensed Real Estate Broker	Sentenced to 16 years and 8 months in prison, $140,754 in restitution, and $500,000 in forfeiture.	July 21, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing in Short Sale Fraud Scheme, Michigan			
David Hill defaulted on his Freddie Mac-owned mortgage and conspired with a co-defendant who had experience in the mortgage industry to negotiate a short sale on his behalf with the lender. In violation of the short sale agreement, the property was subsequently sold to Hill's uncle and Hill and the co-defendant continued to live in the house for at least two years. Freddie Mac suffered over $34,000 in losses.			
David Hill	Participant	Sentenced to 2 years of probation and ordered to pay $34,552 in restitution, joint and several.	June 13, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea of Title Company Owner, Maryland			
Marla Messenger, acting as the settlement agent for both sides of real estate transactions, along with co-conspirators, purchased short sale properties using straw buyers, then immediately resold the properties at significantly higher prices to final buyers on or about the same date.			
Marla Messenger	Title Company Owner	Pled guilty to conspiracy to commit bank fraud, mail fraud, and wire fraud affecting a financial institution.	May 25, 2017

Appendix H: OI Publicly Reportable Investigative Outcomes Involving Loan Modification and Property Disposition Schemes

These schemes prey on homeowners. Businesses typically advertise that they can secure loan modifications if the homeowners pay significant upfront fees or take other action that enriches the defendant. Typically, these businesses take little or no action, leaving homeowners in a worse position.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Loan Scheme Operator, California			
Kevin Rasher admitted he falsely told distressed homeowners that he was an employee of the government or that he was an attorney, and that the homeowners had been approved for a reduced mortgage payment or interest rate. Rasher then instructed the homeowners to mail their mortgage payments to one of his businesses, claiming he would forward the money to the homeowners' mortgage lenders. Instead of forwarding the money to the mortgage lenders, Rasher deposited the money into his bank accounts and used it for his own personal expenses. Included in the overall scheme were loans owned by the Enterprises.			
Kevin Rasher	Operator	Sentenced to 97 months in prison, 3 years of supervised release, and ordered to pay $2,240,526 in restitution.	September 29, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea of Fictitious Loan Officer, Maryland			
Se Chang Moon posed as a loan officer and obtained over $350,000 in funds from one victim who believed Moon was using the money to refinance the victim's mortgage. Moon, however, stole the money and used it for his personal benefit. Moon also victimized other potential customers by stealing their identities and opening bank accounts and obtaining loans in their names without their knowledge. Total losses associated with this scheme are in excess of $650,000.			
Se Chang Moon	Fictitious Loan Officer	Sentenced to 39 months in prison, 5 years of supervised release, and ordered to pay $652,542 in restitution and $499,937 in forfeiture.	September 19, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Restitution Ordered and Five Sentenced in $10 Million Nationwide Loan Modification Scheme, Virginia			
The co-defendants, along with others, devised a scheme to obtain upfront payments from victims by leading them to believe they were receiving federally funded home loan modifications under a government program. The scheme victimized hundreds of homeowners out of more than $10 million, resulting in an estimated $3.8 million in losses and approximately $1.1 million in potential losses to the Enterprises.			
Michael Henderson	Customer Service Representative	Ordered to pay $9,059,002 in restitution, joint and several; sentenced to 144 months in prison and 3 years of supervised release.	September 14, 2017, & July 19, 2017
Sammy Araya	Business Operator	Ordered to pay $10,226,285 in restitution, joint and several; sentenced to 240 months in prison and 36 months of supervised release.	August 16, 2017, & July 19, 2017
Jen Seko	Business Operator	Ordered to pay $10,186,351 in restitution, joint and several; sentenced to 84 months in prison and 36 months of supervised release.	August 16, 2017, & July 19, 2017
Nicholas Estilow	Closer	Sentenced to 80 months in prison, 3 years of supervised release, and ordered to pay $3,642,367 in restitution and $9.3 million in forfeiture; both ordered joint and several.	June 1, 2017
Sabrina Rafo	Customer Service Representative	Sentenced to 60 months in prison, 3 years of supervised release, and ordered to pay $3,642,367 in restitution and $4,528,675 in forfeiture; both ordered joint and several.	June 1, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Director/VP of Nonprofit Pleads Guilty in Foreclosure Prevention Fraud Scheme, Texas			
Francisco Javier Gonzalez was a director and the vice president of a nonprofit designed to provide housing counseling to combat poverty. Gonzalez defrauded numerous homeowners by promising to help them obtain mortgage assistance to save their homes from foreclosure, but in reality, he made no efforts to obtain mortgage assistance for his victims. Loss calculations associated with the Enterprises are ongoing.			
Francisco Javier Gonzalez	Director/Vice President	Pled guilty to mail fraud.	September 12, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Plea of Consulting Company Owner, New Jersey			
