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FHFA Has Determined that the Enterprises Can Absorb the Full Cost of CARES Act Mortgage Forbearance

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OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

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SUBJECT: Report of Administrative Inquiry: FHFA Has Determined that the Enterprises Can Absorb the Full Cost of CARES Act Mortgage Forbearance

Summary

The Enterprises were authorized by the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) to place federally backed mortgages into forbearance—i.e., a period of time during which mortgagors may, without penalty, pause their mortgage payments and not be subject to default or foreclosure. The objective of this inquiry was to determine whether the Agency, as the Enterprises' conservator and supervisor, has measured, monitored, and—to the extent possible—sought to mitigate their forbearance-related costs.

Market conditions and data related forbearances have been very fluid over the course of the pandemic. More recently, the Agency has projected that cost to be approximately $7 billion to $8 billion. It also projects that, absent a severe downturn in the housing market, the Enterprises are well-positioned to bear that cost and continue performing their role of providing liquidity, stability, and affordability to the mortgage market.

In reaching this conclusion, the Agency relied on two mitigants to address the costs of forbearance to the Enterprises. First and foremost was the $59 billion capital buffer that the Enterprises have amassed as a consequence of a pre-pandemic amendment to the Preferred Stock Purchase Agreements (PSPAs) between FHFA and Treasury. The second was the estimated $5.3 billion in revenue raised from the Agency's October 2020 implementation of a temporary "adverse market fee," which has helped the Enterprises to recoup the majority of the projected $7-$8 billion cost of forbearance.

Background—The Pandemic and the CARES Act

The COVID-19 Pandemic

The Pandemic has had a significant impact on the U.S. economy, causing—among other things—widespread job loss with resulting economic hardships. According to a recent Congressional Research Service report, from the inception of the pandemic in mid-March 2020, to early July 2021, nearly 90 million Americans—over half of the nation's 160 million-member civilian work force—had filed for unemployment insurance at some point during the preceding year.[1]

Unsurprisingly, many Americans had difficulty paying their mortgages. In early July 2020—only a few months into the pandemic—the U.S. Census Bureau reported that tens of millions of Americans—over 25% of the adult population—had either missed the previous month's rent or mortgage payment, or were not confident that they would be able to make the following month's payment on time.[2]

The CARES Act Provides for Mortgage Forbearance and a Foreclosure Moratorium

An underlying purpose of the CARES Act is to mitigate the pandemic's impact on American homeowners. The Act, which was signed into law on March 27, 2020,[3] makes federally backed mortgages subject to forbearance—i.e., a period of time during which homeowners may, without penalty, pause their mortgage payments and not be subject to default or foreclosure.

For most loans in forbearance, servicers will not charge additional fees, penalties, or interest (beyond scheduled amounts). The CARES Act makes this relief available to any borrower upon his or her declaration of hardship due to the pandemic; the Act does not require homeowners to provide documentary evidence of the hardship. Forbearance, however, is only a pause and does not cancel amounts due under a loan; rather, all amounts due, including interest, must be repaid subsequent to the end of the forbearance period, e.g., when the loan is refinanced and the property is sold, or as the borrower pays down the mortgage over time.

Generally, initial forbearance periods range from three to six months. Originally, this could be extended to twelve months; however, as of February 2021, some homeowners with Fannie Mae or Freddie Mac loans could request extensions for a maximum total forbearance period of 18

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[1] *Global Economic Effects of COVID-19*, Congressional Research Service, R46270, updated July 9, 2021, at p. 9.

[2] *See* U.S. Census Bureau, *Survey News*, Volume 8, Issue 3, August 2020 (www.census.gov/programs-surveys/demographic-surveys/updates/volume8/issue-3.html).

[3] *See* § 4022 of The Coronavirus Aid, Relief and Economic Security Act (CARES Act), Pub. Law 116-136, Mar. 27, 2020.

months.[4] As of September 2021, FHFA has not yet established a deadline for homeowners to request initial forbearance. Nevertheless, given the limitations described above, many forbearance plans that have not yet ended will come to an end over the course of the next year.

