

Federal Housing Finance Agency
Office of Inspector General



**FHFA’s Public Reporting of the
Enterprises’ Progress Toward the
Objectives FHFA Set in the 2020
Conservatorship Scorecard
Lacked the Detail and Transparency
of Past Reporting**



EVL-2022-002

March 17, 2022

Executive Summary

In September 2008, the Federal Housing Finance Agency (FHFA or Agency) placed Fannie Mae and Freddie Mac (together, the Enterprises) into conservatorship after determining that their deteriorating earnings and capital threatened their ability to operate in a safe and sound manner and fulfill their statutory mission. As conservator, FHFA has the power to take actions necessary to put each Enterprise in a “sound and solvent condition,” and to take actions appropriate to carry on the Enterprises’ business, and to preserve and conserve their assets and property.

Since 2012, FHFA has published three strategic plans for the conservatorships – the initial plan was published in 2012 and subsequently updated and published in 2014 and 2019. According to FHFA, *The 2019 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac* “provides a framework for how FHFA intends to guide the Enterprises in accordance with statutory mandates.” Each year since 2012, FHFA has published a conservatorship scorecard tied to the conservatorship strategic plan in place at the time. The scorecard serves as an “essential tool” for communicating the Agency’s priorities and expectations to the Enterprises and holding them accountable for implementation of the conservatorship strategic plan.

From 2013 through 2019, FHFA also published an annual scorecard progress report, roughly a year after issuing the applicable conservatorship scorecard, to “provide further public transparency.” The progress reports detailed initiatives established by FHFA under its strategic plans for the conservatorships and described the progress of the Enterprises’ activities in furtherance of the goals set forth in applicable strategic plans.

We found that FHFA last published a scorecard progress report in 2019. FHFA staff informed us that prior FHFA leadership opted to rely on the Agency’s statutorily required annual report to Congress to inform public stakeholders about the 2019 and 2020 Scorecard priorities rather than issue a stand-alone progress report. One reason FHFA staff gave for this decision is the view within FHFA leadership at that time that the information on the conservatorships contained in the scorecard progress reports and the reports to Congress was duplicative.

Based on our comparison of the respective reports, we confirmed that the 2019 Report to Congress provided a level of detail on the Enterprises’ progress toward the scorecard initiatives that is comparable to the detail FHFA provided in prior scorecard progress reports. However, we found that FHFA fell short of its goal of “public transparency” in its 2020 Report to Congress, which contains significantly fewer details on the Enterprises’ progress toward scorecard goals



EVL-2022-002

March 17, 2022

than the 2019 Report to Congress. For example, the 2020 Report to Congress identifies the conservatorship goals but does not contain details about the 2020 Scorecard initiatives or describe the Enterprises' progress toward these goals with the level of specificity that FHFA provided in the 2019 Report to Congress and the scorecard progress reports.

As of 2019, FHFA had adopted a practice whereby the annual scorecard progress report served as the source of much of the information on the conservatorships that FHFA included in the annual report to Congress. However, we found that FHFA broke from that practice in 2021. When FHFA suspended preparation of the scorecard progress report for the 2020 Scorecard, it eliminated the document that had previously provided most of the content FHFA staff had relied on to draft the section in the report to Congress that described the Enterprises' activities in furtherance of the scorecard objectives.

Current FHFA leadership has not established an alternative practice or procedures to facilitate its reporting on the Enterprises' conservatorship activities. The FHFA Acting Director was appointed by the President on June 23, 2021, after publication of the 2020 Report to Congress on June 15, 2021. FHFA advised us that the Agency is developing reporting plans and has not yet made a determination on whether to reinstitute the publication of the scorecard progress reports. The current Deputy Director of FHFA's Division of Conservatorship Oversight and Readiness (DCOR), who has lead responsibilities on conservatorship matters, emphasized to us that he considers transparency to be important and is committed to addressing any gaps in information that should be included in the 2021 Report to Congress.

We make one recommendation in this report to address our findings. In a written management response, FHFA agreed with the recommendation.

This report was prepared by Jacob Kennedy, Senior Investigative Evaluator, with assistance from Jason Ramserran, Program Analyst. 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.

