



# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

## SEMIANNUAL REPORT TO THE CONGRESS

OCTOBER 1, 2021, THROUGH MARCH 31, 2022



# Table of Contents

<b>Message from the Inspector General .....</b>	<b>1</b>
<b>Snapshot of OIG Accomplishments .....</b>	<b>3</b>
<b>OIG’s Oversight.....</b>	<b>4</b>
Overview .....	4
OIG’s Risk-Based Oversight Strategy .....	4
Management and Performance Challenges .....	4
OIG’s Oversight of FHFA’s Programs and Operations Through Audit, Evaluation, and Compliance Activities During This Reporting Period .....	5
Office of Audits .....	5
Office of Evaluations.....	6
Office of Compliance and Special Projects .....	6
<b>Reports and Recommendations.....</b>	<b>7</b>
Significant Reports.....	7
Other Reports Issued During the Semiannual Period .....	14
Supervision of the Regulated Entities.....	14
Conservator Operations.....	14
Information Security.....	14
Counterparties and Third Parties.....	14
Internal Control over Agency Operations .....	14
IG Act Information Concerning Reports .....	15
Recommendations.....	15
Significant, Open Recommendations.....	15
Closed, Rejected Recommendations and Potential Cost Savings.....	29
<b>Office of Investigations.....</b>	<b>39</b>
Significant Cases .....	40
Criminal Investigative Results.....	50
Loan Modification Schemes.....	50
Short Sale Schemes .....	51
Fraud Affecting the Enterprises, the FHLBanks, or FHLBank Member Institutions .....	51
Multifamily Schemes .....	55
Loan Origination Schemes.....	56
Fraud Affecting the FHLBanks, or FHLBank Member Institutions as a Result of (or Related to) the CARES Act PPP .....	60
Property Management and REO Schemes.....	63



Adverse Possession, Distressed Property, and Bankruptcy Fraud Schemes .....	64
OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period October 1, 2021, through March 31, 2022 .....	65
Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation .....	65
Closed, Undisclosed Audits and Evaluations .....	67
<b>Peer Reviews .....</b>	<b>68</b>
OIG Peer Review Results .....	68
Outstanding Recommendations from Any Peer Review of OIG.....	68
Peer Reviews Conducted by OIG and Outstanding Recommendations.....	68
<b>Outreach .....</b>	<b>69</b>
Public and Private Partnerships, Outreach, and Communications .....	69
Congress .....	69
Hotline .....	69
Coordinated Oversight Activities and Professional Organizations .....	69
Law Enforcement Outreach .....	70
<b>Other Inspector General Act Reporting Requirements.....</b>	<b>71</b>
FHFA’s Refusal to Provide Information and Attempts to Interfere with OIG Independence.....	71
Federal Financial Management Improvement Act of 1996 .....	71
Review of Legislation and Regulations .....	71
<b>Index of Information Required by the Inspector General Act .....</b>	<b>72</b>

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



## Message from the Inspector General

As Inspector General, I am pleased to present this Semiannual Report to Congress covering significant achievements of the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) for the six-month period from October 1, 2021, through March 31, 2022.

Recently sworn in as the third Senate confirmed FHFA Inspector General, I have had the pleasure and privilege of familiarizing myself with OIG's accomplishments and getting to know its dedicated, hard-working employees.

It is humbling to lead an office where our oversight contributes to the liquidity and stability of the nation's housing finance system and furthers equal and affordable access to America's housing market. I am excited and committed to serve in this important role for the benefit of homebuyers and taxpayers.

At the outset, I must thank my predecessor and colleague, Phyllis K. Fong, who served as OIG's Acting Inspector General from July 31, 2021, until I took office on March 14, 2022. Her guidance and extensive experience in the IG community facilitated OIG's many accomplishments during this period. Most of the successful projects described in this report were initiated and completed during her tenure.

During this semiannual period, OIG continued to operate primarily in a remote work environment due to the COVID pandemic. We continued to strengthen and build relationships across the IG community, Congress, federal agencies, and other key stakeholders to execute our mission of promoting the economy, efficiency, and effectiveness of the nation's housing finance system, while protecting FHFA and the entities it regulates against fraud, waste, and abuse. I look forward to a productive, thoughtful working relationship with Acting Director Sandra Thompson and her staff to improve the Agency's efficiency and effectiveness in its programs and operations.



Brian M. Tomney  
Inspector General

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

This semiannual period, OIG published 16 reports, including audits, evaluations, compliance reviews, an administrative inquiry, and status and special reports, which are available on our website and on Oversight.gov. These reports illustrate the broad scope of our oversight responsibilities and focus on the greatest financial, governance, cyber/IT, and reputational risks to FHFA, the Enterprises, and the Federal Home Loan Banks.

Our Special Agents and investigators continued to protect the interests of the American public through our robust law enforcement efforts and those of our partner law enforcement agencies. For example, in the District of New Jersey, defendant Seth Levine received a 97-month prison sentence, five years supervised release, and was ordered to pay at least \$65 million in forfeiture for orchestrating long-running bank fraud and securities fraud schemes. As OIG previously reported, Levine had pleaded guilty to conspiracy to commit bank fraud and securities fraud for directing a scheme to fraudulently refinance multifamily properties by providing materially false information to financial institutions about the rents collected, the number of apartments leased, the expenses, and the true owners of the subject properties.

Additionally, OIG continued to investigate and hold accountable criminals who fraudulently obtained pandemic relief monies. From October 2021 through January 2022, seven members of a COVID relief fraud ring were sentenced in the Central District of California for their roles in a scheme to fraudulently obtain more than \$20 million in Paycheck Protection Program (PPP) and Economic Injury Disaster Loan COVID-19 relief funds, in which several FHLBank member banks were targets of the fraudulent applications. This and other investigative accomplishments are described further in the Significant Cases section of this report.

The accomplishments described in this Semiannual Report evidence OIG’s commitment to our mission and are the cumulative result of the tireless efforts of OIG’s professional staff. This office has a bright future as it dedicates itself to independent, objective oversight of FHFA and the entities it oversees.

Brian M. Tomney  
Inspector General  
March 31, 2022

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

# Snapshot of OIG Accomplishments

**Semiannual Reporting Period  
October 1, 2021–March 31, 2022**

Reports Issued Includes audits, evaluations, compliance reviews, administrative inquiry, status and special reports	16
Recommendations Made	17
Investigative Activities:	
Indictments / Charges	73
Arrests	43
Convictions / Pleas	46
Sentencings	42
Suspension / Debarment Referrals to Other Agencies	51
Suspended Counterparty Referrals to FHFA	60
Investigative Monetary Results:	
Criminal Restitution	\$109,377,068
Criminal Fines / Special Assessments / Forfeitures	\$69,907,433
Investigations Total Monetary Results*	\$179,284,501*

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

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

# OIG's Oversight

## Overview

The Federal Housing Finance Agency (FHFA or Agency) was established in July 2008 by the Housing and Economic Recovery Act of 2008 (HERA). FHFA serves as regulator and supervisor of several entities: Fannie Mae and Freddie Mac (the Enterprises), Common Securitization Solutions, LLC (CSS, an affiliate of each Enterprise), and the Federal Home Loan Banks (FHLBanks) (collectively, the regulated entities), and the FHLBanks' fiscal agent, the Office of Finance. FHFA is responsible for ensuring the safety and soundness of the regulated entities so that they serve as a reliable source of liquidity and funding for housing finance and community investment. As of year-end 2021, the Enterprises collectively reported more than \$7.2 trillion in assets and the FHLBanks reported more than \$723 billion in assets.

Since September 2008, FHFA also has served as conservator of the Enterprises. Initially intended to be a temporary measure during a period of extreme stress to stabilize the mortgage markets and promote financial stability, the conservatorships now enter their fourteenth year. As a result, OIG continues to conduct oversight of FHFA's actions as both regulator and conservator of the Enterprises.

## OIG's Risk-Based Oversight Strategy

FHFA's dual roles as supervisor for the Enterprises and the FHLBanks and as conservator of the Enterprises 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 the typical federal financial regulator. Given the size and complexity of the regulated entities and the unique responsibilities of FHFA, making the right choices about what we audit, evaluate, examine for compliance, and investigate in our oversight efforts is critical.

To assist in making those choices, our Office of Risk Analysis (ORA) enhances our ability to focus our resources on the areas of greatest risk to FHFA and its regulated entities. ORA is tasked with monitoring, analyzing, and disseminating information on emerging and ongoing risks. Through its work, it contributes data and information to assist offices across OIG, and issues 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 FHFA's most serious management and performance challenges

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

which, if not addressed, could adversely affect FHFA’s accomplishment of its mission. Our memorandum identifying FHFA’s management and performance challenges and one management concern for Fiscal Year (FY) 2022 is available on our [website](#). An overview of the oversight activities planned for FY 2022 is discussed in our [Annual Plan](#).

The four management and performance challenges and the management concern for FY 2022 are:

- **Supervision of the Regulated Entities:** upgrade supervision of the Enterprises and continue supervision efforts of the FHLBanks
- **Conservator Operations:** improve oversight of conservator operations
- **Information Security:** enhance oversight of cybersecurity at the regulated entities and ensure an effective information security program at FHFA
- **Counterparties and Third Parties:** enhance oversight of the Enterprises’ management of counterparty and third-party risk
- **Management Concern:** sustain and strengthen internal controls over Agency operations, including workforce planning

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 and Special Projects. During this reporting period, OIG published 15 reports from these offices. All of these reports relate to the four ongoing major management and performance challenges and the one management concern identified above.

Our investigative work is discussed further below in the Office of Investigations Section.

### Office of Audits

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



in accordance with the audit standards promulgated by the Comptroller General of the United States, which are known as generally accepted government auditing standards or GAGAS. OA also oversees independent public accounting firms that perform certain audits of FHFA’s programs and operations.

## Office of Evaluations

The Office of Evaluations (OE) conducts independent and objective reviews, assessments, studies, and analyses of FHFA’s programs and operations. Under the IG Act, IGs are required to adhere to the professional standards designated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), unless otherwise specified in the IG Act. OE performs its evaluations in accordance with the standards CIGIE established for inspections and evaluations, known as the *Quality Standards for Inspection and Evaluation*.

## Office of Compliance and Special Projects

The Office of Compliance and Special Projects (OCom) strengthens OIG’s capacity to determine whether FHFA has fully implemented our recommendations and addressed deficiencies identified during an audit, evaluation, or other report. OCom has several responsibilities: It maintains a database that tracks the status of all recommendations issued by OIG in its reports. If an OIG division proposes to close a particular recommendation, OCom consults with that division prior to closure to ensure we are applying a single standard across OIG for closing recommendations. OCom also conducts validation testing on selected closed recommendations to confirm FHFA has, in fact, taken the corrective actions it represented it implemented. We publish the results of that validation testing to enable our stakeholders to assess both the efficacy of FHFA’s implementation of actions to correct the underlying shortcoming, and the impact of OIG’s recommendations. OCom performs its compliance reviews and special projects in accordance with the *Quality Standards for Inspection and Evaluation*.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

# Reports and Recommendations

## Significant Reports

Below are summaries of nine significant reports published by OIG during the six-month reporting period from October 1, 2021, through March 31, 2022.

**Supervision:** [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](#) (EVL-2022-001, March 7, 2022)

FHFA's Division of Enterprise Regulation (DER) communicates examination results and conclusions, including adverse examination findings and safety and soundness concerns, to the Enterprises through supervisory correspondence. It conducts quality control (QC) reviews prior to issuing supervisory correspondence in order to provide reasonable assurance that examination work performed by examiners meets applicable DER examination standards and FHFA guidance. DER's current internal procedures bulletin on the quality control process, which it issued in February 2020, requires the QC Branch to provide DER management with a report of QC observations at least annually. Our evaluation found that the QC Branch did not produce an annual report of QC observations for DER management in accordance with the bulletin during the period covered by our review. In the absence of such a report, DER management does not have the benefit of the insights gained from the aggregated QC results in order to improve examiner compliance with the standards. QC results during the review period reflect that DER examiners continue to deviate from examination standards. A December 2021 internal DER presentation on QC results for the first half of 2021 identified multiple opportunities for improvement, including in the areas of examination scope, the specificity of the criteria examiners apply, and the adequacy of examination procedures. We also found that a formal communications mechanism was not established to provide feedback from QC reviews to the other responsible DER offices to consider when enhancing and refining examination guidance and standards.

The current Deputy Director of DER, who was appointed in September 2021, acknowledged the need for a feedback mechanism to communicate QC results within DER and plans to provide multiple channels to do so. He informed us that he will ensure the QC Branch completes an annual report of QC observations and that he plans for periodic training for all DER staff that highlights the severity and frequency of QC findings. FHFA agreed with our recommendations that it:

1. Complete efforts to compile data from all quality control reviews, analyze the data for trends, develop the reporting template, and report the results to DER management at least annually; and

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

2. 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.

**Supervision:** [FHFA’s Recent Changes to its Housing Finance Examiner Commission Program](#) (OIG-2022-002, December 15, 2021)

In 2013, FHFA inaugurated a Housing Finance Examiner (HFE) Commission Program and required all newly-hired examiners to obtain an HFE commission through the Program within about four years. In four prior reports, most recently in 2018, OIG determined that the Program was not on track to timely produce commissioned examiners. In 2019, FHFA launched a revised HFE Commission Program, from which it had eliminated two features of the previous Program: (1) the requirement to obtain commissions within approximately four years, and (2) the requirement that managers measure examiner progress through the Program as part of annual performance evaluations.

Two years after FHFA’s elimination of these two requirements, the Program still does not appear to be on track. Despite the Agency’s acknowledged continued need for commissioned examiners, only 16 individuals have completed the Program since its inception in 2013. Moreover, as of June 30, 2021, 11 of 63 enrollees in the Program had been enrolled since 2013 without being commissioned, and the Agency experienced a net decrease in the size of its commissioned examiner corps from 59 to 55. Consequently, roughly 90% of the DER’s targeted examinations in 2019 and 2020 were led by non-commissioned examiners.

