Annual Plan

Fiscal Year 2027



Message from the Acting Principal Deputy Inspector General Performing the Duties of the Inspector General

I am pleased to present the Fiscal Year 2027 Annual Plan for the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG). The OIG conducts audits, investigations, and other oversight activities to fulfill its mission to promote economy, efficiency, and integrity in FHFA's programs and operations, and to deter and detect fraud, waste, and abuse in them. This plan describes our oversight priorities for the fiscal year (FY) 2027 based upon the following risks identified in our Management and Performance Challenges memorandum:

- Managing risk in the Enterprises' multifamily lines of business;
- Managing vulnerability within FHFA's information security programs and at the regulated entities;
- Addressing human capital risk at FHFA and the Enterprises; and
- Overseeing the regulated entities' reliance on counterparties and third parties.

Due to FHFA's sudden and substantial reduction of OIG's FY 2027 funding, our office is unable to provide effective oversight of these challenges or fully comply with our statutory obligations. A funding cut of approximately 64% from the President's FY 2027 budget necessitates significant workforce reductions in mission-critical areas and forces the cancellation of multiple planned audits and evaluations as well as criminal investigations. Most critically, the ability to assist FHFA in its efforts to manage "Risks in the Enterprises' Multifamily Lines of Business" will be compromised, as this dramatic funding decrease essentially eliminates OIG's capacity to pursue fraud schemes involving the multifamily mortgage market.

OIG will focus its limited resources on statutorily required work. Although resource constraints will eliminate oversight in higher-risk areas, this plan presents the comprehensive work plan that OIG would have otherwise undertaken.

James Hodge /s/
Acting Principal Deputy Inspector General,
Performing the Duties of the Inspector General

November 5, 2026

Abbreviations

AB	Advisory Bulletin
AHP	Affordable Housing Program
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CSS	Common Securitization Solutions, LLC
DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
Enterprises	Fannie Mae and Freddie Mac
FHFA or Agency	Federal Housing Finance Agency
FHLBanks	Federal Home Loan Banks
FISMA	Federal Information Security Modernization Act of 2014
FY	Fiscal Year
IG Act	Inspector General Act of 1978
IT	Information Technology
MNPI	Material Nonpublic Information
OGC	FHFA's Office of General Counsel
OI	Office of Investigations
OIG	Office of Inspector General
SI	Super Intelligence
U.S. FinTech	U.S. Financial Technology, LLC (previously known as CSS)

Table of Contents

Message from the Acting Principal Deputy Inspector General Performing the Duties of the Inspector General i
Abbreviations ii
Table of Contents iii
Background 1
Introduction 1
About OIG 1
How We Do Our Work 2
Strategic Goals 3
Areas of Focus 3
OIG Offices 4
Office of Administration 4
Office of Audits 5
Office of Counsel 5
Office of Evaluations 6
Office of Investigations 6
Office of Mission Support and Strategic Communications 7
Planned Audits, Evaluations, and Other Projects 8
Office of Audits 8
Office of Evaluations 15
External Projects 19

Background

Introduction

The Housing and Economic Recovery Act of 2008 established the Federal Housing Finance Agency (FHFA or Agency) in July 2008.[1] FHFA serves as regulator and supervisor of several entities: Fannie Mae and Freddie Mac (the Enterprises); U.S. Financial Technology, LLC (U.S. FinTech), previously known as Common Securitization Solutions, LLC (CSS), an affiliate of each Enterprise; the Federal Home Loan Banks (FHLBanks) (collectively, the Enterprises, U.S. FinTech, and the FHLBanks are the regulated entities); and the FHLBanks' fiscal agent, the Office of Finance. FHFA is responsible for ensuring the regulated entities' safety and soundness so that they serve as reliable sources of liquidity and funding for housing finance and community investment.

Since 2008, FHFA has also served as the Enterprises' conservator. As conservator, FHFA exercises control over trillions of dollars in assets and billions of dollars in revenue and makes business and policy decisions affecting the entire U.S. mortgage finance industry.

The Enterprises purchase mortgages from lenders and package them into mortgage-backed securities that are either sold to investors or held in their respective portfolios, thereby promoting liquidity in the housing finance system. Among other activities, the FHLBanks make secured loans known as advances to their members, such as banks or thrifts. Their members can, among other authorized purposes, use the advance proceeds to originate mortgages or to support affordable housing or community development.

