

REDACTED

Federal Housing Finance Agency
Office of Inspector General



**Report of Administrative Inquiry
into a Whistleblower Complaint
Concerning an Enterprise Executive
Compensation Matter**

REDACTED FOR PUBLIC RELEASE

Redactions were made to the full version of this report to protect individual privacy and information identified by FHFA-OIG as non-public.

Administrative Inquiry • OI/OIG-2022-001 • January 26, 2022



OI/OIG-2022-
001

January 26,
2022

Executive Summary

In October 2021, a whistleblower reported to OIG that the former FHFA Chief of Staff (CoS) had led an effort to secure a \$250,000 retention award for a Fannie Mae executive—a [REDACTED]. We opened a Hotline complaint and initiated the present administrative inquiry.

From time to time, Fannie Mae may determine it is necessary to offer an employee a retention award—a sum of money intended to incent the employee to remain with the company for a specified period of time. Under FHFA’s most recent Letter of Instruction (2017 LOI) to Fannie Mae and Freddie Mac (the Enterprises), the Enterprises are required to seek FHFA’s approval before making a retention award.

Through our inquiry we determined that the \$250,000 award to the [REDACTED] was a retention award in name only. As the whistleblower alleged, the award originated with FHFA—more specifically, with the former Director and his CoS—and not with Fannie Mae. They intended it to provide the [REDACTED] with \$250,000 in additional compensation based, in part, on [REDACTED] past performance, not to incent [REDACTED] to remain in the employ of Fannie Mae.

The former Director and his CoS did not express a preference as to the means by which Fannie Mae implemented their direction in this matter. Fannie Mae chose the means: they sought FHFA’s approval of a \$250,000 retention award. Fannie Mae’s Chief Executive Officer (CEO) reported that but for the direction he received from FHFA, Fannie Mae would not have sought the Agency’s approval of the retention award in question.

We also determined that the FHFA Staff Analysis—the Agency’s official record of its reasons for approving the [REDACTED]’s retention award—is factually inaccurate. It omits key facts, i.e., that both the award and its amount originated with FHFA and not Fannie Mae, and that the award was intended to provide the [REDACTED] with additional compensation for [REDACTED] past performance and not to incent [REDACTED] to remain in the employ of Fannie Mae. FHFA’s creation and maintenance of this inaccurate record appears to violate the Federal Records Act as well as the Agency’s own policy on recordkeeping.

Finally, the former Director’s approval of the retention award in question raises a legal question: whether providing \$250,000 to the [REDACTED] under these circumstances would constitute the payment of a prohibited bonus in violation of the STOCK Act of 2012. This matter was not considered by



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Agency's Office of General Counsel when it reviewed the Staff Analysis prior to the former Director's approval of the award.

We recommend that FHFA accurately document its decision to approve the award in question as required by the Federal Records Act and its recordkeeping policy. We also recommend that, prior to permitting the award in question to be paid, FHFA should determine whether doing so would result in a violation of the STOCK Act of 2012.

In a written response dated January 20, 2022, the Agency accepted each of our recommendations and agreed to implement the recommended corrective actions by March 31, 2022.

We appreciate the cooperation of FHFA and Fannie Mae 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.fhfaoig.gov.

/s/

Michael J. Mullaney
Deputy Inspector General for Investigations

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BACKGROUND.....

The Hotline Complaint

On October 26, 2021, an OIG executive was contacted by an FHFA employee (the whistleblower) who reported the Agency’s involvement in an executive compensation matter at Fannie Mae. The whistleblower alleged that the former FHFA Chief of Staff (CoS) had led an effort to secure a \$250,000 retention award for the [REDACTED]

¹

The whistleblower further stated that the internal Fannie Mae memorandum supporting the retention award mentioned that a “senior FHFA official” was the impetus behind the retention award. In addition, the whistleblower alleged that an internal Fannie Mae email reflected that Fannie Mae management had originally proposed an award in the amount of \$100,000, rather than the \$250,000 that was ultimately approved by the Board of Directors (BoD) in May 2021. The whistleblower questioned both the propriety of the payment and the Agency’s approval thereof.

Based on this information, we opened this administrative inquiry on October 28, 2021. To date, the award has not been paid.

