Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises
Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises

Why OIG Did This Report

The Federal Housing Finance Agency’s (FHFA or the Agency) examination program is a primary means by which it supervises and regulates the housing government-sponsored enterprises (GSEs). An effective examination program is essential for the Agency to ensure that the GSEs operate in a safe and sound manner and serve as a reliable source of liquidity and funding for housing finance and community investment.

In a September 2011 evaluation report, we identified aspects of the Agency’s examination program that caused us to be concerned about its capacity to meet critical responsibilities. Specifically, we concluded that the Agency lacked a sufficient number of examiners and that many of its examiners had not been accredited through a professional commission program. Moreover, we observed that the Agency had recently reorganized its examination program to strengthen its oversight.

In this evaluation report, we provide an update on FHFA’s efforts to address the issues raised in our 2011 report. We focus primarily on FHFA’s oversight of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (together, the Enterprises), rather than the Federal Home Loan Banks (FHLBanks), due to the scale of the Enterprises’ activities and the potential risks they pose to taxpayers.

OIG’s Analysis and Findings

FHFA Initiatives to Strengthen its Examination Capacity

Since our 2011 report, FHFA has taken several steps to enhance its examination capacity. These include appointing a new team of examination executives, several of whom have prior experience in the Federal Reserve’s Division of Banking Supervision and Regulation.

Additionally, FHFA:

- Determined that its February 2011 reorganization of the GSE examination program had some flaws and inefficiencies that affected its operations. In 2012 and 2013, FHFA addressed these flaws and inefficiencies by consolidating most examination responsibility and staff in the Division of Enterprise Regulation’s (DER) core teams, and relocating the core teams from the Agency’s headquarters to the Enterprises’ facilities.

- Increased the number of its GSE examiners by about 9%, from approximately 131 in September 2011 to 143 in October 2013; and emphasized hiring examiners with prior experience at other federal financial regulators. FHFA said that as of October 1, 2013, the Enterprise core teams were at their authorized levels of 32 for Fannie
Mae and 29 for Freddie Mac, including anticipated new hires (FHFA later authorized several additional examiner positions for the Fannie Mae core team).

- Developed, and is in the early stages of implementing, an examiner commission program. Initial enrollment data indicate that examiner interest in the commission program is high.

**FHFA Has Not Yet Developed a Systematic Process to Determine the Appropriate Size of its Enterprise Examination Core Teams**

FHFA’s recent revisions to its examination program are based upon the examination approaches for large banks employed by other federal financial regulators, including the Office of the Comptroller of the Currency (OCC). Unlike the OCC, however, FHFA does not employ a systematic and documented process to determine the appropriate size of its Enterprise core teams. Instead, FHFA sets the size of its core teams pursuant to an undocumented process that appears to be based largely upon its executives’ judgment and budgetary considerations.

We conducted a limited assessment of FHFA’s implementation of its calendar year 2013 examination plans for the Enterprises and determined that many planned activities were either completed or in-process. However, we noted that one of the two Enterprise core teams had rescheduled about 40% of its targeted examinations to the fourth quarter of 2013. As a result, some of the team’s exams may not be completed until 2014, although the team initially planned to complete most of them during 2013.

FHFA officials said that the core teams’ annual examination plans are subject to revision based upon management’s assessment of changing priorities and resource requirements. However, without a systematic process by which to set the size of its core teams, FHFA cannot be assured that they are adequately staffed to conduct planned examination activities on a timely and thorough basis. Indeed, the Examiners-in-Charge of both core teams told us that limited examination resources and staff turnover adversely affected their operations during 2013.

**What OIG Recommends**

We recommend that, among other things, FHFA develop a systematic process by which to ensure that the Enterprise core teams have the staffing necessary to execute their annual examination plans. FHFA agreed with this recommendation.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABBREVIATIONS</td>
<td>6</td>
</tr>
<tr>
<td>PREFACE</td>
<td>7</td>
</tr>
<tr>
<td>DISCUSSION AND ANALYSIS</td>
<td>9</td>
</tr>
<tr>
<td>FHFA’s 2012 and 2013 Revisions to the 2011 Reorganization of its Housing GSE Examination Structure</td>
<td>9</td>
</tr>
<tr>
<td>FHFA’s Initial Examination Structure and its 2011 Reorganization</td>
<td>9</td>
</tr>
<tr>
<td>FHFA Executives Identified Weaknesses in Certain Aspects of the 2011 Reorganized Examination Structure</td>
<td>11</td>
</tr>
<tr>
<td>FHFA’s 2012 and 2013 Revisions to the Examination Structure</td>
<td>11</td>
</tr>
<tr>
<td>FHFA Officials Believe that the Revisions Strengthened the GSE Examination Program, but they also May Have Resulted in some Short-Term Disruptions</td>
<td>12</td>
</tr>
<tr>
<td>FHFA Has Increased the Size of its Examination Corps Incrementally with a Focus on Recruiting Experienced Staff</td>
<td>13</td>
</tr>
<tr>
<td>2011 OIG Examination Capacity Report Findings</td>
<td>13</td>
</tr>
<tr>
<td>The Overall Number of FHFA Examiners Has Increased</td>
<td>14</td>
</tr>
<tr>
<td>DER’s Enterprise Core Teams Were Fully Staffed as of October 2013</td>
<td>15</td>
</tr>
<tr>
<td>OIG’s Initial Assessment of FHFA’s Implementation of its Calendar Year 2013 Examination Plans for the Enterprises</td>
<td>16</td>
</tr>
<tr>
<td>FHFA’s 2013 Enterprise Examination Planning Process</td>
<td>17</td>
</tr>
<tr>
<td>Enterprise Core Teams Provided Documentation to Varying Degrees for Nearly All Ongoing Monitoring Activities in our Sample</td>
<td>18</td>
</tr>
<tr>
<td>Majority of Targeted Examinations Were Ongoing or Yet To Be Started as of September 2013</td>
<td>19</td>
</tr>
<tr>
<td>FHFA Officials Said that Examination Schedules Are Intended To Be Flexible</td>
<td>20</td>
</tr>
<tr>
<td>FHFA’s Development and Initial Implementation of its Examiner Commission Program</td>
<td>21</td>
</tr>
<tr>
<td>FINDING</td>
<td>23</td>
</tr>
</tbody>
</table>
FHFA Lacks a Systematic Process for Establishing the Appropriate Size of its Enterprise Examination Core Teams ......................................................................................23