About OIG

The Housing and Economic Recovery Act, which amended the Inspector General Act of 1978 (IG Act), also established OIG. Our mission is to promote economy, efficiency, and integrity in FHFA's programs and operations, and to deter and detect fraud, waste, and abuse, thereby supporting FHFA's mission. OIG conducts audits, investigations, evaluations, compliance reviews, and other oversight in connection with FHFA's programs and operations, including its supervision and conservatorship of the Enterprises, and its oversight of the FHLBank System and U.S. FinTech. Also, because FHFA has been placed in the unique position of serving both as the Enterprises'

[1] FHFA is also known as U.S. Federal Housing.

regulator and their conservator, our oversight role reaches matters delegated by FHFA to the Enterprises to ensure that the Enterprises satisfy their delegated responsibilities and that taxpayer monies are not wasted or misused.

How We Do Our Work

We accomplish our mission by conducting independent oversight with integrity to strengthen FHFA's programs and operations; and maintaining a proactive enforcement posture that identifies threats, uncovers wrong-doing, and reinforces a culture of accountability, among other things. We invest in people and create a culture for excellence in carrying out our mission.

We achieve our vision by being an independent oversight organization that acts as a catalyst for effective management, accountability, and positive change in FHFA. We hold accountable those who waste or steal funds in connection with the Agency or the regulated entities, whether inside or outside of the federal government. We seek to inspire a workforce that embodies the highest standards of integrity, professionalism, and technical proficiency.

Our values are fundamental to accomplishing our mission and conducting our daily operations.

Mission

Strengthen the nation's housing finance system through rigorous, objective oversight and enforcement efforts

Vision

Be the model for trusted, fair, and effective oversight and enforcement

Values

Integrity, independence, excellence, respect, collaboration, and transparency

Strategic Goals

OIG's mission, vision, and values are embodied in our commitment to three goals for FY 2027-2031.



This annual plan describes how we intended to execute these strategic goals across our body of work in FY 2027 in the absence of budget constraints.

Areas of Focus

We use a risk-based approach to our work, which enables us to leverage our resources and provide effective oversight of FHFA. Accordingly, we focus resources on the programs and operations that pose the greatest risk to FHFA and the regulated entities.

For FY 2027, we identified four areas that pose the greatest risks and challenges to FHFA and the regulated entities. OIG's FY 2027 oversight priorities, as outlined in this annual plan, center on those four management and performance challenges:

- Managing risks in the Enterprises' multifamily lines of business;
- Managing vulnerability within FHFA's information security programs and at the regulated entities;
- Addressing human capital risk at FHFA and the Enterprises; and
- Overseeing the regulated entities' reliance on counterparties and third parties.

Our Fiscal Year 2027 Management and Performance Challenges memorandum describes each challenge area in more detail.[2]

We continually monitor events potentially impacting FHFA and housing finance, and this plan remains flexible according to changing facts, circumstances, and risks. Additionally, OIG may receive requests for specific work from Congress, FHFA management, or other stakeholders. Furthermore, OIG is subject to the funding necessary to execute work, and therefore, this plan may alter during the fiscal year.

OIG Offices

As a result of FHFA's abrupt and drastic cut to OIG's FY 2027 funding, every office described in this section is undergoing mission-critical workforce reductions with the Office of Evaluations and the Office of Mission Support and Strategic Communications being eliminated. Although offices and personnel are reduced, OIG retains all their core responsibilities that must be absorbed elsewhere in the organization. The functions of each office are described for this purpose in this section.

Office of Administration

The Office of Administration provides management and oversight of OIG's administrative functions. Within this office, the Budget and Finance Division oversees budget planning and execution; conducts financial forecasting and cash flow analysis; reviews, prepares, and approves OIG monthly and annual financial reports; and oversees official government travel for the organization. This division also coordinates

[2] *See* https://www.fhfaoig.gov/Reports/ManagementPerformanceChallenges

the annual audit of OIG financial statements.[3] The Human Resources Division offers an array of human resource services, including agency recruitment and staffing, performance management, employee relations, compensation and benefits, work/life offerings, and awards and recognition. The Information Technology (IT) Division manages OIG automated systems, networks, and telecommunications services, working within the framework established by the Office of Management and Budget and the National Institute of Standards and Technology to ensure compliance with government regulations, directives, and industry best practices. The Procurement and Facilities Division oversees contracting, interagency agreements, and small purchases for the organization. This division manages leased commercial and government-owned office space, parking, government-issued fleet vehicles, identification credentials, physical access control, emergency preparedness, and continuity of operations planning.

Due to the FY 2027 funding reduction, staffing of this office will be decreased to the minimum level necessary to support statutorily mandated OIG operations.