The Facts Established During OIG’s Inquiry

FHFA’s Request and Fannie Mae’s Response

We interviewed the former Director of FHFA who reported that the idea of providing an award to the [REDACTED] came about during a conversation he had with his CoS. When asked his reasons for wanting to issue the award, the former Director mentioned what he perceived as a pay disparity between the [REDACTED] who served as Fannie Mae’s [REDACTED] [REDACTED] and the executive at Freddie Mac who served as its [REDACTED].² He also cited the [REDACTED]’s candor and willingness to carry out policy direction from the Agency—qualities which the former Director stated that he found to be uncommon among Enterprise executives.

¹ The whistleblower noted that the [REDACTED]’s annual compensation was [REDACTED]

² Both the former Director and his CoS said the Fannie Mae [REDACTED] and the Freddie Mac [REDACTED] were comparable because they served the same function: [REDACTED]; however, the Freddie Mac [REDACTED] was paid substantially more than the Fannie Mae [REDACTED]. We note that the difference in compensation appears, on its face, to be attributable to the fact that the Freddie Mac [REDACTED] is the Enterprise’s [REDACTED]. [REDACTED] overall responsibilities and rank both exceed those of the Fannie Mae [REDACTED].

We also interviewed the CEO of Fannie Mae who reported that, around March 2021, the then-Director and his CoS asked him to come up with a way “to do something extra” and provide “some kind of special bonus” to the [REDACTED] as a reward for [REDACTED] services as the Enterprise’s [REDACTED].

The CEO further reported that, initially, he resisted this direction from the Agency. He explained that the [REDACTED] was already appropriately compensated for [REDACTED] current position, adding that the Enterprise intended to assign [REDACTED] additional executive-level duties and, according to the CEO, a concomitant increase in compensation.

The former Director recalled that Fannie Mae was resistant to his direction. However, he did not recall that the CEO specified the reason for his resistance, i.e., the [REDACTED]’s forthcoming duties and concomitant increase in compensation.³

Despite the Enterprise’s initial resistance, FHFA persisted in its request; according to the CEO, around April 2021, the Agency’s CoS again reached out to him and asked about the award to the [REDACTED]. According to the CEO, the CoS made it clear that the Agency was “expecting us to do something” for the [REDACTED]—that is, FHFA wanted Fannie Mae to propose a monetary award.

In an effort to satisfy FHFA’s request, the CEO contacted the Chair of the Fannie Mae BoD, as well as the [REDACTED]⁴ to inform them of this matter. He directed the EVP responsible for the Enterprise’s human resources function (the EVP) to determine an appropriate amount to award the [REDACTED].

The EVP then contacted the Vice President in charge of Total Rewards (VP of Total Rewards), the responsible division within the Enterprise. The two sought to determine an amount that would be appropriate for such an award and settled on a range of \$75,000-100,000. According to the EVP, they concluded that an award in this range would convey to the [REDACTED] that Fannie Mae wanted to keep [REDACTED]. In addition, they believed that the range

³ When we informed him of the new duties and commensurate increase in compensation the [REDACTED] was slated to receive, the former Director said that the [REDACTED]’s future prospects were beside the point. He wanted [REDACTED] to be rewarded for [REDACTED] past work at Fannie Mae on projects of import to FHFA.

⁴ According to the Fannie Mae BoD Audit Committee Charter, the [REDACTED]

[REDACTED] Per Fannie Mae policy, the [REDACTED]

was appropriate, considering the [REDACTED]'s position with the company, as well as [REDACTED] current compensation.⁵

Ultimately, the EVP and VP of Total Rewards agreed that the award should be in the amount of \$100,000—the top of the range they had considered. The EVP told us that, in his judgment, a retention award above the \$75,000-\$100,000 range would have been inappropriate under the circumstances.

Although FHFA had requested the award, it was Fannie Mae, rather than the Agency, that chose the form of the award—a retention award. The CEO reported to us that Fannie Mae selected this form because, at that time, it had other retention award requests it intended to submit to the Agency for its approval. It decided to submit the [REDACTED]'s award at around the same time as these other retention awards.⁶

Indeed, the form of the award itself, i.e., a retention award, appears to have been a matter of indifference to the former Director and his CoS. Their shared goal was to reward the [REDACTED] [REDACTED] for [REDACTED] work on behalf of FHFA at Fannie Mae and to adjust a perceived disparity in [REDACTED] compensation.

Fannie Mae's Initial Proposal for a Retention Award

On May 7, 2021, Fannie Mae's VP of Total Rewards, advised the Agency of Fannie Mae's intention to request approval of a \$100,000 retention award for the [REDACTED]. However, the VP of Total Rewards, told us that, during a May 10, 2021, telephone call with officials of the Agency's Office of Executive Compensation (OEC),⁷ she was informed that FHFA's then-Director and CoS thought the amount of the award should be \$250,000.