Jeffrey Halpern, operator of JCK Marketing, solicited business from individuals who were seeking home loan modifications on their residential mortgages. Halpern told these individuals that, for a fee, he would negotiate loan modifications on their behalf. In actuality, Halpern pocketed the funds but performed little or no services in connection with the purported loan modifications. Halpern also repeatedly demanded money for "bank fees" from his victims, even though none of the related financial institutions charged fees for loan modifications. Halpern defrauded at least 26 victims of over $400,000.			
Jeffrey Halpern	Business Owner	Charged by information and pled guilty to wire fraud.	August 8, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Co-Owner and Guilty Pleas of Co-Owner and Operator in Nationwide Loan Modification Scheme with More Than 10,000 Victims, Utah			
The defendants conspired with others to defraud distressed homeowners and the Enterprises with a loan modification scheme that affected more than 10,000 victims nationwide.			
Chad Gettel	Co-Owner	Sentenced to 84 months in prison, 3 years of supervised release, and ordered to pay $590,129 in restitution, joint and several.	August 3, 2017
Sheridan Black	Operator	Pled guilty to conspiracy and was sentenced to 24 months of court-supervised probation.	May 24, 2017
John McCall	Co-Owner	Pled guilty to conspiracy to commit wire fraud and money laundering.	May 10, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Mortgage Modification Scheme Employee, California			
Aide Orona and co-defendants operated a foreclosure rescue scheme involving the filing of false bankruptcies, grant deeds, and other lawsuits. The scheme involved more than 80 properties, and the co-defendants received over $1 million in payments from victims. The Enterprises suffered losses.			
Aide Orona	Participant	Sentenced to 64 months in prison and ordered to pay $90,946 in restitution, joint and several.	June 29, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea in Multi-State Loan Modification Scheme with More Than 550 Victims, Kansas			
Ruby Price operated the Arize Group, Incorporated (AGI), and co-defendants operated Reliant Home Financial Group (RHFG). Together they devised a scheme to defraud homeowners with false promises of protecting them from foreclosure. In some instances, the victims would stop making their monthly mortgage payments to their lenders and instead make payments to RHFG or AGI. The co-conspirators used the victims' monies for personal gain.			
Ruby Price	Business Owner	Pled guilty to conspiracy to commit mail and wire fraud.	June 27, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Trial Conviction in Foreclosure Rescue Fraud Scheme, Maryland			
Ana Gomez and co-conspirators committed loan modification fraud by convincing struggling homeowners to stop making mortgage payments and communicating with their lenders. Instead, the co-conspirators instructed homeowners to make mortgage payments to companies controlled by them, with assurances that the co-conspirators would negotiate with the victims' lenders on their behalf to obtain modifications. Overall scheme losses, including payments made by victims, are estimated between $1 to $2 million.			
Ana Gomez	Participant	Found guilty at trial of mail fraud and conspiracy to commit mail and wire fraud.	June 23, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Indictment in $7 Million Foreclosure-Avoidance Scheme, California			
Michael "Mickey" Henschel was the alleged mastermind of a foreclosure-avoidance scam that targeted distressed homeowners and defrauded victims of over $7 million. Henschel and co-conspirators allegedly marketed illegal foreclosure- and eviction-delay services to homeowners who had defaulted on their mortgages and renters who were facing eviction. As part of the scheme, Henschel and the others allegedly convinced homeowners to sign fake grant deeds that purported to show the homeowners had conveyed an interest in their property to fictional third parties. Henschel and his co-conspirators allegedly filed bankruptcies in the names of fictional persons and entities to trigger the automatic stay provision of the Bankruptcy Code, which meant that foreclosure sales were stalled. Henschel allegedly delayed evictions in a similar way, filing fraudulent documents in state eviction actions and sending similar documents to sheriff's offices. Henschel allegedly charged some homeowners large fees before agreeing to clear title to their properties, in addition to the monthly fees paid for the illegal services. Preliminary loss calculations for the Enterprises are greater than $800,000 and are expected to increase substantially.			
Michael "Mickey" Henschel	Business Operator	Charged by indictment with conspiracy, bankruptcy fraud, and wire fraud.	June 8, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing in Loan Modification Scheme, California			
Ruby Encina worked as a bookkeeper and clerical staff manager for a loan modification company doing business as 21st Century. 21st Century defrauded more than 4,000 financially distressed homeowners of over $7 million by having them pay for services, including loan modifications, that were never provided. The owners and employees of 21st Century contacted distressed homeowners and made numerous false or misleading statements, including that 21st Century: (1) was operating through a federal government program; (2) would be able to obtain new mortgages with specific interest rates and reduced payments; and (3) would negotiate loan modifications with their lenders. Once hired, 21st Century regularly instructed its victims to stop making mortgage payments and to cut off all contact with their lenders because they were being represented by 21st Century. Many of these loans had been purchased by Fannie Mae and Freddie Mac.			
Ruby Encina	Bookkeeper/Clerical Staff Manager	Sentenced to 12 months and 1 day in prison, 1 year of supervised release, and ordered to pay $26,708 in restitution.	June 5, 2017