As a result of these findings, we have held open our 2015 recommendation that FHFA determine the causes of the shortfalls in the Program and implement a strategy to ensure the Program produces additional commissioned examiners who are qualified to lead major risk sections of GSE examinations.

**Supervision:** [DER Followed its Guidance to Prepare, Review, and Issue the 2020 CSS Report of Examination](#) (AUD-2022-005, March 23, 2022)

In 2013, FHFA directed the Enterprises to establish and fund a joint venture, Common Securitization Solutions (CSS), to develop and operate a common securitization platform to replace the Enterprises’ separate “back-office” systems and to issue a single mortgage-backed security. On June 3, 2019, CSS began issuing a single mortgage-backed security for both Enterprises, known as the Uniform Mortgage-Backed Security. As an affiliate of each Enterprise, CSS is subject to FHFA’s regulatory and supervisory authority. On March 31, 2021, FHFA issued a report of examination (2020 CSS ROE), the first issued on CSS, summarizing the findings and conclusions of FHFA’s 2020 CSS examination work. We conducted this audit to determine whether FHFA’s DER prepared and issued the 2020 CSS ROE in accordance with its guidance. We found that DER followed its guidance in the preparation, supervisory review, and final issuance of the 2020 CSS

ROE. In addition, examination results, conclusions, and ratings reported in the 2020 CSS ROE were consistent with and supported by examination activities that had been subjected to required DER Quality Control reviews.

**Conservator Operations:** [Report of Administrative Inquiry into a Whistleblower Complaint Concerning an Enterprise Executive Compensation Matter](#) (OI/OIG-2022-001, January 26, 2022)

In October 2021, a whistleblower reported to OIG that the former FHFA Chief of Staff had led an effort to secure a \$250,000 retention award for a Fannie Mae executive. An OIG administrative inquiry determined that the \$250,000 award was a retention award in name only and was based, in part, on the executive’s past performance, not to incent the executive to remain in the employ of Fannie Mae. We also determined that the Agency’s official record of its reasons for approving the award was inaccurate and omitted key facts. Lastly, we found that the Director’s approval of the retention award raised a legal question: whether providing the award under these circumstances would constitute the payment of a prohibited bonus in violation of the STOCK Act of 2012. FHFA agreed with our recommendations that:

1. The Agency should document accurately its decision to approve the award in question, as well as any final decision as to whether it may be paid lawfully, consistent with the Federal Records Act and its recordkeeping policy;
2. Prior to permitting the award in question to be paid, FHFA should determine whether doing so would result in a violation of the STOCK Act of 2012; and
3. The Agency should implement a procedure under which retention awards for senior executives proposed by the Enterprises are analyzed and reviewed to ensure they are not violative of the STOCK Act’s prohibition on the payment of bonuses.

**Conservator Operations:** [FHFA’s Public Reporting of the Enterprises’ Progress Toward the Objectives FHFA Set in the 2020 Conservatorship Scorecard Lacked the Detail and Transparency of Past Reporting](#) (EVL-2022-002, March 17, 2022)

Each year since 2012, FHFA has published a conservatorship scorecard tied to its conservatorship strategic plan in place at the time. The scorecard communicates the Agency’s priorities and expectations to the Enterprises and holds them accountable for implementation of the conservatorship strategic plan. From 2013 through 2019, FHFA also published an annual scorecard progress report, roughly a year after issuing the applicable conservatorship scorecard, to describe the progress of the Enterprises’ activities in furtherance of scorecard objectives and “provide further public transparency.” FHFA opted to rely on the Agency’s statutorily required annual report to Congress to inform public stakeholders about the 2019 and 2020 scorecard priorities rather than issue a stand-alone progress report. When FHFA suspended preparation of the scorecard progress report for the 2020 Scorecard, it eliminated the document that had previously provided most of the



content FHFA staff had relied on to draft the section in the report to Congress that described the Enterprises’ activities in furtherance of the scorecard objectives. We found that FHFA fell short of its goal of “public transparency” because its 2020 Report to Congress contained significantly fewer details on the Enterprises’ progress toward scorecard goals than its 2019 Report to Congress.

Current FHFA leadership has not established an alternative practice or procedures to facilitate its reporting on the Enterprises’ conservatorship activities. FHFA advised us that the Agency is developing reporting plans and has not yet made a determination on whether to reinstitute the publication of the scorecard progress reports. The current Deputy Director of FHFA’s Division of Conservatorship Oversight and Readiness, who has lead responsibilities on conservatorship matters, emphasized to us that he considers transparency to be important and is committed to addressing any gaps in information that should be included in the 2021 Report to Congress. FHFA agreed with our recommendation that it establish written policy and procedures that, at a minimum:

- Define and explain the roles and responsibilities of the FHFA personnel that participate in the preparation of the Conservatorship section that appears in FHFA’s annual reports to Congress or an alternative form of reporting of FHFA’s choice; and
- Prescribe the reporting format to be used in the annual report to Congress and specify the information necessary to fulfill FHFA’s commitment to transparency in its public reporting of the Enterprises’ activities that further FHFA’s scorecard goals, and FHFA’s assessments of their performance against the scorecards.

**Conservator Operations:** [Oversight of Multifamily Borrowers’ Compliance with CARES Act and Freddie Mac Tenant Protections and Freddie Mac’s Response to the Potential Financial Impact of COVID-19](#) (OIG-2022-003, March 24, 2022)

In March 2020, the onset of the COVID-19 pandemic prompted Congress, FHFA, and Freddie Mac to act to protect the interests of tenants in multifamily properties financed by federally backed multifamily mortgage loans. Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which imposed a 120-day moratorium that prohibited all borrowers with federally backed multifamily loans from filing legal actions to recover possession of a covered dwelling unit from a tenant solely due to the nonpayment of rent or other fees or charges. Freddie Mac’s forbearance program also provided tenants with protection against eviction during the forbearance period (a temporary period during which a mortgage borrower may pause mortgage payments); required multifamily borrowers in forbearance to notify eligible tenants in writing and inform them of the available protections; and required those borrowers to allow tenants to pay back missed rent payments over a “reasonable time,” rather than in one lump-sum payment at the end of the forbearance period.

We undertook this special project, in part, to determine how Freddie Mac monitored multifamily servicers’ and borrowers’ compliance with the CARES Act’s and Freddie Mac’s forbearance

program tenant protections. We concluded that Freddie Mac did not actively monitor its borrowers' compliance with the tenant protections of the CARES Act or its forbearance agreements. Freddie Mac stated that it does not have the authority or ability to directly enforce the CARES Act and it relies on servicers to administer its forbearance agreements. FHFA shared this view. Freddie Mac also relies on its servicers to conduct the investigations into allegations of borrower noncompliance with the CARES Act or its forbearance agreements. Freddie Mac emphasized that borrowers are obligated under the loan documents to comply with applicable law. In limited circumstances, borrowers are required to supply certifications of their compliance and servicers collect them on Freddie Mac's behalf. Freddie Mac asserted that it plans to audit the servicers' processes for doing so.

We also undertook this special project to assess how Freddie Mac forecasts evictions and estimates their potential financial impact on the Enterprise and its lender counterparties. Freddie Mac explained that it does not forecast evictions directly because of the limited amount of data. Instead, it prepares forecasts using third-party occupancy and vacancy data, which incorporate evictions, to assess the strengths and weaknesses of the multifamily market, and Freddie Mac monitors its multifamily properties' income and vacancy levels through financial reports. As part of its risk management, Freddie Mac temporarily imposed debt service reserve requirements on borrowers for certain loans to ensure that they had funds available to make principal (if applicable) and interest payments should the property experience economic stress due to the pandemic. Freddie Mac also increased its multifamily loan loss reserves during 2020. FHFA stated that it is confident that Freddie Mac's multifamily portfolio is "not seeing significant credit risk at this time."

**Information Security:** [FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database \(NMDB\) or its Correspondence Tracking System \(CTS\)](#) (AUD-2022-003, December 13, 2021)

Pursuant to the Federal Information Security Modernization Act of 2014 (FISMA) and National Institute of Standards and Technology (NIST) guidance, agencies must establish, maintain, and implement plans for emergency response, backup operations, and post-disaster recovery for organizational information systems to ensure the availability of critical information resources and continuity of operations in emergency situations. Agencies must also periodically test and evaluate their information security policies, procedures, and practices. We conducted this audit to determine whether FHFA followed its standard for contingency planning controls for the National Mortgage Database (NMDB) and the Correspondence Tracking System (CTS) from October 1, 2019, through March 31, 2021. We found that, as required, FHFA developed a contingency plan for NMDB. FHFA also conducted backups for NMDB and CTS at alternate storage locations. However, FHFA did not review or test the NMDB contingency plan annually. Further, although FHFA maintained that CTS "inherits" the contingency plan for FHFA's general support system (GSS) to meet its contingency plan requirements, we found that FHFA's GSS contingency plan did not make any

reference to CTS or its servers, and the annual GSS contingency plan testing that FHFA did perform did not include CTS or its servers. FHFA agreed with our recommendations that it:

1. Perform the required annual review and testing of the NMDB contingency plan;
2. Update the GSS contingency plan to include CTS and its servers, and ensure CTS and its servers are included in the annual GSS contingency plan testing; and
3. Assess whether FHFA’s Office of Technology and Information Management (OTIM) has sufficient, qualified staff to complete required updates and testing of its contingency plans in accordance with FHFA’s standard and NIST requirements, and address any resource constraints that have adversely affected OTIM’s ability to carry out its contingency planning requirements.

**Internal Control over Agency Operations:** [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](#) (AUD-2022-004, January 5, 2022)

The FHFA Office of Human Resources Management’s (OHRM) mission is to recruit, hire, and retain a diverse and well qualified FHFA workforce. OHRM staff work with FHFA hiring managers to fill vacant positions at the Agency, primarily using one of three hiring approaches – delegated examining, merit promotion, and mission critical occupations. OHRM’s policies and procedures included requirements that (1) periodic self-assessments be performed over its use of these hiring approaches and (2) OHRM staff and hiring managers be trained on the appointment procedures for mission critical occupations. OHRM staff prepare and distribute to FHFA management a monthly Staffing Plan, which tracks the status of hiring actions and the time-to-hire. For FY 2021, FHFA established a performance measure to “Improve the number of days to hire” with a target of 95 workdays. We conducted this audit to determine whether FHFA’s hiring policies, procedures, and practices were implemented as designed and whether they facilitated the Agency’s hiring goals. The scope of this audit was April 1, 2019, through March 31, 2021. We found that (1) FHFA’s monthly Staffing Plans were incomplete and inaccurate, and could not be relied on for hiring information such as the number of employees hired, entry-on-duty date, or the calculation of the Agency’s time-to-hire; (2) FHFA had not performed any self-assessments of its hiring practices for delegated examining, merit promotion, or mission critical occupations; and (3) FHFA also did not ensure that training was provided to all affected OHRM staff members and hiring managers on how to conduct hiring actions using the mission critical occupations hiring approach. FHFA agreed with our recommendations that it:

1. 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;

2. Complete efforts to develop and implement a tracking mechanism to report accurately on FHFA's time-to-hire performance measure;
3. 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;
4. Ensure that (a) affected OHRM 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; and
5. Take action in an expeditious manner to address the recommendation made in FHFA's October 2021 internal report, *Federal Housing Finance Agency Division of Enterprise Regulation (DER) Strategic Workforce Report*, that OHRM 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.

**Internal Control over Agency Operations:** [Contrary to OMWI's FY 2016-2018 Strategic Plan, FHFA Developed and Implemented Internal Diversity Standards to Which it Does Not Adhere Fully, and it Has Not Established a Financial Literacy Program](#) (COM-2022-004, February 16, 2022)

This compliance review assessed whether FHFA was meeting the commitments from a Strategic Plan that the Agency had adopted to satisfy mandates included in HERA and the Dodd-Frank Reform and Consumer Protection Act. These commitments were: (1) to develop diversity and inclusion and Equal Employment Opportunity standards for recruitment, hiring, and retention practices (collectively, EEO Standards), (2) to develop standards for increased participation of minorities, women, and underrepresented groups in Agency programs and contracts (collectively, Contracting Standards), and (3) to create a financial literacy program and to perform outreach to promote financial literacy education.

OIG found that FHFA developed and implemented the EEO Standards and Contracting Standards, but the Agency was not adhering fully to them. OIG also found that FHFA had not implemented a financial literacy program. While FHFA worked to develop the program's curriculum, a former FHFA Director curtailed those efforts in 2016 and available evidence indicated those efforts had not been resumed. FHFA acknowledged these findings and committed to take specific steps to remedy the deficiencies.



## Other Reports Issued During the Semiannual Period

In addition to the nine reports highlighted above, OIG issued seven other reports during this period. Below, we group these reports according to each of the four management and performance challenges and significant management concern.

### Supervision of the Regulated Entities

- [FHFA Has Determined that the Enterprises Can Absorb the Full Cost of CARES Act Mortgage Forbearance](#) (OIG-2022-001, November 3, 2021)

### Conservator Operations

- [Fannie Mae Successfully Implemented its Compliance Plan for FHFA’s NPL Post-Sale Data Collection Requirements](#) (COM-2022-002, January 18, 2022)

### Information Security

- [Audit of the Federal Housing Finance Agency Office of Inspector General’s Information Security Program, Fiscal Year 2021](#) (AUD-2022-002, October 15, 2021)
- [Audit of the Federal Housing Finance Agency’s Information Security Program, Fiscal Year 2021](#) (AUD-2022-001, October 15, 2021)

### Counterparties and Third Parties

- [The Enterprises Substantially Complied with FHFA’s Revised Fraud Reporting Requirements](#) (COM-2022-003, January 19, 2022)

### Internal Control over Agency Operations

- [FHFA Adequately Designed and Implemented Controls to Detect and Prevent Improper Vendor Payments During Fiscal Year 2021](#) (AUD-2022-006, March 30, 2022)
- [FHFA Generally Complied with its Updated Guidance for Procurement Peer Reviews](#) (COM-2022-001, January 14, 2022)

## IG Act Information Concerning Reports

During the period ending March 31, 2022, OIG’s reports did not include recommendations with questioned costs, unsupported costs, or funds to be put to better use by management.