CONCLUSIONS............................................................................................................................25

RECOMMENDATIONS...............................................................................................................25

OBJECTIVE, SCOPE, AND METHODOLOGY .........................................................................26

APPENDIX A................................................................................................................................28
   FHFA’s Comments on OIG’s Finding and Recommendation ..................................................28

APPENDIX B ................................................................................................................................30
   OIG’s Response to FHFA’s Comments .................................................................................30

ADDITIONAL INFORMATION AND COPIES .........................................................................31
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>COO</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>DBR</td>
<td>Division of Federal Home Loan Bank Regulation</td>
</tr>
<tr>
<td>DEPS</td>
<td>Division of Examination Programs and Support</td>
</tr>
<tr>
<td>DER</td>
<td>Division of Enterprise Regulation</td>
</tr>
<tr>
<td>DHMG</td>
<td>Division of Housing Mission and Goals</td>
</tr>
<tr>
<td>DSPS</td>
<td>Division of Supervision Policy and Support</td>
</tr>
<tr>
<td>EIC</td>
<td>Examiner-In-Charge</td>
</tr>
<tr>
<td>Enterprises</td>
<td>Fannie Mae and Freddie Mac, collectively</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>Federal National Mortgage Association</td>
</tr>
<tr>
<td>FDIC</td>
<td>Federal Deposit Insurance Corporation</td>
</tr>
<tr>
<td>FHFA or Agency</td>
<td>Federal Housing Finance Agency</td>
</tr>
<tr>
<td>FHLBank</td>
<td>Federal Home Loan Bank</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>Federal Home Loan Mortgage Corporation</td>
</tr>
<tr>
<td>GSE</td>
<td>Government-Sponsored Enterprise</td>
</tr>
<tr>
<td>HERA</td>
<td>Housing and Economic Recovery Act of 2008</td>
</tr>
<tr>
<td>HFE</td>
<td>Housing Finance Examiner</td>
</tr>
<tr>
<td>OCC</td>
<td>Office of the Comptroller of the Currency</td>
</tr>
<tr>
<td>OIG</td>
<td>Federal Housing Finance Agency Office of Inspector General</td>
</tr>
</tbody>
</table>
Since September 2008, FHFA has been the conservator of Fannie Mae and Freddie Mac, which own or guarantee about $5 trillion in mortgage assets. As their conservator, FHFA must ensure that the Enterprises carry out their primary mission to provide liquidity to the housing finance system and do so in a safe and sound manner. At the same time, FHFA oversees the 12 FHLBanks which have collectively had about $775 billion in assets. The Agency must also ensure that they operate in a safe and sound manner consistent with their housing and community development missions.

According to FHFA, on-site safety and soundness examination is the primary tool that it employs to assess the financial condition, performance, and operations of its regulated entities. In a September 2011 evaluation report, we noted that FHFA had recently reorganized its examination program to address deficiencies in its prior organizational structure. We also identified two concerns about the Agency’s examination program capacity. Specifically, we reported that FHFA:

- Had examination staff shortages that adversely affected the quality of its GSE examinations; and
- Lacked an examiner commission program with only a relatively small percentage of its examiners having been commissioned elsewhere, and that these things impeded the efficiency of its examination program.

We initiated this evaluation to provide an update on FHFA’s efforts to address the issues identified in our 2011 report. Specifically, this evaluation report updates: (1) FHFA’s efforts to ensure that an effective organizational structure for examinations is in place; (2) the level of examiner staffing and its impact on FHFA’s ability to carry out established responsibilities;

---

1 On September 6, 2008, FHFA, as authorized by the Housing and Economic Recovery Act of 2008 (HERA), placed the Enterprises into conservatorships. See Public Law No. 110-289 § 1145.


4 As explained in this report, an examiner commission program involves structured classroom instruction and on-the-job training that results in an individual receiving a commission or accreditation as an examiner. Other federal financial regulators, such as the OCC and Federal Deposit Insurance Corporation, generally require their examiners to be commissioned or enrolled in their in-house commission programs.
and (3) the Agency’s development and implementation of the examiner commission program. The report focuses primarily upon FHFA’s examination oversight of the Enterprises given the magnitude of their activities and the potential risks they pose to taxpayers.

This evaluation report was prepared by Wesley M. Phillips, Senior Policy Advisor; Beth Preiss, Program Analyst; Jon Anders, Program Analyst; and Eric Nguyen, Senior Auditor. We appreciate the cooperation of all those who contributed to this effort.

This evaluation report has been distributed to Congress, the Office of Management and Budget, and others, and will be posted on OIG’s website, www.fhfaoig.gov.

Richard Parker
Deputy Inspector General for Evaluations
DISCUSSION AND ANALYSIS

FHFA’s 2012 and 2013 Revisions to the 2011 Reorganization of its Housing GSE Examination Structure

As described in our 2011 report, FHFA reorganized its examination program in February of that year in order to strengthen its oversight of the housing GSEs. During this evaluation, however, senior FHFA officials told us that certain aspects of the 2011 reorganization resulted in examination inefficiencies. Accordingly, in August 2012 and May 2013 FHFA made further structural revisions to its examination program. Although FHFA officials believe that an effective examination structure is now in place, the significant number of examiner transfers associated with these revisions appears to have resulted in some short-term disruptions in the program.

FHFA’s Initial Examination Structure and its 2011 Reorganization

FHFA was initially organized with two divisions responsible for conducting examinations of the housing GSEs: the Division of Enterprise Regulation (DER), which was responsible for oversight of Fannie Mae and Freddie Mac, and the Division of Federal Home Loan Bank Regulation (DBR), which was responsible for oversight of the FHLBanks;\(^5\) see Figure 1.\(^6\) FHFA officials said that the two divisions employed inconsistent approaches to examining the housing GSEs.

