

Federal Housing Finance Agency  
Office of Inspector General



# **FHFA's Review of Fannie Mae's Compensation Proposals Based on Executive Performance**

Inspection Report • EVL-2025-004 • July 14, 2025

## ..... EXECUTIVE SUMMARY .....

### PURPOSE

The Federal Housing Finance Agency (FHFA or Agency) has statutory and regulatory oversight responsibilities regarding the compensation of the executives of Fannie Mae and Freddie Mac (the Enterprises). By statute, the FHFA Director must prohibit the Enterprises from providing compensation to executive officers that is “not reasonable and comparable” to compensation for similarly situated executives in other similar businesses.

This inspection assessed FHFA’s oversight of executive compensation proposals submitted by Fannie Mae, and whether FHFA prohibited executive compensation that was not reasonable and comparable in 2023 and 2024.

### RESULTS

We determined that FHFA reviewed Fannie Mae’s executive compensation proposals in a manner consistent with FHFA’s Executive Compensation Rule, orders on executive compensation issued by FHFA, and the Agency’s internal process. Specifically, we found that the reviewing FHFA personnel determined that the compensation proposed by Fannie Mae was reasonable and comparable for the subject positions, recommended that the FHFA Director approve those proposals and, in each instance, the Director approved those recommendations.

FHFA personnel also reviewed and recommended to the FHFA Director the approval of Fannie Mae’s proposed salary payouts based on executives’ performance. Specifically, FHFA personnel validated Fannie Mae’s calculations and verified that the proposed payouts were consistent with the Agency-approved total compensation based on the prior reasonable and comparable analysis.

We made no recommendations in this report.

After our fieldwork concluded, FHFA appointed its Director and General Counsel to the board of directors of both Enterprises. As board members, the FHFA Director and General Counsel will participate in the boards’ decisions on executive compensation. FHFA has no plans to revise its compensation review process as a result of these changes to the boards, but will assess whether any changes are necessary.

This report was prepared by Kristopher Brash Dixon, Program Analyst, with assistance from Patrice Wilson, Senior Investigative Evaluator. 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.fhfa.ig.gov](http://www.fhfa.ig.gov), and [www.oversight.gov](http://www.oversight.gov).

Kyle D. Roberts  
Deputy Inspector General for Evaluations /s/

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## ABBREVIATIONS .....

Enterprises	Fannie Mae and Freddie Mac
Executive Compensation Rule	FHFA’s 2014 Final Rule Codified at 12 C.F.R Part 1230
Executive Compensation Team	FHFA’s Executive Compensation and Benefits Team
FHFA or Agency	Federal Housing Finance Agency
OIG	FHFA’s Office of Inspector General
Regulated Entities	Fannie Mae, Freddie Mac, and the Federal Home Loan Banks
Safety and Soundness Act	Federal Housing Enterprises Financial Safety and Soundness Act

## BACKGROUND .....

### FHFA’s Statutory Authority over Executive Compensation at Fannie Mae, Freddie Mac, and the Federal Home Loan Banks

Section 4518(a) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended (Safety and Soundness Act), states that the FHFA Director “shall prohibit” Fannie Mae, Freddie Mac, and the Federal Home Loan Banks from providing compensation to any executive officer that is not “reasonable and comparable” with compensation for employment “in other similar businesses involving similar duties and responsibilities.”<sup>1</sup> When making a determination regarding executive compensation, the FHFA Director may take into consideration “any factors” the Director considers relevant.<sup>2</sup>

### FHFA’s Compensation Structure for Fannie Mae and Freddie Mac Executives

FHFA implemented the current compensation structure for Fannie Mae and Freddie Mac executives on March 9, 2012. Under the structure, up to 15 percent of an executive’s total annual compensation is based on the executive’s performance, measured against goals established by the respective Enterprise’s boards of directors.<sup>3</sup> As part of this compensation structure, FHFA delegated the responsibility to perform this assessment to the boards of directors.<sup>4</sup>

### FHFA’s Executive Compensation Rule

FHFA issued a final rule in 2014 that implements the Safety and Soundness Act’s requirements relating to FHFA’s supervisory authority over executive compensation (Executive Compensation Rule). The Executive Compensation Rule established requirements and processes for the

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<sup>1</sup> The full text of 12 U.S.C. § 4518(a) reads: “The Director shall prohibit the regulated entities from providing compensation to any executive officer of the regulated entity that is not reasonable and comparable with compensation for employment in other similar businesses (including other publicly held financial institutions or major financial services companies) involving similar duties and responsibilities.”