No reports issued before October 1, 2021, are currently awaiting an FHFA management decision, nor are there reports for which OIG did not receive a response within 60 days of issuing a report to the Agency for comment. In addition, FHFA did not significantly revise any management decisions during this period.

During this period, there were no significant management decisions with which the Inspector General disagreed.

## Recommendations

### Significant, Open Recommendations

The following table contains all open recommendations from the reporting period ending March 31, 2022, and previous semiannual reporting periods. For a regularly updated list of all open recommendations, see OIG’s monthly [Compendium of Open Recommendations](#).

Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA should establish written policy and procedures that, at a minimum:</p> <ul style="list-style-type: none"> <li>Define and explain the roles and responsibilities of the FHFA personnel that participate in the preparation of the Conservatorship section that appears in FHFA’s annual reports to Congress or an alternative form of reporting of FHFA’s choice; and</li> <li>Prescribe the reporting format to be used in the annual report to Congress and specify the information necessary to fulfill FHFA’s commitment to transparency in its public reporting of the Enterprises’ activities that further FHFA’s scorecard goals, and FHFA’s assessments of their performance against the scorecards.</li> </ul>	<p><a href="#">FHFA’s Public Reporting of the Enterprises’ Progress Toward the Objectives FHFA Set in the 2020 Conservatorship Scorecard Lacked the Detail and Transparency of Past Reporting</a> (EVL-2022-002, March 17, 2022)</p>
<p>Conservatorship: FHFA should document accurately its decision to approve the award in question, as well as any final decision as to whether it may be paid lawfully, consistent with the Federal Records Act and its recordkeeping policy.</p>	<p><a href="#">Report of Administrative Inquiry into a Whistleblower Complaint Concerning an Enterprise Executive Compensation Matter</a> (OI/OIG-2022-001, January 28, 2022)</p>

Significant, Open Recommendation	Report Title and Date
Conservatorship: Prior to permitting the award in question to be paid, FHFA should determine whether doing so would result in a violation of the STOCK Act of 2012.	<a href="#"><u>Report of Administrative Inquiry into a Whistleblower Complaint Concerning an Enterprise Executive Compensation Matter</u></a> (OI/OIG-2022-001, January 28, 2022)
Conservatorship: FHFA should implement a procedure under which retention awards for senior executives proposed by the Enterprises are analyzed and reviewed to ensure they are not violative of the STOCK Act's prohibition on the payment of bonuses.	<a href="#"><u>Report of Administrative Inquiry into a Whistleblower Complaint Concerning an Enterprise Executive Compensation Matter</u></a> (OI/OIG-2022-001, January 28, 2022)
Conservatorship: FHFA, as conservator, should provide timely instruction to the Fannie Mae Board regarding FM Ethics' authority to interpret CEO mitigation plans where new facts are presented.	<a href="#"><u>Corporate Governance: Fannie Mae Senior Executive Officers and Ethics Officials Again Failed to Follow Requirements for Disclosure and Resolution of Conflicts of Interest, Prompting the Need for FHFA Direction</u></a> (EVL-2021-001, March 15, 2021)
Conservatorship: In accordance with Recommendation 2, FHFA, as conservator, should direct the Fannie Mae Board and/or management to amend and clarify the appropriate COI governance documents to identify all instances in which FM Ethics is required to submit COI matters involving the CEO to the NGC for its resolution.	<a href="#"><u>Corporate Governance: Fannie Mae Senior Executive Officers and Ethics Officials Again Failed to Follow Requirements for Disclosure and Resolution of Conflicts of Interest, Prompting the Need for FHFA Direction</u></a> (EVL-2021-001, March 15, 2021)
Conservatorship: FHFA should direct FHFA employees to monitor the review and resolution of Senior Executive Officer disclosures of potential, actual, or apparent conflicts of interest to ensure that revised Board committee charter(s) and management policies and procedures are being followed.	<a href="#"><u>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</u></a> (EVL-2018-001, January 31, 2018) <sup>1</sup>

<sup>1</sup> This recommendation is being held open pending the completion of a related 2021 FHFA planned supervisory activity in response to the second recommendation of EVL-2021-001, and OIG's assessment of that supervisory activity.

Significant, Open Recommendation	Report Title and Date
Supervision: FHFA should complete efforts to compile data from all quality control reviews, analyze the data for trends, develop the reporting template, and report the results to DER management at least annually.	<a href="#"><u>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</u></a> (EVL-2022-001, March 7, 2022)
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.	<a href="#"><u>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</u></a> (EVL-2022-001, March 7, 2022)
Supervision: FHFA should develop and implement procedures that require: (a) examiners to document their reasons for not using the Enterprise Examination Manual to develop procedures documents for targeted examinations, and (b) management to analyze the documented reasons for not using the Enterprise Examination Manual to make improvements as needed (e.g., improvements to the manual, improvements to training to reinforce management's expectations, etc.).	<a href="#"><u>FHFA's Use of its Enterprise Examination Manual, in Practice, Does Not Align with its Goal of Promoting a Consistent Examination Approach or Meet Management's Expectations</u></a> (AUD-2021-013, September 28, 2021)
Supervision: FHFA should revise the prudential management and operations standards (PMOS), to the extent necessary, to establish criteria to be used in examinations of the regulated entities.	<a href="#"><u>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</u></a> (OIG-2021-004, September 20, 2021)
Supervision: FHFA should issue clear internal guidance to examination personnel on the use of the PMOS as criteria in supervisory activities.	<a href="#"><u>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</u></a> (OIG-2021-004, September 20, 2021)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



Significant, Open Recommendation	Report Title and Date
Supervision: FHFA should revise the December 2020 Operating Procedures Bulletin to establish specific guidance with respect to the circumstances under which DER expects examiners to follow examination procedures in the Work Programs.	<a href="#"><u>Management Advisory: FHFA Must Resolve the Conflicts in its Guidance for Examinations of the Enterprises to Meet its Commitment to Develop and Maintain a World Class Supervision Program</u></a> (OIG-2021-003, September 1, 2021)
Supervision: FHFA should align the guidance in the governing Operating Procedures Bulletin with the guidance in the Work Programs in order to foster consistent examination practice.	<a href="#"><u>Management Advisory: FHFA Must Resolve the Conflicts in its Guidance for Examinations of the Enterprises to Meet its Commitment to Develop and Maintain a World Class Supervision Program</u></a> (OIG-2021-003, September 1, 2021)
Supervision: FHFA should revise DBR’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.]	<a href="#"><u>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</u></a> (AUD-2019-008, July 10, 2019) and <a href="#"><u>Compliance Review of DBR’s Quality Control for Examination Work Performed by Examiners-in-Charge</u></a> (COM-2021-007, August 25, 2021)
Supervision: FHFA should define the term “supervisory concern” as it is used in FHFA’s corporate governance regulation.	<a href="#"><u>FHFA’s Failure to Define and Clearly Communicate “Supervisory Concerns” Hinders the Enterprise Boards’ Ability to Execute Their Oversight Obligations Under FHFA’s Corporate Governance Regulation and Renders the Regulation Ineffective as a Supervisory Tool</u></a> (EVL-2021-003, March 30, 2021)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Significant, Open Recommendation	Report Title and Date
Supervision: FHFA should develop examination guidance that explains how supervisory concerns should be described and categorized in the ROEs, establishes DER's expectations for timely and appropriate remediation for each such concern, and prescribes how such concerns should be monitored until they are fully remediated.	<a href="#"><u>FHFA's Failure to Define and Clearly Communicate "Supervisory Concerns" Hinders the Enterprise Boards' Ability to Execute Their Oversight Obligations Under FHFA's Corporate Governance Regulation and Renders the Regulation Ineffective as a Supervisory Tool</u></a> (EVL-2021-003, March 30, 2021)
Supervision: FHFA should ensure that the Office of Housing and Regulatory Policy (OHRP) (a) develops and issues written guidance to the Enterprises on the data elements to be reported regularly for FHFA's monitoring of the 97% LTV mortgage programs and (b) establishes quality control procedures to ensure that information reported by the Enterprises is reliable and conforms to the requirements of the written guidance.	<a href="#"><u>Weaknesses in FHFA's Monitoring of the Enterprises' 97% LTV Mortgage Programs May Hinder FHFA's Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs' Objectives</u></a> (AUD-2020-014, September 29, 2020)
Supervision: FHFA should clarify and reinforce OHRP's guidance regarding the frequency of 97% LTV mortgage program monitoring dashboard preparation to OHRP staff and ensure that the monitoring dashboards are prepared and reviewed in accordance with that guidance.	<a href="#"><u>Weaknesses in FHFA's Monitoring of the Enterprises' 97% LTV Mortgage Programs May Hinder FHFA's Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs' Objectives</u></a> (AUD-2020-014, September 29, 2020)
Supervision: FHFA should assess the Enterprises' implementation of the revised or new Agency guidance to ensure that the Enterprises' practices comport with FHFA's supervisory expectations.	<a href="#"><u>More than Eight Years After Issuing its Advisory Bulletin, FHFA Has Not Held the Enterprises to its Expectations on Charging off Delinquent Loans or Communicated New Expectations</u></a> (EVL-2020-003, September 10, 2020)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

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>2</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) 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>

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

<sup>2</sup> As discussed in prior SARs, FHFA represented that its Agency-wide “Organizational Optimization Blueprint” project would address the spirit of this recommendation. As of the end of this SAR period, DER provided us its planned actions to address the DER-specific recommendations from the Strategic Workforce Report. While the approach and proposed timeline (April 30, 2023) for DER’s planned corrective actions address the key aspects of the recommendation, this recommendation remains open. 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.

Significant, Open Recommendation	Report Title and Date
Supervision: FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.	<a href="#">Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises</a> (EVL-2014-002, December 19, 2013) 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)
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.]	<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) <sup>3</sup>
Supervision: FHFA’s Office of Minority and Women Inclusion should ensure that quality control reviews are performed before issuing diversity and inclusion examination findings to a regulated entity, as required by Supervision Directive 2017-01.	<a href="#">Compliance Review of FHFA’s Office of Minority and Women Inclusion</a> (COM-2019-005, June 24, 2019) <sup>4</sup>

<sup>3</sup> This recommendation is being held open pending DER’s assessment of a sufficient number of remediation plans to permit a compliance review by OIG.

<sup>4</sup> This recommendation is being held open pending Agency issuance of a sufficient number of diversity and inclusion examination findings to permit a compliance review by OIG.



Significant, Open Recommendation	Report Title and Date
Supervision: FHFA should determine the causes of the shortfalls in the Housing Finance Examiner Commission Program that we have identified, and implement a strategy to ensure the program fulfills its central objective of producing commissioned examiners who are qualified to lead major risk sections of government-sponsored enterprise examinations.	<a href="#"><u>OIG’s Compliance Review of FHFA’s Implementation of Its Housing Finance Examiner Commission Program</u></a> (COM-2015-001, July 29, 2015); and <a href="#"><u>FHFA’s Housing Finance Examiner Commissioning Program: \$7.7 Million and Four Years into the Program, the Agency has Fewer Commissioned Examiners</u></a> (COM-2018-006, September 6, 2018); and <a href="#"><u>FHFA’s Recent Changes to its Housing Finance Examiner Commission Program</u></a> (OIG-2022-002, December 15, 2021)
Supervision: FHFA should ensure that Freddie Mac takes, or has taken, remedial action to address the deficiency underlying the MRA regarding the need to implement a process to verify and monitor the [redacted] programs and [redacted] of its [redacted].	<a href="#"><u>FHFA Failed to Ensure Freddie Mac’s Remedial Plans for a Cybersecurity MRA Addressed All Deficiencies; as Allowed by its Standard, FHFA Closed the MRA after Independently Determining the Enterprise Completed its Planned Remedial Actions</u></a> (AUD-2018-008, March 28, 2018) <sup>5</sup>

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

<sup>5</sup> This recommendation is being held open pending OIG’s assessment of a supervisory activity that FHFA completed during the 2020 examination cycle related to the underlying deficiency of the MRA discussed in this report.

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should reinforce, through training and supervision of DER personnel, the requirements established by FHFA, and reinforced by DER guidance, for the risk assessment and supervisory planning process. Specifically:</p> <ol style="list-style-type: none"> <li>Ensure that the annual supervisory strategy identifies significant risks and supervisory concerns and explains how the planned supervisory activities to be conducted during the examination cycle address the most significant risks in the operational risk assessment. (Applies to AUD-2017-010 and AUD-2017-011)</li> <li>Ensure that supervisory activities planned during an examination cycle to address the most significant risks in the operational risk assessment are completed within the examination cycle. (Applies to AUD-2017-010)</li> </ol>	<p><a href="#"><u>FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle</u></a> (AUD-2017-010, September 27, 2017); and</p> <p><a href="#"><u>FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle</u></a> (AUD-2017-011, September 27, 2017)<sup>6</sup></p>

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

<sup>6</sup> This recommendation is being held open based on the results of audit reports [FHFA's Completion of Planned Targeted Examinations of Fannie Mae Improved from 2016 through 2018, But Timeliness Remained an Issue: With the June 2019 Issuance of the Single Security, FHFA Should Reassess its Supervision Framework for CSS](#) (AUD-2019-012, September 17, 2019) and [FHFA's Completion of Planned Targeted Examinations of Freddie Mac Improved from 2016 through 2018, But Timeliness Remained an Issue](#) (AUD-2019-013, September 17, 2019), which identified that timely completion of targeted examinations prior to issuance of the Enterprises' ROEs improved but continued to be an issue. OIG plans to periodically follow-up on FHFA's actions to further improve its timely completion of examinations within the examination cycle. As of the end of this SAR period, we received year-end closeouts for the 2021 Fannie Mae and Freddie Mac exam plans. We are currently in the process of reviewing these plans to determine the timely completion of examinations within the examination cycle.