\(^5\) FHFA was created by combining the Office of Federal Housing Enterprise Oversight, the predecessor organization of DER; the Federal Housing Finance Board, the predecessor organization of DBR; and the government-sponsored enterprise mission office of the Department of Housing and Urban Development.

\(^6\) Source: FHFA. This is a simplified depiction of FHFA’s examination structure.

In 2011, FHFA officials told us that HERA requires FHFA to maintain separate divisions for Enterprise and FHLBank System oversight.
In February 2011, FHFA’s Acting Director announced a reorganization of the Agency’s examination structure to address these deficiencies. Although the reorganization kept DER and DBR intact, it created a new division, the Division of Examination Programs and Support (DEPS) (see Figure 2).\(^7\)

DEPS’s primary responsibilities were to create common examination policies and procedures; establish a corps of examiners who would augment DER’s **Enterprise examination core teams** and DBR’s FHLBank examination teams;\(^8\) and build an examiner commission program. DEPS’s examiner corps assessed credit risk, market risk, operational risk, and modeling and reported to DEPS’s Deputy Director. The Acting Director also established a supervision committee, which was comprised of the Deputy Directors for DER, DEPS, DBR, and the Division of Housing Mission and Goals (DHMG). The committee was charged with coordinating, approving, and monitoring the implementation of FHFA’s examination programs and mission oversight.\(^9\)

---

\(^7\) Source: FHFA. This is a simplified depiction of FHFA’s examination structure.

\(^8\) DBR’s FHLBank safety and soundness examination program is managed by three Associate Directors who oversee 15-person examination core teams. DBR examination core teams are assigned to specific FHLBanks, which they review annually through on-site examinations that typically last for six weeks.

\(^9\) DHMG is primarily responsible for overseeing the housing mission of the Enterprises and the FHLBanks. The Division also conducts policy development and analysis, and oversees GSE housing and regulatory policy.
FHFA Executives Identified Weaknesses in Certain Aspects of the 2011 Reorganized Examination Structure

In November 2011, FHFA appointed two executives to serve as the Agency’s Chief Operating Officer (COO) and Deputy Director for DER. Although these executives did not have direct experience with FHFA’s predecessor agencies in conducting housing GSE oversight, they had years of experience in the Federal Reserve’s Division of Banking Supervision and Regulation.¹⁰

The Acting Director, as well as the COO and Deputy Director, told us that they identified opportunities for improvement in certain aspects of the 2011 reorganization to the Agency’s examination program during the calendar year 2012 Enterprise examination cycle. Specifically, dividing Enterprise examination responsibilities between DER and DEPS resulted in inefficiencies. While DER and DEPS sought to coordinate the examination teams, the process was inefficient. For example, an FHFA official said in one case DEPS and DER concurrently opened examinations of an Enterprise’s management of particular risks associated with one of its business lines.

FHFA’s 2012 and 2013 Revisions to the Examination Structure

Given these inefficiencies, FHFA’s Acting Director revised the examination program in August 2012. DEPS was the focus of the revisions. It became the Division of Supervision Policy and Support (DSPS),¹¹ and its responsibility for conducting separate examinations was largely removed.¹² DSPS continues to be responsible for developing an examiner commission program and developing unified examination policies and procedures.

¹⁰ Large commercial banks tend to have more complex business structures than the Enterprises, which generally focus on purchasing qualifying mortgages, packaging them into mortgage-backed securities or holding the mortgages in their portfolios, and engaging in associated capital markets activities such as hedging interest-rate risks.

¹¹ The Acting Director appointed the DSPS Deputy Director in January 2013. She had served previously as Assistant Deputy Director for DER; before joining FHFA she was a Senior Vice President at a major bank and held a variety of positions with the Federal Reserve.

¹² DSPS continues to conduct examinations involving the GSEs’ internal audit departments.
The Agency consolidated authority for Enterprise examinations in the DER core teams and many DSPS examiners were transferred to either DER or DBR; see Figure 3. Examiners transferred to DER were given the option of choosing the core team to which they would be assigned. Moreover, (1) DER core team staff members were generally required to relocate from FHFA’s headquarters to either Fannie Mae’s headquarters, located elsewhere in Washington, D.C., or Freddie Mac’s headquarters in McLean, Virginia, and (2) FHFA opened an examination office within a Fannie Mae operations center in Dallas, Texas.

In May 2013, FHFA further revised its examination program by reassigned DSPS risk modeling staff to DER and DBR.

**FHFA Officials Believe that the Revisions Strengthened the GSE Examination Program, but they also May Have Resulted in some Short-Term Disruptions**

FHFA officials said that the revisions to the structure of its examination program will result in increased efficiency, effectiveness, and accountability. In particular, the Examiners-in-Charge (EIC) of the Agency’s Fannie Mae and Freddie Mac core teams are now clearly responsible and accountable for all aspects of the examination process. Moreover, each EIC serves as the single point of supervisory contact

---

13 The revisions also consolidated FHLBank examination oversight in DBR.

FHFA appointed a new Deputy Director for DBR in 2013. He had served previously as the Acting Deputy Director for DSPS, managed the risk modeling units in DSPS and DEPS, and was employed by the Federal Housing Finance Board prior to the establishment of FHFA in July 2008.

14 Source: FHFA. This is a simplified depiction of FHFA’s examination structure.

15 In 2012, DER appointed a new EIC of the Fannie Mae core team who comes with many years of experience with the Federal Reserve System. DER also changed the leadership of the Freddie Mac core team in late 2011 when it appointed an EIC who has years of experience as an Associate Director in DBR.
for the Agency with the Enterprises. This helps ensure consistent communications. Further, FHFA said the new structure is similar to that used by the Federal Reserve System and the OCC for the large commercial banks they supervise.\(^\text{16}\)

Although FHFA officials believe an effective examination structure is now in place, the fact that the Agency revised its program three times over a three-year period appears to have caused some short-term disruptions in the examinations process. In particular, the August 2012 revisions resulted in many examiner reassignments to new positions and locations.\(^\text{17}\) An FHFA official told us that these transfers resulted in some attrition among examiner staff.

