



# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

## SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2022, through March 31, 2023



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## Message from the Inspector General

I am pleased to present this Semiannual Report to Congress, which covers significant achievements of the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) for the semiannual reporting period from October 1, 2022, through March 31, 2023.

At the beginning of the semiannual reporting period, we communicated to the FHFA Director our assessment of the most serious management and performance challenges that could hinder FHFA’s ability to accomplish its mission. We also released a new workplan focused on those areas, detailing projects and initiatives intended to leverage our resources and provide effective, risk-based oversight of FHFA. This semiannual report describes work performed under that plan, spanning the breadth of work across programs and operations, and involving all entities that FHFA oversees.



Brian M. Tomney  
Inspector General

The 11 products published during this semiannual period consisted of audit and evaluation reports, compliance reviews, and white papers, and are available on our website and on Oversight.gov. As in prior reporting periods, we focused our audit and evaluation resources on the Agency programs and operations that pose the greatest financial, governance, or reputational risk to FHFA, the Enterprises, Common Securitization Solutions, LLC, and the Federal Home Loan Banks.

Our special agents, attorneys, and analysts, working both independently and in collaboration with our partner law enforcement agencies, continued to enforce the law to protect the interests of the American public. For example, in California, a mortgage broker conspired with a document preparer to obtain fraudulent loans based on forged employment verifications and inflated earnings statements. He was sentenced to 64 months in prison and ordered to pay over

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\$8.1 million in restitution. In another example, a civil investigation resulted in a \$495 million settlement with Credit Suisse related to the sale of residential mortgage-backed securities.

Additionally, OIG continued to investigate and hold accountable individuals who fraudulently obtained pandemic relief funds. In California, for example, three family members were sentenced to prison for the fraudulent receipt of over \$2.5 million in these funds, and in Florida, a \$4.8 million pandemic loan scheme resulted in the defendant pleading guilty to wire fraud. These and other investigative accomplishments are described further in the Significant Cases section of this report.

OIG includes an array of professionals with diverse skills and expertise, united in our commitment to public service and to strong, independent, objective oversight of FHFA and the entities it oversees. The accomplishments in this semiannual report are a credit to the OIG staff's dedication to that mission.

Brian M. Tomney  
Inspector General  
March 31, 2023

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# Snapshot of OIG Accomplishments

## Semiannual Reporting Period October 1, 2022–March 31, 2023

<b>Reports Issued</b> Includes audits, evaluations, compliance reviews, and white papers		11
<b>Recommendations Made or Reopened</b>		16
<b>Investigative Activities:</b>		
Indictments / Charges		40
Arrests		14
Convictions / Pleas		43
Sentencings		27
Suspension / Debarment Referrals to Other Agencies		25
Suspended Counterparty Referrals to FHFA		12
<b>Investigative Monetary Results:</b>		
Criminal Restitution		\$26,727,920
Criminal Fines / Special Assessments / Forfeitures		\$5,481,188
Civil Forfeiture		\$495,000,000
<b>Investigations Total Monetary Results*</b>		<b>\$527,209,108</b>

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

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# OIG’s Oversight

## Overview

The Housing and Economic Recovery Act of 2008 established the Federal Housing Finance Agency (FHFA or Agency) in July 2008. FHFA serves as regulator and supervisor of several entities: Fannie Mae and Freddie Mac (the Enterprises); Common Securitization Solutions, LLC, an affiliate of each Enterprise (CSS); the Federal Home Loan Banks (FHLBanks) (collectively, the Enterprises, CSS, and the FHLBanks are the regulated entities); and the FHLBanks’ fiscal agent, the Office of Finance. FHFA is responsible for ensuring the regulated entities’ safety and soundness so that they serve as a reliable source of liquidity and funding for housing finance and community investment. As of December 31, 2022, the Enterprises collectively reported more than \$7.5 trillion in assets and the FHLBanks reported more than \$1.2 trillion.

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

## OIG’s Risk-Based Oversight Strategy

FHFA’s dual roles as the regulated entities’ supervisor and the Enterprises’ conservator present unique challenges for OIG. Consequently, OIG structures its oversight program to rigorously examine FHFA’s exercise of its dual responsibilities, which differ significantly from those of the typical federal financial regulator. Given the regulated entities’ size and complexity and FHFA’s unique responsibilities, OIG must make informed and targeted choices about what we audit, evaluate, review for compliance, and investigate.

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

## Management and Performance Challenges

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

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its mission. Our memorandum identifying FHFA’s management and performance challenges for Fiscal Year (FY) 2023 is available on our [website](#). A summary of the oversight activities during FY 2023 is discussed in our [Annual Plan](#).

The management and performance challenges for FY 2023 are:

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

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

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

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

OIG fulfills its oversight mission through four operational offices. In this section, OIG discusses its oversight activities in three of those offices: the Office of Audits, the Office of Evaluations, and the Office of Compliance.

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

### **Office of Audits**

The Office of Audits conducts independent performance audits with respect to the Agency’s programs and operations. It also undertakes projects to address statutory requirements and stakeholder requests. As required by the Inspector General Act of 1978, as amended (IG Act), the



Office performs its audits in accordance with standards established by the Comptroller General of the United States, commonly referred to as generally accepted government auditing standards, or the Yellow Book. The Office of Audits also oversees independent public accounting firms that perform certain audits of FHFA programs and operations.

## Office of Evaluations

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

## Office of Compliance

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

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

# Reports and Recommendations

## Significant Reports

OIG issued 11 products during the semiannual reporting period from October 1, 2022, through March 31, 2023:

[An Overview of the Federal Home Loan Bank System](#) (WPR-2023-002, March 31, 2023)

[FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures](#) (AUD-2023-003, March 29, 2023)

[DBR Adhered to Its Work Program Minimum Frequency Guidelines for Annual Examinations](#) (COM-2023-004, March 22, 2023)

[FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance](#) (EVL-2023-002, March 20, 2023)

[FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines](#) (AUD-2023-002, March 8, 2023)

[The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement](#) (AUD-2023-001, February 9, 2023)

[An Overview of Common Securitization Solutions, LLC](#) (WPR-2023-001, February 9, 2023)

[FHFA Secured Electronic Media It Designated for Disposal, But Did Not Inventory Items Consistently or Reconcile Inventory Discrepancies](#) (COM-2023-003, February 2, 2023)

[FHFA Adhered to Its Corrective Actions for Hiring Pathways Interns](#) (COM-2023-002, January 26, 2023)

[The Company That Issues and Administers the Enterprises’ Mortgage-Backed Securities Adhered to FHFA’s Cybersecurity Incident Reporting Standards](#) (COM-2023-001, January 5, 2023)

[FHFA Could Further Combat Appraisal Bias by Ensuring That Complaints Are Filed with State Authorities and Ensuring the Enterprises Use Appraisals That Comply with Federal Law](#) (EVL-2023-001, December 20, 2022)

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

## Enterprises

In addition to its statutory charge to serve as the Enterprises’ regulator and supervisor, since 2008, FHFA has also served as their conservator. In [AUD-2023-003](#), we reported that FHFA made conservatorship decisions in accordance with its conservatorship decision policy and procedures and performed conservatorship monitoring and surveillance. We found certain instances where FHFA’s document management and retention practices adversely impacted FHFA’s ability to demonstrate its rationale for certain decisions. We also found that FHFA’s current policies and procedures increase the risk that conservatorship decision activity would not be conducted in accordance with FHFA management’s intentions. We highlighted information related to another aspect of FHFA’s Enterprise engagement in [EVL-2023-001](#). Announced in December 2021, FHFA conducted an independent review of a sample of appraisal reports and concluded that valuation bias persists in housing finance in America. FHFA told us that the Agency made referrals to the Department of Housing and Urban Development and also made information available to the Department of Justice and Consumer Financial Protection Bureau. Although the Agency had not filed complaints with the state licensing authorities responsible for investigating complaints against appraisers, doing so would provide those authorities with the actionable information needed to initiate investigations of the appraisers FHFA identified. These two reports resulted in four recommendations, which the Agency accepted.

## CSS

FHFA is the regulator and supervisor for the Enterprises’ affiliate, CSS, which provides vital services to them, including securities issuance and administration. These services are critical to the Enterprises’ role in the secondary market. As we explained in [WPR-2023-001](#), the magnitude and complexity of the data and technology involved in operating the underlying platform present a high level of inherent risk. Board and senior management shortcomings could also increase management risk. [EVL-2023-002](#) reported that in early 2022, the Deputy Director of the Division of Enterprise Regulation (DER) appointed the CSS examiner-in-charge to be responsible for CSS-specific examinations. We confirmed that the scope of the 2022 annual examination included the CSS Board of Managers, and the CSS examiner-in-charge will consider the Board’s activities when assigning the examination rating. However, we observed that DER has a key person dependency because of its level of reliance on the CSS examiner-in-charge. We also noted DER’s outdated examination guidance for CSS-related examinations. Our evaluation resulted in two recommendations to the Agency, both of which it accepted. A follow-up compliance review, [COM-2023-001](#), found that CSS adhered to the timing and format requirements in a relevant FHFA advisory bulletin for its monthly reports to DER. Thus, the advisory bulletin has provided a framework under which DER can oversee CSS’ cyberattack risks.