/s/

Kyle D. Roberts
Deputy Inspector General for Evaluations

TABLE OF CONTENTS

EXECUTIVE SUMMARY2

ABBREVIATIONS6

BACKGROUND7

 Conservatorship7

 FHFA’s Strategic Plans for the Conservatorships Establish Objectives7

 FHFA Uses Annual Scorecards to Establish Performance Expectations for the
 Enterprises That Are Tied to the Strategic Plans8

 FHFA’s Statutory Reporting Obligations and Its Prior Practice of Publishing
 Scorecard Progress Reports9

 The Annual Report to Congress and the Annual Report on the Conservatorships.....9

 FHFA Published Scorecard Progress Reports from 2013 to 2019 but Did Not
 Publish Them in 2020 or 202110

FACTS AND ANALYSIS.....10

 According to FHFA, the Purpose of the Scorecard Progress Reports from 2013 to
 2019 Was to Provide Public Transparency on the Enterprises’ Activities Relative to
 the Scorecards10

 FHFA’s 2020 Report to Congress Lacked the Level of Detail and Transparency on
 the Enterprises’ Progress Toward Scorecard Goals and Initiatives That FHFA
 Included in Previous Scorecard Progress Reports11

 FHFA Stopped Publishing Scorecard Progress Reports Because the
 Conservatorship-Related Information Duplicated the Information
 Contained in FHFA’s Annual Report to Congress.....11

 FHFA’s 2020 Report to Congress Did Not Provide the Level of Detail on the
 Enterprises’ Conservatorship Activities That the 2019 Report to Congress
 Provided.....12

 FHFA Does Not Have Written Procedures for Preparing the Content of the
 Conservatorship Section of the Annual Report to Congress and in 2021 Broke from
 Its Practice of Reporting Details of Enterprise Activities in Relation to
 Conservatorship Scorecard Goals.....12

 FHFA Is Under New Leadership and the Deputy Director of DCOR Is Committed to
 Transparency.....13

FINDINGS13

 The section in FHFA’s 2020 Report to Congress on the Enterprises’ progress toward achieving 2020 conservatorship objectives falls short of FHFA’s goal of transparency due to the lack of detail.13

 FHFA has not established reporting practices and procedures that facilitate compliance with the Agency’s statutory reporting obligations regarding the conservatorships.14

CONCLUSIONS.....14

RECOMMENDATION15

FHFA COMMENTS AND OIG RESPONSE.....15

OBJECTIVE, SCOPE, AND METHODOLOGY16

APPENDIX: FHFA MANAGEMENT RESPONSE.....17

ADDITIONAL INFORMATION AND COPIES19

ABBREVIATIONS

CSS	Common Securitization Solutions, LLC
DCOR	Division of Conservatorship Oversight and Readiness
Enterprises	Fannie Mae and Freddie Mac
FHFA or Agency	Federal Housing Finance Agency
Scorecard	Conservatorship Scorecard

BACKGROUND.....

Conservatorship

In September 2008, FHFA placed the Enterprises into conservatorship after determining that their deteriorating earnings and capital threatened their ability to operate in a safe and sound manner and fulfill their statutory mission.¹ FHFA succeeded to “all rights, titles, powers, and privileges of the [Enterprise], and of any stockholder, officer, or director” of each Enterprise. As conservator, the Agency has the power to take actions necessary to put each Enterprise in a “sound and solvent condition,” and to take actions appropriate to carry on the Enterprises’ business, and to preserve and conserve their assets and property.²

According to FHFA, conservatorship [of the Enterprises] “is intended to stabilize troubled institutions with the objective of maintaining normal business operations and restoring financial safety and soundness.” When acting as conservator, “FHFA has the powers of the management, boards, and shareholders of Fannie Mae and Freddie Mac” and, through defined delegations of authority to the Enterprises’ respective boards of directors, allows “Fannie Mae and Freddie Mac [to] continue to operate as business corporations.” FHFA states that it is:

[R]esponsible for the overall management of Fannie Mae and Freddie Mac and has informed the Enterprises which decision-making functions should be performed by the Enterprises’ boards of directors and/or management teams. The boards and management teams must consult with FHFA and obtain conservator approval as FHFA directs.³

FHFA’s Strategic Plans for the Conservatorships Establish Objectives

Since 2012, FHFA has published three strategic plans for the conservatorships – the initial plan was published in 2012 and subsequently updated and published in 2014 and 2019. According to FHFA, *The 2019 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac* (2019 Conservatorship Strategic Plan) “provides a framework for how FHFA

¹ See [Statement of FHFA Director James B. Lockhart at News Conference Announcing Conservatorships of Fannie Mae and Freddie Mac](#) (Sept. 7, 2008); [Statement by Secretary Henry M. Paulson, Jr. on Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers](#) (Sept. 7, 2008). Through the Senior Preferred Stock Purchase Agreements (PSPAs) with the U.S. Department of the Treasury (Treasury), as amended, each Enterprise was provided access to over \$200 billion of Treasury support. To date, the Enterprises together have received \$191.5 billion in taxpayer-funded draws under the PSPAs. See FHFA, *2020 Annual Report to Congress*, at 1 (June 15, 2021).