**FHFA Has Increased the Size of its Examination Corps Incrementally with a Focus on Recruiting Experienced Staff**

Our 2011 examination capacity report concluded that examiner staffing shortages impeded the efficiency and effectiveness of the Agency’s housing GSE examination program. Since 2011, FHFA has increased its total number of examiners incrementally from approximately 131 to 143, an increase of about 9%. Senior FHFA officials said in mid-2013 that the number of examiners assigned to Enterprise oversight was generally sufficient and further modest increases might be appropriate. They also said that (1) FHFA has focused on hiring experienced staff recently; and (2) the Agency’s broader supervision and oversight resources and activities must also be considered in assessing its capacity to supervise the Enterprises.

**2011 OIG Examination Capacity Report Findings**

Our 2011 report concluded that the Agency lacked a sufficient number of examiners to ensure the safety and soundness of the housing GSEs. Due to limited examiner staffing, the Agency had not examined higher risk areas such as the Enterprises’ management of real estate owned properties.\(^\text{18}\) Further, the Agency had fallen behind in meeting certain examination schedules, and it did not conduct sufficient transaction testing during examinations.\(^\text{19}\)

\(^{16}\) The Federal Reserve has jurisdiction over banks that are members of the Federal Reserve System as well as most bank holding companies. OCC is an independent bureau of the Department of Treasury that charters, regulates, and supervises national banks.

\(^{17}\) According to OIG analysis of FHFA data, 102 of the 119 non-executive examiners employed by the Agency in 2011 were still employed in examinations in March 2013. However, only 61 of these 102 examiners were employed in the same division in which they served in 2011, including 40 examiners who remained in DBR. Of the 41 examiners who switched divisions: 13 went from DEPS to the Fannie Mae core team; 12 went from DEPS to the Freddie Mac core team; 9 went from DEPS to DBR; and the remaining 7 made various other transfers. Fourteen risk modeling staff members who remained in DSPS were affected by a subsequent organizational revision in May 2013.

\(^{18}\) See *2011 OIG Examination Capacity Report*, at 18, 19. Real estate owned properties are foreclosed properties owned by government agencies or companies, such as the Enterprises. Such properties represent
**The Overall Number of FHFA Examiners Has Increased**

FHFA data indicate that since September 2011 the number of executive and non-executive examiners has increased by about 9%, from approximately 131 to 143 in October 2013.\(^{20}\) The 143 examiners are primarily assigned to DER and DBR, although 10 examiners are assigned to DSPS (see Figure 4).\(^{21}\)

FHFA officials emphasized that staff members within each of the three divisions support the Agency’s examination program.\(^{22}\) In particular, DSPS staff members may conduct or support GSE examinations in the following ways, among others:

---

\(^{19}\) Transaction testing is the method employed by examiners to arrive at independent judgments about the financial condition of an Enterprise, as well as its compliance with applicable laws and regulations. An example of transaction testing would be reviewing a regulated entity’s loan files to test the veracity of statements made by its managers. Given FHFA’s examination shortages in 2011, FHFA officials said that the Agency often accepted the assertions of Enterprise officials rather than validating them through appropriate transaction testing. An FHFA official advised that transaction testing was deficient in areas such as underwriting, quality control for new loans, and default asset management. See 2011 OIG Examination Capacity Report, at 21.

\(^{20}\) Our 2011 report focused on the number of non-executive examiners, which in 2011 numbered approximately 120. FHFA data indicate that there were 130 non-executive examiners in early October 2013. The 2011 numbers are imprecise because, as we noted in the 2011 report, FHFA was unable to provide accurate data on the number of examiners it then employed. The situation at present is also imprecise because within FHFA different methodologies are used to calculate the number of examiners for different purposes. In Figure 4, we use FHFA Human Resources’ calculations in which employees in the financial institution examining job series are counted as examiners.

\(^{21}\) Source: FHFA Human Resources. Note: One examiner transferred from DSPS to the DER Fannie Mae core team in early October 2013. DER received approval to hire additional examiners in the following month.

\(^{22}\) DBR’s examination support staff includes members of the Office of FHLBank Monitoring and Analysis, which is comprised of policy staff, risk modelers, and risk analysts, among others.
The Office of the Chief Accountant assesses the Enterprises’ and FHLBanks’ compliance with Generally Accepted Accounting Principles and Agency guidance, and conducts examinations of their internal audit departments and internal controls for financial reporting;

- The Office of Risk Analysis and Office of Systemic Risk conduct market surveillance, emerging risk identification, and off-site risk analysis, as well as provide on-site assistance in particular risk areas on an ad hoc basis;

- The Office of Supervisory Policy develops and issues guidance that establishes the Agency’s standards for risk management in key areas, is finalizing a common examination manual for DER and DBR, and developed and implemented the examiner commission program discussed below; and

- The Office of Supervisory Information Systems develops and maintains data systems that are used by the GSE examination teams.

In addition, the Deputy Director for DER stressed that other groups within FHFA, such as DHMG and the Office of Conservatorship Operations, play a key role in the Agency’s overall supervisory processes. He and other FHFA officials said that these units and their staff resources must also be considered when assessing the Agency’s capacity to ensure GSE oversight.

**DER’s Enterprise Core Teams Were Fully Staffed as of October 2013**

As of October 1, 2013, FHFA’s authorized staffing levels were at 32 for the Fannie Mae core team and 29 for the Freddie Mac core team. According to FHFA, the core teams were at their authorized levels by late October 2013, including anticipated new hires.

In mid-2013, FHFA’s COO and DER Deputy Director said that, as a general matter, the Enterprise examination core teams were staffed sufficiently. However, the COO added that FHFA would consider increasing the size of the core teams if DER made such a request. Some FHFA officials also stated that it was the Agency’s intention to increase the Enterprise core teams to 35 members each.

---

23 FHFA’s Office of Conservatorship Operations is responsible for assisting the FHFA Director in preserving and conserving the Enterprises’ assets and property. This includes monitoring the development of major policy and business decisions within the Enterprises and highlighting reputational and other risks associated with business decisions.

24 As discussed below, FHFA has not established a systematic process by which to determine the appropriate size of its Enterprise core teams.

