

REDACTED

Federal Housing Finance Agency
Office of Inspector General



**DER Effectively Oversaw Fannie
Mae’s Multifamily Lenders and
Loan Monitoring Activities, But
Should Improve Documentation of
its Sampling Approach**

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

Audit Report • AUD-2026-002 • March 30, 2026

..... EXECUTIVE SUMMARY

PURPOSE

Fannie Mae performs a significant role by providing funding, stability, and affordability to the mortgage market. Fannie Mae buys loans for multifamily properties that have five or more units. Select lenders, known as seller/servicers, originate and service these loans. Fannie Mae monitors loan performance to identify risks in its multifamily portfolio. The Federal Housing Finance Agency's (FHFA or Agency) Division of Enterprise Regulation (DER) evaluates how Fannie Mae manages risks to assess its safety and soundness.

We performed this audit to determine whether DER conducted effective oversight of Fannie Mae's multifamily mortgage seller/servicer and portfolio monitoring functions.

RESULTS

We found that DER conducted effective oversight of Fannie Mae's multifamily mortgage seller/servicer and portfolio monitoring functions. Specifically, DER designed examination guidance that provided examiners with necessary procedures to perform their oversight work. In addition, DER performed examination activities that responded to multifamily risks identified in their risk assessments. Furthermore, DER issued multifamily-related Matters Requiring Attention (MRA); monitored Fannie Mae's progress to resolve deficiencies identified in MRAs; and closed MRAs, as appropriate, in accordance with its guidance for conducting examinations.

Although DER conducted effective oversight and generally complied with guidance for conducting examinations, we found that DER examiners did not fully document their sampling approach for the selection of Fannie Mae's loan files tested. That is, without fully documenting the key population attributes such as population size, the appropriateness and rationale for the sample selected could be called into question and thereby, the conclusions drawn. Such documentation is important because FHFA requires workpapers that are sufficient in detail to provide a clear understanding of the examination work performed.

RECOMMENDATIONS

We made two recommendations to address our finding. In a written response, FHFA management agreed with our recommendations.

This report was prepared by Andrea Smith, Audit Director; April Ellison, Audit Manager; Michael Schumann, Auditor; Jeffrey Lloyd, Auditor; and Ennis Hobdy, Auditor; with assistance from Abdil Salah, Assistant Inspector General for Audits. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report. This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, www.fhfaig.gov, and www.oversight.gov.

James Hodge
Deputy Inspector General for Audits /s/

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ABBREVIATIONS

AB	Advisory Bulletin
DER	Division of Enterprise Regulation
DUS	Delegated Underwriting and Servicing
Enterprises	Fannie Mae and Freddie Mac
EPB	Examination Practices Bulletin
FHFA or Agency	Federal Housing Finance Agency
GAO	Government Accountability Office
MBS	Mortgage-Backed Securities
MRA	Matter Requiring Attention
OIG	Office of Inspector General
OPB	Operating Procedures Bulletin

BACKGROUND

Fannie Mae and Freddie Mac, together the Enterprises, are chartered by Congress to provide liquidity, or cash flow, and stability to the U.S. housing market and to promote access to mortgage credit, or loan funding, for home purchases. They primarily accomplish this by purchasing mortgage loans¹ originated by lenders and either holding these loans in their portfolios or packaging them into mortgage-backed securities (MBS) for sale to investors. Because the Enterprises rely on lenders to originate and service loans, oversight of these functions is critical to protect the Enterprises.

