Annual Plan

Fiscal Year 2026

Message from the Acting Inspector General

I am pleased to present the Fiscal Year 2026 Annual Plan for the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG). OIG conducts audits, investigations, evaluations, inspections, compliance reviews, and other oversight activities to fulfill our 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 Fiscal Year (FY) 2026, which tie to the risks identified in our annual 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 (referred to as "people risk" in the FY 2025 annual plan);
- Overseeing the regulated entities' reliance on counterparties and third parties; and
- Creating and maintaining records justifying key management decisions (new).

The annual plan includes work already underway as well as planned projects. Because our work remains risk-based, we consider the plan dynamic and subject to change based on evolving facts and circumstances.

John Allen
Acting Inspector General

September 29, 2025

Abbreviations

AB	Advisory Bulletin
AHP	Affordable Housing Program
AML	Anti-Money Laundering
BSA	Bank Secrecy Act
Charge Card Act	Government Charge 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
DHS	Department of Homeland Security
Enterprises	Fannie Mae and Freddie Mac
FedRAMP	Federal Risk and Authorization Management Program
FHFA or Agency	Federal Housing Finance Agency
FHLBanks	Federal Home Loan Banks
FinCEN	Financial Crimes Enforcement Network
FISMA	Federal Information Security Modernization Act of 2014
FY	Fiscal Year
GSS	General Support System
IG Act	Inspector General Act of 1978
IT	Information Technology

MNPI	Material Nonpublic Information
MRA	Matter Requiring Attention
OGC	FHFA's Office of General Counsel
OIG	FHFA Office of Inspector General
OPB	Operating Procedure Bulletin
QC	Quality Control
U.S. FinTech	U.S. Financial Technology, LLC (previously known as CSS)

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Background

Introduction

The Housing and Economic Recovery Act of 2008 established the Federal Housing Finance Agency (FHFA or Agency) in July 2008. 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 things, 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' 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 of the Agency's programs and operations, engaging in robust enforcement efforts to protect the interests of the American taxpayers, and keeping our stakeholders fully and currently informed of our work.

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

Promote the economy, efficiency, and integrity of FHFA programs and operations, and deter and detect fraud, waste, and abuse, thereby supporting FHFA's mission

Vision

Promote excellence and trust through exceptional service to FHFA, Congress, and other stakeholders

Values

Integrity, objectivity and independence, excellence, and respect

Strategic Goals

OIG's mission, vision, and values are embodied in our commitment to five goals for FY 2022-2026.

This annual plan describes how we intend to execute those strategic goals across our body of work in FY2026.

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 2026, we identified five areas that pose the greatest risks and challenges to FHFA and the regulated entities. OIG's FY2026 oversight priorities, as outlined in this annual plan, center on those five management and performance challenges:

- 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;
- Overseeing the regulated entities' reliance on counterparties and third parties; and
- Creating and maintaining records justifying key management decisions (New).

Our FHFA Fiscal Year 2026 Management and Performance Challenges memorandum describes each challenge area in more detail.[1]

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 undertake specific work at the request of FHFA management, Congress, or other stakeholders. Therefore, this plan may alter (e.g., new work added, planned work deferred, etc.) during the fiscal year.

OIG Offices

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 the annual Government Accountability Office audit of OIG financial statements. 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 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

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

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.

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.

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 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.

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.

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 is the primary federal law enforcement organization that specializes in deterring and detecting fraud perpetrated against the Enterprises and the FHLBanks, which collectively hold trillions worth of assets and acquire millions of mortgages worth hundreds of billions of dollars each year. The office executes OIG's mission by investigating allegations of significant criminal, civil, and administrative wrongdoing. Highly trained law enforcement officers, analysts, and cyber forensics personnel maximize the impact of OIG's criminal and civil law enforcement efforts by working closely with federal, state, and local law enforcement agencies nationwide. Investigations are conducted in accordance with professional guidelines established by the Attorney General of the United States and with CIGIE's *Quality Standards for Investigations*.

In FY2026, the Office of Investigations will initiate and continue investigations into:

- Allegations of fraud, waste, and abuse in the programs and operations of FHFA and its regulated entities
- Significant cyber-criminal activity in partnership with FHFA and the regulated entities
- Allegations of employee misconduct, including Hotline and whistleblower complaints

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, OMMSC coordinates OIG's publications and professional education program.