Significant, Open Recommendation	Report Title and Date
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.	<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); and <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>7</sup>
Counterparties and Third Parties: FHFA should complete, in an expeditious manner, the recasting of DER's OPB on information sharing of counterparty performance issues as an Agency-wide policy and procedure document.	<a href="#">FHFA's Division of Enterprise Regulation Did Not Follow or Train to its Procedures for Information Sharing of Enterprise Counterparty Performance Issues</a> (AUD-2021-014, September 28, 2021)
Counterparties and Third Parties: Once recommendation 1 (referenced directly above) is completed, FHFA should ensure that the Agency-wide policy and procedure document on information sharing of counterparty performance issues is implemented and trained to.	<a href="#">FHFA's Division of Enterprise Regulation Did Not Follow or Train to its Procedures for Information Sharing of Enterprise Counterparty Performance Issues</a> (AUD-2021-014, September 28, 2021)

<sup>7</sup> We are reporting the recommendation as open pending an assessment of FHFA actions taken in response 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). For further discussion, see footnote 2.

Significant, Open Recommendation	Report Title and Date
Counterparties and Third Parties: FHFA should ensure that DER uses its full range of available examination activities, including targeted examinations and when appropriate, enhanced risk monitoring, to provide comprehensive assessments of known areas of high risk, like Fannie Mae's reliance on third-party vendors.	<a href="#"><u>Despite FHFA's Acknowledgement that Enterprise Reliance on Third-Parties Represents a Significant Operational Risk, No Targeted Examinations of Fannie Mae's Third-Party Risk Management Program Were Completed Over a Seven-Year Period</u></a> (AUD-2021-007, March 29, 2021)
Information Security: FHFA should perform the required annual review and testing of the NMDB contingency plan.	<a href="#"><u>FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS)</u></a> (AUD-2022-003, December 13, 2021)
Information Security: FHFA should update the GSS contingency plan to include the CTS and its servers, and ensure the CSS and its servers are included in the annual GSS contingency plan testing.	<a href="#"><u>FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS)</u></a> (AUD-2022-003, December 13, 2021)
Information Security: FHFA should assess whether OTIM has sufficient, qualified staff to complete required updates and testing of its contingency plans in accordance with FHFA's standard and NIST requirements, and address any resource constraints that have adversely affected the OTIM's ability to carry out its contingency planning requirements.	<a href="#"><u>FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS)</u></a> (AUD-2022-003, December 13, 2021)
Information Security: FHFA should ensure that Plans of Action and Milestones items are generated for all known information system security and privacy weaknesses in accordance with NIST Special Publication 800-37, Revision 2, and [redacted].	<a href="#"><u>Audit of the Federal Housing Finance Agency's Information Security Program, Fiscal Year 2021</u></a> (AUD-2022-001, October 15, 2021)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Significant, Open Recommendation	Report Title and Date
Information Security: FHFA should ensure contingency training to staff with contingency related responsibilities is provided in accordance with the [redacted].	<a href="#"><u>Audit of the Federal Housing Finance Agency's Information Security Program, Fiscal Year 2021</u></a> (AUD-2022-001, October 15, 2021) <sup>8</sup>
Information Security: 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.	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2021 Privacy Program</u></a> (AUD-2021-011, August 11, 2021)
Information Security: 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).	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2021 Privacy Program</u></a> (AUD-2021-011, August 11, 2021)
Information Security: FHFA should update the <i>Privacy Continuous Monitoring Strategy</i> to ensure that it reflects the FHFA's current privacy control assessment process in accordance with OMB Circular A-130.	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2021 Privacy Program</u></a> (AUD-2021-011, August 11, 2021)
Information Security: FHFA should develop and implement Privacy Control Assessment plans, that include all required elements.	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2021 Privacy Program</u></a> (AUD-2021-011, August 11, 2021)
Information Security: FHFA should ensure Privacy Control Assessments are performed for all systems that collect personally identifiable information (PII).	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2021 Privacy Program</u></a> (AUD-2021-011, August 11, 2021)
Information Security: Because information in this report could be used to circumvent FHFA's internal controls, it has not been released publicly. (3 open recommendations)	<a href="#"><u>Audit of the Federal Housing Finance Agency's Information Security Program Fiscal Year 2020</u></a> (AUD-2021-001, October 20, 2020)

<sup>8</sup> The report contained a third recommendation, specifically: FHFA should ensure that (a) the FHFA Information Security Incident and Personally Identifiable Information Breach Response Plan is reviewed and approved annually by the Chief Information Security Officer and Senior Agency Official of Privacy to include any new reporting guidelines from the United States Computer Emergency Readiness Team, changes to incident handling procedures based on lessons learned, and any new incident response developments throughout the year, and (b) documented evidence of that review and approval is maintained.

FHFA updated and approved the FHFA Information Incident and Breach Response Plan, and the recommendation was closed as implemented during this SAR period.



Significant, Open Recommendation	Report Title and Date
Information Security: Because information in this report could be used to circumvent FHFA's internal controls, it has not been released publicly. (1 open recommendation)	<a href="#"><u>Audit of the Federal Housing Finance Agency's Information Security Program Fiscal Year 2019</u></a> (AUD-2020-001, October 25, 2019)
Information Security: FHFA should determine privacy controls that are information system-specific, and/or hybrid controls.	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2019 Privacy Program</u></a> (AUD-2019-009, August 28, 2019)
Information Security: FHFA should document privacy controls within each system's system security plan or system-specific privacy plan, clearly identifying whether controls are program level, common, information system-specific, or hybrid.	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2019 Privacy Program</u></a> (AUD-2019-009, August 28, 2019)
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.	<a href="#"><u>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</u></a> (AUD-2022-004, January 5, 2022)
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.	<a href="#"><u>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</u></a> (AUD-2022-004, January 5, 2022)
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.	<a href="#"><u>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</u></a> (AUD-2022-004, January 5, 2022)
Internal Control over Agency Operations: FHFA should ensure that (a) affected OHRM 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.	<a href="#"><u>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</u></a> (AUD-2022-004, January 5, 2022)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Significant, Open Recommendation	Report Title and Date
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 OHRM 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.	<a href="#"><u>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</u></a> (AUD-2022-004, January 5, 2022)
Internal Control over Agency Operations: FHFA should complete in an expedited manner, its evaluation and development activities related to FHFA Information Quality Guidelines in response to M-19-15, the Office of Management and Budget's Memorandum on Improving Implementation of the Information Quality Act, and update the Guidelines, as deemed necessary.	<a href="#"><u>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</u></a> (AUD-2021-010, July 22, 2021)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

## 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 48 recommendations that were rejected by the Agency. OIG has identified a total potential cost savings of \$893,525,860<sup>9</sup> based on our oversight of Agency operations and programs.

Closed, Rejected Recommendation	Report Title and Date
Agency-wide: 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.	<a href="#">Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</a> (COM-2016-002, March 17, 2016)
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.	<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)
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.	<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)

<sup>9</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, questioned costs, and other monetary calculations in all OIG oversight reports supporting OIG recommendations and conclusions.

Closed, Rejected Recommendation	Report Title and Date
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.	<a href="#"><u>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce</u></a> (OIG-2018-004, September 6, 2018)
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.	<a href="#"><u>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce</u></a> (OIG-2018-004, September 6, 2018)
Conservatorship: The FHFA Director should take appropriate disciplinary action against [redacted] up to and including [redacted] removal [redacted] for repeated breaches of duty to Fannie Mae[.]	<a href="#"><u>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</u></a> (OIG-2017-004, March 23, 2017)
Conservatorship: As conservator of Fannie Mae, the FHFA Director has sole authority to determine the discipline to be imposed on for [redacted] for [redacted] repeated breaches of duty to Fannie Mae. Should the FHFA Director impose discipline short of removal on [redacted], the FHFA Director should direct [redacted] to amend [redacted] Fannie Mae employees on [redacted] with a new [redacted] in which [redacted] acknowledges that [redacted] did not follow Fannie Mae Governance Authorities in connection with [redacted] disclosure of a situation that could give rise to a conflict of interest and recommits to follow the letter and spirit of those authorities.	<a href="#"><u>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</u></a> (OIG-2017-004, March 23, 2017)
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.	<a href="#"><u>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae's Headquarters Consolidation and Relocation Project</u></a> (COM-2016-004, June 16, 2016)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Closed, Rejected Recommendation	Report Title and Date
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.	<a href="#"><u>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project</u></a> (COM-2016-004, June 16, 2016)
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.	<a href="#"><u>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u></a> (COM-2016-002, March 17, 2016)
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.	<a href="#"><u>FHFA’s Oversight of the Servicing Alignment Initiative</u></a> (EVL-2014-003, February 12, 2014)
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.	<a href="#"><u>FHFA’s Oversight of the Servicing Alignment Initiative</u></a> (EVL-2014-003, February 12, 2014)
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.	<a href="#"><u>FHFA’s Oversight of the Servicing Alignment Initiative</u></a> (EVL-2014-003, February 12, 2014)
Supervision: FHFA should issue a formal position on the use of non-binding supervisory guidance as criteria for supervisory activities.	<a href="#"><u>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</u></a> (OIG-2021-004, September 20, 2021)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



Closed, Rejected Recommendation	Report Title and Date
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.	<a href="#"><u>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</u></a> (AUD-2021-010, July 22, 2021)
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.	<a href="#"><u>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</u></a> (EVL-2021-002, March 22, 2021)
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.	<a href="#"><u>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</u></a> (EVL-2021-002, March 22, 2021)
Supervision: FHFA should establish measurable objectives and risk tolerances for the Enterprises' 97% LTV 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.	<a href="#"><u>Weaknesses in FHFA's Monitoring of the Enterprises' 97% LTV Mortgage Programs May Hinder FHFA's Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs' Objectives</u></a> (AUD-2020-014, September 29, 2020)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Closed, Rejected 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. 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</li> <li>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>Supervision: 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>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>

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Closed, Rejected Recommendation	Report Title and Date
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.	<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)
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.	<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)
Supervision: FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise's board of directors that explains: <ul style="list-style-type: none"> <li>The purpose for DER's annual presentation to each Enterprise board of directors on the ROE results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and</li> <li>The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response.</li> </ul>	<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)
Supervision: FHFA should direct the Enterprises' boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.	<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)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Closed, Rejected Recommendation	Report Title and Date
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).	<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)
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.	<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)
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.	<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)
Supervision: FHFA should direct DER to revise its guidance to require ROEs to focus the boards' attention of the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.	<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)
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.	<a href="#"><u>FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate</u></a> (EVL-2016-005, March 31, 2016)
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.	<a href="#"><u>FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate</u></a> (EVL-2016-005, March 31, 2016)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Closed, Rejected Recommendation	Report Title and Date
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.	<a href="#"><u>FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies</u></a> (EVL-2016-004, March 29, 2016)
Supervision: Based on the results of the review in recommendation 1, FHFA should assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.	<a href="#"><u>FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies</u></a> (EVL-2016-004, March 29, 2016)
Supervision: DER should adopt a comprehensive examination workpaper index and standardize electronic workpaper folder structures and naming conventions between the two Core Teams. In addition, FHFA and DER should upgrade recordkeeping practices as necessary to enhance the identification and retrieval of critical workpapers.	<a href="#"><u>Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities</u></a> (EVL-2015-001, October 6, 2014)
Counterparties and Third Parties: FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.	<a href="#"><u>FHFA Should Improve its Administration of the Suspended Counterparty Program</u></a> (COM-2017-005, July 31, 2017)
Counterparties and Third Parties: FHFA should direct Fannie Mae and Freddie Mac to assess the cost/benefit of a risk-based approach to requiring their sellers and servicers to provide independent, third-party attestation reports on compliance with Enterprise origination and servicing guidance.	<a href="#"><u>FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines</u></a> (AUD-2014-018, September 26, 2014)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



Closed, Rejected Recommendation	Report Title and Date
Counterparties and Third Parties: FHFA should perform a comprehensive analysis to assess whether financial risks associated with the new representation and warranty framework, including with regard to sunset periods, are appropriately balanced between the Enterprises and sellers. This analysis should be based on consistent transactional data across both Enterprises, identify potential costs and benefits to the Enterprises, and document consideration of the Agency’s objectives.	<a href="#"><u>FHFA’s Representation and Warranty Framework</u></a> (AUD-2014-016, September 17, 2014)
Counterparties and Third Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.	<a href="#"><u>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections</u></a> (AUD-2014-012, March 25, 2014)
Counterparties and Third 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.	<a href="#"><u>FHFA Oversight of Enterprise Handling of Aged Repurchase Demands</u></a> (AUD-2014-009, February 12, 2014)
Counterparties and Third 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.	<a href="#"><u>FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections</u></a> (AUD-2014-005, January 15, 2014)
Counterparties and Third Parties: FHFA should publish Fannie Mae’s reduction targets and overpayment findings.	<a href="#"><u>Evaluation of Fannie Mae’s Servicer Reimbursement Operations for Delinquency Expenses</u></a> (EVL-2013-012, September 18, 2013)

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Closed, Rejected Recommendation	Report Title and Date
Information Security: 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.	<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)
Information Security: Because information in this report could be used to circumvent FHFA's internal controls, it has not been released publicly. (2 recommendations)	<a href="#"><u>Audit of the Federal Housing Finance Agency's Information Security Program Fiscal Year 2019</u></a> (AUD-2020-001, October 25, 2019)
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.	<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)
Internal Control over Agency Operations: FHFA should determine the feasibility for automatically disabling inactive application accounts Correspondence Tracking System and Merit Central/Job Performance Plan at a frequency that fits the business needs and update applicable system policies and procedures, as necessary.	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2019 Privacy Program</u></a> (AUD-2019-009, August 28, 2019)
Internal Control over Agency Operations: FHFA should implement a control at the application layer to ensure inactive application accounts for Correspondence Tracking System and Merit Central/Job Performance Plan are disabled in accordance with the determined system frequency. If the application does not accommodate automatic disabling of inactive accounts, then consider implementing manual compensating controls (i.e., manually reviewing and disabling dormant accounts) to help mitigate the risk.	<a href="#"><u>Audit of the Federal Housing Finance Agency's 2019 Privacy Program</u></a> (AUD-2019-009, August 28, 2019)
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.	<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)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

# Office of Investigations

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 (OI) executes its mission by investigating allegations of significant criminal and civil wrongdoing that affect the Agency and its regulated entities. OI’s investigations are conducted in strict accordance with professional guidelines established by the Attorney General of the United States and CIGIE’s *Quality Standards for Investigations*.