25 The Fannie Mae core team gained one examiner in October 2013 and planned to hire two more examiners in November, which would bring the core team’s size to 35 members.
With respect to the size of the core teams, FHFA officials said that the Agency’s recent structural revisions permitted it to conduct examinations more efficiently with current examination staff than was possible for the Agency at the time of our 2011 evaluation report. Further, the DER Deputy Director said that FHFA has sought to hire experienced examiners in recent years and to increase the overall size of the core teams incrementally.

FHFA hiring data indicate that the Agency has recently recruited individuals with experience with federal financial regulators. From September 2012 through October 2013, FHFA hired 15 outside examiners for DER (14 for the Fannie Mae core team and 1 for the Freddie Mac core team) and 1 for DBR. Most of these examiners had experience that they gained at other federal regulatory agencies. According to FHFA, six of these examiners were commissioned previously by the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), or OCC.

**OIG’s Initial Assessment of FHFA’s Implementation of its Calendar Year 2013 Examination Plans for the Enterprises**

We agree that FHFA’s structural revisions of its examination program and the recent hiring of experienced examiners have the potential to strengthen the efficiency and effectiveness of its examination program. However, given the examination weaknesses we identified in 2011, we conducted a limited assessment of the DER core teams’ implementation of their 2013 examination plans. We did so to gain perspective on FHFA’s current capacity to fulfill its examination responsibilities.

Our assessment indicates that, in some respects, both core teams were executing their plans in line with their examination schedules. Nonetheless, one core team rescheduled the start of 38% of its scheduled examinations to the fourth quarter of 2013. According to FHFA officials, our observations regarding the timing of the core team’s examinations are not inconsistent with the Agency’s supervisory approach; that is, managers and EICs continually evaluate emerging risks and adjust examination priorities and schedules to meet changing circumstances. However, FHFA has not yet established a systematic process to determine the appropriate size of its Enterprise core teams and, therefore, lacks assurance that the rescheduling was not necessitated by limited examiner staffing.

---

26 The assessment was limited to determining, based upon available documentation, whether or not planned examination activities in the core teams’ calendar year 2013 annual examination plans were in process. We did not assess the quality or thoroughness of FHFA’s targeted examinations or ongoing monitoring activities, although we may do so in future audits and evaluations. See Objective, Scope, and Methodology for further information.
FHFA’s supervision handbook for the Enterprises notes that the Agency employs a risk-based approach to supervising them. 27 Under it, FHFA examines “how well the Enterprises identify, measure, understand, and control risks.” The Agency has available to it a variety of supervisory tools and enforcement authorities by which to compel the Enterprises to correct risk management deficiencies. 28 Alternatively, FHFA has the authority to direct the Enterprises to take corrective actions via its extensive conservatorship powers. 29

In planning its examinations of the Enterprises for calendar year 2013, DER officials prioritized the greatest risks facing them that were identified in planning sessions held in the fall of 2012. Agency officials told us that, following these sessions, the EICs crafted examination plans specific to their Enterprises. While the examination plans document work to be conducted in calendar year 2013, they have been revised over the course of the year in response to changing circumstances and priorities.

As shown in Figure 5, 30 the DER core team examination plans for the Enterprises included approximately 144 discrete items that were to be examined by way of ongoing monitoring activities, targeted examinations, and special projects. 31 Ongoing monitoring, which as of August 2013 represented 80% of the total number of all planned examination activities, generally involves broad assessments of Enterprise business practice and

27 See FHFA, Division of Enterprise Regulation Handbook (June 16, 2009) (online at http://www.fhfa.gov/webfiles/2921/DERHandbook21.pdf). FHFA is in the process of developing new combined examination modules for DER and DBR. The relevant overview module is not yet complete, but FHFA’s risk-based approach to examinations remains consistent with the earlier handbook.

28 For example, the Agency may issue a Matter Requiring Attention pursuant to which it may direct a housing GSE to correct identified actions within specified timeframes. FHFA may also impose a consent order upon a GSE. Such orders may be enforced by FHFA in a federal district court.

29 HERA authorizes FHFA to direct and control the Enterprises’ activities during their conservatorships.

30 Source: FHFA DER. Note: the core teams’ examination plans changed throughout the period of our review. The counts presented here represent an approximation of the total examination activities initiated or planned for calendar year 2013, as of the end of September 2013.

31 Special projects include assignments related to membership in task forces, working groups, and study committees, among other things.
risks. FHFA documents indicate that ongoing monitoring activities can include periodic meetings with Enterprise officials, reviews of reports, and more in-depth analyses of specific risk management practices. Targeted examinations typically involve in-depth transactional testing of a specific risk area or program. In our work, we have stated that the transaction testing associated with targeted examinations provides FHFA with a critical independent basis for assessing the housing GSEs’ financial operations, performance, and risk management.\(^{32}\)

### Enterprise Core Teams Provided Documentation to Varying Degrees for Nearly All Ongoing Monitoring Activities in our Sample

Our analysis of a sample of the Enterprise core teams’ documentation for calendar year 2013 indicates that nearly all ongoing monitoring activities appear to have been in process as of late September 2013.\(^{33}\) Specifically, the core teams provided documentation that indicates that 17 of the 20 ongoing monitoring activities in our sample were in process (see Figure 6).\(^{34}\)

One core team provided procedures memoranda for each ongoing monitoring activity in our sample.\(^{35}\) However, the other core team did not do so in a majority of the cases we reviewed.\(^{36}\) We observe that FHFA is taking steps to standardize documentation requirements for its ongoing monitoring activities.

### FIGURE 6. STATUS OF A SAMPLE OF FHFA’S ENTERPRISE ONGOING MONITORING ACTIVITIES AS OF SEPTEMBER 2013

<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Process</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
</tr>
</tbody>
</table>

\(^{32}\) See 2011 OIG Examination Capacity Report at 21.

\(^{33}\) We selected a proportional sample of nine ongoing monitoring activities from one FHFA core team and 11 from the other core team. This random sample was designed to be proportionally representative, but non-statistical. Accordingly, we employ the results to speak generally about the population of ongoing monitoring activities, but we do not project the results onto that population.

\(^{34}\) Source: OIG analysis based on documentation provided by FHFA DER.