Appendix I: OI Publicly Reportable Investigative Outcomes Involving Property Management and REO Schemes

Numerous foreclosures left the Enterprises with an inventory of REO properties. The REO inventory has sparked a number of different schemes to either defraud the Enterprises, which use contractors to secure, maintain and repair, price, and ultimately sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Four Licensed Real Estate Agent Family Members Sentenced in REO Scheme, Arizona			
Four co-defendants, all real estate agents, conspired to use trusts and the identities of others to purchase Fannie Mae REO properties in violation of Fannie Mae rules. The co-defendants spent over $1.3 million to purchase 28 Fannie Mae REO properties.			
Daphne Iatridis	Real Estate Agent	Sentenced to 30 months in prison, 3 years of supervised release, and ordered to forfeit 26 properties.	September 7, 2017
Arthur Telles	Real Estate Agent	Sentenced to 30 months in prison, 3 years of supervised release, and ordered to forfeit 26 properties.	September 7, 2017
Brendyn Iatridis	Real Estate Agent	Sentenced to 10 months in prison and 12 months of supervised release.	September 7, 2017
Spenser Iatridis	Real Estate Agent	Sentenced to 12 months of probation.	September 7, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Husband and Wife Sentenced for Notary Public Violations, Michigan			
The founder and CEO of a real estate and property management company conspired with others to purchase and resell REO properties, some of which were owned by Fannie Mae, to foreign investors at inflated prices. On many occasions, these properties were marketed as tenanted and fully refurbished when in reality they were vacant and in a state of extreme disrepair. Phillip and Sandra Hayes, licensed notaries, assisted with this scheme.			
Phillip Hayes	Notary	Sentenced to 1 year of probation and ordered to relinquish his notary license.	August 24, 2017
Sandra Hayes	Notary	Sentenced to 30 days in jail and ordered to relinquish her notary license.	July 11, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing in Investment Fraud Scheme, Illinois			
Scott Goldstein cheated would-be investors by, among other fake investment pitches, claiming he could purchase discounted REO properties through a fictitious Enterprise program purportedly named the "Freddie/Fannie 10 Block Purchase Program." To support his claims, Goldstein provided some victims with fake documents that used Freddie Mac's letterhead. Relying on Goldstein's lies, victims "invested" in the venture. Goldstein never made the promised investments. Instead, Goldstein used the victims' money for his own benefit, to buy luxury cars and pay his mortgage, among other things.			
Scott Goldstein	Purported CEO of Company	Sentenced to 33 months in prison, 3 years of supervised release, and ordered to pay $245,500 in restitution.	August 11, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Former Vice President of Inspection Company, Florida			
John Franklin Coleman, III, the former vice president of operations, along with other managers of American Mortgage Field Services, a property inspection company, directed employees to submit thousands of fraudulent inspection reports to Bank of America and other loan servicers that paid the company for services that did not occur. The Enterprises contracted with American Mortgage Field Services to oversee periodic inspections on properties in various stages of the foreclosure process. Losses to the Enterprises and Bank of America are in excess of $12 million.			
John Franklin Coleman, III	Former Vice President of Operations	Sentenced to 60 months of probation with 6 months of home detention, and ordered to pay a $5,000 fine.	July 18, 2017