The former Director confirmed to us that he had requested that the award be in this amount, rather than the \$100,000 proposed by Fannie Mae. He noted that he found Fannie Mae's proposal inadequate in light of other compensation requests proposed by the Enterprises. The former Director added that he would have agreed to a smaller sum, had Fannie Mae proposed an increase in compensation, instead of a one-time award.

⁵ Both the EVP and the VP of Total Rewards reported to us that, at the time they handled the [REDACTED]'s retention award proposal, they were unaware of the fact that the award had originated with FHFA. Further, both reported that they understood the proposal was intended to serve as a retention award.

⁶ In the 2017 LOI, FHFA, in its capacity as conservator, withheld from the Enterprises the authority to approve retention awards.

⁷ OEC was moved within FHFA in August 2021; however, in October, its staff members were reassigned to the Division of Federal Home Loan Bank Regulation and the Division of Conservatorship Oversight and Readiness.

Fannie Mae's Request for Approval of a Retention Award for the [REDACTED]

On May 24, 2021, the Fannie Mae BoD met virtually and discussed (among other things) the proposed retention award to the [REDACTED]. The Board's minutes reflect that the EVP "reported that senior representatives at FHFA initially recommended this award, and management concurs with the recommendation."

As reflected in the minutes of the meeting, a member of the BoD asked how often FHFA senior representatives recommended compensation increases; the EVP responded that he had no knowledge of senior Agency representatives making such a recommendation before. The BoD Chair commented that she also found it unusual for senior representatives of FHFA to make such a recommendation. Nevertheless, the Board approved the award, with the Chair noting the [REDACTED]'s "significant interactions with FHFA."

That same day (May 24, 2021), the VP of Total Rewards, emailed the then-Director of OEC to request (among other things) the Agency's approval of a \$250,000 retention award for the [REDACTED]. In her email, the VP of Total Rewards noted that she and the then-Director of OEC had "spoke[n] last week about these requests," at which time the then-Director of OEC had "indicated that FHFA would be supportive of" the requests.

Fannie Mae's formal request to the Agency's OEC for the approval of the award to the [REDACTED] came in the form of a memorandum from the EVP dated May 24, 2021. The memorandum stated that the rationale for the retention award was to ensure that Fannie Mae retained the [REDACTED] through the end of 2021, thereby ensuring continuity in its relationship with the Agency despite a potential change in FHFA leadership.⁸

Despite the Enterprise's stated rationale, Fannie Mae's CEO explained to us that, prior to receiving direction from the Agency, the Enterprise had not intended to provide a retention award to the [REDACTED]. Rather, it chose to use a retention award as the vehicle by which to satisfy the Agency's request to provide the [REDACTED] with additional compensation because such a request could be made at about the same time as proposed retention awards for other executives.

⁸ On June 23, 2021, the Supreme Court issued *Collins v. Yellen*, 549 U.S. __ (2021), which recognized the President's authority to remove the Director of FHFA at will. The President exercised this authority the same day.

The FHFA Staff Analysis Recommended Approval of the Retention Award

Having received and reviewed Fannie Mae’s submission, OEC prepared a Staff Analysis⁹ for the Director, endorsing the award for the reason provided by Fannie Mae in its Memorandum of May 24, 2021—specifically, to ensure that the ██████ remained in place through the end of 2021, thereby ensuring continuity in the Enterprise’s relationship with FHFA even if its leadership changed in the interim.

The analysis does not indicate that the award originated with the former Director, nor the fact that this rendered the award unusual or different from others of its kind.¹⁰ Moreover, its retention period of about six months was shorter than usual for an executive officer, and shorter than that of any other retention award proposed by Fannie Mae for an executive officer and approved by the Agency during 2020-mid-2021.

Although OEC staff were aware of both the unique origin of the award (FHFA, and not Fannie Mae), and its unusually short duration for an executive officer retention award (six months), they did not mention these facts in the Staff Analysis, which, after review by counsel, was submitted to the Director for approval.

On June 2, 2021, the former Director approved the award for payment in December 2021.

The former Director subsequently acknowledged to us that, as presented to him, the Staff Analysis supporting the issuance of the retention award to the ██████ did not reflect his actual reasons for requesting and approving the issuance of the award—i.e., to reward the ██████ for past duty performance and the correction of a perceived compensation disparity. He characterized the language in the Staff Analysis as boilerplate, and noted that, under the circumstances, the OEC staff who drafted the Staff Analysis were probably unfamiliar with the actual reasons for the award.