Fannie Mae’s Multifamily Business

Fannie Mae’s multifamily business provides liquidity for properties with five or more residential units such as apartments, cooperative properties, senior housing, student housing, or manufactured housing communities. Fannie Mae uses a limited network of approved Delegated Underwriting² and Servicing (DUS) lenders, also known as seller/servicers, which underwrite, close, sell, and service loans on multifamily properties. Seller/servicers must adhere to credit and underwriting criteria and are subject to ongoing credit review and monitoring. Fannie Mae and its seller/servicers share the underlying credit risk (i.e., potential for loss when a borrower does not repay what is owed) of loans and share a stake in their long-term performance. Most commonly, seller/servicers retain one-third of the risk on a loan while Fannie Mae guarantees timely principal and interest payments on the loan and shares in the remaining two-thirds of the credit risk. The process of Fannie Mae purchasing loans begins with seller/servicers underwriting loans that fit Fannie Mae’s standards. Fannie Mae’s multifamily business works with its multifamily lenders to provide funds to the mortgage market primarily by securitizing multifamily mortgage loans acquired from these lenders into Fannie Mae MBS, which are sold to investors or dealers.

Fannie Mae monitors the performance and risk characteristics of their multifamily loans, as well as the underlying properties throughout the loan term by requiring lenders to provide quarterly or annual financial updates. Additionally, seller/servicers also administer various types of loan and property-level agreements, including those covering repairs, operations, maintenance, and routine property inspections. For example, seller/servicers are required to assess property

¹ A mortgage loan is a loan secured by a residential property that allows a borrower to finance the purchase of the property over time.

² Fannie Mae’s underwriting policies include an evaluation of the borrower’s cash and other liquid assets, credit history, income, willingness and capacity to repay a mortgage, and the cumulative effect that these and other risk factors have on mortgage loan performance.

condition at origination and throughout the life of the loan, as the condition of the property serves as an important credit risk factor.

During our scope, Fannie Mae and its DUS lenders have provided over \$177 billion of liquidity to the multifamily mortgage market, and financed over 1.5 million multifamily housing units. Multifamily housing is an essential part of the U.S. housing supply. As of September 30, 2025, U.S. multifamily mortgage debt outstanding totaled \$2.4 trillion. Fannie Mae's share stood at approximately \$512.6 billion, representing a 21.4 percent share of the mortgage market.

FHFA's DER Multifamily Supervision

FHFA takes a risk-based approach to supervising the Enterprises. This involves identifying potential risks, including those from its multifamily seller/servicer and portfolio monitoring functions; evaluating Enterprise risk management processes; and assessing the Enterprises' compliance with applicable laws and regulations. As part of its oversight, DER conducts annual examinations consisting of targeted examinations and ongoing monitoring activities to ensure that the Enterprises are operating in a safe and sound manner.³ Examinations may result in adverse findings. Adverse findings are classified as MRAs, recommendations, or violations of laws that affect the condition of the Enterprises. MRAs, if not corrected, could escalate and potentially negatively affect the condition of the Enterprise.

In recent years, Fannie Mae has suffered financial losses from multifamily mortgage fraud and loan misrepresentation. In 2022, DER noted concerns about Fannie Mae's [REDACTED] [REDACTED]⁴ [REDACTED], and in 2024, DER made multifamily risk a supervisory priority. In its 2024 year-end report, Fannie Mae set aside \$752 million for multifamily credit losses, in part due to the ongoing investigation of lending transactions with suspected fraud, which was increased by \$257 million from the previous year.

Supervisory Expectations for the Enterprises' Multifamily Seller/Servicer Oversight

FHFA has communicated its supervisory expectations for the Enterprises' multifamily seller/servicer functions through issuance of Advisory Bulletins (ABs) as follows:

- AB 2018-05, *Oversight of Multifamily Seller/Servicer Relationships*, communicates FHFA's supervisory expectations in maintaining the safety and soundness of the Enterprises' operations by effectively managing multifamily seller/servicer relationships. It states counterparty risk management, as part of a

³ DER's ongoing monitoring activities assess risk areas and activities that warrant continuous oversight, and targeted examinations evaluate risk areas that warrant a more in-depth review.

⁴ [REDACTED]

board-approved risk management framework, should include an Enterprise’s multifamily seller/servicer business operations. FHFA expects each Enterprise to assess financial, operational, legal, compliance, and reputational risks associated with its multifamily seller/servicer counterparties and take appropriate action to mitigate those risks or reduce Enterprise exposures.