<sup>2</sup> See 12 U.S.C. § 4518(b). The FHFA Director may consider any relevant factors, however, the Safety and Soundness Act also states that the FHFA Director may not “prescribe or set a specific level or range of compensation.” 12 U.S.C. § 4518(d).

<sup>3</sup> This 15 percent is a type of at-risk deferred salary where the amount received at a later date can be lowered based on the Board’s assessment of an executive’s performance. Seventy percent of an executive’s total compensation consists of the executive’s base salary, and a deferred salary paid at a later date. The remaining 15 percent is an at-risk deferred salary based on FHFA’s assessment and rating of the Enterprise’s performance, measured against the Agency’s goals; this assessment is outside the scope of this inspection.

<sup>4</sup> In FHFA’s March 9, 2012 announcement, it stated that the Enterprise Chief Executive Officer and the Board of Directors may reduce the 15 percent portion of the deferred salary based on individual executive performance.

submission of relevant information from the regulated entities “in order to facilitate and enhance the efficiency of FHFA’s oversight of executive compensation.”<sup>5</sup> The rule also defines the statutory terms “reasonable” and “comparable.”<sup>6</sup>

Neither the Safety and Soundness Act nor the Executive Compensation Rule prescribes the specific information an Enterprise must submit to FHFA to facilitate the Agency’s review and the FHFA Director’s determination. According to the Executive Compensation Rule, “In support of the reviews and decisions provided for in this part, the [FHFA] Director may issue guidance, orders, or notices on the subject of information submissions” to FHFA.<sup>7</sup> As explained below, the FHFA Director has issued two orders that define FHFA’s information requirements for executive compensation at the Enterprises.

### **FHFA’s Orders to Fannie Mae and Freddie Mac on Executive Compensation**

In 2018, FHFA issued an order to each Enterprise that prescribes the information that an Enterprise must submit to FHFA under the Executive Compensation Rule. The order requires each Enterprise to submit, for example,

- “[A]ll relevant information needed to calculate the value of compensation”;
- Board resolutions, minutes, supporting materials and related reports from board or board committee meetings;
- Relevant market data supporting proposed changes; and
- “[S]uch other related information as FHFA may request.”

In 2022, FHFA issued a directive to the Enterprises that, among other things, directed the Enterprises to:

- “[L]imit base salaries for all executive officers to \$600,000”; and
- “With regard to compensation to be provided to any ‘executive officer,’ that the Enterprises may target between the 25th and 50th percentiles of appropriate market data (subject to certain exceptions that FHFA determines do not result in compensation that is not reasonable and comparable).”

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<sup>5</sup> See 12 C.F.R. § 1230.1 (Purpose).

<sup>6</sup> The definitions appear in 12 C.F.R. § 1230.2.

<sup>7</sup> See 12 C.F.R. § 1230.5 (Submission of Supporting Information).

## FHFA's Organizational Structure and Internal Review Procedures for Executive Compensation Notices

Within FHFA, the Executive Compensation and Benefits Team (Executive Compensation Team), which is housed in FHFA's Office of General Counsel, currently is responsible for reviewing executive compensation submissions from the Enterprises and making recommendations to the FHFA Director for a final decision. That responsibility migrated to the Office of General Counsel from FHFA's Division of Conservatorship Oversight and Readiness in 2023.

FHFA revised its procedures for reviewing the Enterprises' compensation requests in 2024.<sup>8</sup> This revised procedure establishes the steps the Executive Compensation Team must take to assess various types of compensation requests for Enterprise executive officers, such as compensation increases, retention awards, and at-risk deferred salary payouts.

The procedures require the Executive Compensation Team to, among other things, scrutinize the market data submitted by the Enterprises (and their compensation consultants) to ensure executive compensation is reasonable and comparable as defined in FHFA's Executive Compensation Rule.<sup>9</sup> The Executive Compensation Team must also consider whether the benchmark market data is appropriate and reliable for the position based on the duties and responsibilities.