⁹ A staff analysis is a decision memorandum created by the FHFA staff office proposing a particular course of action to be approved by the Agency’s Director. The staff analysis memorandum sets forth the particulars of the matter and the case in favor of the Director’s approval of it. It is routed through the FHFA senior staff for each office’s advice and comment. At the conclusion of this process, the staff analysis is presented to the Director for her/his decision.

¹⁰ In fact, in the recollections of the FHFA and Fannie Mae officials involved with this award, it is the only one ever to originate with the Agency as opposed to the Enterprise.

FINDINGS

1. The Award to the [REDACTED] was a Retention Award in Name Only

As conservator, FHFA has delegated considerable day-to-day operational responsibility to the Enterprises' BoDs and management. However, FHFA does not permit Fannie Mae to issue retention awards without first receiving FHFA's approval.

FHFA's Standard for Reviewing and Approving Retention Awards

According to Agency counsel responsible for reviewing retention awards for legal sufficiency, the Agency does not have an official definition of a "retention award."¹¹

Nevertheless, FHFA has a clearly-established practice pursuant to which it reviews and approves retention awards. As detailed by the former Director of OEC, the issuance of a retention award is designed to address two types of risk: flight risk—an individual who may be contemplating leaving the Enterprise may be offered a retention award to encourage him or her to stay; and affordability risk—a key person filling a vital position who would be difficult to replace may be offered a retention award to ensure continuity. In either case, a retention award is intended to preclude the risk of losing the person at issue over the course of the proposed retention period.

We reviewed the retention awards submitted by Fannie Mae and approved by the Agency during 2020 and 2021; our review reflected that, in all cases, the Agency's approval relied on one or both of the reasons cited by the former Director of OEC—and no others.

Based on the Agency's established practice, as reflected in its records over the past two years, and our review of the Agency's implementation thereof, we conclude that FHFA's effective definition of a retention award is a payment made for one or both of two—and only two—reasons: the likely departure of an individual whom an Enterprise wishes to retain; or the potential difficulty in replacing a key individual in the event that the individual were to leave during the retention period.

Under FHFA's Standard, the Award to the [REDACTED] was not a Retention Award

Although presented by the Enterprise to FHFA as a retention award, the award to the [REDACTED]—as it was actually conceived—does not meet FHFA's effective definition of a retention

¹¹ Fannie Mae's policy at the time stated that retention awards are used to encourage select employees to remain employed by the Enterprise. The policy was not prescriptive in nature and did not provide a definition of a retention award. Moreover, Agency counsel noted that any definition Fannie Mae did have would have been irrelevant to the Agency's legal analysis of the instant award.

award. In the present case, the former Director and his CoS directed Fannie Mae to provide the [REDACTED] with additional compensation to correct a perceived disparity in compensation and to reward [REDACTED] good service. The reasons provided by the former Director and his CoS are unrelated to those upon which the Agency has relied consistently to approve retention awards.

Furthermore, Fannie Mae’s CEO reported that the Enterprise did not intend to propose a retention award for the [REDACTED] until the Agency directed it to find a way to provide [REDACTED] with additional compensation.

These factors made this award an outlier among Fannie Mae retention awards. As observed by the whistleblower, Fannie Mae Board members, and executives from both Fannie Mae and FHFA, the [REDACTED]’s award was apparently unprecedented among retention awards. Indeed, the fact that Fannie Mae chose to designate the award a “retention award” was, in the view of the Agency’s former Director and former CoS who originated the idea, merely incidental to its actual purpose.

2. The Staff Analysis—the Agency’s Official Record of Its Reasons for Approving the [REDACTED]’s Award—is Factually Inaccurate

As noted above, the former Director acknowledged to us that the Staff Analysis, as presented to him, did not reflect his actual reasons for requesting and approving the award to the [REDACTED]. He characterized the language in the Staff Analysis as boilerplate, and noted that, under the circumstances, OEC staff who had drafted the analysis were probably unfamiliar with the actual reasons for the award.

The Federal Records Act and the Agency’s Recordkeeping Policy

Under both the Federal Records Act and FHFA’s Records and Information Management Policy, the Agency is required to “make and preserve records containing adequate and proper documentation of the ... decisions, procedures, and essential transactions of the agency and designed to furnish the information necessary to protect the legal and financial rights of the Government and of persons directly affected by the agency’s activities.”¹²

In the present case, the acknowledged difference between the reasons for the award articulated by Agency leadership and the justifications set forth in the Staff Analysis undermine the transparency required by law.