- AB 2018-08, *Oversight of Third-Party Provider Relationships*, provides guidance on assessing and managing risks related to third-party providers.
- AB 2013-01, *Contingency Planning for High-Risk or High-Volume Counterparties*, provides guidelines for preparing contingency plans for high-risk or high-volume counterparties. FHFA expects the Enterprises to implement proper controls and perform monitoring to identify and manage risks associated with any counterparty.
- AB 2015-07, *Fraud Risk Management*, communicates supervisory expectations for fraud risk management to the Enterprises, including maintaining internal controls to prevent, deter, and detect fraud.

Guidance for Oversight of the Enterprises’ Multifamily Seller/Servicer Functions

Examiners conduct and document their work in accordance with DER Operating Procedures Bulletins (OPBs) and the FHFA Examination Practices Bulletin (EPB) as follows:

- DER OPB, *Risk Assessments* (February 2020; updated April 2022), in part, supports the DER supervisory process as a key input to the DER examination planning process.
- DER OPB, *Targeted Examinations* (December 2020; updated August 2022), establishes examination processes and related documentation expectations for the DER staff to adhere to when conducting targeted examinations of the Enterprises.
- FHFA EPB, *Sampling Practices in Examinations* (February 2014), provides examiners with guidance on sampling practices to aid them in the performance of mandatory testing in accordance with FHFA examination work programs.
- DER OPB, *Adverse Examination Findings* (January 2022; updated November 2022), communicates examination processes and documentation standards that DER staff follow for issuing, monitoring, and closing adverse examination findings for the Enterprises.
- DER OPB, *Independent Quality Control Process* (February 2020) and *Quality Control Program* (March 2023; updated October 2024), communicates processes

and documentation standards that DER staff follow for conducting Quality Control activities of DER examination work of the Enterprises.

OBJECTIVE AND SCOPE

We conducted this audit to determine whether FHFA’s DER conducted effective oversight of Fannie Mae’s multifamily mortgage seller/servicer and portfolio monitoring functions. The scope of our audit focused on DER’s supervisory activities performed from January 1, 2022, to December 31, 2024, including (1) targeted examinations, (2) ongoing monitoring, and (3) the issuance, monitoring, and remediation of adverse findings related to multifamily seller/servicer and portfolio monitoring functions.

For details on methodology see Appendix I.

RESULTS

We found that DER conducted effective oversight of Fannie Mae’s multifamily mortgage seller/servicer and portfolio monitoring functions, but should improve documentation of its sampling approach as described in Finding 1.

In general, DER designed examination guidance that provided examiners with necessary procedures to perform their oversight work. In addition, DER performed examination activities that responded to multifamily risks identified in their risk assessments. Lastly, DER issued multifamily-related MRAs; monitored Fannie Mae’s progress to resolve deficiencies identified in those MRAs; and closed the MRAs in our sample, as appropriate, in accordance with its guidance. DER performed the following oversight activities:

- Designed examination guidance that provided examiners with necessary procedures to perform their oversight work.
- Prepared three annual risk assessments that included Fannie Mae’s multifamily seller/servicer and portfolio monitoring risks in accordance with their examination planning guidance; as well as performed 35 examination procedures that aligned with multifamily seller/servicer risks identified.
- Conducted examination and oversight activities to provide effective coverage of Fannie Mae’s risk management processes needed to manage multifamily seller/servicer risks as identified in AB 2018-05, AB 2018-08, AB 2013-01, and AB 2015-07. Such risk management processes include, but are not limited to, establishing a risk management governance structure, performing due diligence when approving a new seller/servicer, and providing fraud risk management training to employees.
- Conducted 11 targeted examinations and four ongoing monitoring activities applicable to Fannie Mae’s multifamily mortgage seller/servicer and portfolio monitoring functions. DER generally complied with its examination guidance for the examinations in our sample with the exception of its sampling documentation noted in Finding 1.
- Assessed Fannie Mae’s remediation of all [REDACTED] closed MRAs and the [REDACTED] open MRAs in our sample in accordance with its adverse examination findings guidance. Specifically, DER examiners: (1) assessed Fannie Mae’s remediation plans; (2) monitored progress of corrective actions against the remediation plans; (3) reviewed Fannie Mae’s Internal Audit’s validation of corrective actions, as applicable; (4) documented DER’s supervisory concurrence, if required; and (5) assessed sufficiency of corrective actions.