In addition to forbearance, the CARES Act also established a moratorium (which the Agency extended through July 31, 2021) generally preventing servicers from foreclosing on delinquent federally backed mortgages. Thus, even if a loan was not in forbearance or had defaulted prior to the start of forbearance, the affected Enterprise was obliged to defer any foreclosure action.

These measures, intended to assist homeowners, imposed significant costs on the Enterprises. In the balance of this report, we detail FHFA's assessment of the anticipated costs of forbearance to the Enterprises. Moreover, we report on the Agency's efforts to mitigate those costs, as well as the Enterprises' ability to bear them.

Inquiry: Forbearance—Impact on the Enterprises and Agency Oversight

At the Start of the Pandemic, the Overall Rate of CARES Act Mortgage Forbearance and its Potential Costs to the Enterprises Were Predicted to be High

The start of the pandemic saw conjecture, both from inside and outside FHFA, about how many Enterprise-backed or guaranteed loans would go into forbearance and how high the associated costs would be. Those costs included losses from anticipated defaults, losses associated with the foreclosure moratorium, and losses associated with the higher cost of servicing loans in forbearance, e.g., fees paid to servicers handling loans in forbearance. Hereinafter, these costs will be referred to, collectively, as "the cost of forbearance."

> The **cost of forbearance** to the Enterprises is comprised of three elements: losses from anticipated defaults; losses associated with the moratorium on foreclosures; and losses caused by the payment of forbearance-related expenses and fees.

In testimony before the House Financial Services Committee in September 2020, then-Director Calabria noted that, early in the crisis, there had been a variety of predictions as to the

[4] Forbearance rules are somewhat different for FHA and VA loans. For example, FHA and VA imposed a deadline of September 30, 2021, by which to request initial forbearance. To apply for extensions, borrowers must have been in forbearance by June 30, 2020. For a borrower with a Fannie Mae or Freddie Mac loan to extend forbearance to the full 18 months, the loan must have been in an active forbearance plan as of February 28, 2021. *See* CFPB, Learn about forbearance (www.consumerfinance.gov/coronavirus/mortgage-and-housing-assistance/help-for-homeowners/learn-about-forbearance/).

pandemic's likely impact on the U.S. housing market, with some observers anticipating overall forbearance rates of between 25% and 50%.[5]

Indeed, by the end of April 2020—the month after the onset of the pandemic and the first month in which forbearance became available—there was already concern as to what would happen when forbearance expired. Upon its expiration, servicers would have to begin collecting—or attempting to collect—payments on forborne loans; some loans might require modification, while others, freighted with accumulated debt from forborne payments, might go into default. One financial industry executive was quoted as anticipating "a lot of loan modifications in the market" and opined that waiting for them was "kind of like watching a tsunami build."[6]

In June 2020, FHFA issued its 2019 Annual Report. In that Report, the Agency noted its own concerns as to the likely impact of forbearance and acknowledged that its responsibility to ensure "that the Enterprises' risk profiles match[ed] their capital levels" was "critical to enabling them to weather crises and continue fulfilling their statutory mission during downturns."[7]

A Million Enterprise Loans Enter Forbearance

According to FHFA, the first CARES Act forbearance on an Enterprise mortgage was secured in April 2020, and many more followed. Agency reports reflect that the month of April saw the initiation of nearly 1,000,000 new forbearance plans on Enterprise loans, with the Enterprises holding more than 1.4 million loans in forbearance by the end of May 2020, amounting to 6.4% of their combined portfolios, or over $365 billion.[8]

After almost a year of forbearance, in March 2021, a legal services company[9] that publishes a foreclosure index forecasted a surge in foreclosures, observing that the "large number of delinquent mortgages and borrowers in forbearance" suggested "trouble on the horizon." The company's CEO expressed concerns about "enormous past due bills when federal eviction and foreclosure moratoria end." Recognizing that "at some point, this debt must be addressed," the CEO cautioned that, even if borrowers found themselves in a better financial position by the end

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[5] House Committee on Financial Services, Written Testimony, Dr. Mark A. Calabria, Director, FHFA, *"Prioritizing Fannie's and Freddie's Capital Over America's Homeowners and Renters? A Review of the Federal Housing Finance Agency's Response to the COVID-19 Pandemic"* (Sept. 14, 2020) (www.congress.gov/116/meeting/house/111005/witnesses/HHRG-116-BA00-Wstate-CalabriaD-20200916.pdf)[hereinafter *Calabria testimony*].