In response to a question from us, the former Director acknowledged that it was “a fair criticism” that he allowed the award to go through for reasons other than those documented in

¹² 44 U.S.C. § 3101. The Agency’s January 2021 policy, which does not appear on its website, adopts the statutory language.

the Staff Analysis. He noted that he wished to get the award done and was less concerned with the manner in which it was accomplished.

3. The ██████'s Award, as Intended, is More Akin to a Bonus than a Retention Award

The distinction between a retention award and a bonus is significant. The Agency permits Fannie Mae to pay retention awards as described above; however, in the STOCK Act of 2012, Congress prohibited the payment of a bonus to an Enterprise senior executive while the Enterprise is in conservatorship.¹³

What Constitutes a Bonus Under the STOCK Act

For purposes of the present inquiry, the relevant question is whether the additional compensation to be provided to an Enterprise senior executive in the nominal form of a retention award is actually a bonus. If the award does constitute a bonus within the meaning of the STOCK Act, then paying it would be unlawful.

Although Congress did not define the word “bonus” for purposes of the Act, the Agency defined a bonus to distinguish it from otherwise permissible executive incentive compensation. In this context, the Agency said that a bonus is “a payment that rewards an employee for work performed, where details of the award (such as the decision to grant it or its amount) are determined after the performance period using discretion or inherently subjective measures.”¹⁴

As indicated above, the Agency conducts legal reviews of proposed retention awards, including the award in question. However, the Agency’s legal review does not—in the case of this retention award or in any of the others we reviewed—make a determination as to whether the proposed “retention award” may, in actuality, be a prohibited bonus.¹⁵

¹³ Stop Trading on Congressional Knowledge Act of 2012 (“STOCK Act”), Pub. L. No. 112-105, 126 Stat. 291 (2012); *see* 12 U.S.C. § 4518a (“Notwithstanding any other provision in law, senior executives at the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation are prohibited from receiving bonuses during any period of conservatorship for those entities on or after April 4, 2012.”).

¹⁴ The Agency’s definition is set forth in a June 2021 Request for Input on executive compensation issues at the Enterprises. That definition is intended to distinguish a bonus (prohibited by law) from “incentive compensation,” which is compensation that forms part of an executive’s total compensation package, but the amount earned is variable and at risk, depending on the executive’s overall performance.

¹⁵ In the present case, even if the legal review of the proposed award to the ██████ had included an analysis of whether the award was an impermissible bonus rather than a retention award, the fact that the Staff Analysis did not articulate the actual reasons for the award would have rendered any such legal review meaningless.

Under the Agency’s Definition, the Award to the [REDACTED] Appears to be a Prohibited Bonus

As indicated above, the former Director and his CoS informed us of their reasons for wanting Fannie Mae to give the [REDACTED] the award—reasons which were acknowledged, in part, by the CEO of Fannie Mae. Those reasons include rewarding the [REDACTED] for work performed. Moreover, the details of the award itself were “determined after the performance period using discretion [and] inherently subjective measures.” In these respects, the [REDACTED]’s retention award appears to be a prohibited bonus, as that term has been defined by the Agency.

CONCLUSION.....

The \$250,000 award to the [REDACTED] was a retention award in name only. The award originated with FHFA’s former Director and his CoS—and not with Fannie Mae. They directed Fannie Mae to provide the [REDACTED] with additional compensation based, in part, on [REDACTED] past performance, not to incent [REDACTED] to remain in the employ of Fannie Mae. They also determined the amount of the award.

Fannie Mae chose to implement FHFA’s direction by proposing the retention award in question. But for the direction Fannie Mae received from FHFA, the Enterprise would not have sought the Agency’s approval of the retention award in question.

The FHFA Staff Analysis—the Agency’s official record of its reasons for approving the [REDACTED]’s retention award—is factually inaccurate in that it fails to note the key facts set forth above. The Agency’s creation and maintenance of this inaccurate record appears to violate the Federal Records Act as well as its own policy on recordkeeping.

Finally, the former Director’s approval of the retention award in question raises a legal question: whether providing \$250,000 to the [REDACTED] under these circumstances would constitute the payment of a prohibited bonus in violation of the STOCK Act of 2012. This matter was not considered by Agency’s Office of General Counsel when it reviewed the Staff Analysis prior to the former Director’s action on it.