While DER generally complied with its guidance for conducting examinations, we noted a weakness in their documentation to support its sampling approach, as described in the finding below.

Finding 1: DER Did Not Fully Document the Sampling Approach for Its Selection of Fannie Mae Loan Files Tested

We reviewed a sample of four targeted examinations to determine whether examiner conclusions were properly supported and documented. Specifically, we evaluated DER's underlying workpapers to assess whether the examiners performed independent analysis, supported examination conclusions and findings, addressed risks identified in the supervisory planning risk assessment, and documented the sampling approach used for performing targeted examination analyses in accordance with EPB 2014-01.

We found that DER examiners did not document the population used to select a sample as part of their sampling approach in 2 of 4 targeted examinations. In a 2022 targeted examination, the examiners requested and reviewed a sample of loans to assess adherence to multifamily underwriting standards and exception policies.⁵ In a 2024 targeted examination, examiners reviewed a sample of loans to assess the reasonableness of Fannie Mae's due diligence performed as part of its multifamily seller/servicer reviews by tracing underwriting to source documentation. Although the examiners documented the sampled loans reviewed, the workpapers did not identify the respective loan populations.

FHFA's EPB 2014-01, *Sampling Practices in Examinations*, states that workpapers are required to contain sufficient detail to provide a clear understanding of the examination work performed. Further, examiners are to document the sampling approaches, testing results, and examination conclusions in the appropriate examination workpapers. The sampling approach must be approved by the Examiner-in-Charge. Furthermore, the sampling plan should include the (1) population selection, (2) sampling technique, and (3) sample evaluation and analysis of results.

When asked why the population size was not documented, a DER official told us that the EPB does not list the required expected elements that examiners must include in their sampling approach or methodology, such as population size. On October 22, 2025, DER issued OPB, *Sampling Practices for Examination Activity Testing*, which supersedes EPB 2014-01.⁶ This update also sets an expectation that the population and rationale for the sample size selected

⁵ An Enterprise issues waivers or exceptions from its underwriting standards to purchase loans that do not follow credit policies and allow for deviation from certain loan eligibility and documentation requirements. Waivers or exceptions require a thorough risk analysis by an Enterprise before loan acquisition.

⁶ We did not test DER's compliance with the new OPB as its issuance was outside the scope of this audit.

should be documented as part of the sampling approach but does not provide guidance as to key population attributes such as the population size.

Without documenting the key population attributes when sampling is used, the appropriateness and rationale for the sample selected could be called into question and thereby, the conclusions drawn. Such documentation is important because FHFA requires workpapers that are sufficient in detail to provide a clear understanding of the examination work performed.

Recommendations

We recommend that the DER Deputy Director:

1. Update the DER OPB, *Sampling Practices for Examination Activity Testing*, to establish key attributes of the sample population that should be documented, to include the complete or targeted population size.
2. Ensure supervisors and examiners implement updates to the DER OPB, *Sampling Practices for Examination Activity Testing*, to include documenting key population attributes.

FHFA COMMENTS AND OIG EVALUATION.....