Planned Audits, Evaluations, and Other Projects

Office of Audits

DBR's Oversight of Affordable Housing Programs Project Monitoring and Fraud Risk Management

FHLBanks participate in various activities to support low-income housing and community development. The FHLBanks support a range of these activities through three programs: the statutorily mandated Affordable Housing Program (AHP), the statutorily mandated Community Investment Program, and the voluntary Community Investment Cash Advance Program. Under these programs, the FHLBanks provide loans (referred to as advances) and grants to their members. The members then use these funds to assist very low- and low- or moderate-income households and communities. Annually, each FHLBank is required to fund its AHP with 10 percent of its net earnings from the prior year, provided that the entire FHLBank System meets a minimum combined contribution of $100 million towards their respective AHPs. Increased funds into the programs provides more opportunity for fraud.

This audit will determine whether FHFA's Division of Federal Home Loan Bank Regulation (DBR) provided sufficient oversight of the FHLBanks' AHP project monitoring and fraud risk management processes to ensure projects adhere to AHP regulation and FHLBank policy.

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. Based on information in the individual FHLBanks' 10Ks, 31 FHLBank executives earned over $1 million in 2024. In addition, the 11 FHLBank Presidents earned on average $2.3 million. In the five years from 2019 to 2023, the FHLBanks paid out over half a billion dollars in executive compensation.

This audit will determine whether DBR and FHFA's OGC provided sufficient oversight of the FHLBanks' Board of Directors and senior management, including oversight of FHLBank executive compensation.

DER's Oversight of the Enterprises' Single-Family Automated Underwriting Models

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 Home Price Appreciation 2.0 which significantly affect business decision-making, financial reporting, and risk management. In 2024, single-family acquisition volume was approximately 778,000 loans with an unpaid principal balance of $326 billion for Fannie Mae and approximately 1.03 million loans with an unpaid principal balance of $346 billion for Freddie Mac. Significant performance problems in any of these models could, if unaddressed, result in the acquisition of loans that do not meet Enterprises' credit standards and lead to material losses or reputational harm to the Enterprises.

This audit will determine whether FHFA's Division of Enterprise Regulation (DER) provided sufficient oversight of the Enterprises' management of their Single-Family underwriting models to ensure compliance with Enterprise underwriting guidance.

DBR's Oversight of FHLBank System's Information Security and Cybersecurity Risk Management

The FHLBanks and the Office of Finance rely heavily on information systems and other technology to conduct and manage business. The FHLBanks and the Office of Finance are subject to cybersecurity risk, which includes intentional and unintentional acts that may jeopardize the confidentiality, integrity, or availability of information technology (IT) assets and data under their control. Cybersecurity risk can cause harm to the FHLBanks and the

Office of Finance, their service providers, FHLBank members, and the economy in general. These circumstances include, but are not limited to, malicious software or exploited vulnerabilities, social engineering, such as phishing, denial-of-service attacks, viruses, and malware. As a result of the increasing need for effective information security management at the FHLBanks, this area has been a supervisory priority for DBR for several years.

This audit will determine whether DBR provided sufficient oversight of the FHLBank System's information security and cybersecurity risk management.

FY2026 FISMA Audit of FHFA's Information Security Program and Practices

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

The audit will evaluate the effectiveness of FHFA's information security program and practices, including that of OIG, and respond to IG FISMA Reporting Metrics issued by the Office of Management and Budget.

Internal Penetration Test of FHFA's Network and Systems

To support our ongoing oversight of FHFA's implementation of FISMA, we perform audits of networks and information security of the Agency. Our last internal penetration test of the Agency was in 2024.

This audit will determine whether FHFA's security controls are effective to protect its network and systems against internal threats.

FHFA's Oversight of Security Controls Over Cloud Services

Office of Management and Budget Memorandum "Modernizing the Federal Risk and Authorization Management Program" (FedRAMP) (July 2024) has streamlined the adoption of secure cloud services by federal agencies. Agencies may presume a cloud service's FedRAMP authorization, including its security assessment, as sufficient when authorizing the service's use. However, the cloud service provider and FHFA share responsibility for the overall security of the cloud service, and these responsibilities are delineated by the cloud service provider.