Appendix J: OI Publicly Reportable Investigative Outcomes Involving Adverse Possession and Distressed Property Schemes

Adverse possession 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. They use fraudulent tactics, such as filing false bankruptcy petitions, while collecting significant fees from the homeowners.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sovereign Citizens Sentenced in Adverse Possession Scheme, Illinois			
David Farr, along with others, commandeered vacant or recently foreclosed homes owned by Fannie Mae or other lenders, which they either moved into or rented to family members. Farr and Moore belonged to the "Moors," a group that claims not to recognize most state or federal laws. In some cases, the renters were unaware of the scheme.			
Torrez Moore	Sovereign Citizen	Sentenced to 11 years in prison.	September 6, 2017
David Farr	Sovereign Citizen	Sentenced to 14 years in prison followed by 3 years of probation.	May 22, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Trial Verdict and Sentencing in Adverse Possession Scheme, Washington			
Naziyr Yishmael marketed a fraudulent adverse possession scheme as a legitimate way for people to own abandoned houses facing foreclosure. Yishmael assisted others in filing false paperwork in an effort to legitimize the squatting of foreclosed homes. This scheme impacted at least 11 homes.			
Naziyr Yishmael	Scheme Participant	Sentenced to 364 days in prison, 30 days of community work program, and 24 months of unsupervised probation; found guilty at trial of unlawful practice of law.	April 28, 2017, & April 20, 2017

Appendix K: OI Publicly Reportable Criminal Investigative Outcomes Involving RMBS Schemes

In this type of scheme, traders fraudulently manipulate the buying and selling prices of RMBS, causing customers to pay more to purchase the RMBS and to receive less when they sell RMBS.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Trial Verdict and Guilty Plea of Former Nomura Securities Traders, Connecticut			
Frank Dinucci and Michael Gramins were formerly employed as RMBS traders at Nomura Securities (Nomura). Dinucci, Gramins, and others conspired to misstate to customers the prices at which Nomura could or had purchased or sold bonds and whether the bonds Nomura was selling were in Nomura's inventory. The co-conspirators made materially false representations to Nomura's customers in order to obtain secret and unearned compensation on RMBS trades.			
Michael Gramins	Former Executive Director/Trader of the RMBS Desk	Found guilty at trial of conspiracy to commit securities fraud and wire fraud.	June 15, 2017
Tyler Peters	Former VP/Trader of the RMBS Desk	Acquitted at trial.	June 15, 2017
Ross Shapiro	Former Managing Director/Trader of the RMBS Desk	Acquitted at trial.	June 15, 2017
Frank Dinucci	Former VP/Trader of the RMBS Desk	Charged by information and pled guilty to conspiracy to commit securities and wire fraud.	April 4, 2017

Appendix L: OI Publicly Reportable Investigative Outcomes Involving Multifamily Schemes