We provided FHFA management an opportunity to review and provide technical comments on a draft of this audit report. We considered those comments in finalizing this report. In a written response, FHFA management agreed with our recommendations and included the following corrective actions, which we evaluated:

Recommendation 1

FHFA management responded that while FHFA believes that the *Sampling Practices for Examination Activity Testing* OPB already requires key attributes of the sample population to be documented, including the population, area of focus, sample size, and rationale for selecting each, FHFA agrees to amend the OPB for the sake of clarity. By May 29, 2026, DER will amend the OPB to include the complete or targeted population size as a key attribute that should be included in the examination activity workpapers when examiners perform testing using a sample.

Management’s planned corrective action meets the intent of our recommendation.

Recommendation 2

FHFA management responded that DER's Quality Control program is designed to provide reasonable assurance that examination work products conform to DER guidance by performing independent workpaper reviews. These reviews are conducted using standardized forms that incorporate applicable requirements, including those in DER OPBs. By May 29, 2026, DER will supplement its Quality Control Review Report Forms to incorporate the OPB amendment as noted in response to Recommendation 1.

Management's planned corrective action meets the intent of our recommendation.

Overall, we consider FHFA management's planned corrective actions responsive to the recommendations in this report. These recommendations will remain open until we confirm that corrective actions have been fully implemented. FHFA's written response, in its entirety, is included in Appendix II of this report.

APPENDIX I: METHODOLOGY.....

To accomplish our objective, we performed the following procedures:

- Reviewed Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government* (GAO-14-704G; September 2014)⁷ and determined that the risk assessment, control activities, and information and communication components of internal controls were significant to this objective. We focused on the underlying principles that management should: (1) identify, analyze, and respond to risks related to achieving the defined objectives; (2) design control activities to achieve objectives and respond to risks; (3) implement control activities through policies; (4) use quality information to achieve the entity’s objectives.
- Reviewed the following laws and regulations to determine the requirements applicable to FHFA’s oversight of Fannie Mae’s multifamily mortgage seller/servicer and portfolio monitoring functions:
 - The Housing and Economic Recovery Act of 2008, 12 U.S.C. § 4517
 - The Safety and Soundness Act of 1992, 12 U.S.C. 4501, et seq.
 - Prudential Management and Operations Standards, 12 C.F.R. § 1236
- Reviewed the following supervisory planning documents to determine DER’s key concerns and supervisory activities for Fannie Mae’s risk management pertaining to its multifamily seller/servicer and portfolio monitoring functions for each year in our audit scope period:
 - FHFA, Fannie Mae Risk Assessment (2022-2024)
 - FHFA, DER Supervisory Priorities (2022-2024)
 - FHFA, Supervision Plan for Fannie Mae (2022-2024)
 - FHFA, DER Supervisory Strategy and Exam Priorities (2022-2024)

⁷ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G) issued in September 2014 was applicable during our audit scope. The 2014 version has been superseded by GAO’s *Standards for Internal Control in the Federal Government* (GAO-25-107721) which was issued in May 2025 and is effective beginning in fiscal year 2026.

- Identified the following as FHFA supervisory guidance for the Enterprises' multifamily seller/servicer and portfolio monitoring functions and used this guidance to identify significant multifamily seller/servicer and portfolio monitoring risk management processes. As part of our testing, we identified 20 risk management processes from the following four ABs that were relevant to our audit objective:
 - AB 2018-05, *Oversight of Multifamily Seller/Servicer Relationships* (August 2018)
 - AB 2018-08, *Oversight of Third-Party Provider Relationships* (September 2018)
 - AB 2013-01, *Contingency Planning for High-Risk or High-Volume Counterparties* (April 2013)
 - AB 2015-07, *Fraud Risk Management* (September 2015)
- Reviewed the following FHFA and DER examination guidance documents to identify general requirements for conducting DER supervisory activities:
 - DER OPB, *Enterprise Supervisory Risk Assessments* (February 2020) and DER OPB, *Risk Assessments* (April 2022)
 - DER OPB, *Supervisory Planning – Pilot program* (September 2021) and DER OPB, *Supervisory Planning* (November 2022)
 - DER OPB, *Targeted Examinations* (December 2020; updated August 2022)
 - DER OPB, *Monitoring* (December 2020) and *Ongoing Monitoring* (April 2022)
 - FHFA, Examination Practices Bulletin (EPB) 2014-01, *Sampling Practices in Examinations* (February 2014)
 - DER OPB, *Independent Quality Control Process* (February 2020) and *Quality Control Program* (March 2023; updated October 2024)
 - DER OPB, *Adverse Examination Findings* (January 2022; updated November 2022)