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## FHLBank System

FHFA also serves as supervisor and regulator of the FHLBank System. As we explained in [WPR-2023-002](#), the FHLBank System plays an important role in providing liquidity to member institutions and supporting housing and community development. However, trends in advances reinforce that the FHLBank risk landscape is susceptible to sudden shifts in demand driven by economic events, underscoring the importance of managing and mitigating associated risks. Tied to the FHLBanks’ housing and community development mission, in [AUD-2023-001](#), we found that FHFA’s Division of Federal Home Loan Bank Regulation performed annual examinations of the FHLBanks’ affordable housing programs in accordance with its guidance. We also found that the division did not plan or perform an in-depth review of a significant area within one of the higher risk affordable housing programs for more than 10 years. The division officials told us that this in-depth review was delayed awaiting the amendment of an affordable housing program regulation, which took longer than expected, and was not fully applied until 2021. The audit resulted in three recommendations, which were accepted by FHFA. More broadly, [COM-2023-004](#) found that, the Division of Federal Home Loan Bank Regulation complied with its revised Minimum Frequency Guidelines for how often certain examination work programs must be performed.

## Agency Operations

Our body of work encompasses not only FHFA’s oversight of the regulated entities but also the Agency’s internal operations. FHFA must manage information risk as a core component of Agency operations. In [AUD-2023-002](#), we identified multiple exceptions to federal requirements and FHFA standards and guidelines regarding FHFA’s oversight of its cloud system and implementation of select controls for which FHFA management is responsible. In our view, these exceptions occurred with sufficient frequency to warrant heightened management attention to the cybersecurity risk posed to its cloud system, and we offered six recommendations to the Agency, which it accepted. Regarding retired electronic media, in [COM-2023-003](#), we found that FHFA secures retired electronic media behind two physical barriers and maintains documentation demonstrating accountability for devices as they are transferred between divisions and, ultimately, outside of the Agency. As we first identified in 2020, we found that FHFA still did not consistently perform inventories of its retired electronic media and did not reconcile discrepancies in its inventory records. Thus, we reopened our 2020 recommendation, which FHFA accepted. In follow-up work on FHFA’s Pathways intern program, [COM-2023-002](#), we found that FHFA adhered to its agreed-to corrective actions. However, we believe that FHFA should ensure that its employees comply with applicable disclosure requirements if those employees are either related to or are in a romantic relationship with potential Pathways interns.

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## IG Act Information Concerning Reports

During the period ending March 31, 2023, OIG’s reports did not include recommendations with questioned costs, unsupported costs, or funds to be put to better use by management.

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

During this reporting period, OIG did not close any evaluation or audit without disclosing the report’s existence to the public. We issued reports that contained information identified by OIG as non-public, privileged, or otherwise protected from disclosure under applicable law; accordingly, OIG has not publicly disclosed such contents. We have provided unredacted reports to FHFA and made them available to our Congressional oversight committees.

## Recommendations

### Open Recommendations

The following table contains all open recommendations from the reporting period ending March 31, 2023, and previous semiannual reporting periods. For a regularly updated list of all open recommendations, see OIG’s monthly [Compendium of Open Recommendations](#). We do not currently have any open recommendations with questioned costs, unsupported costs, or funds to be put to better use by management from prior reporting periods.

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

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Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should Update FHFA’s conservatorship decision policy and procedures to align with current practice and:</p> <ul style="list-style-type: none"> <li>• Provide clarity on approval authorities for issuing conservatorship directives and CSS decisions.</li> <li>• Provide guidance on performing and documenting monitoring and surveillance activities.</li> <li>• Establish procedures for issuing guidance decisions.</li> <li>• Establish procedures describing FHFA’s practice to de-escalate Letter of Instruction decision requests.</li> </ul>	<p><a href="#">FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures</a> (AUD-2023-003, March 29, 2023)</p>
<p>Conservatorship: FHFA should update its Enterprise executive compensation review procedures to include its minimum requirements for the scope of the compensation reviews and the analytical work and specific steps to be performed in its review of the reasonableness and comparability of proposed compensation actions, as well as its expectations for the level of documentation of that review in staff analysis memoranda.</p>	<p><a href="#">FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures</a> (EVL-2022-003, September 27, 2022)</p>
<p>Conservatorship: FHFA should complete the process of updating its Enterprise executive compensation review procedures to reflect the roles and responsibilities of the individuals and entities involved in the review process.</p>	<p><a href="#">FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures</a> (EVL-2022-003, September 27, 2022)</p>
<p>Conservatorship: FHFA should determine whether, and ensure that, the Agency has sufficient human capital resources to efficiently execute its statutory responsibility for oversight of Enterprise executive compensation.</p>	<p><a href="#">FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures</a> (EVL-2022-003, September 27, 2022)</p>
<p>Supervision: FHFA should designate an examiner who would be prepared to assume the responsibilities of the Common Securitization Solutions, LLC Examiner-in-Charge in the event of the short- or long-term loss of the Common Securitization Solutions, LLC Examiner-in-Charge’s services.</p>	<p><a href="#">FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance</a> (EVL-2023-002, March 20, 2023)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: In accordance with the Division of Enterprise Regulation priorities and policies, FHFA should update and refine the 2016 Common Securitization Solutions, LLC Module and other examination modules, as appropriate, in order to provide accurate examination guidance applicable to Common Securitization Solutions, LLC examination activities.</p>	<p><a href="#">FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance</a> (EVL-2023-002, March 20, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement procedures that require the Division of Federal Home Loan Bank Regulation to assign minimum examination frequencies for in-depth review of Affordable Housing Program risk areas consistent with their underlying risk and establish a requirement for affirmative Deputy Director approval when these minimum frequencies are not met.</p>	<p><a href="#">The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</a> (AUD-2023-001, February 9, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should perform an Affordable Housing Program workforce planning analysis using the minimum examination frequencies for Affordable Housing Program risk areas established in response to Recommendation 1 to determine current and future examination needs and address any staffing gaps identified.</p>	<p><a href="#">The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</a> (AUD-2023-001, February 9, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement a plan, consistent with the principles of the Official Documents Policy, to update the Affordable Housing Program examination module.</p>	<p><a href="#">The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</a> (AUD-2023-001, February 9, 2023)</p>
<p>Supervision: FHFA should, in a timely manner, ensure that complaints are filed with the relevant state appraiser licensing authorities for each appraisal from its December 2021 review in which FHFA found overt references to race, color, and other prohibited bases.</p>	<p><a href="#">FHFA Could Further Combat Appraisal Bias by Ensuring That Complaints Are Filed with State Authorities and Ensuring the Enterprises Use Appraisals That Comply with Federal Law</a> (EVL-2023-001, December 20, 2022)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should coordinate with Fannie Mae and Freddie Mac to determine the extent to which the Enterprises currently use appraisals that improperly take into consideration race, color, and other prohibited bases under federal fair lending laws.</p>	<p><a href="#">FHFA Could Further Combat Appraisal Bias by Ensuring That Complaints Are Filed with State Authorities and Ensuring the Enterprises Use Appraisals That Comply with Federal Law</a> (EVL-2023-001, December 20, 2022)</p>
<p>Supervision: Consistent with leading practices for collaboration, FHFA’s Steering Committee Chair should ensure that the working groups complete developing project plans and methodologies, with corresponding timelines and milestones, for deliverables needed to integrate consideration of climate-related risk, consistent with Executive Order 14030, into its policies and programs for the regulation and supervision of the regulated entities.</p>	<p><a href="#">FHFA Has Laid the Groundwork to Integrate Consideration of Climate-Related Financial Risk into its Policies and Programs but Plans and Methodologies to Accomplish This Work Are in the Early Stages of Development</a> (AUD-2022-008, June 23, 2022)</p>
<p>Supervision: FHFA should establish a formal feedback mechanism to ensure that the DER offices responsible for developing examination standards and training examiners are informed of quality control review results.</p>	<p><a href="#">FHFA’s Division of Enterprise Regulation Has Made Progress in Its Quality Control Program but Needs to Ensure Adequate Reporting and Feedback Is Provided to Management</a> (EVL-2022-001, March 7, 2022)</p>
<p>Supervision: FHFA should revise the Division of Bank Regulation’s quality control procedures to specifically require that all examination workpapers supporting examination findings, conclusions, and ratings directly prepared by the examiner-in-charge be reviewed by an individual who did not participate in the examination. [Closed in October 2019; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Conducted BSA/AML Program Examinations of 10 of 11 Federal Home Loan Banks During 2016-2018 in Accordance with its Guidelines, But Failed to Support a Conclusion in the Report of Examination for the Other Bank</a> (AUD-2019-008, July 10, 2019) and <a href="#">Compliance Review of DBR’s Quality Control for Examination Work Performed by Examiners-in-Charge</a> (COM-2021-007, August 25, 2021)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented in writing. That process should include:</p> <ul style="list-style-type: none"> <li>Identifying the current examination skills and competencies of its examiners;</li> <li>Forecasting the optimal staffing levels and competencies needed to meet its supervisory needs;</li> <li>Evaluating whether a gap exists between skills that its workforce may currently need but does not possess; and</li> <li>Addressing that gap.</li> </ul>	<p><a href="#"><u>Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac</u></a> (AUD-2020-004, February 25, 2020)<sup>1</sup></p>
<p>Supervision: FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.</p>	<p><a href="#"><u>Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises</u></a> (EVL-2014-002, December 19, 2013)<sup>2</sup> and <a href="#"><u>Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac</u></a> (AUD-2020-004, February 25, 2020)</p>

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1 As discussed in prior semiannual reports, FHFA represented that its Agency-wide “Organizational Optimization Blueprint” project would address the spirit of this recommendation. As of the end of this semiannual period, DER provided us its planned actions to address the DER-specific recommendations from the Strategic Workforce Report. While the approach for DER’s planned corrective actions address the key aspects of the recommendation, this recommendation remains open. DER has extended the expected completion date for this project from April 30, 2023, to July 31, 2023. Once the planned corrective actions are completed, we will assess whether the actions have resulted in the implementation of a systematic workforce planning process for DER.