[6] *Waiting for loan modifications is 'like watching a tsunami build,'* by Bonnie Sinnock, *National Mortgage News*, April 28, 2020.

[7] FHFA, *Report to Congress 2019*, p. 12, fn. 17 (www.fhfa.gov/AboutUs/Reports/Pages/Annual-Report-to-Congress-2019.aspx).

[8] As measured at the end of the second quarter, 2020. *See* FHFA, *Foreclosure Prevention and Refinance Report*, April 2021 (www.fhfa.gov/AboutUs/Reports/Pages/Foreclosure-Prevention-Refinance-and-FPM-Report-April-2021.aspx) [hereinafter *Foreclosure Prevention and Refinance Report*].

[9] *LegalShield*, a legal services company.

of forbearance, many would be "unlikely to be able to make a lump-sum payment to cover any missed months."[10]

The following month, April 2021, the Consumer Financial Protection Bureau (CFPB) warned of a coming "tidal wave of distressed homeowners" whose forbearance plans would be ending—possibly resulting in significant foreclosures.[11] A "tidal wave" of foreclosures would be tragic for homeowners—but could also present a problem for the Enterprises.

The Agency Reports that, Prior to the Start of the Pandemic, the Enterprises Were Not in a Position to Sustain the Projected Cost of Forbearance

By the start of the pandemic in March 2020, the Enterprises, collectively, were responsible for over 60% of U.S. mortgage originations. Their combined portfolios totaled about $5.5 trillion in outstanding home mortgage debt. Nevertheless, their financial condition was not secure—indeed, then-Director Calabria described that condition in October 2020 as "not close to safety and soundness," adding that Fannie Mae and Freddie Mac would "fail" in a serious downturn in the housing market.[12]

At the time, then-Director Calabria cited Enterprise estimates of the cost of forbearance to them to be "at least $6 billion." According to the Agency, this $6 billion estimate included $4 billion from expected loan losses due to anticipated defaults in the wake of forbearance. The expected losses associated with the foreclosure moratorium amounted to "at least $1 billion," while other forbearance-related expenses and fees[13] were expected to account for another $1 billion.

Per former Director Calabria, in the year before the pandemic, the Enterprises would not have been in a position to withstand these costs. Indeed, the former Director stated that, had the Enterprises still been leveraged at the approximately 1,000:1 rate that existed when he was sworn in in April 2019, "they would have already failed in response to COVID."

A business's **leverage ratio** is the measure of its assets to its equity (i.e., the value of its stock). A high leverage ratio could pose a risk to a business.

[10] C. Mendoza, *Index Forecasts Surge in Evictions and Foreclosures*, Mortgage Professional America, March 15, 2021 (www.mpamag.com/us/news/general/index-forecasts-surge-in-evictions-and-foreclosures/249215). As noted above, forbearance does not cancel a mortgagor's debt; rather, it defers it—including interest payments—to a later date. The debt, including amounts accumulated during forbearance, must still be paid.

[11] J. Boggs, *Feds warn lenders aren't prepared for an onslaught of foreclosures*, CBS 6 News, Richmond, April 1, 2021 (www.wtvr.com/news/national/feds-warn-lenders-arent-prepared-for-an-onslaught-of-foreclosures).