- Identified relevant examination guidance used within the supervisory activities conducted during our audit scope period related to Fannie Mae’s multifamily seller/servicer and portfolio monitoring functions including:
 - FHFA, Multifamily Credit Risk Management Module and Work Program (March 2020)
 - FHFA, Credit Risk Module and Work Program (March 2020)
 - FHFA, Multifamily Credit Loss Management Module and Work Program (2013)
 - FHFA, Counterparty Credit Risk Management Module and Work Program (March 2020)
 - FHFA, Oversight of Third-Party Provider Relationships Module and Work Program (March 2020)
 - FHFA, Multifamily Mortgage Underwriting and Acquisitions Module and Work Program (December 2014)
 - FHFA, Enterprise-wide Risk Management Work Program (March 2020)
 - FHFA, Fraud Work Program (March 2020)
- Reviewed prior OIG reports or other engagements to identify findings and recommendations related to the FHFA’s oversight of Fannie Mae’s multifamily mortgage seller/servicer and portfolio monitoring functions and determined there was no impact on our audit.
 - OIG, [*FHFA Has Taken Supervisory Actions to Address Deficient Multifamily Risk Management Practices at Freddie Mac, but Current Market Conditions Present Challenges*](#) (March 6, 2025) (EVL-2025-002)
 - OIG, [*Fannie Mae and Freddie Mac in the Multifamily Market*](#) (September 7, 2017) (WPR-2017-002)
 - OIG, [*FHFA Continues to Monitor and Assess the Adequacy of Fannie Mae’s Allowance for Loan Losses in Its Multifamily Line of Business*](#) (January 6, 2026) (EVL-2026-001)
- Interviewed DER personnel to gain an understanding of DER’s oversight of Fannie Mae’s multifamily mortgage seller/servicer and portfolio monitoring

functions. DER personnel included a Principal Associate Director, and Supervisory Examiners responsible for conducting examinations of Fannie Mae as well as a Supervisory Risk Analyst, and Principal Program Analyst. Obtained written responses, as needed, from DER personnel to address questions and observations related to our audit testing procedures.

- Reviewed DER’s supervisory planning activities for Fannie Mae, including risk assessments, supervisory strategies, and examination plans for the calendar years 2022 through 2024. We performed this review to determine whether DER documented an assessment of multifamily seller/servicer risks in each supervisory activity in accordance with DER OPBs. We then analyzed the examination procedures in each supervisory activity performed and compared them to FHFA advisory bulletins and Fannie Mae risk assessments to determine if the examinations provided effective coverage of the identified multifamily seller/servicer risks and risk management processes in accordance with FHFA guidance.
- Selected a judgmental, non-projectable sample of four targeted examinations, from a population of 11. Selections were based on the following: (1) targeted examinations that were directly related to multifamily selling/servicing risks; (2) targeted examinations that assessed Fannie Mae’s adherence to FHFA Advisory Bulletins; and (3) at least one targeted examination that focused on fraud related to multifamily selling/servicing. Since we focused on Fannie Mae’s seller/servicer and portfolio monitoring functions, we excluded three targeted examinations from the sample selection because they were not directly related to multifamily seller/servicers. We reviewed the sample to determine if (1) examination work steps were consistent with the objective; (2) examination work steps were consistent with supervisory planning activities; (3) examiners performed independent analyses; (4) examiners complied with EPB 2014-01, *Sampling Practices in Examinations* when sampling was used; (5) examination conclusions and findings were properly supported; (6) the examination documentation was properly reviewed and approved by the responsible officials; and (7) the examination documentation was subject to a quality control review, and if so, significant concerns raised were resolved timely.
- Selected a judgmental, non-projectable sample of closed and open MRAs from a population of [REDACTED]. We excluded [REDACTED] MRAs from the sample selection. Of these, [REDACTED] were excluded because our audit focused on seller/servicer and portfolio monitoring functions. The remaining [REDACTED] were excluded because not enough time passed since the MRAs were issued for us to evaluate DER’s oversight of Fannie Mae’s corrective actions. As such, our sample included [REDACTED] of [REDACTED] closed