OI 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.

OI is the primary federal law enforcement organization that specializes in deterring and detecting fraud perpetrated against the Enterprises. Collectively, Fannie Mae and Freddie Mac hold more than \$7 trillion worth of mortgages on their balance sheets. Each year, the Enterprises acquire millions of mortgages worth hundreds of billions of dollars. OI also investigates cases involving the 11 regional FHLBanks and, in some instances, cases involving banks that are members of the FHLBanks.

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

- **Loan/Mortgage Origination** – 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. 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** – Fraudulent actors typically 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 businesses take 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, which use contractors to secure, maintain and repair, price, and ultimately sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

- **Adverse Possession/Distressed Property** – Uses illegal adverse possession (also known as “home squatting”) or fraudulent documentation to control distressed homes, foreclosed homes, and REO properties. In distressed property schemes, perpetrators falsely purport to assist struggling homeowners seeking to delay or avoid foreclosure. They use fraudulent tactics, such as filing false bankruptcy petitions, while collecting significant fees from the homeowners.
- **Condo Conversion and Builder Bailout** – Sellers or developers 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** – Fraud that relates to loans purchased by the Enterprises to finance multifamily properties.
- **Any scheme where Fannie Mae, Freddie Mac, the FHLBanks, or members of FHLBanks are victims.**
- **Coronavirus disease 2019 (COVID) Paycheck Protection Program (PPP) Loans** - FHLBank member banks 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 and/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

Following are summaries of some of the most significant new criminal prosecutions or material updates to previously reported investigations from the six-month reporting period from October 1, 2021, through March 31, 2022.

### **Business Owner Sentenced in Decade-Long \$60 Million Fraud Scheme, New Jersey**

On March 30, 2022, in the District of New Jersey, Seth Levine was sentenced to 97 months in prison, five years supervised release, and ordered to pay at least \$65 million in forfeiture for orchestrating long-running bank fraud and securities fraud schemes, which exposed the Enterprises to significant risk and led to large-scale losses for financial institutions and investors.

As indicated in an earlier Semiannual Report to Congress (SAR), Levine previously pleaded guilty to conspiracy to commit bank fraud, and securities fraud.

According to court documentation, Levine, founding partner, owner, and managing member of Norse Holdings, directed a scheme to fraudulently refinance multifamily properties by providing materially false information to financial institutions about the rents collected, the number of apartments leased, the expenses, and the true owners of the properties. Levine and others provided lenders fabricated documents, including falsified leases that created the appearance that vacant spaces were occupied and that overstated the rent paid by tenants; false personal financial statements; and fictitious expense documents and operating agreements that misrepresented ownership interests in the multifamily properties. Levine also forged signatures on some of the fraudulent documents. The fraudulent refinances resulted in cash payouts from the lenders, which Levine and others used for their own enrichment and to continue the fraud scheme.

Many of the approved mortgages based on the false statements were sold to the Enterprises. Since the refinances were obtained with fraudulent data regarding the properties' income and expenses, the multifamily properties were overvalued and rents and other income from the properties did not cover the mortgage payments and other expenses associated with the properties. To cover the shortfalls, Levine obtained additional cash-out refinances or additional investors, thereby increasing his total debt incurred. In total, Levine controlled at least 70 multifamily properties, comprising approximately 2,500 apartments.

Levine also defrauded investors by soliciting investments used to purchase the multifamily properties based on false statements. After the properties were acquired, Levine sold off portions of his ownership interests, brought in additional investors, and refinanced the properties without the investors' consent.

The outstanding balance of the fraudulently obtained mortgages on the multifamily properties was more than \$150 million, including 40 mortgages held by Freddie Mac with an outstanding loan balance of approximately \$103 million. The bank fraud conspiracy resulted in losses to victim lenders of at least \$47 million.

### **Five Guilty Pleas and a Trial Conviction in a Multimillion Dollar Embezzlement Conspiracy Resulting in the Failure of a Chicago Bank, Illinois**

Washington Federal Bank for Savings (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. Washington Federal was a member bank of the FHLBank of Chicago.

In a superseding indictment issued in December 2021 in the Northern District of Illinois, 14 conspirators were charged, including five former Washington Federal employees and three former members of the bank's Board of Directors. The charges included conspiracy, embezzlement, falsifying bank records, bankruptcy fraud, concealment of assets, and tax fraud.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



From January 2022 through March 2022, four former Washington Federal employees pleaded guilty for their roles in the conspiracy. The positions held by these conspirators were vice president, corporate secretary, loan officer, and loan servicer.

Additionally, an attorney, who assisted one of the primary actors in the conspiracy to conceal assets in bankruptcy proceedings, pleaded guilty.

Further, another attorney, previously charged by indictment independently from the 14 conspirators, was convicted by a federal jury for making false statements to the FDIC and filing a false income tax return in connection with a loan received from Washington Federal.

The details of the scheme were reported in a previous SAR.

### **Former President of First Mortgage Company Sentenced for Committing Over \$51 Million in Fraud, Oklahoma**

On November 29, 2021, in the Western District of Oklahoma, Ronald McCord was sentenced to 104 months in prison, three years supervised release, and ordered to pay over \$51 million in restitution, including over \$8.5 million to Fannie Mae, and over \$28 million in forfeiture for his role in defrauding two FHLBank member banks, Fannie Mae, and others.

As indicated in an earlier SAR, McCord pleaded guilty to bank fraud, making a false statement to a financial institution, and money laundering.

McCord was the former President of First Mortgage Company, LLC, an Oklahoma City-based mortgage lending and loan servicing company. McCord defrauded two FHLBank member banks, Spirit Bank and Citizens State Bank, and their residential mortgage subsidiaries. According to court documentation, McCord defrauded Spirit and Citizens by misusing lines of credit, as well as selling loans funded by the banks, many to Fannie Mae, without paying off the lines of credit, leaving the Spirit and Citizens banks' debts out of trust.

Additionally, McCord defrauded Fannie Mae by diverting escrow monies intended to pay homeowners' taxes, insurance, principal, and interest, to cover First Mortgage's operating expenses. As a result, First Mortgage lacked sufficient funds to pay borrowers' real estate tax payments. McCord also purportedly used the diverted escrow monies to write himself checks as well as to pay more than half the purchase price of his son's nearly \$1 million home and build himself a custom vacation home in Colorado.

### **Three Conspirators Sentenced in Multi-Year Mortgage Fraud Scheme, Georgia**

During this reporting period, a real estate agent, a real estate agency owner, and an employment verifier were sentenced in the Northern District of Georgia for their roles in a mortgage fraud scheme, in which the Enterprises had exposure,<sup>10</sup> involving 12 scheme participants spanning more

<sup>10</sup> The Enterprises' exposure is the amount of the unpaid principal balance of the loan(s) guaranteed by the Enterprises.

than four years and resulting in the approval of more than 100 mortgages based on fabricated documents and false information.

- Eric Hill, real estate agent, was sentenced to 30 months in prison, three years supervised release, and ordered to pay over \$1.6 million in restitution, jointly and severally. Hill previously pleaded guilty to conspiracy to commit bank and wire fraud.
- Cephus Chapman, real estate agency owner, was sentenced to a year and a day in prison, three years supervised release, and ordered to pay \$159,172 in restitution, jointly and severally. Chapman was previously convicted of conspiracy to commit wire fraud and wire fraud at a jury trial.
- Todd Taylor, employment verifier, was sentenced to three years of probation, including eight months home confinement, and ordered to pay \$235,813 in restitution, jointly and severally. Taylor previously pleaded guilty to conspiracy to commit bank fraud and wire fraud.

According to documents filed in court, homebuyers and real estate agents, with the assistance of complicit document fabricators and business owners, conspired to submit fraudulent loan applications to induce mortgage lenders to fund mortgages.

The details of the scheme were reported in a previous SAR.

### **Business Owner and Employee Sentenced in Multimillion-Dollar Loan Origination Fraud Scheme, New Jersey**

In March 2022 and November 2021 respectively, a business owner and an employee were sentenced in the District of New Jersey in connection with a loan origination scheme to defraud mortgage lenders, including over \$6 million in exposure for the Enterprises.

Maurice Bethea, the undisclosed owner of Westinghouse Redevelopment Act (Westinghouse), was sentenced to 108 months in prison and five years supervised release. Eighty-seven months of Bethea's prison sentence was imposed for his role in the loan origination scheme and 21 months of Bethea's sentence was imposed for committing criminal acts related to this scheme while on supervised release from a previous conviction.

Shonda Coleman, a Westinghouse employee, was sentenced to 36 months in prison, five years supervised release, and ordered to pay \$981,554 in restitution, jointly and severally.

According to court documents, Bethea conspired with Coleman and another scheme participant to sell residential properties owned by Westinghouse to buyers who falsely qualified for mortgages using assets and cash to close provided by the conspirators.

Bethea solicited unqualified buyers for each transaction, transferred funds from Westinghouse to the buyer's bank account, and caused the creation of false verification of deposits. To conceal

the source of the funds, a variety of fraudulent documents were submitted to mortgage lenders, including fictitious settlement agreements that purported to resolve fictitious legal disputes in favor of certain buyers and letters regarding payments due to certain buyers for services never rendered. After the mortgage lenders verified the existence of the funds in the buyers' bank accounts, those funds were promptly reclaimed from the buyers' custody.

Coleman purchased a property from Westinghouse by falsely certifying that she had provided the \$165,000 cash required to close the transaction when in fact the funds had been provided by Westinghouse.

Additionally, Bethea solicited over \$1.2 million from an investor to generate an agreed upon return on the investment through Bethea's real estate businesses. However, Bethea made misrepresentations to the investor and used the \$1.2 million for other purposes including real transactions that did not benefit the investor.

### **Seven Conspirators Sentenced in Large Scale Multimillion-Dollar COVID Relief Fraud Scheme, California**

From October 2021 through January 2022, seven members of a COVID relief fraud ring were sentenced in the Central District of California for their roles in a scheme to fraudulently obtain more than \$20 million in PPP and Economic Injury Disaster Loan COVID 19 relief funds, in which several FHLBank member banks were targets of the fraudulent applications.

The listed scheme participants were sentenced to the following:

- **Richard Ayvazyan, fraud ringleader (Fugitive)** - 17 years in prison, five years supervised release, and ordered to pay over \$17 million in restitution, jointly and severally.
- **Marietta Terabelian (Fugitive)** - 72 months in prison, five years supervised release, and ordered to pay over \$17 million in restitution, jointly and severally.
- **Tamara Dadyan (Fugitive)** - 130 months in prison, five years supervised release, and ordered to pay over \$17 million in restitution, jointly and severally.
- **Artur Ayvazyan** - 60 months in prison, five years supervised release, and ordered to pay over \$17 million in restitution, jointly and severally.
- **Vahe Dadyan** - One year and a day in prison, three years supervised release, and ordered to pay over \$10 million in restitution.
- **Manuk Grigoryan** - 72 months in prison, four years supervised release, and ordered to pay over \$2.6 million in restitution.
- **Arman Hayrapetyan** - Ten months of probation, including seven and one-half months of home confinement.

As reported in the preceding SAR, after being convicted by a federal jury of numerous charges along with Artur Ayvazyan and Vahe Dadyan, Richard Ayvazyan and Marietta Terabelian removed their bracelet monitors and absconded.

Additionally, it was revealed that the husband and wife left their three teenage children to be cared for by their grandparents along with a typewritten letter explaining they had to flee. Further, Richard Ayvazyan’s sister in-law, Tamara Dadyan, who pleaded guilty for her role in the scheme, failed to appear to serve her sentence and became a fugitive.

In February 2022, Ayvazyan, Terabelian, and Dadyan were arrested in Montenegro and extradition is being sought.

The previous SAR also contains additional details of the scheme.

### **Real Estate Broker and Employee Sentenced in Short Sale Fraud Scheme, Michigan**

In January 2022, in the Eastern District of Michigan, the owner and operator of a realty company and an employee were sentenced for their roles in a short sale fraud scheme that resulted in more than \$5 million in losses to the Enterprises.

William Elias, owner and operator of Elias Realty, was sentenced to 48 months in prison, three years supervised release, and ordered to pay over \$5.1 million in restitution (\$253,013 jointly and severally) to the Enterprises.

Kimberly Doren, an employee of Elias Realty, was sentenced to one day time served, three years supervised release, including six months home confinement, and ordered to pay \$253,013 in restitution, jointly and severally, including \$77,993 to Freddie Mac.

As stated in an earlier SAR, Elias pleaded guilty to bank fraud and money laundering, while Doren pleaded guilty to bank fraud.

According to court documentation, Elias, Doren, and another conspirator 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 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; rather, they intended to sell them by short sale.

Once the second homes were purchased, the scheme participants would assist the clients with short selling their original homes, resulting in financial loss to lenders and investors. In some instances, when the short sales could not be completed, the mortgages were foreclosed.