Investigations in this category involve a variety of fraud schemes that relate to loans purchased by the Enterprises to finance multifamily properties. Multifamily properties have five or more units and are primarily rental apartment communities.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing in Embezzlement Scheme, Arizona			
Shana Johnson worked as an accountant for a property management company in Arizona. Johnson embezzled over $2.4 million from bank accounts associated with properties managed by her employer, including four multifamily properties financed by Freddie Mac. Johnson stole the money from the accounts, including Freddie Mac custodial accounts, by using the company's accounts to issue approximately 450 fraudulent checks, totaling over $1.4 million, to a relative. Johnson also caused the company to initiate nearly $1 million in unauthorized electronic transfers to pay for personal expenses including her purchase of two cars. To hide her theft, Johnson falsified journal entries, bank statements, bank reconciliation reports, and financial statements. Johnson was fired after her employer discovered the fraud. Johnson then relocated to Georgia, where she became employed in a similar capacity with another property management company. Johnson engaged in the same fraudulent activity at the new company and embezzled more than $482,960.			
Shana Johnson	Accountant	Sentenced to 44 months in prison, 3 years of supervised release, and ordered to pay $2,140,333 in restitution.	September 11, 2017

Appendix M: OI Publicly Reportable Investigative Outcomes Involving Fraud Affecting the Enterprises, the FHLBanks, or FHLBank Member Institutions