Office of Audits

The Office of Audits conducts independent performance audits of the Agency's programs and operations. It also undertakes projects to address statutory requirements and stakeholder requests. As required by the IG Act, as amended, the Office of Audits performs its audits in accordance with *Government Auditing Standards* established by the Comptroller General of the United States, commonly referred to as generally accepted government auditing standards, or the Yellow Book. The Office of Audits also oversees independent public accounting firms that perform certain audits of FHFA programs and operations.

Due to the FY 2027 funding reduction, staffing of this office will be decreased to the minimum level necessary to focus solely on statutorily required work.

Office of Counsel

The Office of Counsel serves as the legal advisor to OIG, providing guidance on OIG's authorities and responsibilities under the IG Act, as amended, and advising OIG staff on legal issues relating to audits, evaluations, inspections, compliance reviews, investigations, administrative inquiries, and procurement. Among its duties, the Office of Counsel represents OIG in administrative and equal employment opportunity matters and coordinates with the Department of Justice to defend OIG in civil litigation; serves as OIG's designated ethics office, in coordination with FHFA's Office of General

[3] The Housing and Economic Recovery Act of 2008 directs the Government Accountability Office to perform the annual financial statement audits.

Counsel (OGC); serves as the Whistleblower Protection Coordinator for OIG; facilitates the policy making process for OIG and provides legal review for all OIG policy; provides legal review for all OIG reports; reviews and comments on FHFA regulations and legislation, as appropriate; manages OIG's Freedom of Information Act and Privacy Act programs; and assists with the issuance and enforcement of OIG subpoenas.

Due to the FY 2027 funding reduction, staffing of this office will be decreased to the minimum level necessary to support statutorily mandated OIG operations.

Office of Evaluations

The Office of Evaluations conducts independent and objective reviews, assessments, and analyses of FHFA's programs and operations. The office also determines whether FHFA effectively implemented agreed-upon corrective actions to remedy deficiencies identified in prior OIG evaluations, audits, or other reports. To meet this objective, the Office of Evaluations conducts validation testing on selected closed recommendations to confirm whether FHFA took the corrective actions. Under the IG Act, as amended, Inspectors General must adhere to the professional standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Office of Evaluations performs its work in accordance with the standards CIGIE established for inspections and evaluations, which are known as the *Quality Standards for Inspection and Evaluation*, commonly referred to as the Blue Book.

Due to the FY 2027 funding reduction, this office will be eliminated.

Office of Investigations

OIG's investigative mission is to prevent and detect fraud, waste, and abuse in the programs and operations of FHFA and its regulated entities. The Office of Investigations (OI) has been the primary federal law enforcement organization specializing in the detection, investigation, and deterrence of fraud perpetrated against the regulated entities. Each year the regulated entities acquire billions of dollars of mortgages and as of 2026, collectively hold more than $9 trillion in mortgage and related assets.

Conducting investigations in accordance with professional guidelines established by the Attorney General of the United States and the *Quality Standards for Investigations* issued by CIGIE, OI's highly trained law enforcement officers, analysts, and cyber forensics personnel have historically been the primary federal law enforcement agency responsible for conducting mortgage and related fraud investigations involving the regulated entities. OI has maximized the effectiveness of OIG's criminal and civil law

enforcement outcomes by closely coordinating with federal, state, and local law enforcement agencies.

Due to FHFA's unilateral decision to drastically reduce OIG's FY 2027 funding, OI has been forced to shut down its national criminal enforcement program, and effective October 1, 2026, has ceased opening new criminal investigations involving the regulated entities. As a result of the funding cut, OI is reducing staffing by approximately 80%. Beyond the direct impact of eliminating the primary federal mortgage fraud criminal enforcement program, these reductions will also prevent OI from continuing to provide expertise to FHFA and the regulated entities on detecting, deterring, and preventing fraud in the mortgage marketplace.

To the extent funding and resources allow, OI will continue to support active criminal investigations, which primarily involve matters that had been charged prior to October 1, 2026. With the expected minimal staffing afforded by the budget set by FHFA, OI's FY 2027 focus will essentially be limited to allegations involving FHFA employee misconduct, whistleblower complaints, and management of complaints received by the OIG's statutorily mandated Hotline.

Office of Mission Support and Strategic Communications

The Office of Mission Support and Strategic Communications is responsible for carrying out OIG's statutory reporting responsibilities, including the Semiannual Report to Congress, the Strategic Plan, and the annual report of the Council of Inspectors General on Financial Oversight. Another responsibility is to manage the implementation of OIG's internal controls program per the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. § 3512) as implemented by the Office of Management and Budget's Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Government Accountability Office's *Standards for Internal Control in the Federal Government* (also known as the Green Book). The office also administers OIG's Recommendation Tracking System and publishes monthly reports that monitor the status of each unimplemented OIG recommendation. Finally, the Office of Mission Support and Strategic Communications coordinates OIG's publications and professional education program.