2 We are reporting the recommendation as open pending an assessment of FHFA actions taken in response to the recommendation in AUD-2020-004.

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.</p>	<p><a href="#">Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises</a> (EVL-2014-002, December 19, 2013)<sup>3</sup> and <a href="#">Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac</a> (AUD-2020-004, February 25, 2020)</p>
<p>Supervision: FHFA should require DER, upon acceptance of an Enterprise’s remediation plan, to estimate the date by which it expects to confirm internal audit’s validation, and to enter that date into a dedicated field in the Matter Requiring Attention (MRA) tracking system. [Closed in September 2017; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises</a> (EVL-2016-007, July 14, 2016) and <a href="#">Compliance Review of the Timeliness of FHFA’s Assessments of the Enterprises’ Remediation Closure Packages for a Matter Requiring Attention</a> (COM-2020-001, February 21, 2020)</p>
<p>Supervision: FHFA should assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER’s ability to carry out its risk-based supervisory plans.</p>	<p><a href="#">FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle</a> (AUD-2017-010, September 27, 2017)<sup>4</sup></p>

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

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

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<p>Supervision: FHFA should assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER’s ability to carry out its risk-based supervisory plans.</p>	<p><a href="#">FHFA’s Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed</a> (AUD-2016-007, September 30, 2016) and <a href="#">FHFA’s Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued</a> (AUD-2016-006, September 30, 2016)</p>
<p>Information Risk: FHFA’s Chief Information Officer should assess whether the Office of Technology and Information Management has sufficient qualified staff to complete required oversight of FHFA’s cloud system to meet National Institute of Standards and Technology and FHFA requirements, and address any resource constraints that have adversely affected the Office of Technology and Information Management’s ability to implement security controls for its cloud system, including component inventory, access control, risk assessment, data protection, and configuration management requirements.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should develop and maintain a complete and accurate cloud system component inventory, as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should ensure that privileged user access is appropriately approved in accordance with FHFA standards and guidelines.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>

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<p>Information Risk: FHFA’s Chief Information Officer should update the cloud system’s security plan to include FHFA’s current processes and implementation of all current National Institute of Standards and Technology security controls, and ensure the security plan is reviewed annually.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should develop and implement a solution to encrypt all data-at-rest on the cloud system as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should ensure that cloud system configuration compliance scans are conducted monthly as required by FHFA standards and guidelines.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA should review, revise, and implement its procedures for disposal of electronic media targeted for destruction, consistent with National Institute of Standards and Technology and Green Book requirements. Those revised procedures should:</p> <ul style="list-style-type: none"> <li>• Prescribe the expectations for sanitization of the targeted electronic media consistent with National Institute of Standards and Technology guidance;</li> <li>• Provide for tracking the targeted electronic media in an inventory system of record;</li> <li>• Provide for regular physical inventory of the targeted electronic media and reconciliation to the control record(s) through destruction; and</li> <li>• Provide for accountability of the targeted electronic media from the time the media is taken out of service through its destruction, with reconciliations of any count differences that may arise as the media is transferred within FHFA, and from FHFA to other parties used to destroy the media.</li> </ul> <p>[Closed in March 2021; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Cannot Assure that All Electronic Media Approved for Destruction in October 2018 Was Destroyed, and it Continues to Lack Adequate Controls over Electronic Media Targeted for Disposal</a> (AUD-2020-009, March 30, 2020) and <a href="#">FHFA Secured Electronic Media It Designated for Disposal, But Did Not Inventory Items Consistently or Reconcile Inventory Discrepancies</a> (COM-2023-003, February 2, 2023)</p>

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<p>Information Risk: The FHFA Chief Information Officer should identify and implement a solution, in coordination with vendors, for meeting Binding Operational Directive 18-01 requirements to ensure all publicly accessible endpoints provide service through a secure connection (Hypertext Transfer Protocol Secure-only, with Hypertext Transfer Protocol Secure Strict Transport Security). If there are no viable solutions, document any risk-based decisions, including compensating controls, for publicly accessible websites that are not in compliance with Department of Homeland Security Binding Operational Directive 18-01.</p>	<p><a href="#">FHFA Did Not Fully Comply with DHS Binding Operational Directives for Securing Its Public Websites and Publishing Its Vulnerability Disclosure Policy</a> (AUD-2022-010, August 31, 2022)</p>
<p>Information Risk: FHFA’s Chief Information Officer should update the mobile devices running below the minimally acceptable operating system version or disable the devices in accordance with FHFA’s Mobile Device Patch Management Procedure.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Program and Practices Fiscal Year 2022</a> (AUD-2022-009, July 28, 2022)</p>
<p>Information Risk: FHFA’s Chief Information Officer should document any risk-based decision, including compensating controls, to temporarily deviate from FHFA’s Mobile Device Patch Management Procedures, as necessary.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Program and Practices Fiscal Year 2022</a> (AUD-2022-009, July 28, 2022)</p>
<p>Information Risk: FHFA’s Chief Information Officer should establish and implement a process to generate and review audit log records for Legal Cost Control Simple Invoice Management System on a defined basis within the Customer Controls for Legal Cost Control Simple Invoice Management System.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Program and Practices Fiscal Year 2022</a> (AUD-2022-009, July 28, 2022)</p>
<p>Information Risk: FHFA should perform the required annual review and testing of the National Mortgage Database contingency plan.</p>	<p><a href="#">FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS)</a> (AUD-2022-003, December 13, 2021)</p>

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

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<p>Internal Control over Agency Operations: The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve the Agency’s existing internal controls over its employee financial disclosure process by performing and documenting technical reviews and conflict of interest analysis within 60 days of receiving employee financial disclosure reports as required by Office of Government Ethics regulations and FHFA policy.</p>	<p><a href="#">FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</a> (AUD-2022-011, September 8, 2022)</p>
<p>Internal Control over Agency Operations: The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve FHFA’s existing internal controls over its employee financial disclosure process by ensuring that employees file their financial disclosure reports timely as required by Office of Government Ethics regulations and FHFA policy.</p>	<p><a href="#">FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</a> (AUD-2022-011, September 8, 2022)</p>
<p>Internal Control over Agency Operations: FHFA should establish comprehensive policies and procedures for preparing, updating, and reviewing the Staffing Plans to ensure their accuracy and usefulness for managing the hiring process and informing users.</p>	<p><a href="#">FHFA’s Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</a> (AUD-2022-004, January 5, 2022)</p>
<p>Internal Control over Agency Operations: FHFA should complete efforts to develop and implement a tracking mechanism to report accurately on FHFA’s time-to-hire performance measure.</p>	<p><a href="#">FHFA’s Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</a> (AUD-2022-004, January 5, 2022)</p>
<p>Internal Control over Agency Operations: FHFA should enhance policies and procedures, and ensure their implementation, related to performing self-assessments for delegated examining, merit promotion, and mission critical occupations hiring approaches to include procedures for: (a) documenting the results of their reviews, (b) defining the frequency for which the delegated examining and merit promotion reviews should be performed, and (c) distributing the results of the reviews to the appropriate parties.</p>	<p><a href="#">FHFA’s Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</a> (AUD-2022-004, January 5, 2022)</p>

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<p>Internal Control over Agency Operations: FHFA should ensure that (a) affected Office of Human Resources Management staff members and hiring managers are trained on how to conduct mission critical occupations hiring actions in accordance with FHFA’s requirements, and (b) a record of the training is maintained.</p>	<p><a href="#">FHFA’s Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</a> (AUD-2022-004, January 5, 2022)</p>
<p>Internal Control over Agency Operations: FHFA should take action in an expeditious manner to address the recommendation made in FHFA’s October 2021 internal report <i>Federal Housing Finance Agency Division of Enterprise Regulation (DER) Strategic Workforce Report</i> that the Office of Human Resources Management document the end-to-end hiring process, analyze each phase, and take steps to streamline and better resource the process, including removing unnecessary steps and excessive approvals, and adding additional support resources to those phases of the hiring process taking the most time.</p>	<p><a href="#">FHFA’s Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training</a> (AUD-2022-004, January 5, 2022)</p>

### Closed, Rejected Recommendations and Potential Cost Savings

The following table contains recommendations closed as rejected. See OIG’s [Compendium of Open Recommendations](#) for a comprehensive list, updated monthly, of all recommendations closed as rejected. We currently have 44 recommendations that were rejected by the Agency. OIG has identified a total potential cost savings of \$893,525,860<sup>5</sup> based on our oversight of Agency operations and programs.