² See 12 U.S.C. §§ 4617 (b)(2)(A)(i), (b)(2)(B)(iv), and (b)(2)(D).

³ See FHFA’s webpage on Conservatorship – “FHFA’s Role as Conservator” (online [here](#)).

intends to guide the Enterprises in accordance with statutory mandates.”⁴ FHFA established three “broad objectives” in the plan to ensure that the Enterprises:

1. Focus on their core mission responsibilities to foster competitive, liquid, efficient, and resilient housing finance markets that support sustainable homeownership and affordable rental housing;
2. Operate in a safe and sound manner appropriate for entities in conservatorship; and
3. Prepare for their eventual exit from the conservatorship.

FHFA Uses Annual Scorecards to Establish Performance Expectations for the Enterprises That Are Tied to the Strategic Plans

Each year since 2012, FHFA has published a conservatorship scorecard that is tied to the conservatorship strategic plan in place at the time. The Agency describes the scorecards as “an essential tool in holding the Enterprises accountable for the Strategic Plan’s effective implementation” and its “mechanism for communicating its priorities and expectations for the Enterprises **and providing transparency to the public** about these expectations.”⁵ (Emphasis added.) When FHFA released the 2020 Conservatorship Scorecard for the Enterprises and Common Securitization Solutions, LLC (CSS) in conjunction with the 2019 Conservatorship Strategic Plan, it said that the scorecard “aligns tactical priorities and execution at the Enterprises to the [Conservatorship] Strategic Plan.”⁶ FHFA develops the conservatorship scorecards with input from senior leadership and different divisions across the Agency.⁷ The conservatorship scorecards are developed in tandem with nonpublic, internal “scorecard guidance” to the Enterprises and CSS that establishes detailed quarterly targets and measures for each scorecard objective.⁸

⁴ FHFA, [2019 Conservatorship Strategic Plan](#), at 1. These strategic plans provide a “vision for FHFA’s implementation of its obligation as conservator of the Enterprises.” See also FHFA, [The 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac](#), at 5 (May 13, 2014).

⁵ See FHFA’s webpage on Conservatorship (online [here](#)).

⁶ FHFA has also stated that the scorecard “establish[es] performance goals for the Enterprises that would further [the] three strategic goals” set forth in the strategic plan. See FHFA, [A Progress Report on the Implementation of FHFA’s Strategic Plan for Enterprise Conservatorships](#), at 1 (Nov. 25, 2013); and [2019 Conservatorship Strategic Plan](#), at 2.

⁷ FHFA’s process for developing the scorecard, including roles and responsibilities and approval authority, is established in an internal procedures document first drafted in June 2016 and subsequently updated in February 2018 and July 2021.

⁸ FHFA established the same process for developing the scorecard for the Enterprises and CSS. This report focuses on the Enterprises.

FHFA's Statutory Reporting Obligations and Its Prior Practice of Publishing Scorecard Progress Reports

The Annual Report to Congress and the Annual Report on the Conservatorships

FHFA is required to provide an annual report to its Congressional oversight committees, the Committee on Financial Services of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate.⁹ The annual report to Congress must include, among other things, “a description of the actions taken, and being undertaken, by the Director to carry out this chapter” and “a description of the financial safety and soundness of each regulated entity.”¹⁰

A separate requirement, specific to the conservatorships, is for FHFA to “maintain a full accounting” of each conservatorship “consistent with the accounting and reporting practices and procedures established by the Agency.”¹¹ Further, FHFA must make “an annual accounting or report available to the Board, the Comptroller General of the United States, the Committee on Banking, Housing and Urban Affairs of the Senate, and the Committee on Financial Services of the House of Representatives.”¹² The relevant statutory language does not specify the content expected to be included in this “annual accounting or report,” but states that “any report prepared under [this provision] shall be made available by the Agency upon request to any shareholder of a regulated entity or any member of the public.”¹³

According to FHFA's Deputy General Counsel, FHFA does not prepare a separate annual report on the conservatorships; instead, FHFA's annual report to Congress contains information on the conservatorships that satisfies its statutory reporting obligations. Specifically, counsel informed us that it is the Agency's position that the report to Congress

⁹ See 12 U.S.C. § 4521(a). The report to Congress must be submitted on or before June 15 of each year.