Due to the FY 2027 funding reduction, this office will be eliminated.

Planned Audits, Evaluations, and Other Projects

Office of Audits

FHFA's Oversight of FHLBank Board and Management, and Executive Compensation

Corporate governance is essential to the safe and sound operation of a regulated entity and provides the board of directors and senior management authorities and responsibilities for governing a regulated entity's operations and structure. It incorporates risk management; integrity and ethics; ownership rights; disclosure of material matters; and financial reports. Corporate governance also involves the relationships among the regulated entity's board, management, and shareholders or members. The board's role is distinct from the senior management's role. The board is responsible for the strategic direction and oversight of the regulated entity—but is not responsible for managing the regulated entity's day-to-day activities and operations. The board oversees and holds senior management accountable for meeting strategic objectives within the regulated entity's risk appetite and established parameters. Senior management implements the board's objectives, ensures the regulated entity is operating in a safe and sound manner and within its risk appetite, complies with laws and regulations, and adheres to guidance, policies, and procedures. Directors of an FHLBank are responsible for ensuring the FHLBank achieves the statutorily mandated mission of promoting housing finance and community lending, and meets the FHLBank's statutory obligations of making contributions to its affordable housing program.

FHFA established several principles for the FHLBanks and the Office of Finance for setting executive compensation policies and practices to ensure sound incentive compensation practices, including that executive compensation must be reasonable and comparable to that offered to executives in similar positions at other comparable financial institutions. During 2025, the total compensation paid to all FHLBank directors was $23.6 million, or approximately $2.1 million per board. In 2025, the 11 FHLBank Presidents earned on average $2.5 million, and the FHLBanks paid out more than $90 million in senior executive compensation.

This audit will determine whether the Division of Federal Home Loan Bank Regulation's (DBR) and FHFA's OGC provided sufficient oversight of the FHLBanks' Board of Directors and senior management, including oversight of FHLBank executive compensation. We initiated this audit in fiscal year 2026 and reported on DBR's oversight of FHLBanks' and the Office of Finance's corporate governance in a

report dated September 17, 2026.[4] We plan to issue a second report on the sufficiency of DBR's oversight of the FHLBanks' and the Office of Finance's director and executive compensation.

FISMA Audit of FHFA's Information Security Program and Practices

The Federal Information Security Modernization Act of 2014 (FISMA) requires the agency Inspector General or an independent external auditor, as determined by the Inspector General, perform an annual evaluation of the agency's information security program and practices. We contracted with an independent public accounting firm to conduct the annual evaluation as a performance audit under our oversight.

Initiated in October 2027, this audit will evaluate the effectiveness of FHFA's information security program and practices for FY 2027, including the program and practices of the OIG; and respond to the *Inspector General FISMA Reporting Metrics* issued by the Office of Management and Budget.

Audit of FHFA's Privacy Program

Pursuant to 42 U.S.C. § 2000ee-2, *Privacy and Data Protection Policies and Procedures*, the agency Inspector General is required to periodically review its agency's privacy and data protection program. We contracted with an independent public accounting firm to conduct an audit of FHFA's privacy program.

Initiated in October 2027, this audit will determine whether FHFA has implemented comprehensive privacy and data protection policies, procedures, and practices governing their collection, use, sharing, disclosure, transfer, storage, and security of information in an identifiable form relating to employees and the public. The OIG's privacy program will be included in this audit.

DBR's Oversight of FHLBank Fraud Risk Management and Reporting

FHFA has noted that uncovering and correcting the sources of fraud, waste, and abuse in the housing and mortgage markets is a key initiative for achieving the FHFA goals of promoting housing and home ownership within a stable market. The FHLBanks are exposed to fraud risk through various business lines and activities including mortgage loan acquisition ($83 billion in mortgages held as of June 2026), Affordable Housing Programs (AHP) ($1.9 billion in AHP liability balance as of December 2025), distressed asset disposition ($50 million of mortgage loans in foreclosure as of December 2025), financial accounting and disclosures, securities activities ($295 billion in investment securities and $2.3 billion in hedging instruments as of June 2026), payment systems, and other areas. FHFA regulations require that each regulated

[4] *See* AUD-2026-005 (September 17, 2026)

entity establish and maintain adequate and efficient internal controls, policies, procedures, and a training program to discover and report fraud or possible fraud.

Prior to 2025, DBR's fraud risk management workprogram had been assigned a triennial minimum frequency. Under DBR's new continuous supervision model, fraud risk management will be the subject of targeted examination at least once every 5 years but may be subject to more frequent monitoring activities. No targeted examinations were conducted for fraud risk management in 2026.