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.6 million to the Fannie Mae President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Fannie Mae’s continued conservatorship status and the burdens imposed on the taxpayers from that status; and the 10-year practice at Fannie Mae where one individual executed the responsibilities of both the Chief Executive Officer and President positions, with annual compensation capped at \$600,000 since 2015.</p>	<p><a href="#">FHFA’s Approval of Senior Executive Succession Planning at Fannie Mae Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</a> (EVL-2019-001, March 26, 2019)</p>

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

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<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.25 million to the Freddie Mac President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Freddie Mac’s continued conservatorship status and the burdens imposed on the taxpayers from that status; the 10-year practice at Freddie Mac where one individual executed the Chief Executive Officer responsibilities with annual compensation capped at \$600,000 since 2015; and the temporary nature of the position of President, in light of FHFA’s representation that Candidate A will leave Freddie Mac if he is not selected for the Chief Executive Officer position.</p>	<p><a href="#">FHFA’s Approval of Senior Executive Succession Planning at Freddie Mac Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</a> (EVL-2019-002, March 26, 2019)</p>
<p>Conservatorship: To reduce the waste from Option C (the option Fannie Mae selected for its future operations in Northern Virginia), FHFA, consistent with its duties as conservator, should cause Fannie Mae to calculate the net present value for a Status Quo Option, and calculate the costs associated with terminating the lease with Boston Properties.</p>	<p><a href="#">Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce</a> (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: To reduce the waste from Option C, FHFA, consistent with its duties as conservator, should direct Fannie Mae to terminate the lease, cancel the sale of the three owned buildings, and implement the Status Quo Option, should the net present value for a Status Quo Option and the termination costs be lower than the adjusted net present value for Option C.</p>	<p><a href="#">Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce</a> (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub.L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p><a href="#">Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</a> (OIG-2017-004, March 23, 2017)</p>
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub.L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p><a href="#">Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</a> (OIG-2017-004, March 23, 2017)</p>

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<p>Conservatorship: FHFA should ensure that it has adequate internal staff, outside contractors, or both, who have the professional expertise and experience in commercial construction to oversee the build-out plans and associated budget(s), as Fannie Mae continues to revise and refine them.</p>	<p><a href="#">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</a> (COM-2016-004, June 16, 2016)</p>
<p>Conservatorship: FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to the Division of Conservatorship (now known as the Division of Conservatorship Oversight and Readiness) for its review and for FHFA approval through the design and construction of Fannie Mae’s leased space in Midtown Center.</p>	<p><a href="#">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</a> (COM-2016-004, June 16, 2016)</p>
<p>Conservatorship: FHFA should develop a strategy to enhance the Executive Compensation Branch’s capacity to review the reasonableness and justification of the Enterprises’ annual proposals to compensate their executives based on Corporate Scorecard performance. To this end, FHFA should ensure that: the Enterprises submit proposals containing information sufficient to facilitate a comprehensive review by the Executive Compensation Branch; the Executive Compensation Branch tests and verifies the information in the Enterprises’ proposals, perhaps on a randomized basis; and the Executive Compensation Branch follows up with the Enterprises to resolve any proposals that do not appear to be reasonable and justified.</p>	<p><a href="#">Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</a> (COM-2016-002, March 17, 2016)</p>
<p>Conservatorship: FHFA should develop a policy under which it is required to notify OIG within 10 days of its decision not to fully implement, substantially alter, or abandon a corrective action that served as the basis for OIG’s decision to close a recommendation.</p>	<p><a href="#">Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</a> (COM-2016-002, March 17, 2016)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should establish an ongoing process to evaluate servicers’ Servicing Alignment Initiative compliance and the effectiveness of the Enterprises’ remediation efforts.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should direct the Enterprises to provide routinely their internal reports and reviews for the Division of Housing Mission and Goals’ assessment.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>

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<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should regularly review Servicing Alignment Initiative-related guidelines for enhancements or revisions, as necessary, based on servicers’ actual versus expected performance.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>Supervision: FHFA should issue a formal position on the use of non-binding supervisory guidance as criteria for supervisory activities.</p>	<p><a href="#">FHFA’s Failure to Use its Prudential Management and Operations Standards as Criteria for Supervision of the Enterprises Is Inconsistent with the FHFA Director’s Statutory Duty to Ensure the Enterprises Comply with FHFA’s Guidelines</a> (OIG-2021-004, September 20, 2021)</p>
<p>Supervision: FHFA should enhance guidance and House Price Index production processes to include written requirements that FHFA’s Division of Research and Statistics document its performance of validation procedures and when necessary, follow-up on exceptions or anomalies identified through those procedures.</p>	<p><a href="#">FHFA Lacked Documentation of its Validation of Data Used to Produce the Third Quarter 2020 Seasonally Adjusted, Expanded-Data FHFA HPI and Failed to Timely Review its Information Quality Guidelines</a> (AUD-2021-010, July 22, 2021)</p>
<p>Supervision: In the current examination cycle, FHFA should assess Fannie Mae’s business resiliency practices and capabilities and formally determine whether they meet or fail to meet Prudential Management and Operations Standard 8, Principle 11.</p>	<p><a href="#">For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</a> (EVL-2021-002, March 22, 2021)</p>
<p>Supervision: FHFA should develop examination guidance that establishes criteria and expectations for determining, on an annual basis, whether a regulated entity meets or fails to meet Prudential Management and Operations Standard 8, Principle 11.</p>	<p><a href="#">For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</a> (EVL-2021-002, March 22, 2021)</p>
<p>Supervision: FHFA should establish measurable objectives and risk tolerances for the Enterprises’ 97% loan-to-value mortgage programs, such as those for acquisition volume and delinquency rates, so that management can better identify, analyze, and respond to risks related to achieving the programs’ objectives.</p>	<p><a href="#">Weaknesses in FHFA’s Monitoring of the Enterprises’ 97% LTV Mortgage Programs May Hinder FHFA’s Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs’ Objectives</a> (AUD-2020-014, September 29, 2020)</p>

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<p>Supervision: FHFA should establish and communicate clear expectations for use of revised and new examination modules by DER examiners.</p>	<p><a href="#"><u>Five Years After Issuance, Many Examination Modules Remain in Field Test; FHFA Should Establish Timelines and Processes to Ensure Timely Revision of Examiner Guidance</u></a> (EVL-2019-003, September 10, 2019)</p>
<p>Supervision: FHFA should periodically conclude, based upon sufficient examination work, on the overall effectiveness of the Internal Audit functions at Fannie Mae and Freddie Mac.</p>	<p><a href="#"><u>FHFA Requires the Enterprises’ Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners’ Use of that Validation Work</u></a> (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct that examiners can use Internal Audit work to assess the adequacy of MRA remediation only if FHFA has concluded that the Internal Audit function is effective overall.</p>	<p><a href="#"><u>FHFA Requires the Enterprises’ Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners’ Use of that Validation Work</u></a> (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise’s board of directors that explains:</p> <ul style="list-style-type: none"> <li>• The purpose for DER’s annual presentation to each Enterprise board of directors on the report of examination results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss report of examination conclusions and supervisory concerns at that presentation; and</li> <li>• The requirement that each Enterprise board of directors submit a written response to the annual report of examination to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response.</li> </ul>	<p><a href="#"><u>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports</u></a> (EVL-2016-009, July 14, 2016)</p>

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<p>Supervision: FHFA should direct the Enterprises’ boards to amend their charters to require review by each director of each annual report of examination and review and approval of the written response to DER in response to each annual ROE.</p>	<p><a href="#"><u>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports</u></a> (EVL-2016-009, July 14, 2016)</p>
<p>Supervision: FHFA should ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER’s MRA tracking system(s).</p>	<p><a href="#"><u>FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises</u></a> (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.</p>	<p><a href="#"><u>FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises</u></a> (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management’s remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system.</p>	<p><a href="#"><u>FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises</u></a> (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should direct DER to revise its guidance to require reports of examination 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 report of examination and discussion of their root causes.</p>	<p><a href="#"><u>FHFA’s Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management’s Remediation of Supervisory Concerns</u></a> (EVL-2016-008, July 14, 2016)</p>

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<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each plan submitted by Enterprise management to remediate an MRA with associated timetables and the response by DER.</p>	<p><a href="#">FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</a> (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each conclusion letter setting forth an MRA.</p>	<p><a href="#">FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</a> (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should review FHFA’s existing requirements, guidance, and processes regarding MRAs against the requirements, guidance, and processes adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and other federal financial regulators including, but not limited to, content of an MRA; standards for proposed remediation plans; approval authority for proposed remediation plans; real-time assessments at regular intervals of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; final assessment of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; and required documentation for examiner oversight of MRA remediation.</p>	<p><a href="#">FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</a> (EVL-2016-004, March 29, 2016)</p>
<p>Supervision: Based on the results of the review in recommendation 1, FHFA should assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.</p>	<p><a href="#">FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</a> (EVL-2016-004, March 29, 2016)</p>
<p>Supervision: DER should adopt a comprehensive examination workpaper index and standardize electronic workpaper folder structures and naming conventions between the two Core Teams. In addition, FHFA and DER should upgrade recordkeeping practices as necessary to enhance the identification and retrieval of critical workpapers.</p>	<p><a href="#">Evaluation of the Division of Enterprise Regulation’s 2013 Examination Records: Successes and Opportunities</a> (EVL-2015-001, October 6, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.</p>	<p><a href="#">FHFA Should Improve its Administration of the Suspended Counterparty Program</a> (COM-2017-005, July 31, 2017)</p>

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<p>Counterparties, Third Parties, and Fourth Parties: FHFA should direct Fannie Mae and Freddie Mac to assess the cost/benefit of a risk-based approach to requiring their sellers and servicers to provide independent, third-party attestation reports on compliance with Enterprise origination and servicing guidance.</p>	<p><a href="#">FHFA’s Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines</a> (AUD-2014-018, September 26, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should perform a comprehensive analysis to assess whether financial risks associated with the new representation and warranty framework, including with regard to sunset periods, are appropriately balanced between the Enterprises and sellers. This analysis should be based on consistent transactional data across both Enterprises, identify potential costs and benefits to the Enterprises, and document consideration of the Agency’s objectives.</p>	<p><a href="#">FHFA’s Representation and Warranty Framework</a> (AUD-2014-016, September 17, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.</p>	<p><a href="#">FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections</a> (AUD-2014-012, March 25, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should promptly quantify the potential benefit of implementing a repurchase late fee program at Fannie Mae, and then determine whether the potential cost of from \$500,000 to \$5.4 million still outweighs the potential benefit.</p>	<p><a href="#">FHFA Oversight of Enterprise Handling of Aged Repurchase Demands</a> (AUD-2014-009, February 12, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should direct Fannie Mae to obtain a refund from servicers for improperly reimbursed property inspection claims, resulting in estimated funds put to better use of \$5,015,505.</p>	<p><a href="#">FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections</a> (AUD-2014-005, January 15, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should publish Fannie Mae’s reduction targets and overpayment findings.</p>	<p><a href="#">Evaluation of Fannie Mae’s Servicer Reimbursement Operations for Delinquency Expenses</a> (EVL-2013-012, September 18, 2013)</p>