Once its review is complete, the team prepares a "staff analysis memorandum" (an official document) in accordance with FHFA policy that includes, among other things, a recommendation to the FHFA Director (or the Director's delegee, if any) on whether to approve the proposed compensation.<sup>10</sup>

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<sup>8</sup> For context, OIG evaluated FHFA's executive compensation review practices and issued a report dated September 27, 2022 ([\*FHFA Could Enhance the Efficiency of the Agency's Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures\*](#) (EVL-2022-003)). Among other findings, we determined that FHFA's procedure did not define the required scope for its review of the reasonableness and comparability of proposed Enterprise executive compensation, nor did it prescribe the analytical steps to be included in such reviews. We recommended that FHFA "update its Enterprise executive compensation review procedures to include its minimum requirements for the scope of the compensation reviews and the analytical work and specific steps to be performed in its review of the reasonableness and comparability of proposed compensation actions, as well as its expectations for the level of documentation of that review in staff analysis memoranda." FHFA agreed with the recommendation, and OIG has closed this recommendation based on FHFA's actions and its revised executive compensation review policy. The report contained two other recommendations that are not within this inspection's scope.

<sup>9</sup> The Enterprises retain outside compensation consultants to provide benchmark market data of comparable private sector pay.

<sup>10</sup> A staff analysis memorandum is an example of an "official document" under FHFA's Official Documents Policy when a matter requires a decision by the FHFA Director. The division or office responsible for

## OBJECTIVE AND SCOPE .....

Our objective was to assess FHFA’s oversight of Fannie Mae’s executive compensation proposals for executive performance in 2023 and 2024, under the Agency’s revised executive compensation review procedures to determine whether 1) the Executive Compensation Team reviewed market data for executive officer compensation and 2) the Executive Compensation Team reviewed and validated Fannie Mae’s proposed deferred salary payouts based on executive performance for the performance years. For details on the inspection’s methodology, please see Appendix I.

## RESULTS .....

### **FHFA Reviewed Fannie Mae’s Executive Compensation Proposals to Ensure They Were Reasonable and Comparable**

#### ***FHFA Reviewed and Approved Market Data for Executive Officer Compensation***

Fannie Mae proposed compensation increases to executive officers in 2023 and 2024, based on their performance against the corporate goals. The Executive Compensation Team reviewed the market data supplied by the Enterprise to determine whether the proposed compensation was reasonable and comparable with compensation for employment in other similar businesses involving similar duties and responsibilities. With regard to overall compensation, the team compared the proposed executive compensation changes to the market data to test whether they were reasonable for the position and within the total compensation range for comparable positions.<sup>11</sup> FHFA also ensured that the base salary did not exceed the base salary cap. The team recommended that the FHFA Director approve the compensation proposals, and the FHFA Director approved them.

#### ***FHFA Approved Fannie Mae’s Proposed Payments of At-Risk Deferred Salary Based on Individual Performance***

FHFA also reviewed Fannie Mae’s proposed at-risk deferred salary payouts to executives based on their performance in 2023 and 2024. Although the FHFA Director formally delegated the authority to perform this review to the Enterprises’ boards of directors, the Executive

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initiating the official document will prepare a clearance package containing the staff analysis memorandum and other supporting materials for the approving officials’ review. The Executive Compensation Team developed its staff analysis memoranda templates to ensure compliance with the Official Documents Policy.

<sup>11</sup> FHFA reviewed the proposals to ensure the total salary was at or below the midpoint (50<sup>th</sup> percentile) of market data for comparable positions.



Compensation Team continues to perform a “high level review” of the proposed at-risk deferred salary payouts that are tied to the board’s performance goals.

Fannie Mae’s proposed at-risk deferred salary payouts were at, or close to, the maximum amount FHFA previously approved. Pursuant to Agency policy, the Executive Compensation Team validated the Enterprise’s calculations and verified, for each executive, that the proposed at-risk salary payouts were consistent with the Agency approved total compensation, based on the prior reasonable and comparable analysis. Upon completion of its review, the FHFA Director or delegatee approved Fannie Mae’s proposed at-risk deferred salary payouts based on these ratings as consistent with the approved total salary.

We found that the Executive Compensation Team completed its reviews in accordance with applicable regulation, relevant FHFA orders, and the Agency’s internal policy. For this reason, we made no recommendations in this report.