¹⁰ See 12 U.S.C. §§ 4521(a)(1), (2). The full text of section 4521(a)(2) reads “a description of the financial safety and soundness of each regulated entity, including the results and conclusions of the annual examinations of the regulated entities conducted under section 4517(a) of this title.”

¹¹ 12 U.S.C. § 4617(b)(14)(A). The full text of section 4617(b)(14)(A) reads “The Agency as conservator or receiver shall, consistent with the accounting and reporting practices and procedures established by the Agency, maintain a full accounting of each conservatorship and receivership or other disposition of a regulated entity in default.”

¹² See 12 U.S.C. § 4617(b)(14)(B). The “Board” refers to the Federal Housing Finance Oversight Board. 12 U.S.C. § 4502(4). The Board's purpose is to advise the FHFA Director “with respect to overall strategies and policies in carrying out the duties of the Director under this chapter.” 12 U.S.C. § 4513a. The Board is comprised of four members: The FHFA Director serves as the chairperson, and the other three members are the Secretary of the Treasury, the Secretary of Housing and Urban Development, and the Chairman of the Securities and Exchange Commission. 12 U.S.C. § 4513a(c).

¹³ See 12 U.S.C. § 4617(b)(14)(C).

satisfies its reporting requirement specific to the conservatorships, so long as that annual report to Congress contains a report on conservator activities.

FHFA Published Scorecard Progress Reports from 2013 to 2019 but Did Not Publish Them in 2020 or 2021

From 2013 through 2019, FHFA published an annual scorecard progress report roughly a year after issuing the applicable conservatorship scorecard. The progress reports detailed initiatives established by FHFA under its strategic plans for the conservatorships and described the progress of the Enterprises’ activities in furtherance of the goals set forth in applicable strategic plans.¹⁴ For example, FHFA stated that the 2018 Scorecard Progress Report summarized major activities of the Enterprises that contributed to achieving FHFA’s three strategic goals as conservator, established by FHFA in the *2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac*.¹⁵ FHFA currently makes these progress reports available to the public on its website.¹⁶

In 2020 and 2021, FHFA did not publish scorecard progress reports that address the Enterprises’ activities in furtherance of the general objectives FHFA set forth in its 2019 Conservatorship Strategic Plan. FHFA Deputy General Counsel advised us that the scorecard progress reports are not expressly required under FHFA’s statutory reporting obligations and that FHFA produced them voluntarily.

FACTS AND ANALYSIS

According to FHFA, the Purpose of the Scorecard Progress Reports from 2013 to 2019 Was to Provide Public Transparency on the Enterprises’ Activities Relative to the Scorecards

FHFA emphasizes the importance of the scorecard progress reports as a means for providing transparency to the public with respect to the conservatorships. On its website, FHFA currently states that it “publishes a Conservatorship Scorecard, which sets priorities and expectations for Enterprise activities related to [its] strategic goals” and “[t]o provide further public transparency, FHFA documents those activities in the annual Scorecard Progress

¹⁴ FHFA follows the same process to develop its progress reports for the Enterprises and CSS. This report focuses only on the Enterprises.

¹⁵ See FHFA, [2018 Scorecard Progress Report](#), at 1 (April 2019).

¹⁶ See FHFA’s webpage on Reports and Plans (online [here](#)). FHFA’s website did not contain any progress report related to the 2012 Scorecard.

Reports.”¹⁷ (Emphasis added.) Similarly, in its 2018 Scorecard Progress Report (the last progress report FHFA published), FHFA asserted that the report summarized major activities of the Enterprises that contributed to achieving FHFA’s three strategic goals as conservator. FHFA’s website does not notify the public or otherwise explain that FHFA has suspended the scorecard progress reports.