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<p>Model Risk: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented. That process should include:</p> <ul style="list-style-type: none"> <li>Identifying the appropriate number of Enterprise high-risk models to be examined each year through targeted examinations;</li> <li>Identifying the current examination skills and competencies of examiners engaged in supervisory activities of high-risk models;</li> <li>Forecasting the optimal staffing levels and competencies of examiners necessary to complete the identified number of targeted examinations of high-risk models planned for each examination cycle;</li> <li>Evaluating whether a gap exists between skills required to conduct supervision of high-risk models that its examiners currently need but do not possess; and addressing that gap.</li> </ul>	<p><a href="#"><u>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</u></a> (EVL-2020-001, March 25, 2020)</p>
<p>Model Risk: Based on the results of its workforce analysis, FHFA should conduct a written assessment of whether DER’s current budget for its supervision of high-risk models is sufficient.</p>	<p><a href="#"><u>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</u></a> (EVL-2020-001, March 25, 2020)</p>
<p>Information Risk: FHFA should develop and implement written procedures that define: (a) the pertinent information that needs to be recorded, tracked, and reported for all security incidents and (b) the controls to ensure the accuracy and completeness of the security incident records.</p>	<p><a href="#"><u>FHFA Did Not Record, Track, or Report All Security Incidents to US-CERT; 38% of Sampled FHFA Users Did Not Report a Suspicious Phone Call Made to Test User Awareness of its Rules of Behavior</u></a> (AUD-2021-009, June 25, 2021)</p>
<p>Internal Control over Agency Operations: FHFA should assess the \$80,985 in costs that we questioned in this report, as well as any additional costs related to disincentives that may have been triggered after our review period. FHFA should take action to recover these costs, as appropriate, and enforce disincentive clauses going forward.</p>	<p><a href="#"><u>Management Advisory: FHFA Failed to Enforce a Provision of an IT Services Contract, Resulting in More than \$80,000 in Questioned Costs</u></a> (OIG-2020-001, March 3, 2020)</p>

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<p>Internal Control over Agency Operations: FHFA should determine and pay the vendor the interest penalties owed under the Prompt Payment Act regulations for the late payments of the leased seasonal decorations received by FHFA for the 2015, 2016, and 2017 holiday seasons.</p>	<p><a href="#"><u>Audit of FHFA’s Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements</u></a> (AUD-2018-011, September 6, 2018)</p>

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## Investigative Activity

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

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

The Office of Investigations is the primary federal law enforcement organization that specializes in deterring and detecting fraud perpetrated against the Enterprises, which collectively hold more than \$7.5 trillion worth of mortgages on their balance sheets. Each year, the Enterprises acquire millions of mortgages worth hundreds of billions of dollars. The Office of Investigations also investigates cases involving the 11 regional FHLBanks, which have over \$1.2 trillion in assets, and, in some instances, cases involving banks that are members of the FHLBanks.

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

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

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

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

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

## Significant Cases

Below we summarize some of the most significant cases from the semiannual reporting period October 1, 2022, through March 31, 2023. Investigations often span multiple years; in the first section we highlight results from significant cases completed and closed this period, and the sections that follow detail significant new criminal prosecutions or material updates to previously reported investigations.

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## Closed Case Summaries

The Office of Investigations closed eight significant investigations, seven criminal and one civil, during this reporting period.

The criminal investigations resulted in 16 convictions, over 72 years in prison, and more than \$260 million in restitution and forfeiture. The schemes perpetrated in these cases included loan origination fraud, short sale fraud, a Ponzi Scheme and COVID relief fraud that targeted FHLBank member banks, and a bribery and kickback scheme involving Fannie Mae-owned properties. Select summaries are provided below.

In a case involving Fannie Mae REO property, the overall scheme involved Fannie Mae employees who assigned Fannie Mae-owned properties to real estate brokers and approved sales of the properties based on offers the brokers submitted. In violation of Fannie Mae rules and federal law, the Fannie Mae employees approved sales of Fannie Mae-owned properties at discounted prices to the brokers who paid kickbacks. The Fannie Mae employees also received bribes, mostly cash payments, in return for listing opportunities and commissions that brokers earned on real estate sales.

Another case included a company owner and others who conspired to sell residential properties owned by the company to buyers who falsely qualified for mortgages using assets and cash to close provided by the conspirators.

In a different case, the owner and operator of a realty company and an employee devised a buy-and-bail short sale fraud scheme. Through extensive advertising, the scheme participants contacted struggling homeowners and promised to help sell their homes, eliminate their debt, and buy new homes. To accomplish this result, the conspirators instructed clients to obtain a mortgage to purchase a second home. The clients' mortgage applications falsely inflated the values of the first homes and misrepresented that the clients intended to keep their existing homes as rental properties. The homes were worth significantly less than stated in the mortgage applications, and the homeowners had no intention of renting their homes; instead, they intended to sell them by a short sale.

The civil investigation closed during this reporting period resulted in a \$495 million settlement with Credit Suisse resolving a lawsuit that arose from the sale of residential mortgage-backed securities, which is highlighted later in this semiannual report.

## Loan Origination

### Mortgage Broker and Document Preparer Sentenced in Origination Fraud Scheme, California

In December 2022, in Los Angeles County Superior Court, a mortgage broker and document preparer were sentenced for their roles in a loan origination scheme that led to over \$25 million in

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exposure for the Enterprises and the approval of fraudulent mortgage loans worth over \$8 million.

Alex Dadourian was sentenced to 64 months in prison, while Vartan Pirlant was sentenced to six months in jail, 180 days of home confinement, and two years of probation. Dadourian and Pirlant were also ordered to pay over \$8.1 million and \$20,000 (jointly and severally), respectively, in restitution.

Dadourian, a licensed mortgage broker for Success Funding, conspired with Pirlant, a document preparer, to defraud financial lenders by taking out 17 mortgage loans based on fraudulent applications and supporting documentation. Together they forged employment verifications and education records used to assess creditworthiness, as well as inflated earnings statements. Dadourian received more than \$254,000 in fees and commissions.

### **Real Estate Developer and Attorney Admitted to Multimillion-Dollar Mortgage Fraud Scheme, New Jersey**

On November 23, 2022, in the District of New Jersey, Victor Santos and Fausto Simoes pleaded guilty to conspiracy to commit bank fraud for their roles in a loan origination fraud scheme that caused over \$3.5 million in losses to Fannie Mae, the lender, and insurers.

Santos, a real estate developer, Simoes, an attorney, and others conspired to fraudulently obtain mortgage loans with a total value of more than \$4 million.

Santos and others recruited straw buyers to purchase 12 properties by agreeing to pay each straw buyer at least \$5,000, securing tenants to lease the purchased properties, and covering costs associated with the property, including mortgage payments. Santos, Simoes, and others hid their identities as the actual purchasers of the properties using the identities and credit of straw buyers.

The straw buyers responsible for the payments did not have enough money to pay the fraudulently obtained mortgages and defaulted when Santos and his conspirators did not make payments.

### **Property Management/REO**

#### **Conspirator Sentenced in Deed Fraud Scheme, Texas**

On February 9, 2023, in the Southern District of Texas, Clarence Roland III was sentenced to 120 months in prison, three years supervised release, and ordered to pay over \$3.2 million in restitution and over \$1.9 million in a money judgment for his role in a deed fraud scheme where several of the properties were secured with mortgages acquired by the Enterprises.

The preceding semiannual report highlighted Roland’s scheme to cancel and challenge mortgage loans and his federal jury conviction.

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## **Former County Land Bank Authority Employee Pleaded Guilty in Scheme to Fraudulently Purchase and Resell Properties, Illinois**

On March 8, 2023, in the Northern District of Illinois, Mustafaa Saleh pleaded guilty to wire fraud for his role in a real property fraud scheme that included Enterprise REO property.

According to the court records, Saleh, an asset manager for the Cook County Land Bank Authority (CCLBA), used nominees or straw buyers to fraudulently purchase six properties from the CCLBA on his behalf and thereafter redeveloped, resold, and otherwise used the properties for his financial benefit.

Saleh also fraudulently obtained maintenance work from the CCLBA. Saleh formed a property maintenance company called Evergreen Property Services and directed another individual to pose as its owner. Over three years, Saleh caused the CCLBA to contract with Evergreen and pay it more than \$1 million for property maintenance services. CCLBA employees were prohibited from having a financial interest in property maintenance companies contracting with the agency.

CCLBA is a governmental entity that promotes the redevelopment and reuse of vacant, foreclosed, abandoned, and tax delinquent real estate by acquiring and transferring the property to private ownership. CCLBA employees are prohibited from purchasing a property from the agency unless it would be used for the employee’s primary residence.