RECOMMENDATIONS.....

1. The Agency should document accurately its decision to approve the award in question, as well as any final decision as to whether it may be paid lawfully, consistent with the Federal Records Act and its recordkeeping policy.
2. Prior to permitting the award in question to be paid, FHFA should determine whether doing so would result in a violation of the STOCK Act of 2012.
3. The Agency should implement a procedure under which retention awards for senior executives proposed by the Enterprises are analyzed and reviewed to ensure they are not violative of the STOCK Act’s prohibition on the payment of bonuses.

FHFA COMMENTS AND OIG RESPONSE.....

We provided FHFA an opportunity to respond to a draft of this report. FHFA provided technical comments on the draft report, and those comments were considered in finalizing this report. FHFA also provided a management response, which is included as the Appendix to this report. In its management response, FHFA agreed with each of our recommendations and agreed to implement them by March 31, 2022.

OBJECTIVE, SCOPE, AND METHODOLOGY

We initiated this administrative inquiry in response to a Hotline complaint.

To conduct our inquiry, we requested and reviewed information from the Agency and Fannie Mae and interviewed Enterprise officials and current and former Agency officials.

We conducted our administrative inquiry from November 2021 through December 2021 under the authority of the Inspector General Act of 1978, as amended, and in accordance with the Quality Standards for Inspection and Evaluation (January 2012), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency.

We provided a draft of this report to FHFA for its review and comment.

APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: Phyllis K. Fong, Acting Inspector General

FROM: Sandra L. Thompson, Acting Director *SThompson*

SUBJECT: Draft Report: *Report of Administrative Inquiry into a Whistleblower Complaint Concerning an Enterprise Executive Compensation Matter*

DATE: January 20, 2022

Thank you for the opportunity to review the Office of Inspector General’s (OIG) draft report referenced above (Report). The Report presents the findings from the OIG’s administrative inquiry into a whistleblower complaint about the Federal Housing Finance Agency’s (FHFA) review and approval of a retention award (Award) for a Fannie Mae executive officer. The complaint questioned the propriety of the Award, FHFA’s review and approval process that included approval of the Award by the then-FHFA Director, and the accuracy of FHFA records related to that approval.

I appreciate the OIG’s inquiry into this matter and the presentation of its findings. After the OIG notified FHFA of the complaint, FHFA informed Fannie Mae that FHFA was reviewing the Award and directed Fannie Mae not to disburse payment while that review is pending. FHFA intends to take the Report and its findings into consideration in FHFA’s further review of the Award, including its propriety and legality. It is of the utmost importance that the Agency’s decisions are made consistent with applicable laws and regulations and are documented in a manner that meets the requirements of the Federal Records Act and FHFA policy.

The FHFA responses to the Report’s recommendations are below:

Recommendation 1: *The Agency should document accurately its decision to approve the award in question, as well as any final decision as to whether it may be paid lawfully, consistent with the Federal Records Act and its recordkeeping policy.*

Management Response: FHFA agrees with this recommendation. Staff from FHFA’s Office of General Counsel (OGC) and Records and Information Management Section will determine the appropriate action to ensure FHFA’s decision related to the Award is documented accurately,

consistent with the Federal Recordkeeping Act and FHFA's recordkeeping policy, and will complete this action by March 31, 2022.

Recommendation 2: *Prior to permitting the award in question to be paid, FHFA should determine whether doing so would result in a violation of the STOCK Act of 2012.*

Management Response: FHFA agrees with this recommendation and will document the decision in conjunction with Recommendation 1 by March 31, 2022.

Recommendation 3: *The Agency should implement a procedure under which retention awards for senior executives proposed by the Enterprises are analyzed and reviewed to ensure they are not violative of the STOCK Act's prohibition on the payment of bonuses.*

Management Response: FHFA agrees with this recommendation. OGC and DCOR staff will develop a procedure under which retention awards proposed for senior executives of the Enterprises are analyzed and reviewed to ensure they do not violate the STOCK Act's prohibition on the payment of bonuses and will complete this action by March 31, 2022.

We appreciate the professionalism and courtesy of the OIG staff who conducted this administrative inquiry. We find the results valuable and take this matter and the Report's conclusions seriously. If you have any questions related to this response, please do not hesitate to contact Clinton Jones, General Counsel.

ADDITIONAL INFORMATION AND COPIES.....

For additional copies of this report:

- Call: 202-730-0880
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