FHFA’s 2020 Report to Congress Lacked the Level of Detail and Transparency on the Enterprises’ Progress Toward Scorecard Goals and Initiatives That FHFA Included in Previous Scorecard Progress Reports

The scorecard progress reports FHFA published through 2019 provided details on specific initiatives and activities that related to the three strategic goals in the applicable strategic plans for the conservatorships. For each strategic goal, FHFA defined objectives in the scorecard related to that goal and used the corresponding scorecard progress report to describe the activities undertaken by the Enterprises in support of those goals. For example, the first goal described in the 2018 Scorecard is for the conservatorships to “maintain...credit availability and foreclosure prevention activities...” FHFA’s 2018 Progress Report described specific activities related to its key priorities for this strategic goal, including, for example, how the Enterprises were increasing access to mortgage credit for creditworthy borrowers, assessing low-balance loan availability, and supporting borrowers with limited English proficiency, among other initiatives. FHFA maintained this level of detail in each of the scorecard progress reports through 2019.

FHFA Stopped Publishing Scorecard Progress Reports Because the Conservatorship-Related Information Duplicated the Information Contained in FHFA’s Annual Report to Congress

FHFA stopped publishing the scorecard progress reports in 2020. FHFA staff informed us that FHFA leadership opted to rely on the Agency’s reports to Congress to inform public stakeholders about the 2019 and 2020 Scorecard priorities rather than issue a stand-alone progress report. One reason FHFA staff gave for this decision is the view held by prior FHFA leadership that the information on the conservatorships contained in the scorecard progress reports and the reports to Congress was duplicative. Indeed, an internal FHFA email explains that the annual scorecard progress report served as the source for most of the sections in the annual report to Congress concerning the management of the conservatorships. Based on our comparison of the respective reports, we confirmed that the 2019 Report to Congress provided a level of detail on the Enterprises’ progress toward the scorecard initiatives that is comparable to the detail FHFA provided in prior scorecard progress reports.

¹⁷ See FHFA, [History of Fannie Mae and Freddie Mac Conservatorships](#).

FHFA's 2020 Report to Congress Did Not Provide the Level of Detail on the Enterprises' Conservatorship Activities That the 2019 Report to Congress Provided

FHFA's 2020 Report to Congress contains significantly fewer details on the Enterprises' progress toward scorecard goals than the 2019 Report to Congress. For example, the 2020 Report to Congress identifies the conservatorship goals but does not contain details about the 2020 Scorecard initiatives or describe the Enterprises' progress toward these goals with the level of specificity FHFA provided in the 2019 Report to Congress and the scorecard progress reports.¹⁸ In practical terms, when FHFA suspended preparation of the scorecard progress report for the 2020 Scorecard, it eliminated the document that had previously provided most of the content FHFA staff had relied on to draft the section in the report to Congress that described the Enterprises' activities in furtherance of the scorecard objectives.

FHFA Does Not Have Written Procedures for Preparing the Content of the Conservatorship Section of the Annual Report to Congress and in 2021 Broke from Its Practice of Reporting Details of Enterprise Activities in Relation to Conservatorship Scorecard Goals

In 2017, FHFA established the "process document" that governed the preparation of the annual scorecard progress reports; it most recently updated the document in 2019 (the 2019 Process Document). The topics covered in the 2019 Process Document include, among other things, the timing of the report; the roles and responsibilities of the participating FHFA personnel, internal subject matter experts, and reviewers; specifications for reporting content and format; and a production schedule.¹⁹ In contrast, FHFA has not established a comparable process document that prescribes the specific content that should be included in the Conservatorship section of the annual report to Congress.²⁰

FHFA has been including information on the conservatorships in its annual reports to Congress since 2009. As of 2019, FHFA had adopted a *practice* whereby the annual scorecard progress report served as the source for most of the sections in the annual report to

¹⁸ FHFA discusses the Enterprises' and CSS's activities related to FHFA's Office of Minority and Women Inclusion objectives in the 2020 Scorecard.

¹⁹ At each year-end, DCOR, which assists the FHFA Director in carrying out the responsibilities as Conservator, had the lead role in collecting information from the various personnel within the Agency that were responsible for assessing the Enterprises' performance against the Scorecard priorities and preparing a draft summary to include in the Progress Report.

²⁰ Given the absence of a defined process, roles and responsibilities among key FHFA personnel are unclear at this time. For example, during our interview with the Deputy Director of DCOR, he told us that he has not been informed about his or DCOR's role in the preparation and publication of the upcoming 2021 Report to Congress.