## **Adverse Possession and Distressed Property**

### **Two Found Guilty and Two Pleaded Guilty in National Foreclosure Rescue Scheme, Ohio**

On December 1, 2022, in the Southern District of Ohio, after a seven-day trial, a federal jury convicted Lorin Buckner and Dessalines Sealy of conspiracy to commit mail and wire fraud and conspiracy to commit bankruptcy fraud for their participation in a foreclosure rescue scheme that defrauded at least 780 financially distressed homeowners throughout the United States.

The other two trial defendants, Joel Harvey and Garrett Stevenson, pleaded guilty during the trial. Harvey pleaded guilty to conspiracy to commit bankruptcy fraud, and Stevenson pleaded conspiracy to commit mail and wire fraud.

According to court records, Buckner, Sealy, Harvey, Stevenson, and others were involved in a multilevel marketing scheme, which promised affiliates commissions by recruiting distressed homeowners to companies they controlled. Multiple strategies were used to recruit affiliates, including conference calls, direct mailings, and the promise of easy money. Conspirators mailed more than 56,000 postcards promising they could “stop foreclosure” or “stop the sheriff sale” for a fixed fee. Further, they represented that they had “proprietary” methods or “legal tactics” to help homeowners stall or completely avoid foreclosure. Any relief from foreclosure delay was temporary until the bankruptcy court dismissed the proceeding.

The Enterprises were investors in loans in this scheme.



## Multifamily

### Business Owner Sentenced in Multifamily Loan Fraud, Oklahoma

On February 28, 2023, in the Western District of Oklahoma, Kapal Sharma was sentenced to 18 months in prison, three years supervised release, and ordered to pay over \$1.7 million in restitution, specifically to Freddie Mac, for his role in a multifamily fraud scheme. As published in an earlier semiannual report, Sharma was convicted of bank fraud and making false statements to a financial institution following a bench trial.

## PPP Loan Fraud

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

During this reporting period, Agency investigations resulted in the following:

- A married couple and another conspirator were extradited from Montenegro to serve prison sentences, ordered in the Central District of California, of 17 years and six years, and more than 10 years, for leading a COVID relief fraud ring that sought more than \$20 million in COVID relief funds.
- Three defendants were sentenced in the Central District of California to 41 months, 21 months, and 21 months, respectively, for fraudulent receipt of over \$2.5 million in PPP funds.
- Two defendants pleaded guilty in the Southern District of Florida: one in a PPP loan investigation totaling over \$4.8 million and one for witness tampering in another PPP loan investigation.
- A defendant pleaded guilty in the District of New Jersey in connection with an \$850,000 PPP fraud scheme.
- Two individuals were indicted in the Western District of Tennessee for COVID relief fraud.

### A Trial Conviction and Five Guilty Pleas in Multimillion-Dollar COVID Relief Fraud Scheme, Texas

On February 8, 2023, in the Southern District of Texas, after a three-day trial, a federal jury convicted Abdul Fatani of conspiracy to commit wire fraud, wire fraud, and money laundering for his role in a conspiracy involving over 16 scheme participants to fraudulently obtain and launder millions of dollars in PPP loans under the CARES Act.

Five additional conspirators pleaded guilty during this reporting period:

- Syed Ali – conspiracy to commit wire fraud,
- Mayer Misak – conspiracy to commit wire fraud and wire fraud,
- Tekle Tesfaye – conspiracy to commit wire fraud,
- Mauricio Navia – conspiracy to commit wire fraud, and
- Amir Aqeel – money laundering and conspiracy to commit wire fraud.

Ten others have also pleaded guilty in connection with this scheme.



These luxury items were acquired with illicit loan proceeds obtained in a \$35 million PPP fraud scheme

Member banks of the FHLBank of New York and FHLBank of Des Moines were recipients of fraudulent PPP applications.

Aspects of the conspirators’ overall scheme were published in an earlier semiannual report.

## GSE/FHLBank

### Former Attorney Found Guilty in Multimillion-Dollar Embezzlement Conspiracy Resulting in the Failure of a Bank, Illinois



A trial exhibit depicting a boat purchased with scheme proceeds

On March 10, 2023, in the Northern District of Illinois, after a four-week long trial, former attorney and real estate developer Robert Kowalski was convicted by a federal jury of embezzlement, bankruptcy fraud, and tax fraud charges for his role in an embezzlement conspiracy that led to the 2017 failure of Washington Federal Bank for Savings, a member bank of the FHLBank of Chicago.

As discussed in a previous semiannual report, Washington Federal was shut down in December 2017 after the Office of the Comptroller of the Currency determined that the bank was insolvent and had at least \$66 million in nonperforming loans.

Evidence at trial revealed Kowalski diverted more than \$8 million from the bank, plus property that was rightly the collateral of the bank for other loans. His receipt of embezzled funds was concealed by entering them on the bank’s records as loan disbursements.

## Civil Matter

### \$495 Million Settlement in Principle Reached with Credit Suisse to Resolve Allegations of Fraud and Deceit in Sale of Toxic Mortgage-Backed Securities, New Jersey

On October 24, 2022, a consent order and final judgment was entered in Mercer County New Jersey Superior Court against Credit Suisse Securities (USA) LLC, Credit Suisse First Boston Mortgage Securities Corp., and DLJ Mortgage Capital, Inc. (collectively Credit Suisse) for \$495 million to resolve a state lawsuit arising from the offer and sale of residential mortgage-backed securities. The Enterprises were investors in many of the loans included in the securitized loan packages.

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In December 2013, a civil complaint was filed against Credit Suisse by the New Jersey Attorney General’s Office on behalf of the New Jersey Bureau of Securities.

According to the complaint, Credit Suisse made material misrepresentations in the offering documents about the risks of the residential mortgage-backed securities, including failing to disclose material defects of the underlying mortgages. Credit Suisse packaged billions of dollars’ worth of defective residential loans into publicly traded residential mortgage-backed securities, which were sold to unsuspecting investors through registration statements, prospectuses, and other offering materials containing fraudulent representations about the quality of the underlying loans.

Additionally, the lawsuit alleged that Credit Suisse failed to disclose to investors the wholesale abandonment of underwriting guidelines designed to ensure that the mortgage loans underlying its securities trusts were made in accordance with appropriate lending guidelines; that numerous loan originators had poor track records of defaults and delinquencies; and that some loan originators had even been suspended from doing business with Credit Suisse.

## Criminal Investigative Results

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

### Loan Origination Schemes

Mortgage Broker and Document Preparer Sentenced in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Alex Dadourian	Mortgage Broker	Pleaded nolo contendere to: mortgage fraud; grand theft; identity theft; conspiracy to commit grand theft; sentenced to: 64 months in prison; ordered to pay \$8,128,823 in restitution	California Attorney General’s Office
Virtan Pirlant	Document Preparer	Sentenced to: six months in jail; 180 days of home confinement; two years of probation; ordered to pay \$20,000 in restitution, joint and several	California Attorney General’s Office

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<b>Former Loan Officer Charged in Origination Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
John Faheem	Former Loan Officer	Charged by state felony complaint with: grand theft; mortgage fraud exceeding \$950; using or facilitating the use of a misstatement, misrepresentation, or omission during the mortgage lending process	California Attorney General’s Office

<b>Mortgage Company Owner Charged in Origination Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Franco Fang	Business Owner	Charged by indictment with: bank fraud	Northern District of California

<b>Real Estate Agent Sentenced in Multi-Year Mortgage Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Robert Kelske	Real Estate Agent	Sentenced to: 15 months in prison; three years supervised release; ordered to pay \$679,799 in restitution, joint and several	Northern District of Georgia

<b>Real Estate Developer and Attorney Admitted to Multimillion-Dollar Mortgage Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Victor Santos	Real Estate Developer	Pleaded guilty to: conspiracy to commit bank fraud	District of New Jersey
Fausto Simoes	Attorney	Pleaded guilty to: conspiracy to commit bank fraud	District of New Jersey

<b>Real Estate Agent and Loan Officer Pleaded Guilty in Origination Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Yonis Bertematti	Real Estate Agent	Pleaded guilty to: conspiracy to commit bank fraud	Southern District of Florida
Zaily Jomolca Brito	Loan Officer	Pleaded guilty to: conspiracy to commit bank fraud	Southern District of Florida

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<b>Loan Officer Charged and Loan Officer Pleaded Guilty in Origination Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Omayra Ujaque	Loan Officer	Charged by indictment with: bank fraud; aggravated identity theft	Middle District of Florida
Evelisse Hernandez	Loan Officer	Pleaded guilty to: bank fraud; aggravated identity theft	Middle District of Florida

<b>Real Estate Agent Pleaded Guilty in Origination Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Daliany Velazquez	Real Estate Agent	Pleaded guilty to: bank fraud	Middle District of Florida

<b>Private School Business Manager Pleaded Guilty in Origination Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
James Melis	Participant	Pleaded guilty to: wire fraud; bank fraud	Middle District of Florida

<b>Five Pleaded Guilty and Eleven Charged in Multi-Layered Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
ShyAnne Edrington	Participant	Pleaded guilty to: conspiracy to make false statements to mortgage lending businesses and financial institutions and false writings to a U.S. government agency	Southern District of Texas
Leslie Edrington	Participant	Pleaded guilty to: false statements to mortgage lending businesses and federally insured institutions	Southern District of Texas
Melinda Munoz	Notary	Pleaded guilty to: conspiracy to make false statements to mortgage lending businesses and financial institutions and false writings to a government agency	Southern District of Texas
John Blackmore	Participant	Pleaded guilty to: conspiracy to make false statements to mortgage lending businesses and financial institutions and false writings to a government agency	Southern District of Texas
Albert Lim	Scheme Leader	Pleaded guilty to: false statements to mortgage lending businesses and federally insured institutions; conspiracy to commit wire fraud	Southern District of Texas