Investigations in this category include a variety of schemes involving Fannie Mae, Freddie Mac, the FHLBanks, or members of FHLBanks.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Additional Charges Filed Against Subject Who Forged Fannie Mae Exec's Signature in Deed Fraud Scheme and Co-Conspirator Charged, Texas			
Arnoldo Antonio Ortiz allegedly forged signatures on warranty deeds, including that of a Fannie Mae executive, and filed the deeds with the county to obtain distressed or foreclosed properties. Ortiz then allegedly conspired with Courtney Rodriguez and others and attempted to rent or sell the fraudulently obtained properties to unwitting victims. Rodriguez allegedly used proceeds from this scheme to purchase a Cadillac Escalade for Ortiz. Allegedly, Ortiz deeded two Fannie Mae properties to himself, which caused an exposure of over $500,410 to Fannie Mae.			
Arnoldo Antonio Ortiz	Participant	Charged by indictment with theft of property.	September 25, 2017
Courtney Rodriguez	Participant	Charged by indictment with theft of property.	September 25, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencings of Former Bank Officers in Failed Member Bank Case, Washington			
PC Bank Home Loans (PCBHL) offered mortgage loans to borrowers and assisted borrowers with their loan applications. The mortgages originated by PCBHL were funded by its parent, Pierce Commercial Bank (PCBank), which then sold the mortgages to financial institution investors. Co-conspirators working for PCBHL participated in a scheme to defraud PCBank and its investors by facilitating the submission of fraudulent loan applications to PCBank. Many of the loans went into default, which resulted in large losses and contributed to the eventual failure of PCBank, a member bank of the FHLBank of Seattle. At the time of its failure, PCBank had over $17 million in outstanding advances with the FHLBank of Seattle. The Enterprises, as owners of some loans involved in this scheme, suffered additional losses.			
Ben Leske	Former Loan Officer	Sentenced to time served, 2 years of supervised release, 30 days of home detention, and ordered to pay $131,865 in restitution.	September 25, 2017
Angela Crozier	Former Senior Loan Processor	Sentenced to 1 year of supervised release.	July 10, 2017
Ed Rounds	Former Loan Officer	Sentenced to 2 years of supervised release.	June 19, 2017
Sam Tuttle	Former Vice President/ Loan Officer	Sentenced to 1 day in prison, 3 years of supervised release and 6 months of home detention.	June 5, 2017
Craig Meyer	Former Senior Vice President/Loan Officer	Sentenced to time served and one year of supervised release.	April 24, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Former CEO, CIO, and CFO of the FHLBank of Dallas Indicted, Texas			
Co-conspirators allegedly submitted a series of fraudulent reimbursement requests for personal travel they identified as business-related, causing the bank to pay approximately $780,000. The co-conspirators allegedly incurred these expenses in connection with first-class airfare, limousine services, concerts, vineyard tours, luxury hotel rooms, lavish meals, and expensive liquor and wine during more than 30 trips around the country. In each instance, the defendants falsely stated the purpose of their travel was to attend various conferences, planning meetings, strategy meetings, and operations meetings. In fact, however, they did not attend any conference, or conduct any legitimate planning, strategy, or operations meetings. In addition to being reimbursed for numerous trips that served no legitimate business purpose, the indictment alleges that the defendants further defrauded the FHLBank of Dallas by requesting payment of more than $450,000 for unused vacation time.			
Terence C. Smith	Former President and Chief Executive Officer	Charged by indictment with conspiracy to make false statements to a federal home loan bank; false statements to a federal home loan bank; aiding and abetting false statements to a federal home loan bank.	August 29, 2017
Nancy B. Parker	Former Chief Information Officer	Charged by indictment with conspiracy to make false statements to a federal home loan bank; false statements to a federal home loan bank; aiding and abetting false statements to a federal home loan bank; conspiracy to commit federal home loan bank theft, embezzlement, and misapplication; federal home loan bank theft, embezzlement, and misapplication; aiding and abetting federal home loan bank theft, embezzlement, and misapplication.	August 29, 2017
Michael J. Sims	Former Chief Financial Officer	Charged by indictment with conspiracy to make false statements to a federal home loan bank; false statements to a federal home loan bank; aiding and abetting false statements to a federal home loan bank.	August 29, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Business Owner Sentenced in Bankruptcy Embezzlement Scheme, Florida			
Clark D. East obtained a loan from Sterns Bank, a member bank of the FHLBank of Minneapolis, to develop a property in Florida. East personally guaranteed the over $4 million held by Sterns Bank for the development of the property. East subsequently defaulted on the loan and filed for bankruptcy protection with the United States Bankruptcy Court. During the bankruptcy proceedings, East was ordered by the Court to sell the property and pay $1.2 million in sales proceeds to Sterns Bank. Rather than repaying Sterns Bank, East embezzled over $800,000 of proceeds that were part of the bankruptcy estate.			
Clark D. East	Business Owner	Sentenced to 30 months in prison, 3 years of supervised release, and ordered to pay $700,259 in restitution.	August 25, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Former Loan Officer/Compliance Officer, Missouri			
Keith Ray Smith, a former loan officer and compliance officer of Community Bank (later known as Security Bank of the Ozarks, a member bank of the FHLBank of Des Moines), took out numerous loans in the names of several bank customers without their authorization. He submitted loan applications for varying amounts and used the personal identification of bank customers, including their bank account information and Social Security numbers, to falsely submit the loan applications. Smith used the fraudulently obtained funds to gamble or pay for personal expenses.			
Keith Ray Smith	Former Loan Officer/ Compliance Officer	Sentenced to 24 months in prison, 5 years of supervised release, and ordered to pay $151,040 in restitution.	August 25, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing and Guilty Plea in Identity Theft Scheme, Virginia			
Allise Jones conspired with others to use PII associated with current and former employees of Freddie Mac and the Department of Veterans Affairs. The Freddie Mac PII was obtained from a computer located at Freddie Mac's headquarters. The PII was used to defraud numerous financial institutions by withdrawing funds from the victims' accounts at financial institutions and opening credit accounts using the stolen identities. There are more than 2,500 potential victims in this scheme.			
Allan Richardson	Participant/Former Freddie Mac Intern	Pled guilty to access device fraud.	August 23, 2017
Allise Jones (also known as Ajani Ringgold)	Participant	Sentenced to 66 months in prison, 3 years of supervised release, and ordered to pay $85,847 in restitution.	May 19, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencings of Business Owners in Money Laundering Scheme, Kansas			
George and Agatha Enns conspired with others, including Plains State Bank (PSB) employees, to launder money through PSB—an FHLBank member bank that had over $76 million in advances from the FHLBank in Topeka, Kansas. The PSB bank employees failed to file Treasury reports as required, based upon the amount and type of cash and monetary instruments deposited into the PSB account.			
George Enns	Business Owner/ Bank Customer	Sentenced to 3 years of probation and $1,751,544 in forfeiture.	August 17, 2017
Agatha Enns	Business Owner/ Bank Customer	Sentenced to 3 years of probation and $215,665 in forfeiture.	August 17, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea of Former Banker and Doctor Charged, Maryland and Delaware			
Zahid Aslam allegedly engaged in a bank fraud scheme with Tae H. Kim, his loan officer at Citibank and WSFS Bank, respectively. Aslam allegedly recruited two associates to misrepresent in loan applications that they were the true borrowers and operators of medical practices, when, in reality, Aslam owned and operated the practices and controlled the loan proceeds. Aslam allegedly used the third parties to apply for the loans because he knew that he would not otherwise qualify for financing had he applied on his own behalf. In addition, Aslam and Kim allegedly concealed the existence of their extensive financial relationship during the period in which Kim acted as Aslam's loan officer, including their joint ownership of businesses, as well as large cash payments and a BMW sedan that Aslam provided to Kim. Citibank and WSFS are members of the FHLBank System. Loss calculations are ongoing.			
Tae H. Kim	Former Senior Vice President and Relationship Manager	Pled guilty to bank fraud and conspiracy to commit bank fraud.	August 7, 2017
Zahid Aslam	Doctor/Bank Customer	Charged by indictment with conspiracy to commit bank fraud and false statements to a financial institution.	June 15, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing of Former Bank CEO, Missouri			
John Howard Cochran, III, former CEO of Mainstreet Bank (MSB), knowingly caused a written form to be transmitted to Freddie Mac stating that MSB was repurchasing certain loans from Freddie Mac because the loans had been paid off by the borrowers before their scheduled maturity dates. In fact, however, the defendant knew that the loans had not been paid off and were simply being repurchased by MSB for investment purposes. In total, MSB fraudulently repurchased at least 19 performing loans with a combined value of approximately $2.33 million from Freddie Mac. As a result, Freddie Mac suffered losses.			
John Howard Cochran, III	Former CEO of bank	Sentenced to one year of probation and ordered to pay restitution of $29,999 to Freddie Mac.	July 24, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencings of Nonprofit Executive Director and CFO, Mississippi			
The executive director of a nonprofit organization and a co-conspirator submitted fraudulent documentation to the FHLBank of Dallas to obtain Affordable Housing Funds.			
Kayla Lindsey	Chief Financial Officer/Accountant	Sentenced to 6 months in prison, 6 months of home confinement, 3 years of supervised release, and ordered to pay $186,830 in restitution, joint and several.	July 6, 2017
Marlene Williams	Executive Director	Sentenced to 12 months of home confinement, 3 years of probation, and ordered to pay $186,830 in restitution, joint and several.	July 6, 2017