This audit will determine whether FHFA's oversight of its cloud services comply with federal standards and FHFA requirements.

FHFA’s Compliance with DHS Emergency Directives

The Cybersecurity and Infrastructure Security Agency at the Department of Homeland Security (DHS) develops and oversees the implementation of Emergency Directives and Binding Operational Directives, which require action on the part of certain executive branch agencies. An Emergency Directive is a mandatory instruction for agencies to take specific actions to protect information systems from, or mitigate, an information security threat. Directives are issued to address known or reasonably suspected threats, vulnerabilities, or incidents that pose a significant risk to the information security of an agency.

This audit will determine whether FHFA complied with select DHS Emergency Directives.

DER’s Oversight of Single-Family Property Insurance

The Enterprises require borrowers to obtain and maintain property insurance to cover the risk of damage to their homes or properties resulting from hazards such as fire, wind and, for properties in designated areas, flooding. However, the Enterprises may be exposed to risk of loss should borrowers’ insurance be insufficient to cover losses; borrowers fail to use insurance proceeds to make improvements to the property commensurate with the value of the damaged improvements; or borrowers fail to maintain insurance and suffer property damage. Additionally, hazard insurers may experience significant financial strain due to the frequency and intensity of major weather-related events, which many expect will persist and worsen in the future. This threat to their financial solvency could render them unable to make payments on related claims during periods in which significant numbers of mortgaged properties are damaged by natural or other disasters. To the extent that borrowers suffer property damage due to a hazard that is uninsured or underinsured, or the hazard insurer does not pay their claim, the borrowers may not make the required payments on their mortgages. Such loans that are owned or guaranteed by the Enterprises could cause the Enterprises to suffer losses.

In line with this growing risk, DER added property insurance to its list of supervisory priorities for 2025 to reflect the risk to the Enterprises from the increasing cost of and decreasing availability of property insurance.

This audit will determine whether DER provided sufficient oversight of the Enterprises’ Single-Family property insurance risk management policies and practices.

FHFA's Oversight of the Suspended Counterparty Program

The Suspended Counterparty Program requires each regulated entity to submit a report to FHFA if it becomes aware that an individual or institution with which it does business has committed certain forms of misconduct within the past three years. FHFA may issue proposed and final suspension orders against an individual or an institution based on a submitted report or other information. FHFA offers the affected individual or institution and the regulated entity an opportunity to respond to any proposed suspension order. FHFA may issue a final suspension order if it determines that the underlying misconduct is of a type that would be likely to cause significant financial or reputational harm to the regulated entity. Final suspension orders direct the regulated entity to cease or refrain from doing business with the suspended counterparty, subject to terms as provided in the orders.

This audit will determine whether FHFA's OGC provided sufficient oversight of the Suspended Counterparty Program.

FHFA’s Supervision of the Enterprises’ Bank Secrecy Act/Anti-Money Laundering Programs

The Enterprises are subject to financial crimes risk, which may occur through fraud, money laundering, and sanctions violations committed against or facilitated (either knowingly or unknowingly) by the Enterprises. The Bank Secrecy Act’s (BSA) objective is to safeguard the U.S. financial system from illicit uses such as money laundering, terrorist financing, and other illegal activities, and it does this in part by requiring certain financial institutions to report suspicious activity. The Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) implements, administers, and enforces the BSA. The BSA, along with related laws, regulations, and compliance requirements, including anti-money laundering (AML) provisions, are commonly referred to as “BSA/AML.” The Enterprises are required by FinCen regulations to establish BSA/AML compliance programs and report suspicious activities by filing Suspicious Activity Reports. Failure to comply with BSA/AML requirements exposes an Enterprise to enforcement actions, including civil and criminal penalties, and to reputational risk.

This audit will determine whether DER and FHFA’s OGC have provided effective oversight of the Enterprises’ BSA/AML programs.