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**Five Pleaded Guilty and Eleven Charged in Multi-Layered Fraud Scheme**

Defendant	Role	Most Recent Action	District
Steven Morizono	Scheme Leader	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions; conspiracy to make false writings to the Federal Trade Commission; false writings to the Federal Trade Commission; conspiracy to commit wire fraud; wire fraud; conspiracy to commit bank fraud; obstruction of an official proceeding	Southern District of Texas
Heather Ann Campos	Mortgage Broker	Charged by superseding indictment with: false statements to mortgage lending businesses and federally insured institutions; conspiracy to make false statements to mortgage lending businesses and financial institutions; conspiracy to make false writings to the Federal Trade Commission; false writings to the Federal Trade Commission; conspiracy to commit wire fraud; wire fraud; illegal monetary transaction; conspiracy to commit bank fraud; obstruction of an official proceeding; tampering with a witness	Southern District of Texas
David Best Jr.	Participant	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions; conspiracy to make false writings to the Federal Trade Commission; conspiracy to commit bank fraud	Southern District of Texas
Elvina Buckley	Real Estate Agent	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions	Southern District of Texas

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**Five Pleaded Guilty and Eleven Charged in Multi-Layered Fraud Scheme**

Defendant	Role	Most Recent Action	District
Stephen Crabtree	Participant	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; conspiracy to make false writings to the Federal Trade Commission; false writings to the Federal Trade Commission; conspiracy to commit wire fraud	Southern District of Texas
Blanka Uhrovcikova	Participant	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions; conspiracy to make false writings to the Federal Trade Commission; conspiracy to commit bank fraud	Southern District of Texas
Jesus Adame	Participant	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions	Southern District of Texas
Kimberli Tomman	Mortgage Broker	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions	Southern District of Texas
Richard Grassie	Participant	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions; conspiracy to make false writings to the Federal Trade Commission	Southern District of Texas

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**Five Pleaded Guilty and Eleven Charged in Multi-Layered Fraud Scheme**

Defendant	Role	Most Recent Action	District
Arleen Grockett	Participant	Charged by superseding indictment with: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions; conspiracy to make false writings to the Federal Trade Commission; conspiracy to commit bank fraud	Southern District of Texas
Luis Belevan	Participant	Charged by superseding indictment with: conspiracy to make false writings to the Federal Trade Commission	Southern District of Texas

**Title Company Owner Pleaded Guilty in Origination Fraud Scheme**

Defendant	Role	Most Recent Action	District
Lee Ann Benninghoff	Title Company Owner	Pleaded guilty to: conspiracy to commit bank fraud; bank fraud	Western District of Pennsylvania

**Short Sale Schemes**

**Conspirator Sentenced for Role in Defrauding Mortgage Lending Institutions**

Defendant	Role	Most Recent Action	District
Sharif Rashed	Appraiser	Sentenced to: one year of probation; ordered to pay \$93,000 in forfeiture	Eastern District of New York

**Real Estate Investor Admitted Role in Multi-Year Mortgage Fraud Scheme**

Defendant	Role	Most Recent Action	District
Anthony Garvin	Real Estate Agent/ Investor	Pleaded guilty to: conspiracy to commit bank fraud; bank fraud	District of New Jersey

**Individual Charged in Short Sale Fraud**

Defendant	Role	Most Recent Action	District
Xingwei Ma	Participant	Charged by state felony complaint with: mortgage fraud	Ventura County, CA, District Attorney’s Office

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## Loan Modification Schemes

Conspirator Sentenced in Mortgage Fraud Scheme			
Defendant	Role	Most Recent Action	District
Audrey Gan	Participant	Pleaded guilty to: grand theft; elder abuse; committing a prohibited act by a mortgage foreclosure consultant; sentenced to: six years in prison; ordered to pay \$154,930 in restitution	California Attorney General's Office

Conspirator Pleaded Guilty in Multimillion-Dollar Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Lilit Malyan	Participant	Pleaded guilty to: money laundering; unlawful transfer of identifying information; conspiracy to commit grand theft	California Attorney General's Office

Conspirator Sentenced in Connection with Real Estate Fraud Scheme			
Defendant	Role	Most Recent Action	District
Michael Jackson	Participant	Pleaded guilty to: accessory after the fact; sentenced to: 90 days in jail; two years of probation	Orange County, CA, District Attorney's Office

## Property Management and REO Schemes

Conspirator Sentenced in Deed Fraud Scheme			
Defendant	Role	Most Recent Action	District
Clarence Roland III	Participant	Sentenced to: 120 months in prison; three years supervised release; ordered to pay \$3,251,897 restitution and \$1,984,642 in a money judgment	Southern District of Texas

Over \$1.6 Million Restitution Entered Against Former Title Company President and Title Agent in Mortgage Fraud Scheme			
Defendant	Role	Most Recent Action	District
Ana Amador	Former Title Company President	Agreed to pay \$1,675,215 in restitution, joint and several	Southern District of Florida
Sunilda Casilla	Title Agent	Agreed to pay \$1,675,215 in restitution, joint and several	Southern District of Florida

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**Former County Land Bank Authority Employee Pleaded Guilty in Scheme to Fraudulently Purchase and Resell Properties**

Defendant	Role	Most Recent Action	District
Mustafaa Saleh	Former Local Government Employee	Pleaded guilty to: wire fraud	Northern District of Illinois

**Adverse Possession, Distressed Property, and Bankruptcy Fraud Schemes**

**Conspirators Sentenced in Adverse Possession Scheme**

Defendant	Role	Most Recent Action	District
Herbert Harris	Participant	Sentenced to: ten years in prison; ordered to pay \$116,000 in restitution, joint and several	Dallas County, TX, District Attorney’s Office
Gerald Pierce	Participant	Sentenced to: ten years in prison	Dallas County, TX, District Attorney’s Office
Merenthia Harris	Participant	Sentenced to: five years in prison; ordered to pay \$116,000 in restitution	Dallas County, TX, District Attorney’s Office

**Two Convicted and Two Pleaded Guilty in National Foreclosure Rescue Scheme**

Defendant	Role	Most Recent Action	District
Lorin Buckner	Owner	Convicted by a federal jury of: conspiracy to commit mail and wire fraud; conspiracy to commit bankruptcy fraud	Southern District of Ohio
Dessalines Sealy	National Sales Director/Manager	Convicted by a federal jury of: conspiracy to commit mail and wire fraud; conspiracy to commit bankruptcy fraud	Southern District of Ohio
Joel Harvey	Owner	Pleaded guilty to: conspiracy to commit bankruptcy fraud	Southern District of Ohio
Garrett Stevenson	Owner	Pleaded guilty to: conspiracy to commit mail and wire fraud	Southern District of Ohio

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

Defendant	Role	Most Recent Action	District
Janie Burns	Business Owner	Pleaded nolo contendere to: procuring and offering a false or forged instrument	Los Angeles County, CA, District Attorney’s Office

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## Condo Conversion and Builder Bailout Schemes

Conspirator Sentenced in Builder Bailout Fraud Scheme			
Defendant	Role	Most Recent Action	District
Mohamed Salah	Participant	Sentenced to: 27 months in prison; four years supervised release; ordered to pay \$7,487,163 in restitution, joint and several	Central District of California

Former CFO Found Guilty in Condo Conversion Fraud Scheme			
Defendant	Role	Most Recent Action	District
David Schwarz	Former CFO	Convicted by a federal jury of: conspiracy to commit bank fraud; bank fraud	Southern District of Florida

## Multifamily Schemes

Business Owner Sentenced in Multifamily Loan Fraud			
Defendant	Role	Most Recent Action	District
Kapal Sharma	Business Owner	Sentenced to: 18 months in prison; three years supervised release; ordered to pay \$1,725,000 in restitution and forfeiture	Western District of Oklahoma

Conspirator Sentenced in Multifamily Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Scott Cresswell	Chief Operating Officer	Sentenced to: time served	Western District of New York

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

Family Members Sentenced in COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Mateus Mendes	Participant	Sentenced to: 21 months in prison; three years supervised release; ordered to pay \$143,283 in restitution	Central District of California
Ramiro Mendes	Participant	Sentenced to: 41 months in prison; three years supervised release; ordered to pay \$2,228,302 in restitution	Central District of California
Ammon Mendes	Participant	Sentenced to: 21 months in prison; three years supervised release; ordered to pay \$222,225 in restitution and \$63,690 in forfeiture	Central District of California

One Trial Conviction and Five Guilty Pleas in Multimillion-Dollar COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Abdul Fatani	Participant	Convicted by a federal jury of: conspiracy to commit wire fraud; wire fraud; money laundering	Southern District of Texas
Syed Ali	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Southern District of Texas
Mayer Misak	Participant	Pleaded guilty to: conspiracy to commit wire fraud; wire fraud	Southern District of Texas
Mauricio Navia	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Southern District of Texas
Amir Aqeel	Participant	Pleaded guilty to: conspiracy to commit wire fraud; money laundering	Southern District of Texas
Tekle Tesfaye	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Southern District of Texas

Individual Pleaded Guilty in COVID Relief Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Ego Ferguson Sr.	Participant	Pleaded guilty to: wire fraud	Southern District of Florida

Individual Pleaded Guilty to Witness Tampering in PPP Loan Fraud Investigation			
Defendant	Role	Most Recent Action	District
Anthony Lee	Participant	Pleaded guilty to: witness tampering	Southern District of Florida