The categories for ongoing monitoring activities are defined as follows:

- “In Process” activities are those for which FHFA provided documentation of planning or conducting examination work; and
- “Other” activities consist of two activities that had been reclassified and one that was planned for a future date.

\(^{35}\) A procedures memorandum is a document that sets forth the examination work to be conducted, such as interviewing Enterprise officials or reviewing periodic reports.
activities. Specifically, in late September 2013, FHFA established guidance requiring examiners to prepare procedures memoranda for all ongoing monitoring activities.37

**Majority of Targeted Examinations Were Ongoing or Yet To Be Started as of September 2013**

Our review showed that, as of late September 2013, the Enterprise core teams had completed seven targeted exams out of 23 such examinations scheduled to begin in the calendar year,38 see Figure 7.39 Moreover, we determined that 8 targeted examinations were in process to varying degrees and 8 (or 35%) were scheduled to begin in the fourth quarter of 2013.

Our analysis indicated that one core team accounted for six of the eight planned targeted examinations. Moreover, five of these six examinations had previously been scheduled to be initiated earlier in 2013 but were rescheduled to start in the fourth quarter of the calendar year. According to core team planning documentation, four of these examinations were initially expected to be completed during calendar year 2013.40 Our analysis suggests that some of these rescheduled examinations may not be completed until sometime in 2014.41

<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned</td>
<td>8</td>
</tr>
<tr>
<td>In Process</td>
<td>8</td>
</tr>
<tr>
<td>Completed</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

**FIGURE 7. STATUS OF FHFA’S ENTERPRISE TARGETED EXAMINATIONS AS OF SEPTEMBER 2013**

36 According to FHFA officials, the core team did not require procedures memoranda for ongoing monitoring activities in 2013.

37 This guidance is effective January 1, 2014.

38 We asked the core teams to provide documentation regarding the status of all 23 scheduled Enterprise targeted examinations identified in their 2013 examination plans. The core teams provided this documentation as of late September 2013.

39 Source: OIG analysis based on documentation provided by FHFA DER.

The categories for targeted examination are defined as follows:

- “Planned” targeted examinations are those that Agency documents show examiners planned to initiate during calendar year 2013, but for which FHFA provided no further documentation;
- “In Process” targeted examinations are those for which FHFA provided documentation of planning or conducting examination work; and
- “Completed” targeted examinations are those for which FHFA provided a formal closure memorandum documenting the examination’s findings and conclusions.

40 These four examinations accounted for 31% of the team’s 13 scheduled examinations in 2013. The other team planned to conduct 10 examinations in 2013.

41 We observe that the average length of FHFA’s seven completed targeted examinations was slightly longer than four months.
**FHFA Officials Said that Examination Schedules Are Intended To Be Flexible**

The DER Deputy Director said that our observations about examination timing were not inconsistent with the Agency’s supervisory approach. He explained that the core team examination plans established at the beginning of each calendar year are intended to be flexible and adaptable to changing circumstances. FHFA managers and EICs use their judgment to monitor examination priorities and assign examination resources to address them as necessary. In some cases, unanticipated supervisory requirements may divert examiners for a period of time from scheduled examinations. Moreover, DER has not set requirements for completing examinations within a calendar year. Instead, DER generally wants to finish examinations in time for the Agency’s annual report of examination for each Enterprise, which is typically produced in March. The DER Deputy Director said that FHFA would meet that target.

We recognize that examination plans must be flexible. However, as we discuss in the Finding section of this report, the Agency has not yet established a systematic process by which to determine the appropriate size of the Enterprise core teams. Therefore, FHFA cannot be assured as to the reasons for the rescheduling of examinations, which may include the lack of examination staffing resources necessary to execute the annual Enterprise examination plans on a timely basis. We believe it is important that FHFA address this limitation in its current examination program.

---


43 We also found documentation indicating that progress on at least two examination activities was hampered by a lack of resources.
FHFA’s Development and Initial Implementation of its Examiner Commission Program

Our 2011 report observed that only about one-third of FHFA’s non-executive examiners were commissioned examiners. Further, the Agency did not have an examiner commission program although it was in the early stages of developing one. By comparison, other federal financial regulators, such as the FDIC, generally require examiners to be commissioned or enrolled in a commission program. We concluded in 2011 that FHFA’s limited number of commissioned examiners reduced the efficiency of its examination program.

Over the past two years, FHFA developed its Housing Finance Examiner (HFE) Commission Program. To do so, an FHFA official said the Agency convened focus groups of its employees and consulted with other financial regulatory agencies to learn about their examiner commission programs.

In August 2013, FHFA opened its HFE Commission Program for enrollment. Classes were expected to begin in November 2013, and on-the-job training was expected to start in 2014. The program’s goal is to ensure that commissioned Agency examiners develop a uniform set of skills, qualifying them to lead examinations of major risk areas at Fannie Mae, Freddie Mac, and the FHLBanks.

The HFE Commission Program consists of:

- Internal classes on FHFA examination practices, credit risk, market risk and capital markets, model risk, operational risk, governance risk, capital adequacy, and earnings and accounting, among others;
- External classes offered by the Global Association of Risk Professionals and the Mortgage Bankers Association, with associated tests;

Commission Program: An examiner commissioning or accreditation program is a structured program of classroom and on-the-job training that provides examiners with technical competencies and practical examination experience. A commissioning program helps standardize examination processes and ensure the efficiency and effectiveness of examinations.

---

44 FHFA did not have a commission program at that time. These examiners received their commissions from other federal or state agencies prior to joining FHFA.

45 Initially, DEPS was responsible for establishing FHFA’s commission program. DSPS has been responsible for it since the 2012 organizational revision.

46 FHFA also employs examiners who limit their work to the FHLBank Affordable Housing Program. Since they are not considered “safety and soundness” examiners, they are not required to participate in the commission program. However, they may do so with appropriate supervisory approval.
• On-the-job training during which candidates perform substantial examination work; and
• A mock board presentation test regarding examination findings.