FHFA's Oversight of the Enterprises' Multifamily Credit Risk Transfer Programs

Credit risk transfer programs were established to reduce taxpayer exposure to risks arising from credit guarantees through the Enterprises’ normal course of business. Each Enterprise fulfills its mission of providing liquidity to the mortgage market and supporting FHFA’s affordable housing goals and conservatorship objectives by, among other things, purchasing and securitizing multifamily residential mortgage loans originated by lenders.

These activities expose the Enterprises to multifamily credit risk. That is, an Enterprise may incur credit losses if a multifamily borrower defaults or a counterparty fails to provide the agreed upon services. In 2023, Fannie Mae transferred a portion of its credit risk on over 99 percent, or approximately $53 billion, of its multifamily new acquisitions. Freddie Mac issued $53.1 billion of multifamily securities and transferred a portion of the credit risk on 92 percent of its multifamily new acquisitions. As of December 31, 2024, Fannie Mae and Freddie Mac's multifamily mortgage portfolio was $499.7 billion and $467 billion, respectively.

DER is responsible for overseeing the Enterprises' credit risk transfer activities to ensure they are conducted in a safe and sound manner. Oversight is implemented through the Enterprise Regulatory Capital Framework, which sets capital requirements that promote prudent risk management, and the Conservatorship Scorecard, which outlines annual objectives and performance expectations.

This audit will determine whether DER provided sufficient oversight of the Enterprises' Multifamily Credit Risk Transfer Programs.

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 requirements. These include 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. Insider trading rules 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.

This audit will determine whether DER's oversight was sufficient to ensure that the Enterprises' insider trading risk management programs were appropriately implemented and conform with applicable laws, regulations, policies, and procedures.

FHFA's Charge Card Programs Risk Assessment

The Government Charge 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.

If warranted, we will conduct a risk assessment 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 Examiner Training and Development Program

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 will be conducted 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 Implementation of Processes for Approving the Enterprises' New Business Activities

On April 28, 2023, an FHFA regulation (12 C.F.R. Part 1253) went into effect that required the Enterprises to provide notice to FHFA of new business activities and to obtain prior approval from FHFA before offering new products. The regulation requires that FHFA determines which new activities merit public notice and comment, and therefore should be treated as new products subject to prior approval. Consistent with the Safety and Soundness Act, certain activities are not considered a new activity or a new product, and accordingly, do not require notice or prior approval. Those activities include enhancements and modifications to automated loan underwriting systems, mortgage terms and conditions, and underwriting criteria. The regulation expanded that list to include activities performed solely to facilitate the administration of an Enterprise's internal affairs to conduct its business, such as deploying a new human resources system or making efficiency improvements related to analyzing, processing, and documenting internal information.

Under the regulation, FHFA acknowledged the significant impact the Enterprises' activities have on the U.S. housing finance system, market participants, and the broader economy. In the year after the regulation became effective, FHFA reviewed 10 new Enterprise activities and determined that three were new products. FHFA received a request for new product approval for Freddie Mac's proposal to purchase closed-end second mortgages and published a public notice on it. As of June 2025, FHFA had not received a request for approval of the other new products from the Enterprises and has not published public notices.

This evaluation will assess whether FHFA complied with its internal policies and procedures and the regulation when it determined that the three new activities were new products, including Freddie Mac's purchase of closed-end second mortgages.

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 advisory bulletin on Enterprise Cybersecurity Incident Reporting Advisory Bulletin (AB) 2020-05, 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 transmit; or constitutes a violation of imminent threat of violation of the Enterprise's security policies, security procedures, or acceptable use policies." FHFA's advisory bulletin on *Enterprise Operational Event Reporting* (AB 2024-02) also calls for an Enterprise to provide 24-hour notification to FHFA of "high severity operational loss events."

This evaluation will assess FHFA's review of the Enterprises' assessment of the risk levels associated with a third-party provider and monitoring of third-party cybersecurity incident reporting, including the timeliness of notifications of cybersecurity incidents in accordance with FHFA's advisory bulletins. For third parties that have had a cybersecurity incident, we will review whether the third parties' cybersecurity incident risk levels reflected the actual risk and incident impact.

FHFA's Workforce Planning

Workforce planning is the process for 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. One of FHFA's strategic goal is "positioning the Agency as a model of operational excellence by strengthening its workforce and infrastructure." The Agency has undergone significant change in leadership and staffing.