An audit is planned to assess whether the DBR's oversight reasonably assures that the FHLBanks maintain compliant, well designed, and effective fraud risk management and reporting processes.

FHFA's Contract Administration and Invoice Payment

FHFA procures goods and services for its operations in accordance with its Acquisition Policy and Acquisition Procedures Manual. During 2025, FHFA's Contracting and Inter-Agency Agreement expenses totaled $62.5 million, including $57.2 million to non-federal vendors. This was FHFA's second largest single category of expenses after personnel expenses. While FHFA has established controls over contract administration and invoice payment, our prior work in this area has noted concerns. Our audit report, AUD-2026-001, *FHFA's Controls Over Legal Service Payments Were Generally Effective But Did Not Ensure Compliance With All Contractual Requirements* (February 17, 2026) identified questioned cost while testing a subset of contracted services payments.

An audit is planned to evaluate the design and operating effectiveness of FHFA's controls over contract administration and invoice payments and determine whether weaknesses create risks of improper or unsupported payments.

DBR's Continuous Supervision

As of June 30, 2026, the FHLBank System held $1.44 trillion in assets and had issued $1.32 trillion in consolidated obligations. In 2026, DBR implemented a new examination process, moving from an annual examination process to a continuous supervision model. As part of this model, DBR developed a risk taxonomy and an associated plan of targeted examinations and monitoring activities. These are expected to provide a basis for DBR's supervisory conclusions presented in each FHLBank's annual Report of Examination and provide rotating "deep dives" – targeted examinations – into high-risk areas over a period of examination cycles. As with any new process, there is an increased risk that, should it not work as expected, that it would not provide sufficient risk-based coverage to support the supervisory conclusions made in each FHLBank's Report of Examination.

An audit is planned to determine whether DBR's continuous supervision —including planning, execution, documentation, and follow up of targeted examinations and monitoring —provides sufficient, risk based coverage that supports the credibility and accuracy of supervisory conclusions for the FHLBank System.

DER's Oversight of Single-Family Automated Underwriting Models

In 2025, Fannie Mae acquired approximately 987,000 single-family loans with an unpaid principal balance of $335 billion and Freddie Mac acquired approximately 1.11 million single-family loans with an unpaid principal balance of $388 billion. Origination volume accelerated through the first six months of 2026. As of June 30, 2026, Fannie Mae acquired approximately 593,000 single-family loans with an unpaid principal balance of $210 billion and Freddie Mac acquired approximately 587,000 single-family loans with an unpaid principal balance of $204 billion. The Enterprises use models to evaluate potential single-family loan acquisitions. Fannie Mae uses Desktop Underwriter and Collateral Underwriter for underwriting and automated valuation models, including models that use machine learning techniques for valuations. Freddie Mac uses Loan Product Advisor and Loan Collateral Advisor which significantly affect business decision-making, financial reporting, and risk management. Significant performance problems in any of these models could, if unaddressed, result in the acquisition of loans that do not meet the Enterprises' credit standards and lead to material losses or reputational harm to the Enterprises.

The Division of Enterprise Regulation (DER) conducted monitoring of Single-Family Credit Risk in both 2025 and 2026 as well as targeted examinations of Desktop Underwriter in 2025 and Loan Product Advisor in 2026.

An audit is planned to assess whether DER oversight of the Enterprises' automated underwriting and valuation models effectively ensures that model governance, validation, and monitoring practices align with FHFA guidance and mitigate risks of credit, operational, and model performance deficiencies.

DER's Supervisory Workforce Planning

FHFA's Strategic Plan for 2026-2030 reaffirmed that the Agency's mission is to ensure that the regulated entities operate in a safe and sound manner as communicated in its Strategic Goal 1: "Responsibly Oversee Fannie Mae and Freddie Mac for the American People." DER is charged with oversight of the Enterprises and assesses the safe and sound operations of the Enterprises.

In 2025, FHFA reduced the size of its workforce as a result of the workforce optimization efforts. This resulted in the separation of 216 employees – 92 percent through voluntary resignation or retirement programs and 8 percent through a reduction in force. FHFA's

total workforce declined from 728 to 525 between FY 2024 and FY 2025. Executive Order 14356, *Ensuring Continued Accountability in Federal Hiring* (October 15, 2025), calls for the Federal Government to be optimally staffed to meet critical mission needs. FHFA Policy No. 129 Workforce Planning Policy (February 2025) sets forth FHFA's requirements for the Agency's workforce planning process to ensure strategic alignment, identify workforce gaps, and develop and implement strategies to recruit, hire, develop, engage, and retain high quality talent.