According to FHFA:

• Employees who were previously commissioned by another federal or state financial institution regulatory agency automatically receive an HFE Commission.\(^{47}\)
• Examiners hired on or before July 17, 2013, are not required to become commissioned. However, they can voluntarily enroll in the commission program with supervisor approval.\(^{48}\)
• FHFA examiners hired after July 17, 2013, without a previous commission must participate in the commission program and are expected to complete it within four years.\(^{49}\)

FHFA enrollment data for the HFE Commission Program suggests that initial examiner interest is high. As of September 23, 2013, 51 FHFA staff had volunteered to enroll in the program. Of these, 43 were examiners in DER or DBR, representing about one-third of FHFA’s examiners in these divisions. In addition, 59 FHFA examiners will receive HFE Commissions based on being commissioned previously. If many of the examiners who enrolled complete the program, it appears that FHFA will achieve a much higher percentage of commissioned examiners over the next several years than is the case today.\(^{50}\)

\(^{47}\) For employees hired before July 17, 2013, FHFA will automatically accept state commissions. After this date, FHFA will decide whether to accept state commissions on a state-by-state basis.

\(^{48}\) FHFA decided to make the program voluntary for examiners hired prior to July 17, 2013. An FHFA official explained that its introduction of the commission program did not serve to render currently serving examiners unqualified for their positions.

\(^{49}\) FHFA may waive certain program requirements based upon an individual’s education and experience.

\(^{50}\) Assuming all those enrolled complete the commission program, and FHFA’s 143 examiners remain in place with no additions or further enrollments, roughly 71% of FHFA’s examiners would be commissioned at the end of the four-year program.
FINDING

FHFA Lacks a Systematic Process for Establishing the Appropriate Size of its Enterprise Examination Core Teams

FHFA has taken a number of steps to strengthen its housing GSE examination program since 2011, but the Agency has not yet established a systematic process by which to ensure that its DER Enterprise core teams are adequately staffed to execute their annual examination plans in a timely and thorough manner. Consequently, FHFA cannot be assured that its core teams have sufficient capacity to meet their critical Enterprise oversight responsibilities.

Given that FHFA is developing its Enterprise examination program based upon the structures and practices of other federal financial regulators, we met with OCC officials and reviewed an OCC publication to learn more about its approach to the supervision of large national banks. As with FHFA, OCC co-locates its core teams on the premises of the large national banks that it regulates. OCC core teams have primary responsibility for conducting ongoing monitoring, targeted examinations, and other oversight activities for these banks.

OCC officials said that they have developed systematic processes for determining the appropriate size of core teams that are assigned to large national banks. A Deputy Comptroller for Large Bank Supervision told us that the individual in charge of examining the institution is responsible for developing a supervisory strategy and a written plan for it. He also said that the plans are very detailed and that they are reviewed by senior OCC officials to ensure that they adequately and appropriately cover each of nine identified risk areas. Based upon this planning process, OCC determines the number of core team examiners and other specialists required to conduct ongoing monitoring, transaction testing, and administration at each financial institution.

FHFA has not yet developed such a systematic process to determine the appropriate size of its Enterprise core teams. We asked FHFA to provide documentation that demonstrates how it determined the authorized sizes of the Enterprise core teams—32 for Fannie Mae and 29 for

---

51 We did not verify the steps OCC takes to set the size of examination teams.


53 OCC officials also told us that their examination teams typically cancel a small portion of their planned examination activities; such cancellations and postponements beyond their approved calendar quarter require the approval of a Deputy Comptroller.
Freddie Mac—as of October 1, 2013, including anticipated new hires. However, Agency officials said that such documentation was not available. Indeed, it appears that FHFA officials determine the sizes of the Agency’s Enterprise core teams based largely upon their judgment as to how many examiners are necessary and annual budget considerations. One FHFA official described the current process as “not too scientific.”

We believe the fact that one core team rescheduled many examinations to the fourth quarter of 2013 illustrates the potential effects associated with FHFA’s lack of a systematic process for determining the appropriate sizes of the teams. According to FHFA officials, rescheduling these examinations was not inconsistent with the Agency’s supervisory approach because the core teams’ plans are subject to revision based on changing circumstances. However, it is also possible that the core team lacked the staffing necessary to conduct the examinations on a timely basis while meeting other planned responsibilities. In fact, both EICs told us during the course of our evaluation that limited examination resources and staff turnover had adversely affected the operations of the core teams in 2013.54

The Deputy Director for DER said that the Agency is in the process of reviewing its resource requirements for the Enterprise core teams. He agreed that other federal financial regulators have systematic processes for linking examination plans to core team resources. Although FHFA has been in the process of upgrading its organization and processes for Enterprise oversight, he said that the Agency has not yet had time to develop such a systematic process for determining the core teams’ resource requirements. However, the Deputy Director said that FHFA recently initiated a review of examination resource requirements in preparation for future examination cycles. We believe that such a review, if linked to the examination planning processes, would be a positive step in ensuring that the Agency has the capacity to fulfill its important Enterprise oversight examination responsibilities.

54 For example, both EICs said that limited staffing in the core teams’ credit risk groups affected their capacity to assess Enterprise credit risks.
CONCLUSIONS

Since our 2011 report, FHFA has made a number of changes to its GSE examination oversight program to strengthen its capacity. Specifically, FHFA has appointed a new executive leadership team for GSE examination oversight as well as new EICs for the Enterprise core teams. Further, FHFA has made several additional structural revisions to its GSE examination program, hired staff with experience from other federal financial regulators, largely completed a common examination manual, and developed and begun the implementation of an examiner commission program. Although the structural and other initiatives have the potential to enhance FHFA’s examination oversight, it is too early to assess their effectiveness. We also believe that FHFA can take additional steps to ensure that its Enterprise core teams are adequately staffed and thereby better positioned to fulfill their critical examination oversight responsibilities.

RECOMMENDATIONS

We recommend that FHFA:

1. Review its implementation of the 2013 Enterprise examination plans and document the extent to which resource limitations, among other things, may have impeded their timely and thorough execution;

2. Develop a process that links annual Enterprise examination plans with core team resource requirements; and,

3. Establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.
OBJECTIVE, SCOPE, AND METHODOLOGY ........................................