Congress concerning the management of the conservatorships.²¹ However, FHFA broke from this practice in 2021. In 2021, FHFA did not prepare a scorecard progress report, that is, the report FHFA personnel previously had relied on for most of the content for the Conservatorship section of the annual report to Congress. That content would include, according to the 2019 Process Document, a description of what the applicable scorecard called for the Enterprises to do; a description of what the Enterprises did, including any initiatives or programs and supporting data; the expected effects or benefits and/or results achieved from each initiative or program covered by the scorecard; and a description of what the Enterprises or FHFA will do going forward. Notably, the 2020 Report to Congress lacked details on those topics.

FHFA Is Under New Leadership and the Deputy Director of DCOR Is Committed to Transparency

FHFA’s leadership has changed since FHFA issued the 2020 Report to Congress; specifically, on June 23, 2021, the President appointed the current FHFA Acting Director to replace the previous FHFA Director. The current Deputy Director of DCOR, the FHFA executive with lead responsibilities on conservatorship matters, was appointed in November 2020; however, in our interview with him, he informed us that he was not involved in past discussions with FHFA personnel about the Agency’s decision to suspend the 2020 Scorecard Progress Report. He emphasized the importance of transparency and committed to addressing any gaps in information that should be reported in the 2021 Report to Congress.

In response to our questions regarding FHFA’s expectations for the future with respect to the scorecard progress reports and reporting on the Enterprises’ activities in furtherance of the conservatorship scorecards, FHFA advised us the Agency’s new leadership is developing reporting plans and has not yet made a determination.

FINDINGS

The section in FHFA’s 2020 Report to Congress on the Enterprises’ progress toward achieving 2020 conservatorship objectives falls short of FHFA’s goal of transparency due to the lack of detail.

FHFA set an objective to provide transparency to the public on the Enterprises’ activities that further FHFA’s strategic goals and objectives for the conservatorships, but its most recent report to Congress lacks the details and, therefore, the transparency, of the scorecard progress

²¹ This description appears in an internal email from an FHFA staff member with relevant responsibilities to a senior staff member in FHFA’s Office of the Director.

reports. As a result, the public received less information relative to the Enterprises’ achievement of FHFA’s conservatorship goals and objectives than FHFA had provided in the past. According to DCOR leadership, FHFA remains committed to providing transparency in this regard, but the Agency has not yet determined how it will proceed.

FHFA has not established reporting practices and procedures that facilitate compliance with the Agency’s statutory reporting obligations regarding the conservatorships.

FHFA is obligated under 12 U.S.C. § 4617(b)(14)(A) to maintain a full accounting of each conservatorship, “consistent with the accounting and reporting practices and procedures established by the Agency.” FHFA Deputy General Counsel informed us that it is the Agency’s position that the report to Congress satisfies FHFA’s reporting requirement specific to the conservatorships. However, FHFA has not established practices or procedures that prescribe the specific content that should be included in the Conservatorship section of its annual report to Congress. Indeed, we observed that in 2021, FHFA broke from its established practice of providing detailed reporting to the public on the Enterprises’ activities in furtherance of FHFA’s conservatorship objectives. FHFA advised us that the new leadership is developing the Agency’s reporting plans.

CONCLUSIONS

In 2021, FHFA broke from its prior practice of providing detailed information about the Enterprises’ performance against specific scorecard objectives in its annual report to Congress. The result of this shift in practice is that, given the lack of detail in FHFA’s report, FHFA provided less transparency to the public with respect to how the Enterprises performed relative to FHFA’s 2020 Scorecard targets and its 2019 Conservatorship Strategic Plan than it had provided in previous reports to Congress. This result is inconsistent with FHFA’s stated commitment to provide transparent reporting to the public. We note that the U.S. taxpayers and the U.S. Government continue to provide access to financial support to the Enterprises and have a direct interest in the Enterprises’ achievement of the objectives FHFA has established for the conservatorships.

The decisions regarding the content for the relevant section of the 2020 Annual Report to Congress were made under former FHFA leadership. A new FHFA Acting Director is at the helm, and the Deputy Director of DCOR has renewed the Agency’s commitment to transparent public reporting on the Enterprises’ performance against scorecard goals. FHFA informed us that FHFA leadership is developing reporting plans and has not yet made a determination on whether to reinstitute the publication of the scorecard progress reports.

RECOMMENDATION.....

We recommend that FHFA establish written policy and procedures that, at a minimum:

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

FHFA COMMENTS AND OIG RESPONSE.....