Doren used her business entity, KLD Consulting, to act as a straw buyer on behalf of Elias and his business entity, Michigan Property Ventures, the true buyer. In fact, Doren knew that Elias did not want to disclose to the lenders that he was the purchaser of the properties listed with his company, nor did he want the lenders to know that Elias Realty was negotiating the short sale on behalf of its own owner.

### **Entrepreneur Sentenced to More than Nine Years in Prison in COVID Relief Loan Fraud and Money Laundering Scheme, Texas**

On November 29, 2021, in the Southern District of Texas, Lee Price III was sentenced to 110 months in prison, three years supervised release, and ordered to pay over \$1.6 million in restitution and \$973,912 in forfeiture for a scheme that included targeting FHLBank member banks to fraudulently obtain and launder proceeds from more than \$1.6 million in PPP loans.

As conveyed in a prior SAR, Price pleaded guilty to charges of wire fraud and money laundering.

According to court documents, Price submitted two fraudulent PPP loan applications to two different lenders on behalf of entities 713 Construction LLC, Price Enterprises Holdings LLC, and Price Logistic Services LLC. The 713 Construction LLC PPP loan application was made in the name of an individual who died shortly before the application was submitted. Through these two PPP loan applications, Price sought over \$2.6 million and obtained over \$1.6 million in PPP loan funds. Price falsely represented the number of employees and payroll expenses in each of the PPP loan applications. To support the fraudulent PPP applications, Price also submitted fabricated tax records and other materials.

After receipt of the PPP funds, Price spent the money on a Lamborghini Urus, a Ford F-350 truck, a Rolex watch, and to pay off a loan on a residential property, among other purchases. Over \$700,000 of the disbursed PPP funds were seized in this matter.

### **Former Attorney and Paralegal Sentenced in a Scheme to Defraud Mortgage Creditors and Homeowners, Florida**

In the Middle District of Florida, a former attorney and paralegal were sentenced in connection with defrauding mortgage creditors and guarantors, including Fannie Mae, which were holding mortgage notes on properties in foreclosure.

On March 17, 2022, James Clark was sentenced to 48 months in prison, 36 months supervised release, and ordered to pay over \$1.4 million in restitution, including \$155,000 jointly and severally with Eric Liebman, and \$25,000 in forfeiture.

On January 27, 2022, Liebman was sentenced to 15 months in prison, 36 months supervised release, and ordered to pay \$167,478 in restitution.



Clark previously pleaded guilty to conspiracy to commit bankruptcy fraud and wire fraud while Liebman previously pleaded guilty to conspiracy to commit bankruptcy fraud.

According to court documentation, Clark, an attorney, conspired with Liebman, his paralegal, to defraud mortgage creditors and guarantors holding notes on properties in foreclosure. Clark and Liebman falsely and fraudulently represent to distressed homeowners facing foreclosure that, in exchange for executing quitclaim or warranty deeds for their properties to an entity controlled by Liebman, they would negotiate with the mortgage creditors to prevent foreclosures, as previously indicated in earlier SAR.

Clark and Liebman convinced the distressed homeowners to pay them rent or agree to put their houses up for sale. In order to continue to collect ill-gotten rents, or profit from the sale of the properties, Clark filed fraudulent bankruptcy petitions in the names of the homeowners to prevent the mortgage creditors from lawfully foreclosing and taking title to the property. In some instances, Clark filed multiple fraudulent petitions in the names of distressed homeowners.

Additionally, Clark defrauded his clients out of approximately \$1.3 million. As part of his legal practice, Clark would act as a trustee for his clients and hold their money in various bank accounts. Instead of using the funds for the purpose intended by his clients, Clark diverted the money into his law firm's bank accounts and used it to pay for personal expenses, such as gambling, travel, and automobiles.

### **Business Owner Sentenced in Connection with Obtaining More Than \$6 Million in COVID Relief Fraud Scheme, Georgia**

On January 4, 2022, in the Northern District of Georgia, Hunter VanPelt was sentenced to 41 months in prison, five years supervised release, and ordered to pay over \$7 million in restitution and more than \$2 million in forfeiture for a fraud scheme. Multiple FHLBank member banks were targets in the scheme that resulted in more than \$6 million in PPP loans being disbursed. VanPelt previously pleaded guilty to bank fraud.

According to court documentation, VanPelt, aka Ellen Corkum, submitted six fraudulent PPP loan applications, using both names, for VanPelt owned or controlled business entities seeking over \$7.9 million in total. Over \$6 million was disbursed to VanPelt; \$2.1 million of the fraudulent proceeds was seized from VanPelt.

In each PPP loan application, VanPelt falsely represented the average monthly payroll and the number of employees working for the relevant company. She also submitted fabricated IRS records, false bank statements, and fictitious payroll reports in connection with those applications. The PPP loan proceeds received were not used for authorized PPP business expenses.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

**Business Owner Found Guilty in COVID Relief Fraud Scheme, Texas**

On December 8, 2021, after a three-day trial, a federal jury convicted Lola Kasali of bank fraud and making false statements to a financial institution for defrauding the PPP of over \$1.9 million in forgivable loans. Member banks of the FHLBank of Dallas and the FHLBank of Boston were targets of the fraudulent applications.

According to court documents and evidence presented at trial, Kasali submitted two fraudulent loan applications to two different lenders on behalf of her companies, Lola’s Level and Charm Hair Extensions. Through these loan applications, Kasali sought over \$3.8 million in PPP loan funds. Kasali falsely represented the number of employees and payroll expenses in each of the PPP loan applications. To support these applications, Kasali also submitted fraudulent tax records. Kasali ultimately received over \$1.9 million in PPP loan funds. All of the fraudulently obtained funds were seized.

**Two Pleaded Guilty for Roles in Defrauding the FHLBank Affordable Housing Program, South Carolina**

In November and December 2021, in the District of South Carolina, Charles Mincey Jr. and Karl Zerbst Jr., respectively, pleaded guilty to conspiracy to commit wire fraud and false statements to a FHLBank for their roles in the submission of over 90 false certifications to member banks for the receipt of grant funding from the FHLBank of Atlanta’s Affordable Housing Program, which is a source of private sector grants for housing and community development. Both Mincey and Zerbst were charged by information.

According to the charging documents, they sought grant monies from the FHLBank of Atlanta for the rehabilitation of low-income homes. The conspirators submitted numerous certifications to the FHLBank of Atlanta that falsely stated that there were no conflicts of interest between the parties, and that no party to the transaction had “provided services for compensation for any [of the] parties involved in the transaction” “within the last year other than” those designated in the agreement. However, parties had received money from other people involved in these transactions that were not related to the fees or services detailed in these certifications.

Further, Mincey and Zerbst submitted certifications to the FHLBank of Atlanta that homes had been inspected and that the cost of the rehabilitation work was reasonable, when in fact, the homes either were never inspected, or were never inspected for cost reasonableness.

After rehabilitation projects were funded, Mincey and Zerbst engaged in acts to conceal that Zerbst received profits in the form of kickbacks in this scheme.

## **Document Preparer Pleaded Guilty in Loan Origination Scheme, California**

In a loan origination fraud scheme resulting in over \$25 million in exposure for the Enterprises and lenders, on January 20, 2022, in Los Angeles County Superior Court, Vartan Pirlant pleaded guilty to conspiracy to commit grand theft and grand theft. Pirlant was previously charged by state felony complaint with conspiracy to commit grand theft, identity theft, grand theft, and mortgage fraud.

According to court records, Pirlant, a document preparer working with a conspiring mortgage broker, allegedly submitted numerous mortgage loan applications containing false information resulting in lender approvals of loans that would have not otherwise qualified for funding. Pirlant, together with the mortgage broker, purportedly calculated applicants' needed income and created fraudulent documents such as employment pay-stubs, earning statements, employment records, bank statements, gift letters, college transcripts, and verbal employment verifications to qualify borrowers for the loans.

## **Guilty Plea in Multi-State Deed Fraud Scheme, Texas**

On October 25, 2021, in the Eastern District of Texas, Ira Davis pleaded guilty to conspiracy to commit wire fraud for his role in a multi-state deed fraud scheme involving at least 19 properties, including several with Enterprise-owned loans.

Davis was previously charged by indictment with conspiracy to commit wire fraud, bank fraud, and aggravated identity theft.

According to court documentation, Davis and others targeted various financial institutions and real estate purchasers. Davis and his conspirators created shell companies and executed various mortgage and property documents that purportedly conveyed ownership interests of real properties from the true owners to the conspirators' shell companies. Davis and other scheme participants then filed the fraudulent documents with county offices falsely showing that they had mortgage liens on the properties, sold the properties, and triggered the title companies to unwittingly fund the conspirators. During the course of the scheme, Davis obtained and used fraudulent notary stamps using real people's identities, which enabled the conspirators to legitimize the otherwise fraudulent documents.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

## Criminal Investigative Results

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

### Loan Modification Schemes

#### Two Sentenced in Foreclosure Rescue Scheme

Defendant	Role	Most Recent Action	District
Veronica Toro	Participant	Sentenced to 36 months in jail, 18 months supervised release, and ordered to pay \$581,271 in restitution, joint and several.	California Attorney General's Office
Leticia Mora	Participant	Sentenced to 12 months of probation and ordered to pay \$8,480 in restitution.	California Attorney General's Office

#### Conspirator Pleaded Guilty in Multimillion Dollar Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
Lubia Carrillo	Participant	Pleaded guilty to money laundering, conspiracy to commit grand theft, unlawful transfer of identifying information, and procuring or offering a false or forged instrument.	California Attorney General's Office

#### Conspirator Pleaded Guilty in Advance Fee Loan Modification Scheme

Defendant	Role	Most Recent Action	District
Ryan Pelzer	Participant	Pleaded guilty to conspiracy.	Orange County, CA District Attorney's Office

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

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

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

## Short Sale Schemes

Real Estate Broker and Employee Sentenced in Short Sale Fraud Scheme			
Defendant	Role	Most Recent Action	District
William Elias	Real Estate Broker	Sentenced to 48 months in prison, three years supervised release, and ordered to pay \$5,128,704 in restitution, \$253,013, joint and several.	Eastern District of Michigan
Kimberly Doren	Employee	Sentenced to one day time served, three years supervised release, including six months home confinement, and ordered to pay \$253,013 in restitution, joint and several.	Eastern District of Michigan

Short Sale Negotiator Sentenced for Defrauding Mortgage Lenders			
Defendant	Role	Most Recent Action	District
Gabriel Tavarez	Short Sale Negotiator	Sentenced to seven months in prison, two years supervised release, and ordered to pay \$478,458 in restitution, joint and several, and \$239,229 in forfeiture.	District of Massachusetts

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

Sentencing of Former President of First Mortgage Company for Committing Over \$51 Million in Fraud			
Defendant	Role	Most Recent Action	District
Ronald McCord	Former President	Sentenced to 104 months in prison, three years supervised release, and ordered to pay \$51,861,806 in restitution and \$28,860,000 in forfeiture.	Western District of Oklahoma

Business Owner Sentenced and Bank Employee Pleaded Guilty in \$1.2 Million Bank Fraud Scheme			
Defendant	Role	Most Recent Action	District
John Linthicum	Business Owner	Sentenced to 27 months in prison, five years supervised release, and ordered to pay \$1,215,137 in restitution and forfeiture.	Northern District of Oklahoma
Angela Asbell	Bank Employee	Pleaded guilty to conspiracy to commit bank fraud.	Northern District of Oklahoma

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



**Former Chief Lending Officer of Bank Sentenced for Making False Statements to Secure Federal Guarantees on Loans**

Defendant	Role	Most Recent Action	District
James Bortolotti	Former Chief Lending Officer	Sentenced to 18 months in prison, three years supervised release, and ordered to pay \$3,173,063 in restitution.	District of New Jersey

**Former Hebron Bank Board of Directors Member Sentenced in Loan Fraud Scheme**

Defendant	Role	Most Recent Action	District
Brian Twilley	Former Bank Board Member	Sentenced to 36 months of probation, including 12 months of home confinement, and ordered to pay \$151,028 in restitution.	District of Maryland

**Restitution Ordered in \$396 Million Ponzi Scheme**

Defendant	Role	Most Recent Action	District
Amanda Merrill	Participant	Ordered to pay \$23,198 in restitution.	District of Maryland

**Six Sentenced and One Pleaded Guilty in Bank Account Takeover Scheme**

Defendant	Role	Most Recent Action	District
Rosson Hamilton	Participant	Sentenced to 36 months in prison, five years supervised release, and ordered to pay \$39,125 in restitution, joint and several, and \$4,900 in forfeiture.	Middle District of Florida
DeQuan Young	Participant	Sentenced to 25 months in prison, three years supervised release, and ordered to pay \$628 in restitution.	Middle District of Florida
Jamine Jordan	Participant	Sentenced to 36 months in prison, two years supervised release, and ordered to pay \$231,421 in restitution and \$150,000 in forfeiture.	Middle District of Florida
Angela Hernandez	Participant	Sentenced to one day in prison, 36 months supervised release, and ordered to pay \$47,700 in restitution and \$42,532 in forfeiture.	Middle District of Florida
Rafael Caraballo	Former Credit Union Employee	Sentenced to time served, four years supervised release, including six months of home confinement, and ordered to pay \$39,125 in restitution, joint and several.	Middle District of Florida

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Mercedes Lopez	Participant	Sentenced to time served, five years supervised release, and ordered to pay \$4,900 in restitution.	Middle District of Florida
Jasmine Townsend	Participant	Pleaded guilty to conspiracy to commit bank fraud.	Middle District of Florida

### Conspirator Charged in Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Christopher Alholm	Participant	Charged by indictment with conspiracy to commit bank fraud, and aggravated identity theft.	Middle District of Florida

### One Trial Conviction, Five Guilty Pleas, and Eight Charged in Multimillion Dollar Embezzlement Conspiracy Resulting in the Failure of a Chicago Bank