The objective of this evaluation was to update the status of concerns identified in our 2011 report. Specifically, this evaluation report updates: (1) FHFA’s efforts to ensure that an effective organizational structure for examinations is in place; (2) the level of examiner staffing and its impact on FHFA’s ability to carry out established responsibilities; and (3) the Agency’s implementation of the examiner commission program.

To address this objective, we interviewed FHFA’s Acting Director; COO; Deputy Directors for DER, DSPS, and DBR; the Enterprise core team EICs; and others. We also interviewed the OCC’s Deputy Comptroller for Large Bank Supervision and reviewed a relevant agency publication to better understand the OCC’s examination planning processes.

In addition, we reviewed numerous FHFA documents on the number of examiners on board at the Agency and the status of its HFE commission program, as well as documentation of its examination plans for 2013 and status of selected examination activities.

As described in this report, we assessed FHFA’s implementation of its calendar year 2013 Enterprise examination plans as of September 2013. In doing so, we worked with the Enterprise core teams to account for revisions in the plans since their establishment earlier in the year. We requested that FHFA provide documentation of the status of all targeted examinations as well as a proportional sample of scheduled ongoing monitoring activities. Although we determined the status of targeted examinations and sampled ongoing monitoring activities, a limitation of our work is that we did not assess their compliance with established examination procedures or thoroughness.

Specifically, we selected a proportional sample of 9 ongoing monitoring activities from one FHFA core team and 11 from the other core team. This random sample was designed to be proportionally representative, but non-statistical. That is, we can use the results to speak generally about the population of ongoing monitoring activities but cannot project the results onto that population. The populations from which we selected our samples were less than the total population, primarily because for one core team we removed certain remediation activities for Matters Requiring Attention in which FHFA did not object to the Enterprise’s remediation plan. Such activities did not appear on the other core team’s examination plan.

We did not independently test the reliability of FHFA’s data.

This study was conducted under the authority of the Inspector General Act and is in accordance with the Quality Standards for Inspection and Evaluation (January 2012), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency. These standards require us to plan and perform an evaluation that obtains evidence sufficient
to provide reasonable bases to support its findings and recommendations. We believe that the finding and recommendations discussed in this report meet these standards.

The performance period for this evaluation was March 2013 to October 2013.
This memorandum responds to the FHFA-OIG’s evaluation report, *Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises (EVL 2013-0xx)*. FHFA appreciates the opportunity to respond to the FHFA-OIG’s report and recommendation. FHFA concurs with the FHFA-OIG regarding the importance of having adequate resources to fulfill our supervisory responsibilities and spent considerable time in 2013 recruiting additional examiners to fill existing and newly created positions. These positions also reflect FHFA’s funding commitment to Enterprise supervision in the years ahead.

As noted in the evaluation report, FHFA’s Division of Enterprise Regulation (DER), working closely with the Division of Supervision Policy and Support (DSPS), has undertaken a number of steps to strengthen the agency’s supervision of Fannie Mae and Freddie Mac since 2011. These steps include establishing onsite dedicated teams of examiners at both Enterprises, developing an examiner commission program, issuing supervisory policies and examination procedures, enhancing offsite analytic work to support examinations, and hiring individuals with significant supervisory experience to augment existing staff. In addition, other important efforts include establishing formal operating procedures for key aspects of the supervisory program, such as ongoing monitoring, and issuing in September 2013 an Operating Procedure Bulletin establishing a framework and systematic process for 2014 supervisory planning activities. In fact, the systematic process was used for the 2014 process, which will be completed in a matter of days.

It is important to note that FHFA’s supervisory program for the Enterprises is designed to be risk-focused, ensuring that examination work prioritizes areas identified as posing the greatest risk to the safety and soundness of the regulated entities and to the financial system. This is consistent with the supervisory approach of U.S. regulators of other large complex financial institutions. Within this framework, adjustments to examination schedules are both necessary and appropriate and are largely driven by emerging risks or unanticipated developments rather than inadequate resources as suggested by the FHFA-OIG. FHFA will continue to reschedule and make appropriate adjustments to its supervisory plans to timely incorporate new information and to maintain our effectiveness as a prudential regulator.
Recommendation 1 – FHFA should review its implementation of the 2013 Enterprise Examination plans and document the extent to which resource limitations among other factors may have affected their timely and thorough execution.

FHFA response: FHFA agrees that identifying lessons learned from the 2013 examination cycle is appropriate. In fact, many elements outlined in the Operating Procedure Bulletin on supervisory planning are based on an assessment of how to enhance prior practices and establish consistency within DER. As with other areas of our supervisory plan, we will consider ways to enhance FHFA’s planning processes on an ongoing basis and will complete this recommendation by December 1, 2014.

Recommendation 2 – FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.

FHFA Response: FHFA agrees with this recommendation. The planning process used for the 2014 supervisory plans already includes a view that links resource estimates with supervisory activities. FHFA will complete this process by April 30, 2014.

Recommendation 3 – FHFA should establish a strategy as practical to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.

FHFA Response: FHFA agrees with this recommendation. There is an ongoing process within DER and DSPS to assess resource needs based on supervisory planning efforts, new and emerging risks and regulatory requirements, and turnover. While this is an ongoing process, FHFA will complete the recommendation by December 1, 2014.
APPENDIX B

OIG’s Response to FHFA’s Comments

We consider FHFA’s comments on our report to be consistent with our recommendations, which will remain open until we are able to verify that they have been implemented.

FHFA continues to assert that readjustments to its examination schedules are driven largely by emerging risks and unanticipated developments rather than a lack of examination capacity. However, as detailed in our report, FHFA cannot be assured that lack of examination capacity did not render one of its core teams unable to complete several examinations in 2013 as originally planned. The actions that FHFA proposes to take in implementing our recommendations are likely to place it in a better position to make such determinations in future examination planning cycles.
ADDITIONAL INFORMATION AND COPIES

For additional copies of this report:

- Call: 202–730–0880
- Fax: 202–318–0239
- Visit: www.fhfaoig.gov

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

- Call: 1–800–793–7724
- Fax: 202–318–0358
- Visit: www.fhfaoig.gov/ReportFraud
- Write:
  
  FHFA Office of Inspector General
  Attn: Office of Investigation – Hotline
  400 Seventh Street, S.W.
  Washington, DC 20024