An audit is planned to determine whether DER effectively identifies mission critical staffing needs, aligns workforce capacity with supervisory risk, and complies with applicable federal and FHFA workforce planning requirements.

DER's Oversight of the Enterprises' Insider Trading Risk Management

Insider trading risk is the risk of legal or regulatory sanctions, damage to current or projected financial condition, damage to business resilience, or damage to reputation resulting from nonconformance with U.S. Securities and Exchange Commission insider trading laws and disclosure requirements, rules, prescribed practices, internal policies and procedures, and ethical and related conflict-of-interest standards (insider trading obligations).

Each Enterprise is responsible for establishing an effective governance framework, comprehensive insider trading governing documents, and an effective risk identification and assessment system, along with identifying, managing, and reporting on insider trading-related controls as part of its robust internal controls. Insider trading obligations apply to the Enterprise, its employees, officers, directors, select contingent workers, other third parties with access to material nonpublic information (MNPI), and individuals receiving "tips" of MNPI, if the person receiving the tip is a family member or has a meaningfully close personal relationship with the party improperly disclosing the MNPI (covered parties). By implementing a well-designed, adequately resourced, and effective compliance program, an Enterprise can make it less likely that covered parties will engage in illegal insider trading activity.

An audit is planned to determine whether DER's oversight of the Enterprises' insider trading risk management programs was implemented sufficiently and conforms with applicable laws, regulations, policies, and procedures.

DER's Oversight of Freddie Mac's Single-Family Performing Loan Repurchase Alternative Program

In 2024, Freddie Mac piloted a program offering lenders a fee-based alternative to repurchase requests called the Single-Family Performing Loan Repurchase

Alternative Program. Loan repurchase requests from the Enterprises occur because some loans acquired are found to have significant underwriting defects during quality control reviews. Such buybacks can be costly, especially for small and independent lenders. Instead of making lenders repurchase defective but performing loans within the first 36 months of origination, Freddie Mac instituted a fee-based structure that incentivizes originating high-performance loans. Participating lenders with a non-acceptable quality rate under a certain threshold, for example, are not subject to buyback requests on most performing loans. Those with higher defect rates, on the other hand, would be subject to fees based on a sliding scale determined by their non-acceptable quality rate. Freddie Mac announced in October 2024 that the pilot program would be expanded in the first quarter of 2025 and also announced a new fee-only option for performing loans. Under that option, lenders can obtain immediate representations and warranties relief in lieu of repurchasing a defective loan under the company's traditional performing loan remedies framework (but remain subject to charter, fraud and life of loan defects). Since this program may increase the number of defective loans that Freddie Mac retains, it is important that fees collected adequately cover the cost of the additional risk. During 2025, Freddie Mac recovered amounts with respect to $1.1 billion in unpaid principal balance of loans subject to repurchase requests. As of December 31, 2025, the unpaid principal balance of loans subject to repurchase requests that Freddie Mac issued to single-family seller/servicers was approximately $400 million. This balance is down from $600 million as of December 31, 2024, prior to widespread adoption of the program.

DER plans to perform a target examination of the program during FY 2026 and plans to conclude in FY 2027.

An audit is planned to assess whether DER's targeted examinations of Freddie Mac's Performing Loan Repurchase Alternative Program ensures that the program appropriately mitigates the financial and operational risks associated with Freddie Mac retaining loans with underwriting defects.

External Penetration Test of FHFA's Network and Systems

FISMA requires agencies, including FHFA, to develop, document, and implement agency-wide programs to provide information security for the information and information systems that support the operations and assets of the agency, and to periodically test those assets. To support our ongoing oversight of FHFA's compliance with FISMA, we plan to perform an audit of FHFA's networks and information security. Our last external penetration test of the Agency was in 2025.

An audit is planned to determine whether FHFA's external facing network and systems are adequately protected against cyber threats by evaluating the effectiveness of security controls in preventing, detecting, and mitigating unauthorized access and vulnerabilities.

FHFA's Charge Card Programs Risk Assessment

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by Office of Management and Budget Circular No. A-123, Appendix B (revised August 27, 2019), *A Risk Management Framework for Government Charge Card Programs*, requires, among other things, that the Inspector General of each executive agency conduct periodic risk assessments of agency purchase card (including convenience checks) programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments and to perform analyses or audits of these programs as necessary. When annual travel card spending for an agency exceeds $10 million, the Charge Card Act and the Circular require periodic audits or reviews of the agency's travel card program. Our last risk assessment was performed in FY 2026.