MRAs and █ of █ open MRAs. We reviewed this sample to determine whether DER: ensured Fannie Mae implemented corrective actions to resolve the deficiencies identified, monitored, and closed (where applicable) the MRAs in compliance with DER OPB, *Adverse Examination Findings*.

We conducted this performance audit from March 2025 to March 2026, at our headquarters in Washington, D.C., in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX II: FHFA MANAGEMENT RESPONSE.....

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Federal Housing Finance Agency

MEMORANDUM

TO: James Hodge, Deputy Inspector General for Audits, Office of Inspector General

FROM: Christopher Bosland, Deputy Director, Division of Enterprise Regulation
CHRISTOPHER BOSLAND Digitally signed by CHRISTOPHER BOSLAND
Date: 2026.03.23 15:45:19 -04'00'

SUBJECT: Draft Audit Report: *DER Effectively Oversaw Fannie Mae's Multifamily Lenders and Loan Monitoring Activities, But Should Improve Documentation of its Sampling Approach*

DATE: March 23, 2026

Thank you for the opportunity to respond to the above-referenced Office of Inspector General (OIG) draft report (Report). The objective of the OIG audit was to determine whether FHFA's Division of Enterprise Regulation (DER) conducted effective oversight of Fannie Mae's multifamily mortgage seller/servicer and portfolio monitoring functions. The scope of the audit focused on DER's supervisory activities performed from January 1, 2022, to December 31, 2024, including (1) targeted examinations, (2) ongoing monitoring, and (3) the issuance, monitoring, and remediation of adverse findings related to multifamily seller/servicer and portfolio monitoring functions.

We are pleased that the Report found that DER conducted effective oversight of Fannie Mae's multifamily mortgage seller/servicer and portfolio monitoring functions. The Report also noted areas for improvement and made two recommendations, with which we agree.

Recommendation 1: *Update the DER OPB, Sampling Practices for Examination Activity Testing, to establish key attributes of the sample population that should be documented, to include the complete or targeted population size.*

Management Response: While FHFA believes that the *Sampling Practices for Examination Activity Testing* Operating Procedures Bulletin (OPB) already requires key attributes of the sample population to be documented, including the population, area of focus, sample size, and rationale for selecting each, FHFA agrees to amend the OPB for the sake of clarity. By May 29, 2026, DER will amend the OPB to include the complete or targeted population size as a key attribute that should be included in the examination activity workpapers when examiners perform testing using a sample.

Recommendation 2: *Ensure supervisors and examiners implement updates to the DER OPB, Sampling Practices for Examination Activity Testing, to include documenting key population attributes.*

Management Response: FHFA agrees with the recommendation. DER's Quality Control (QC) program is designed to provide reasonable assurance that examination work products conform to DER guidance by performing independent workpaper reviews. These reviews are conducted using standardized forms that incorporate applicable requirements, including those in DER OPBs. By May 29, 2026, DER will supplement its QC Review Report Forms to incorporate the OPB amendment as noted in the response to Recommendation 1.

I would like to acknowledge the professionalism and courtesy of the OIG staff who conducted this audit and thank you for your contributions to help the Agency improve its supervision program.

If you have any questions related to our response, please contact Eric Wilson.

cc: Ivan Bengtson
Eric Wilson

Federal Housing Finance Agency Office of Inspector General

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

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