## OTHER MATTERS FOR CONSIDERATION.....

### Significant Changes in the Enterprises’ Boards of Directors

In March 2025, after our fieldwork had concluded, FHFA appointed the FHFA Director and the Agency’s General Counsel to the boards of directors of both Enterprises. The FHFA Director now serves as Chairman of both boards.<sup>12</sup>

Under the existing structure, the Compensation Committees of both Enterprises’ boards of directors review executive compensation changes, including information supplied by the Enterprises’ respective compensation consultants, discuss proposed changes at board meetings, and adopt resolutions that reflect the boards’ decisions.<sup>13</sup> As members of the boards, the FHFA Director and General Counsel will participate in this process in the future and in the decisions reached by the boards.<sup>14</sup> In such circumstances, a separate, independent review by the Executive Compensation Team, and a recommendation from staff to the FHFA Director, may be redundant

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<sup>12</sup> The FHFA Director also serves as the Chair of Fannie Mae’s Board of Directors Nominating and Corporate Governance Committee.

<sup>13</sup> FHFA’s General Counsel is a member of Fannie Mae’s Board of Directors Compensation and Human Capital Committee.

<sup>14</sup> As noted earlier in this report, FHFA requires the Enterprises to provide copies of the relevant board minutes and resolutions when they submit their compensation proposals to FHFA for approval.

and inefficient.<sup>15</sup> Updates to the Agency’s process may be warranted to address potential redundancies resulting from the changes FHFA made to the Enterprises’ boards.

We asked FHFA whether, given this significant change to the Enterprises’ boards of directors, the Agency anticipated making changes to the existing compensation review process. In response, FHFA advised that it has no plans to revise its process but will, over time, assess whether any changes are necessary to the existing process.

## **FHFA COMMENTS AND OIG EVALUATION.....**

We provided FHFA an opportunity to review and provide technical comments to a draft of this inspection report. FHFA management provided technical comments, which we considered in finalizing this report. FHFA management also provided a management response, which we included in Appendix II.

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<sup>15</sup> The Safety and Soundness Act does not require FHFA to issue regulations addressing the FHFA Director’s duty to prohibit executive compensation that is not reasonable and comparable to other similar executives. FHFA developed the internal review and approval process on its own initiative.

## APPENDIX I: METHODOLOGY.....

To meet our objective, we performed the following procedures:

- We reviewed FHFA policies and procedures regarding executive compensation.
- We reviewed FHFA’s assessment of Fannie Mae proposed compensation increases and at-risk deferred salary payouts in 2023 and 2024.
- We reviewed Fannie Mae’s data and documentation on its assessment of executive compensation based on executive performance.
- We interviewed FHFA officials in the Office of General Counsel, including the Executive Compensation Team.

We conducted our inspection from January 2025 through February 2025 under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation (December 2020), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency.

## **APPENDIX II: FHFA MANAGEMENT RESPONSE.....**

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# Federal Housing Finance Agency

## MEMORANDUM

TO: Kyle Roberts, Deputy Inspector General for Evaluations

FROM: Clinton Jones III, General Counsel **CLINTON JONES** Digitally signed by CLINTON JONES  
Date: 2025.07.07 14:21:41 -04'00'

SUBJECT: Draft Report: *FHFA's Review of Fannie Mae's Compensation Proposals Based on Executive Performance*

DATE: July 7, 2025

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Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft report (Report). The OIG assessed FHFA's oversight of executive compensation proposals submitted by Fannie Mae, and whether FHFA prohibited executive compensation that was not reasonable and comparable in 2023 and 2024.

We are pleased that the OIG determined that FHFA reviewed Fannie Mae's executive compensation proposals in a manner consistent with FHFA's Executive Compensation Rule, FHFA's orders on executive compensation, and internal Agency process.

The Report notes that "as board members, the FHFA Director and General Counsel will participate in the boards' decisions on executive compensation." While the FHFA Director and General Counsel may participate in future compensation actions at the Enterprises, an independent review by FHFA's Executive Compensation Team will still be necessary. By statute, the role of conservator (in which role the Director serves as board chair) and the role as Director of FHFA are distinct and their interests may be different. A separate review process for the Director in his role as supervisor and regulator ensures that FHFA has a record of the Director meeting the statutory and regulatory requirements.

## Federal Housing Finance Agency Office of Inspector General

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