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Plea in HELOC Fraud Scheme, New Jersey			
Co-conspirators fraudulently obtained multiple home equity lines of credit (HELOCs) from banks for a single property. To get the banks to extend lines of credit they would not have otherwise approved, the co-conspirators transferred ownership of the property to Rafael Popoteur, who also lived at the property. The co-conspirators then applied for three HELOCs from multiple banks using Popoteur's residence as collateral. They hid from the lender the fact that the property was either already subject to senior liens that had not yet been recorded, or that the same property was offered as collateral for a line of credit from another lender. The applications also falsely inflated Popoteur's income. The equity in the property was far less than the amount of the HELOC loans Popoteur and others applied for. The victim banks eventually issued more than $495,000 in loans to Popoteur. After the victim banks deposited money into Popoteur's bank accounts, he disbursed portions of it to his co-conspirators. Eventually, Popoteur defaulted on all three HELOC loans. The Enterprises suffered losses in this scheme.			
Rafael Popoteur	Participant	Charged by information and pled guilty to conspiracy to commit bank fraud.	June 26, 2017

Appendix N: Endnotes

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[1] 12 U.S.C. § 4617(b)(2)(A), (B), (D) (2011). Accessed: October 19, 2017, at www.gpo.gov/fdsys/pkg/USCODE-2011-title12/pdf/USCODE-2011-title12-chap46-subchapII-sec4617.pdf

[2] Suspended Counterparty Program, 80 Fed. Reg. 79,675 (final rule December 23, 2015) (to be codified at 12 C.F.R. pt. 1227). Accessed: April 18, 2017, at www.gpo.gov/fdsys/pkg/FR-2015-12-23/pdf/2015-32183.pdf

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