If warranted, a risk assessment will be conducted of FHFA's policies and procedures over its purchase card and travel card programs. We will use the results of the assessment to determine the scope, frequency, and number of periodic audits of FHFA's programs, as appropriate.

Office of Evaluations

FHFA's Oversight of the Enterprises' Multifamily Property Conditions

The Enterprises' multifamily businesses provide liquidity to the mortgage market and contribute to the achievement of FHFA's affordable housing goals and conservatorship objectives. As of the second quarter of 2026, the combined multifamily portfolios exceeded $1.05 trillion. The physical condition of a multifamily property impacts the safety and soundness of the Enterprises' multifamily portfolio. Property condition refers to the physical state and operations of the property. According to FHFA, there has been a decline in multifamily property conditions since 2023. As a result, FHFA increased its oversight of the Enterprises' efforts to address its multifamily property condition issues.

The decline in property condition has been attributed to: (1) deferred property maintenance, (2) an increase in fraud, and (3) inaccurate property inspections. These factors heighten the Enterprises' exposure to potential credit losses and present a serious challenge to FHFA's ability to ensure that the Enterprises operate in a safe and sound manner.

In FY 2026, we initiated two evaluations to assess FHFA's oversight of the Enterprises' monitoring and assessment of changes in the condition and value of multifamily properties that serve as collateral for loans in its multifamily portfolio. One evaluation focuses on Fannie Mae and the other on Freddie Mac.

FHFA's Oversight of a Significant Failed Multifamily Transaction

In 2022, Fannie Mae acquired a portfolio of loans consisting of hundreds of older multifamily properties in order to meet the affordable housing goals set by FHFA for that year. The portfolio contributed thousands of rental units towards the total units required under the multifamily housing goals, including over a third of the total units needed for the subgoal for smaller multifamily properties affordable to low-income families.

The multifamily properties failed to generate sufficient income to cover the loan payments, and the borrower defaulted on the portfolio's loans within two years of their origination. The failure of these loans raised questions about FHFA's oversight of Fannie Mae's processes for overseeing delegated underwriting by its lenders.

In FY 2026, we initiated a special project to assess FHFA's oversight of Fannie Mae's loan review and approval processes for this multifamily portfolio and Fannie Mae's activities from loan acquisition through loss mitigation.

FHFA's Examiner Training and Development Program

Under 12 U.S.C. § 4517(a), the FHFA Director is required to annually conduct examinations to determine the condition of the regulated entities for purposes of ensuring their financial safety and soundness and to appoint examiners to conduct those examinations.

Examiners appointed to conduct FHFA's annual examinations have the same authorities, and are subject to the same obligations, as examiners employed by the Federal Reserve Banks. Since 2011, OIG has issued several reports on the Agency's examiner commissioning program with the last report issued in 2021. DER is responsible for supervising the Enterprises, and DBR is responsible for supervising the FHLBanks.

Two evaluations are planned to evaluate how the Agency ensures its examiners receive the appropriate training and on-the-job experience to competently conduct examinations – one evaluation will assess the current state of DER's examiner training and development, and the other evaluation will assess DBR's examiner training and development.

FHFA's Offboarding Processes for Separating Employees

In FY 2025, 216 employees separated from FHFA through voluntary resignation or retirement programs and reduction in force. Effective offboarding processes are essential to protect the Agency from potential vulnerabilities, such as unauthorized access to systems and facilities and loss of assets. FHFA's offboarding processes include collecting specific items from separating employees, such as (a) access cards issued by FHFA and by the Enterprises, (b) sensitive IT assets, and (c) Agency records.

An evaluation is planned to assess the effectiveness of FHFA's offboarding processes for employees who separated from the Agency in fiscal years 2025 and 2026.

FHFA's Oversight of Super Intelligence (SI) Implementation and Governance at the FHLBanks

In the last three years, FHFA identified the implementation of super intelligence, machine learning, and large language models (collectively referred to as SI) as an emerging risk across the FHLBank system. In recent examinations, DBR commented on the adequacy of FHLBanks' policies, guidance, and risk management regarding SI implementation, and issued several findings. In some cases, this included the FHLBanks' oversight of third-party vendors that utilize SI tools.

FHFA issued an advisory bulletin (AB), AB 2022-02: Artificial Intelligence/Machine Learning Risk

Management, as supervisory guidance to the Enterprises. The advisory bulletin, which was issued in February 2022 and updated in May 2025, describes risks and controls associated with SI, and outlines FHFA's supervisory expectations for risk monitoring, reporting, and communications related to SI. As the Agency notes in its advisory bulletin, reliance on SI without sufficient risk oversight and transparency can create heightened risks, such as risks to cybersecurity, information security, model and data risk, operational risk, and regulatory and compliance risks.