We provided FHFA an opportunity to respond to a draft of this evaluation. FHFA provided technical comments on the draft report, which were considered in finalizing this report. FHFA also provided a management response, which is reprinted in its entirety in the Appendix. FHFA agreed with our recommendation. In FHFA’s management response, it committed to providing appropriate transparency into the performance of the conservatorships of Fannie Mae and Freddie Mac. FHFA also committed to including additional information on 2021 Scorecard performance in this year’s *Annual Report to Congress* and will determine a reporting approach to improve public transparency into management of the conservatorships of the Enterprises by October 31, 2022.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this evaluation was to assess FHFA’s policies and practices for establishing scorecard goals and metrics and evaluating and reporting on the Enterprises’ and CSS’s performance against the scorecard goals in furtherance of its objective to provide public transparency on the conservatorship. To achieve this objective, we sought to determine if FHFA has a defined, repeatable process for preparing the conservatorship scorecards and progress reports and factors that contributed to its decision to not publish the progress reports in 2019 and 2020. The review period of this evaluation was January 2018 through December 2021.

We reviewed reports published by FHFA related to the progress of the Enterprises’ conservatorship activities, including the reports to Congress and scorecard progress reports. In light of FHFA not publishing the conservatorship progress reports in 2020 and 2021 (for the 2019 and 2020 Scorecards, respectively), we reviewed the 2019 and 2020 Reports to Congress. We assessed whether the reports to Congress during these years satisfied the level of detail provided in the scorecard progress reports in previous years. Finally, we reviewed documents related to FHFA procedures that guide its staff on preparing the scorecard progress reports.

We interviewed FHFA staff responsible for preparing the scorecards and scorecard progress reports during our review period, divisional staff responsible for the content in the scorecard progress reports, staff from Office of General Counsel, and the Deputy Director of DCOR.

This evaluation was conducted between October 2021 and February 2022 under the authority of the Inspector General Act and in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation* (December 2020).

APPENDIX: FHFA MANAGEMENT RESPONSE.....



CONTROLLED

Federal Housing Finance Agency

MEMORANDUM

TO: Kyle D. Roberts, Deputy Inspector General for Evaluations

FROM: Jason Cave, Deputy Director, Division of Conservatorship Oversight and Readiness
Jason C Cave

SUBJECT: Draft Evaluation Report: *FHFA's Public Reporting of the Enterprises' Progress Towards the Objectives FHFA Set in the 2020 Conservatorship Scorecard Lacked the Detail and Transparency of Past Reporting*

DATE: March 11, 2022

Thank you for the opportunity to review the Office of Inspector General (OIG) draft report referenced above (Report). The objective of the Report was to assess FHFA's policies and practices for establishing Conservatorship Scorecard goals and metrics and its evaluation and reporting on the Enterprises' and Common Securitization Solutions' performance against the Scorecard goals. The Report focuses on Conservatorship Scorecards published from 2018 through 2021.

The OIG concluded that FHFA's *2020 Annual Report to Congress* provided less detail on the achievement of Conservatorship strategic objectives than reports published in prior years and fell short of FHFA's goal for transparency. The OIG also concluded that FHFA has not established reporting practices and procedures that facilitate compliance with the Agency's statutory reporting obligations regarding the conservatorships. The Report makes one recommendation.

Recommendation: *The OIG recommends that FHFA establish written policy and procedures that, at a minimum:*

- *Define and explain the roles and responsibilities of the FHFA personnel that participate in the preparation of the Conservatorship section that appears in FHFA's annual reports to Congress or an alternative form of reporting of FHFA's choice.*
- *Prescribe the reporting format to be used in the annual report to Congress and specify the information necessary to fulfill FHFA's commitment to transparency in its public*

March 11, 2022

Page 2 of 2

reporting of the Enterprises' activities that further FHFA's scorecard goals, and FHFA's assessments of their performance against the scorecards.

Management Response: FHFA agrees to the recommendation and is committed to providing appropriate transparency into the performance of the conservatorships of Fannie Mae and Freddie Mac. FHFA will include additional information on 2021 Scorecard performance in this year's *Annual Report to Congress*. After the completion of the *2021 Annual Report to Congress*, FHFA leadership will determine a reporting approach to improve public transparency into management of the conservatorships of the Enterprises. The reporting approach will define the roles and responsibilities, the reporting format, and the information to be reported. FHFA expects to finalize the approach on future public reporting on management of the conservatorships by October 31, 2022.

If you have any questions, please feel free to contact me.

cc: Edom Aweke
John Major

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 Investigations – Hotline
400 Seventh Street SW
Washington, DC 20219