In 2020, an audit was conducted to determine whether DER adopted and implemented a systematic supervisory workforce planning process in its Agency-wide strategic plan, to meet its statutory responsibilities to ensure the Enterprises' safety and soundness. DER had committed to adopting a workforce planning process in 2013, asserted that it implemented one during 2014, and reaffirmed the importance of such planning in 2018. Notwithstanding its commitments, DER's senior leadership acknowledged that DER had not engaged in a systematic workforce planning process. The audit recommended that it do so within 12 months.

The Office of Audits closed its recommendation in 2023 after DER developed and implemented a strategic workforce planning process. Its initial process involved skill gap analyses and workload analysis. DER determined that it needed to reach 170 full-time employees as part of this process.

The evaluation will 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. A separate compliance review will assess DER's implementation of its workforce planning process.

FHFA's Implementation of Its Reimbursements and Stipends Policy and Procedures

FHFA provides reimbursements and stipends to its employees for certain job-related expenses. A 2020 audit found that FHFA's controls over its reimbursements and stipends program during fiscal year 2019 were not fully effective, and FHFA's practice for calculating travel stipends was neither stated in its policy nor consistently followed. In 2021, FHFA reported that it reviewed and updated its Reimbursements and Stipends Policy.

This compliance review will assess whether FHFA complied with its Reimbursements and Stipends Policy and procedures.

DER's Quality Control Feedback

DER communicates its examination results and conclusions to Enterprise management through supervisory correspondence. DER conducts quality control (QC) reviews prior to transmitting supervisory correspondence to provide reasonable assurance that examination work performed by examiners meets applicable DER examination standards and FHFA guidance for document preparation and management. DER's February 2020 Operating Procedure Bulletin (OPB) on QC states that "[A]t least annually, [the QC Branch] provides DER management a report of QC observations, including gaps or weaknesses in supervisory correspondence and supporting documentation involving [Matter Requiring Attention (MRA)] issuance, review of MRA remediation plans, and MRA closure." Our 2022 evaluation found that DER's QC Branch had not produced an annual report of QC observations for DER management in accordance with the governing OPB during our period of review (October 1, 2019 through July 31, 2021).

In August 2022, FHFA issued interim guidance that required the QC Branch to produce an annual QC report to the Deputy Director covering QC results for the prior supervisory cycle and to make recommendations, as needed, for continuous improvement. In March 2023, DER issued the updated Quality Control Program Operating Procedures Bulletin, which set forth DER guidance for implementing its QC Program. To ensure that the appropriate individuals are informed of QC review results, the OPB stated, "[T]he Deputy Director will review the Annual Report and will communicate the need for any updates to DER's Supervision Program."

This compliance review will assess whether DER's QC function produced an annual report of QC observations and distributed it to DER management for appropriate action in accordance with its guidance.

FHFA's Risk Assessments of U.S. FinTech

FHFA maintains that it uses a risk-based approach for supervisory examinations, and risk assessments provide the foundation for the risk-based examination activities conducted annually. As an affiliated entity of the Enterprises, U.S. FinTech (formerly known as CSS) is subject to FHFA's supervision. A 2021 audit found that DER did not follow FHFA's requirements for risk assessments for CSS (prior to rebranding) in 2019 and 2020. For 2022 supervisory planning, DER prepared risk assessments for CSS in specific risk areas. In April 2022, DER issued an OPB titled, Risk Assessments, that sets forth procedures for the preparation, format, documentation, and approval of DER's annual risk assessments for the Enterprises and CSS.

This compliance review will assess whether DER followed its procedures in preparing annual risk assessments.

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 working group to assess (1) the sufficiency of the new guidance to effectively respond to financial stability threats under Section 113 of Dodd-Frank; (2) the extent to which the FSOC Members were engaged in the development of the new guidance considering such factors as lessons learned and any identified barriers from earlier guidance; and (3) the impact on the nonbank designation process as a result of the new guidance compared to the preexisting 2019 guidance and process.

FEDERAL HOUSING FINANCE AGENCY
OFFICE OF INSPECTOR GENERAL

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