To date, the Agency has not issued similar supervisory guidance to the FHLBanks. A related advisory bulletin, AB 2017-02 Information Security Management, was issued to Fannie Mae, Freddie Mac, and the FHLBanks in September 2017. The FHLBanks have engaged different SI providers and tools for various purposes.

An evaluation is planned to assess the adequacy of FHFA's oversight of SI risk management at the FHLBanks.

FHFA's Oversight of Enterprise Cyber Incident Reporting and Risk Monitoring of Third-Party Providers

FHFA and the Enterprises recognize that reliance on third parties exposes the Enterprises to a number of risks, including cybersecurity risks. FHFA expects the Enterprises to conduct ongoing monitoring of their third-party providers' information security programs and to define risk categories for oversight of such providers. Under the Agency's AB 2020-05: Enterprise Cybersecurity Incident Reporting, the Enterprises are expected to report a cybersecurity incident that occurs at the Enterprise or a third party "that actually or potentially jeopardizes the confidentiality, integrity, or availability of an Enterprise system or Enterprise information the system processes, stores, or transmits; or constitutes a violation of imminent threat of violation of the Enterprise's security policies, security procedures, or acceptable use policies." FHFA's AB 2024-02: Enterprise Operational Event Reporting also calls for an Enterprise to provide 24-hour notification to FHFA of "high severity operational loss events."

An evaluation is planned to determine whether FHFA adequately oversees the Enterprises' processes for assessing risk levels associated with third-party providers and for monitoring and reporting third-party cybersecurity incident reporting, including the timeliness of required notifications of cybersecurity incidents in accordance with FHFA's advisory bulletins.

FHFA's Workforce Planning

Workforce planning is the process of identifying and addressing gaps between an organization's current staff and its

future workforce needs based on a desired future target state. This process is the foundation for managing an organization's human capital. Since 2025, the Agency has undergone significant change in leadership and staffing.

An evaluation is planned to assess FHFA's efforts to define its future target state and to develop workforce plans that identify staffing and skills needs to meet its statutory responsibilities and the administration's goals and priorities.

FHFA's Oversight of the Enterprises' Use of Alternative Valuation Tools and Models

Through the 2018 Conservatorship Scorecard, FHFA directed the Enterprises to research and begin planning for appraisal modernization. FHFA subsequently approved the Enterprises' use of desktop appraisals in 2021, and in 2022 required them to submit quarterly desktop appraisal reports.

On March 13, 2026, the President issued Executive Order 14393, *Promoting Access to Mortgage Credit*. The order directs FHFA and other federal financial regulators to modernize appraisal processes, including "modernizing appraisal regulations and guidance to expand the use of alternative valuation models, desktop and hybrid appraisals, and artificial intelligence valuation tools."

An evaluation is planned to assess FHFA's implementation of the appraisal-modernization requirements of Executive Order 14393.

FHFA's Oversight of the Enterprises' Use and Governance of SI to Mitigate Fraud Risk

FHFA expects the Enterprises to establish and maintain internal controls to prevent, deter, and detect fraud or possible fraud. In prior evaluations, we noted that Fannie Mae was taking actions to address an increase in suspected multifamily fraud detected in 2023 and 2024, and fraud-related events in 2023 prompted Freddie Mac to review and update its multifamily policies and processes. In May 2025, Fannie Mae announced a partnership with a SI software company to expand Fannie Mae's fraud detection capabilities and help detect and prevent mortgage fraud. As FHFA notes in AB 2022-02: Artificial Intelligence/Machine Learning Risk Management, SI tools can support a range of functions across the Enterprises, such as risk analysis and fraud detection, but the use of such tools can also expose the Enterprises to heightened risks, including financial and operational risks.

An evaluation is planned to assess the adequacy of FHFA's oversight of the

Enterprises' use and governance of SI to manage and mitigate fraud risk.

External Projects

Council of Inspectors General on Financial Oversight – Financial Stability Oversight Council's Designation of Nonbank Financial Companies

The Council of Inspectors General on Financial Oversight (CIGFO) regularly convenes working groups to evaluate the effectiveness and internal operations of the Financial Stability Oversight Council. As a statutory member of CIGFO, FHFA-OIG may participate in, or lead, these working groups.

We plan to participate in CIGFO's next working group.

External Peer Review

In accordance with CIGIE's *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, we will review another OIG's audit organization. The objective of an external peer review is to determine whether, for the period under review, the audit organization's system of quality management was suitably designed and complied with to provide it with reasonable assurance that it is fulfilling its responsibilities in accordance with professional standards and performing and reporting in conformity with such standards in all material respects.

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