Defendant	Role	Most Recent Action	District
Patrick Thompson	Attorney	Convicted at trial of making false statements to the FDIC and filing a false income tax return.	Northern District of Illinois
Jan Kowalski	Attorney	Pleaded guilty to concealment of assets from a bankruptcy trustee.	Northern District of Illinois
Jane Iriondo (Tran)	Former Corporate Secretary	Pleaded guilty to conspiracy to commit embezzlement and falsify bank records.	Northern District of Illinois
James Crotty	Former Bank Vice President	Pleaded guilty to conspiracy to commit embezzlement and falsify bank records.	Northern District of Illinois
Cathy Torres	Former Loan Officer	Pleaded guilty to conspiracy to commit embezzlement and falsify bank records.	Northern District of Illinois
Alicia Mandujano	Former Loan Servicer	Pleaded guilty to conspiracy to commit embezzlement and falsify bank records.	Northern District of Illinois
William Mahon	Former Board of Directors Member	Charged by superseding indictment with conspiracy to falsify bank records and obstruct an examination by a financial institution and filing false income tax returns.	Northern District of Illinois
Janice Weston	Former Board of Directors Member	Charged by superseding indictment with conspiracy to falsify bank records and obstruct an examination by a financial institution.	Northern District of Illinois
George Kozdemba	Former Board of Directors Member	Charged by superseding indictment with conspiracy to falsify bank records and obstruct an examination by a financial institution.	Northern District of Illinois

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Boguslaw Kasprowicz	Real Estate Developer	Charged by superseding indictment with conspiracy to commit embezzlement and falsify bank records, embezzlement, and filing false personal and corporate tax returns.	Northern District of Illinois
Mirosław Krejza	Real Estate Developer	Charged by superseding indictment with conspiracy to commit embezzlement and falsify bank records and embezzlement.	Northern District of Illinois
Marek Matczuk	Contractor	Charged by superseding indictment with conspiracy to commit embezzlement and falsify bank records and embezzlement.	Northern District of Illinois
Robert Kowalski	Attorney/Business Owner	Charged by superseding indictment with conspiracy to commit embezzlement and falsify bank records, embezzlement, failure to file income tax returns, filing false personal and corporate returns, bankruptcy fraud, and concealment of assets.	Northern District of Illinois
Rosallie Corvite	Former Bank Chief Financial Officer	Charged by superseding indictment with conspiracy to falsify bank records and obstruct an examination by a financial institution, conspiracy to commit embezzlement and falsify bank records, and falsifying bank records.	Northern District of Illinois

#### Former Bank President Sentenced and Former Lending Service President and Former Bank Officials Pleaded Guilty in Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
Larry Henson	Former Bank President	Sentenced to nine months in prison, five years supervised release, and ordered to pay \$4,528,191 in restitution, joint and several.	Southern District of Iowa
Michael Slater	Former Lending Service President	Charged by information with, and pleaded guilty to, conspiracy to commit wire fraud affecting a financial institution.	Southern District of Iowa
Andrew Erpelding	Former Bank Vice President/Regional Manager	Charged by information with, and pleaded guilty to, conspiracy to commit wire fraud affecting a financial institution.	Southern District of Iowa
Susan McLaughlin	Former Bank Vice President	Charged by information with, and pleaded guilty to, conspiracy to commit wire fraud affecting a financial institution.	Southern District of Iowa

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

**Two Pleaded Guilty for Defrauding the FHLBank Affordable Housing Program**

Defendant	Role	Most Recent Action	District
Charles Mincey Jr.	Contractor	Pleaded guilty to conspiracy to commit wire fraud and false statements to a FHLBank.	District of South Carolina
Karl Zerbst Jr.	Real Estate Broker	Pleaded guilty to conspiracy to commit wire fraud and false statements to a FHLBank.	District of South Carolina

**Bank Employees and Individual Charged with Financial Crimes for Defrauding Multiple Banks**

Defendant	Role	Most Recent Action	District
Brady Torgerson	Bank Employee	Charged by indictment with bank fraud, misapplication of bank funds, making false entries in bank records, and aggravated identity theft.	District of North Dakota
Brent Torgerson	Bank Employee	Charged by indictment with the misapplication of bank funds.	District of North Dakota
Kelly Huffman	Bank Employee	Charged by indictment with the misapplication of bank funds.	District of North Dakota
Tyler Hofland	Participant	Charged by information with aiding and abetting bank fraud.	District of North Dakota

**Multifamily Schemes****Business Owner Sentenced in Decade-Long \$60 Million Fraud Scheme**

Defendant	Role	Most Recent Action	District
Seth Levine	Business Owner	Sentenced to 97 months in prison and five years supervised release, and ordered to pay at least \$65,000,000 in forfeiture.	District of New Jersey

**Business Owner Sentenced in Multifamily Fraud Scheme**

Defendant	Role	Most Recent Action	District
Victor Torres	Business Owner	Sentenced to time served and three years supervised release.	Western District of Tennessee

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

## Loan Origination Schemes

### Sentencings in Multimillion-Dollar Loan Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Maurice Bethea	Participant	Sentenced to 108 months in prison and five years supervised release.	District of New Jersey
Shonda Coleman	Participant	Sentenced to 36 months in prison, five years supervised release, and ordered to pay \$981,554 in restitution, joint and several.	District of New Jersey

### Two Business Owners and Unlicensed Real Estate Appraiser Sentenced and Attorney Pleaded Guilty for Targeting Elderly in Reverse Mortgage Loan Origination Fraud

Defendant	Role	Most Recent Action	District
Philip Puccio Jr.	Loan Officer/ Business Owner	Sentenced to time served, two years supervised release, and ordered to pay \$223,413 in restitution, joint and several, and \$122,567 in forfeiture.	District of New Jersey
Rafael Peralta	Business Owner	Sentenced to time served, two years supervised release, and ordered to pay \$223,413 in restitution, joint and several, and \$116,346 in forfeiture.	District of New Jersey
Joseph Soprano	Unlicensed Real Estate Appraiser	Sentenced to time served, one year of supervised release, and ordered to pay \$468,964 in restitution, joint and several, and \$2,300 in forfeiture.	District of New Jersey
Martin Eagan	Attorney/ Settlement Agent	Pleaded guilty to conspiracy to commit bank fraud.	District of New Jersey

### Former Loan Officer Sentenced for Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Blanca Medina	Former Loan Officer	Sentenced to five months in prison, two years supervised release, including five months of home confinement, and ordered to pay \$182,508 in restitution, joint and several.	District of New Jersey

### Loan Officer Admitted Participation in Large-Scale Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Isaac DePaula	Loan Officer	Pleaded guilty to conspiracy to commit bank fraud.	District of New Jersey

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



**Former Real Estate Attorney and Wife Pleaded Guilty for Roles in Multiple Mortgage Fraud Schemes**

Defendant	Role	Most Recent Action	District
Barry Plunkett Jr.	Former Attorney	Pleaded guilty to bank fraud, aggravated identity theft, and tax evasion.	District of Massachusetts
Nancy Plunkett	Wife	Pleaded guilty to bank fraud and aggravated identity theft.	District of Massachusetts

**Real Estate Agency Owner, Real Estate Agent, and Employment Verifier Sentenced in Multi-Year Mortgage Fraud Scheme**

Defendant	Role	Most Recent Action	District
Eric Hill	Real Estate Agent	Sentenced to 30 months in prison, three years supervised release, and ordered to pay \$1,691,163 in restitution, joint and several.	Northern District of Georgia
Cephus Chapman	Real Estate Agency Owner	Sentenced to a year and a day in prison, three years supervised release, and ordered to pay \$159,172 in restitution, joint and several.	Northern District of Georgia
Todd Taylor	Employment Verifier	Sentenced to three years of probation, including eight months home confinement, and ordered to pay \$235,813 in restitution, joint and several.	Northern District of Georgia

**Former Real Estate Broker Pleaded Guilty in Loan Origination Fraud Scheme**

Defendant	Role	Most Recent Action	District
Shawn Johnson	Former Real Estate Broker	Pleaded guilty to bank fraud.	Western District of North Carolina

**Former Certified Home Appraiser Pleaded Guilty and Sentenced for Falsely Certifying Home Appraisals**

Defendant	Role	Most Recent Action	District
Daniel O’Leary	Appraiser	Pleaded guilty to false statements to obtain property or credit for a value greater than \$300,000 and sentenced to 60 months in prison (suspended) and 60 months of probation.	El Paso County, TX District Attorney’s Office

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

**Nine Conspirators 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 a mortgage lending business and false writings to a U.S. government agency, false statements to mortgage lenders and federally insured institutions, false writings to the FTC, conspiracy to commit wire fraud, wire fraud, and obstruction of an official proceeding.	Southern District of Texas
Albert Lim	Scheme Leader	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, false statements to mortgage lenders and federally insured institutions, conspiracy to commit wire fraud, wire fraud, and obstruction of an official proceeding.	Southern District of Texas
Heather Ann Campos	Mortgage Broker	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, false statements to mortgage lenders and federally insured institutions, false writings to the FTC, conspiracy to commit wire fraud, wire fraud, obstruction of an official proceeding, and tampering with a witness.	Southern District of Texas
Elvina Buckley	Realtor	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, and false statements to mortgage lenders and federally insured institutions.	Southern District of Texas
Melinda Munoz	Notary	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, and false statements to mortgage lenders and federally insured institutions.	Southern District of Texas

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

David Best Jr.	Participant	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, and false statements to mortgage lenders and federally insured institutions.	Southern District of Texas
Leslie Edrington	Participant	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, false statements to mortgage lenders and federally insured institutions, false writings to the FTC, and conspiracy to commit wire fraud.	Southern District of Texas
ShyAnne Edrington	Participant	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, conspiracy to commit wire fraud, and wire fraud.	Southern District of Texas
Stephen Crabtree	Participant	Charged by superseding indictment with conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency, false writings to the FTC, and conspiracy to commit wire fraud.	Southern District of Texas

#### Document Preparer Pleaded Guilty in Loan Origination Scheme

Defendant	Role	Most Recent Action	District
Vartan Pirlant	Document Preparer	Pleaded guilty to conspiracy to commit grand theft and grand theft.	California Attorney General's Office

#### Loan Officer and Assistant Charged in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Mark Wright	Loan Officer	Charged by information with bank fraud.	District of Utah
Patricia Esch	Loan Officer Assistant	Charged by information with receipt of commission for procuring a loan.	District of Utah

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

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

Seven Conspirators Sentenced in Large Scale COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Tamara Dadyan	Participant	Sentenced to 130 months in prison, five years supervised release, and ordered to pay \$17,723,141 in restitution, joint and several.	Central District of California
Richard Ayvazyan	Participant	Sentenced to 17 years in prison, five years supervised release, and ordered to pay a \$50,000 fine, \$17,723,141 in restitution, joint and several.	Central District of California
Marietta Terabelian	Participant	Sentenced to 72 months in prison, five years supervised release, and ordered to pay a \$50,000 fine, \$17,723,141 in restitution, joint and several.	Central District of California
Artur Ayvazyan	Participant	Sentenced to 60 months in prison, five years supervised release, and ordered to pay \$17,723,141 in restitution, joint and several.	Central District of California
Manuk Grigoryan	Participant	Sentenced to 72 months in prison, four years supervised release, and ordered to pay \$2,684,798 in restitution.	Central District of California
Vahe Dadyan	Participant	Sentenced to one year and a day in prison, three years supervised release, and ordered to pay \$10,706,188 in restitution.	Central District of California
Arman Hayrapetyan	Participant	Sentenced to ten months of probation, including seven and one-half months of home confinement.	Central District of California

  

Entrepreneur Sentenced to More than Nine Years in Prison in COVID Relief Loan Fraud and Money Laundering Scheme			
Defendant	Role	Most Recent Action	District
Lee Price III	Entrepreneur	Sentenced to 110 months in prison, three years supervised release, and ordered to pay \$1,689,952 in restitution and \$973,912 in forfeiture.	Southern District of Texas

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

**Business Owner Sentenced in COVID Relief Loan Scheme**

Defendant	Role	Most Recent Action	District
Joshua Argires	Business Owner	Sentenced to eight months in prison, one year supervised release, and ordered to pay \$997,486 in forfeiture.	Southern District of Texas

**Business Owner Found Guilty in COVID Relief Fraud Scheme**

Defendant	Role	Most Recent Action	District
Lola Kasali	Business Owner	Convicted at trial of bank fraud and making false statements to a financial institution.	Southern District of Texas

**Six Pleaded Guilty and Nine Charged in Multimillion-Dollar COVID Relief Fraud Scheme**

Defendant	Role	Most Recent Action	District
Bijan Rajabi	Participant	Pleaded guilty to conspiracy to commit wire fraud.	Southern District of Texas
Abdul Farahshah	Participant	Pleaded guilty to conspiracy to commit wire fraud.	Southern District of Texas
Jesus Acosta Perez	Participant	Pleaded guilty to conspiracy to commit wire fraud.	Southern District of Texas
Richard Reuth	Participant	Pleaded guilty to conspiracy to commit wire fraud.	Southern District of Texas
Siddiq Azeemuddin	Participant	Pleaded guilty to conspiracy to commit wire fraud, and money laundering.	Southern District of Texas
Raheel Malik	Participant	Pleaded guilty to conspiracy to commit wire fraud and money laundering.	Southern District of Texas
Khalid Abbas	Participant	Charged by superseding indictment with conspiracy to commit wire fraud, wire fraud, and money laundering.	Southern District of Texas
Abdul Fatani	Participant	Charged by superseding indictment with conspiracy to commit wire fraud, wire fraud, and money laundering.	Southern District of Texas
Syed Ali	Participant	Charged by superseding indictment with conspiracy to commit wire fraud, wire fraud, and money laundering.	Southern District of Texas
Hamza Abbas	Participant	Charged by superseding indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Pardeep Basra	Participant	Charged by superseding indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements



Rifat Bajwa	Participant	Charged by superseding indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Mayer Misak	Participant	Charged by superseding indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Mauricio Navia	Participant	Charged by superseding indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Amir Aqeel	Participant	Charged by superseding indictment with conspiracy to commit wire fraud, wire fraud, money laundering, and aggravated identity theft.	Southern District of Texas

#### Business Owner Sentenced in Connection with Obtaining More Than \$6 Million in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Hunter VanPelt	Business Owner	Sentenced to 41 months in prison, five years supervised release, and ordered to pay \$7,002,031 in restitution and \$2,077,381 in forfeiture.	Northern District of Georgia

#### Conspirator Pleaded Guilty in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Bridgitte Keim	Participant	Pleaded guilty to bank fraud.	Middle District of Florida

#### Business Owner Admitted to \$6.8 Million PPP Fraud Scheme

Defendant	Role	Most Recent Action	District
Gregory Blotnick	Business Owner	Pleaded guilty to wire fraud and money laundering.	District of New Jersey

#### Business Owner Charged in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Butherde Darius	Business Owner	Charged by federal criminal complaint with bank fraud, wire fraud, and money laundering.	District of New Jersey

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

**Three Individuals Charged in a \$2.1 Million COVID Relief Fraud Scheme**

Defendant	Role	Most Recent Action	District
Arlen Encarnacion	Participant	Charged by federal criminal complaint with bank fraud, wire fraud, and money laundering.	District of New Jersey
Kent Encarnacion	Participant	Charged by federal criminal complaint with bank fraud and money laundering.	District of New Jersey
Jacquelyn Pena	Participant	Charged by federal criminal complaint with bank fraud and money laundering.	District of New Jersey

**Two Charged with \$3.3 Million PPP Fraud Scheme**

Defendant	Role	Most Recent Action	District
Jean Rabbitt	Business Owner	Charged by federal criminal complaint with bank fraud, conspiracy to engage in monetary transactions in property derived from specified unlawful activity, and engaging in monetary transactions in property derived from specified unlawful activity.	District of New Jersey
Kevin Aguilar	Business Owner	Charged by federal criminal complaint with conspiracy to engage in monetary transactions in property derived from specified unlawful activity and engaging in monetary transactions in property derived from specified unlawful activity.	District of New Jersey

**Business Owner Pleaded Guilty for Fraudulently Obtaining Nearly \$1 Million in COVID Relief Funds**

Defendant	Role	Most Recent Action	District
Devron Brown	Business Owner	Pleaded guilty to bank fraud and money laundering.	Eastern District of Pennsylvania

**Property Management and REO Schemes****Guilty Plea in Multi-State Deed Fraud Scheme**

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

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

**Former Title Company President and Title Agent Charged in Mortgage Fraud Scheme**

Defendant	Role	Most Recent Action	District
Ana Amador	Former Title Company President	Charged by indictment with conspiracy to commit wire fraud, and aggravated identity theft.	Southern District of Florida
Sunilda Casilla	Title Agent	Charged by indictment with conspiracy to commit wire fraud, and aggravated identity theft.	Southern District of Florida

**Adverse Possession, Distressed Property, and Bankruptcy Fraud Schemes****Former Attorney and Paralegal Sentenced in a Scheme to Defraud Mortgage Creditors and Homeowners**

Defendant	Role	Most Recent Action	District
James Clark	Former Attorney	Sentenced to 48 months in prison, 36 months supervised release, and ordered to pay \$1,443,937 in restitution, including \$155,000 joint and several, and \$25,000 in forfeiture.	Middle District of Florida
Eric Liebman	Paralegal	Sentenced to 15 months in prison, 36 months supervised release, and ordered to pay \$167,478 in restitution.	Middle District of Florida

**Conspirator Found Guilty in Bankruptcy Fraud Scheme**

Defendant	Role	Most Recent Action	District
Nana Baidooobonso-Iam	Participant	Convicted at trial of mail fraud and making a false declaration under penalty of perjury in a bankruptcy case.	District of Kansas

**Business Owner Pleaded Guilty in Foreclosure Rescue Scheme**

Defendant	Role	Most Recent Action	District
Stanley Heekin	Business Owner	Pleaded guilty to bank fraud.	Southern District of Ohio

**Individual Charged in Deed Fraud Scheme**

Defendant	Role	Most Recent Action	District
William Baldridge	Participant	Charged by indictment with theft of property.	Dallas County, TX District Attorney's Office

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

## OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period October 1, 2021, through March 31, 2022

### Reports, Referrals to Federal, State, and Local Prosecuting Authorities, Prosecutions and Convictions, October 1, 2021 - March 31, 2022\*

Investigative Reports**	19
Criminal Referrals to the Department of Justice (DOJ)	66
Criminal Referrals to State and Local Prosecuting Authorities	14
Indictments and Informations during the Reporting Period that Resulted from Referrals to Prosecutors during Prior Reporting Periods	41
Total Indictments and Informations during the Reporting Period Resulting from OIG Referrals	73
Trials	4
Defendants Tried	4
Convictions / Pleas	46
Sentencings	42

\* 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

Pursuant to the IG Act, Sections 5(a)(19), (20), (22)(B), and 5(e), OIG is required to report certain information regarding (1) investigations involving senior government employees (SGEs) 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)(19) 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 an SGE when allegations of misconduct were substantiated. OIG does not have reportable information for this period.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Sections 5(a)(20) 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)(22)(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 an SGE that is closed and was not disclosed to the public.

During this period, OIG completed administrative inquiries into the following matters:

- A complainant alleged that certain SGEs at FHFA had committed acts of misconduct, including awarding promotions improperly, violating time and attendance rules, and wrongfully hiring an SGE’s friends. Separate inquiries by FHFA and OIG did not find sufficient evidence to substantiate the allegations, and the matter was closed.
- A complainant alleged that by terminating a program, an FHFA SGE engaged in conduct that constituted an abuse of authority, a gross waste of funds, and may have violated an Executive Order. OIG found that the program termination was a policy decision within the SGE’s authority. OIG also determined that the Executive Order did not apply to FHFA and, even if it did, no violation occurred. The matter was closed without further action.<sup>11</sup>
- A complainant alleged that an FHFA SGE preselected friends for positions and forced hiring panel members to alter ratings to facilitate the pre-selections. OIG did not find evidence sufficient to substantiate these allegations. OIG confirmed an allegation that the SGE had required employees to complete a professional assessment tool. However, OIG found that this decision was within the SGE’s authority. OIG also conducted an inquiry into allegations that the SGE disciplined a subordinate and took certain other personnel-related actions. OIG found that the SGE had taken those actions but confirmed that each was within the SGE’s authority. The matter was closed without further action.
- A complainant alleged that an FHFA SGE had violated merit system principles by basing hiring decisions on factors other than merit. OIG did not find sufficient evidence to substantiate the allegations and the matter was closed.
- A complainant alleged that several FHFA SGEs had conflicts of interest, and had taken actions harmful to the complainant’s career. OIG did not find sufficient evidence to substantiate the allegations and the matter was closed.
- A complainant alleged that an FHFA SGE emailed official documents to a subordinate that might have been obtained or used improperly. The complainant alleged that the SGE also may

<sup>11</sup> This matter was closed on September 30, 2021, and was inadvertently omitted from OIG’s previous SAR.

have improperly obtained other confidential documents. OIG confirmed that the documents were emailed as alleged but found that the transmission was for an official purpose. OIG did not find evidence to support the allegations that documents were obtained or used improperly, and the matter was closed.

- A complainant alleged that an FHFA SGE had misrepresented the SGE’s official position on social media and when corresponding with the regulated entities. OIG found that the SGE had used a title that differed from the title on the SGE’s position description, but supervisors and FHFA’s Office of Human Resources Management were aware of it and did not identify it as an item of concern. OIG closed the matter without further action.

## **Closed, Undisclosed Audits and Evaluations**

Pursuant to Section 5(a)(22)(A) of the IG Act, OIG must report on evaluations and audits that were closed and not disclosed to the public. During this reporting period, OIG did not close any evaluation or audit without disclosing the existence of the report to the public. OIG issued reports during this period 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 made unredacted reports available to FHFA and to our Congressional oversight committees upon request.

**Table of Contents**

**Accomplishments**

**Reports and  
Recommendations**

**Investigations**

**Index of IG Act  
Requirements**



## 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 Library of Congress OIG. OIG received an external peer review rating of pass, the highest rating an audit organization can receive.	September 11, 2019
<b>Office of Evaluations and Office of Compliance &amp; Special Projects:</b> The most recent peer review was conducted by a CIGIE external peer review team led by the U.S. Department of Housing and Urban Development (HUD) OIG. The review team recognized several of our practices as “best practices.” The team also determined that our policies and procedures met the seven standards addressed in that review: quality control, planning, data collection and analysis, evidence, records maintenance, reporting, and follow-up. The team concluded that the six reports it tested met the standards, but one evaluation report did not comply with internal policies and procedures for planning.	September 10, 2019
<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 did not conduct any peer reviews during this period and there are no outstanding recommendations from peer reviews conducted by OIG.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

# 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 SAR 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 OI. Potential civil or administrative matters are referred to the appropriate OIG operating division for review and appropriate follow-up. During this reporting period, 796 discrete contacts to the hotline were made involving tips, complaints, and referrals. This included 138 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

### Council of the Inspectors General on Integrity and Efficiency (CIGIE)

OIG actively participates in several 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 (CIGFO)

CIGFO was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to oversee the Financial Stability Oversight Council (FSOC), which is charged with identifying

risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the U.S. financial system.

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

In accordance with the Dodd Frank 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 2021, issued in July 2021, 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 PII, trade secrets, and financial data.

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

During this reporting period, OIG delivered 19 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. We speak with officials at the Enterprises and the FHLBanks regularly to benefit from their insights. We also make presentations to academic and industry groups. Recent presentations include: the Los Angeles County Real Estate Task Force (CA), the Palm Beach County Economic Crimes/Intelligence Working Group (FL), the Palm Beach County Elder Abuse Task Force (FL); the District of Nevada Bankruptcy Fraud Working Group (NV), and the Illinois Fraud Working Group (IL).

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

OIG has developed ongoing and close working relationships with other law enforcement agencies, including: DOJ and U.S. Attorneys’ offices; FBI; HUD-OIG; FDIC-OIG; Internal Revenue Service–Criminal Investigation; Small Business Association-OIG; the U.S. Trustee Program (nationwide); Financial Crimes Enforcement Network (FinCEN); 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.

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

For the six-month reporting period ending March 31, 2022, Section 5(a)(13) of the IG Act did not apply to the Agency or OIG.

### **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 activities. OIG’s Office of Counsel also reviews all proposed regulations pertaining to FHFA, and provides comments when appropriate.

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

# 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 SARs 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	Pages
Section 4(a)(2) – Review of legislation and regulations.	71
Section 5(a)(1) – A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA.	4-14
Section 5(a)(2) – A description of the recommendations for corrective action made by OIG with respect to significant problems, abuses, or deficiencies.	7-14
Section 5(a)(3) – An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.	15-38
Section 5(a)(4) – A summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	39-65
Section 5(a)(5) – A summary of each report made to the Director of FHFA about information or assistance requested and unreasonably refused or not provided.	71
Section 5(a)(6) – A listing, subdivided according to subject matter, of each audit and evaluation report issued by OIG during the reporting period and for each report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.	7-14
Section 5(a)(7) – A summary of each particularly significant report.	7-14
Section 5(a)(8) – Statistical tables showing the total number of audit and evaluation reports and the total dollar value of questioned and unsupported costs.	3, 15
Section 5(a)(9) – Statistical tables showing the total number of audit and evaluation reports and the dollar value of recommendations that funds be put to better use by management.	3, 15
Section 5(a)(10)(A) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.	15

Table of Contents

Accomplishments

Reports and  
Recommendations

Investigations

Index of IG Act  
Requirements

Source/Requirement	Pages
Section 5(a)(10)(B) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which no FHFA comment was returned within 60 days of providing the report to the Agency.	15
Section 5(a)(10)(C) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	15-38
Section 5(a)(11) – A description and explanation of the reasons for any significant revised management decision made during the reporting period.	15
Section 5(a)(12) – Information concerning any significant management decision with which the Inspector General is in disagreement.	15
Section 5(a)(13) – The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	71
Section 5(a)(14) – An appendix containing the results of any peer review conducted by another IG; or the date of the last peer review if no peer review was conducted during the reporting period.	68
Section 5(a)(15) – A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	68
Section 5(a)(16) – A list of any peer reviews of another IG during the reporting period.	68
Section 5(a)(17) – Statistical tables showing, for the reporting period, the total number of: investigative reports issued; persons referred to DOJ for criminal prosecution; persons referred to State and local prosecuting authorities for criminal prosecution; and indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	65
Section 5(a)(18) – A description of the metrics used for developing the data for the statistical tables under paragraph (17).	65
Section 5(a)(19) – A report on each investigation conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated, including the name of the official 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.	65
Section 5(a)(20) – A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences FHFA imposed to hold that official accountable.	66



Source/Requirement	Pages
Section 5(a)(21) – A detailed description of any attempt by FHFA to interfere with the independence of OIG, including with budget constraints designed to limit OIG’s capabilities, and incidents where FHFA has resisted or objected to OIG oversight activities or restricted or significantly delayed access to information.	71
Section 5(a)(22)(A) – Detailed descriptions of the particular circumstances of each evaluation and audit conducted by OIG that is closed and was not disclosed to the public.	67
Section 5(a)(22)(B) – Detailed descriptions of the particular circumstances of each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	66-67

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements



# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

## SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2021, through March 31, 2022

Federal Housing Finance Agency  
Office of Inspector General  
400 Seventh Street, SW  
Washington, DC 20219  
Main (202) 730-0880  
Hotline (800) 793-7724  
[www.fhfaoig.gov](http://www.fhfaoig.gov)