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<b>Business Owners Charged in Pandemic Relief Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Lisa Evans	Business Owner	Charged by indictment with: making false statements to a federally insured bank; conspiracy to commit bank fraud	Western District of Tennessee
Kevin Shaw	Business Owner	Charged by indictment with: making false statements to a federally insured bank; conspiracy to commit bank fraud	Western District of Tennessee

<b>Conspirator Admitted to Fraudulently Obtaining \$850,000 in PPP Funds</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Butherde Darius	Participant	Charged by information and pleaded guilty to: money laundering; conspiracy to commit bank fraud	District of New Jersey

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

<b>Conspirators Sentenced in Loan Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Denise Woodard	Participant	Sentenced to: 36 months in prison; three years supervised release; ordered to pay \$755,416 in restitution, joint and several, and \$755,416 in forfeiture	Western District of North Carolina
Derrick Harrison	Participant	Sentenced to: a year and a day in prison; two years supervised release; ordered to pay \$623,987 in restitution, joint and several, and \$623,987 in forfeiture	Western District of North Carolina

<b>Bank Employees Sentenced in Bank Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Brady Torgerson	Bank Employee	Sentenced to: 24 months in prison; three years supervised release; ordered to pay \$485,500 in restitution with \$4,291 joint and several	District of North Dakota
Brent Torgerson	Bank Employee	Sentenced to: time served; 12 months of unsupervised release	District of North Dakota

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<b>Business Owner Sentenced in Multimillion-Dollar Check Kiting Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Tyler Gillum	Business Owner	Sentenced to: 60 months in prison; three years supervised release; ordered to pay \$7,290,557 in restitution	District of Kansas

  

<b>Conspirator Sentenced for Role in Defrauding the FHLBank Affordable Housing Program</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Aaron Spann	Participant	Sentenced to: three years of probation; ordered to pay \$36,375 in restitution and forfeiture	District of South Carolina

  

<b>Sentencing and Guilty Plea in Bank Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Christopher Alholm	Participant	Sentenced to: 66 months in prison; five years supervised release; ordered to pay \$495,000 in restitution and \$5,000 in forfeiture	Middle District of Florida
Cameron Porter	Participant	Pleaded guilty to: conspiracy to commit bank fraud	Middle District of Florida

  

<b>Former Attorney Found Guilty in Multimillion-Dollar Embezzlement Conspiracy Resulting in the Failure of a Bank</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Robert Kowalski	Attorney/Business Owner	Convicted by a federal jury of: conspiracy to commit embezzlement and falsify bank records; embezzlement; bankruptcy fraud; failure to file income tax returns; filing false personal and corporate returns; and concealment of assets	Northern District of Illinois

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## OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period October 1, 2022, through March 31, 2023

### Reports, Referrals to Federal, State, and Local Prosecuting Authorities, Prosecutions and Convictions, October 1, 2022 - March 31, 2023\*

Investigative Reports**	14
Criminal Referrals to the Department of Justice (DOJ)	33
Criminal Referrals to State and Local Prosecuting Authorities	3
Indictments and Informations during the Reporting Period that Resulted from Referrals to Prosecutors during Prior Reporting Periods	30
Total Indictments and Informations during the Reporting Period Resulting from OIG Referrals	40
Trials	4
Defendants Tried	5
Convictions / Pleas	43
Sentencings	27

\* All criminal charges and successive actions (pleas/convictions/sentencings) are supported with documents filed with the corresponding federal or state court, including non-public (sealed) documents. All referrals made to 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.

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

### Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation<sup>6</sup>

Pursuant to the IG Act, Sections 5(a)(13), (14), (16)(B), and 5(e), OIG is required to report certain information regarding (1) investigations involving senior government employees and (2) government officials found to have engaged in whistleblower retaliation. In this section, OIG also reports on the results of Hotline complaints and administrative inquiries involving the above.

Sections 5(a)(13) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving a senior government employee when allegations of misconduct were substantiated. OIG does not have reportable information for this period.

<sup>6</sup> This portion of the Semiannual Report to Congress shows the IG Act Section 5 semiannual report requirements as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

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Sections 5(a)(14) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on any instance of whistleblower retaliation, including information about an official found to have engaged in retaliation. OIG does not have reportable information for this period.

Sections 5(a)(16)(B) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving a senior government employee that is closed and was not disclosed to the public. OIG does not have reportable information for this period.

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# Peer Reviews

## OIG Peer Review Results

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

## Outstanding Recommendations from Any Peer Review of OIG

OIG has no outstanding recommendations from any peer reviews.

## Peer Reviews Conducted by OIG and Outstanding Recommendations

OIG commenced work but did not complete any peer reviews during this period and there are no outstanding recommendations from peer reviews conducted by OIG.

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# Outreach

## Public and Private Partnerships, Outreach, and Communications

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

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

### Congress

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

### Hotline

The OIG Hotline serves as a vehicle through which employees of the Agency, the Enterprises, the FHLBanks, and members of the public can report suspected fraud, waste, abuse, mismanagement, or misconduct in Agency programs and operations. The Hotline is managed by OIG’s Office of Investigations, and potential criminal violations are investigated by that office. Potential civil or administrative matters are referred to the appropriate OIG operating division for review and appropriate follow-up. During this reporting period, 733 discrete contacts to the Hotline were made involving tips, complaints, and referrals. This included 146 separate complaints logged by the Hotline.

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

## Coordinated Oversight Activities and Professional Organizations

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

### Council of the Inspectors General on Integrity and Efficiency

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

### Council of Inspectors General on Financial Oversight

The Council of Inspectors General on Financial Oversight (CIGFO) was created by the Dodd-Frank

Wall Street Reform and Consumer Protection Act of 2010 to oversee FSOC, which is charged with identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the U.S. financial system.

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

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

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

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

## Law Enforcement Outreach

### Federal Bureau of Investigation (FBI) Cybercrimes Task Force

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

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

During this reporting period, OIG delivered 24 fraud awareness briefings to diverse audiences to raise awareness of its law enforcement mission and fraud schemes targeting FHFA programs.

### Public-Private Partnerships

Housing finance professionals are on the frontlines and often have a real-time understanding of emerging threats and misconduct. OIG speaks with officials at the Enterprises and the FHLBanks regularly to benefit from their insights. OIG also makes presentations to academic and industry groups. Recent presentations include: Georgia Real Estate Commission (GA), Georgia Bureau of Investigations Financial Forensics Group (GA), Idaho White Collar Task Force (ID), Frisco Independent School District Career Day (TX), California Department of Justice Dark Money Task Force (CA), Financial Crimes Forum Oklahoma/Arkansas Chapter of the International Association of Financial Crimes Investigators (OK), Palm Beach County

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Economic Crimes /Intelligence Working Group (FL), Illinois Fraud Working Group (IL), and U.S. Trustee’s Office Fraud Working Group (WI).

### **Coordination Among Law Enforcement Agencies**

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

## **Other Inspector General Act Reporting Requirements**

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

OIG has no instances to report for this period, therefore, we also have no related reports to the Agency head.

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

For the semiannual reporting period ending March 31, 2023, Section 5(a)(7) of the IG Act did not apply to the Agency or OIG.<sup>7</sup>

### **Review of Legislation and Regulations**

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

<sup>7</sup> This paragraph reflects the IG Act Section 5 semiannual report requirement as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

# Index of Information Required by the Inspector General Act

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

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

Source/Requirement <sup>8</sup>	Pages
Section 404(a)(2) – Review of legislation and regulations.	56
Section 5(a)(1) – A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA and associated reports and recommendations for corrective action made by OIG.	4-21
Section 5(a)(2) – An identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	10-30
Section 5(a)(3) – A summary of significant investigations closed.	33
Section 5(a)(4) – An identification of the total number of convictions resulting from investigations.	3, 51
Section 5(a)(5) – Information regarding each audit, inspection, or evaluation report issued, including a listing of each audit, inspection, or evaluation, and if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made.	7-10
Section 5(a)(6) – Information regarding any management decision made this period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	10
Section 5(a)(7) – The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	56
Section 5(a)(8) – An appendix containing the results of any peer review conducted by another IG; or the date of the last peer review if no peer review was conducted during the reporting period.	53

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

Source/Requirement <sup>8</sup>	Pages
Section 5(a)(9) – A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	53
Section 5(a)(10) – A list of any peer reviews of another IG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented.	53
Section 5(a)(11) – Statistical tables showing, for the reporting period, the total number of: investigative reports issued; persons referred to the Department of Justice for criminal prosecution; persons referred to State and local prosecuting authorities for criminal prosecution; and indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	51
Section 5(a)(12) – A description of the metrics used for developing the data for the statistical tables under the prior paragraph.	51
Section 5(a)(13) – A report on each investigation conducted by OIG where allegations of misconduct were substantiated involving a senior Government employee or senior official, including the name of the senior Government employee, if already made public by OIG, a detailed description of the facts and circumstances of the investigation, and the status and disposition of the matter.	51-52
Section 5(a)(14) – A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences FHFA imposed to hold that official accountable.	51-52
Section 5(a)(15) – A detailed description of any attempt by FHFA to interfere with the independence of OIG, including with budget constraints designed to limit OIG’s capabilities, and incidents where FHFA has resisted or objected to OIG oversight activities or restricted or significantly delayed access to information; and a summary of each report made to the FHFA head under section 6(c)(2).	56
Section 5(a)(16) – Detailed descriptions of the particular circumstances of each inspection, evaluation, and audit conducted by OIG that is closed and was not disclosed to the public; and each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	10, 51-52

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# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

## SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2022, through March 31, 2023

Federal Housing Finance Agency  
Office of Inspector General  
400 Seventh Street, SW  
Washington, DC 20219  
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