[12] FHFA, *Prepared Remarks of Dr. Mark A. Calabria, Director of FHFA*, at Mortgage Bankers Association - 2020 Convention and Expo, October 19, 2020 (www.fhfa.gov/Media/PublicAffairs/Pages/Prepared-Remarks-of-Dr-Mark-A-Calabria-Director-of-FHFA-at-MBA-2020-Annual-Convention-and-Expo.aspx).

[13] As servicing a loan in forbearance is more costly than servicing a regular loan, costs to the Enterprises include a $500 fee per loan which the Enterprises agreed to pay to servicers for loss mitigation.

Thus, early in the pandemic, the Agency was aware of the potential risks that loans in forbearance posed to the Enterprises. These risks included the carrying costs of a yet-to-be-determined number of loans in forbearance, the potential for increased defaults as debt on forborne loans continued to accrue, and the impact those defaults might have on the housing market, the liquidity of which the Enterprises are statutorily charged with supporting. The magnitude of these risks, however, was not easily discernable at that time.

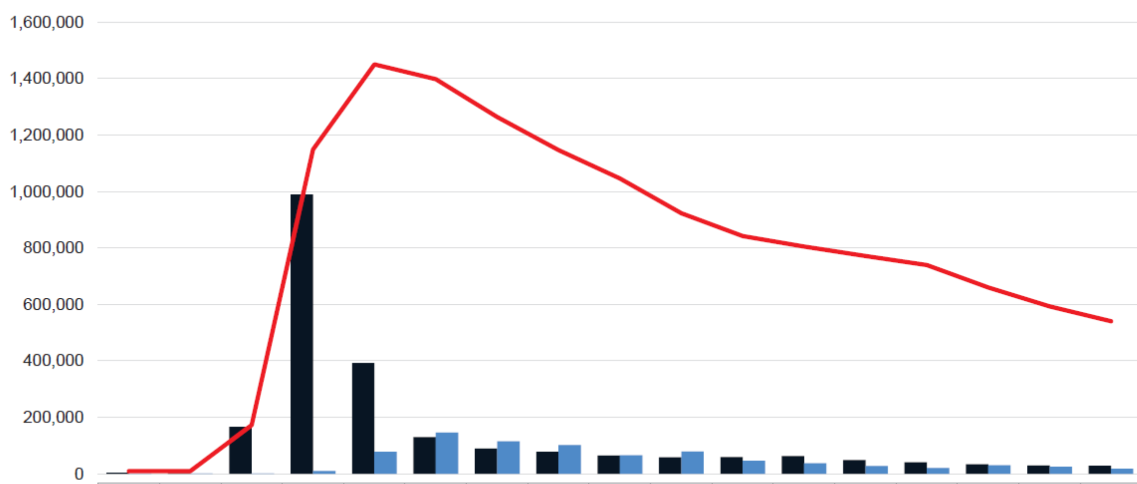
The Number of Homeowners Entering into Forbearance Proved to be Lower than Initially Anticipated

As stated above, CARES Act forbearance became available in April 2020. Despite many early estimates of between 25% and 50% of existing mortgages being placed into forbearance, the national forbearance rate peaked at 9% in late May 2020 and declined steadily over the following months.

The rate for Enterprise-owned or backed mortgages was even lower. By late May 2020, only about 6.4% of Enterprise-backed mortgages were in forbearance—a number that then declined as illustrated below in the chart from FHFA's April 2021 Foreclosure Prevention and Refinance Report.

Figure 1: Forbearance Plans

The total number of loans in forbearance plans continued to trend downward since its peak in May 2020 as initiated forbearance plans decreased, but remained elevated through May 2021 compared with pre-pandemic levels. As of May 31, 2021, there were 540,421 loans in forbearance, representing approximately 1.8% of the Enterprises single-family conventional book of business, down from 592,985 or 2.0% at the end of April.



	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Forbearance Plans Initiated	2,788	2,314	165,431	989,594	392,338	129,855	88,989	77,546	64,179	58,516	59,203	61,925	47,866	39,825	33,525	28,623	28,128
Forbearance Plans Completed	652	653	679	9,749	77,218	144,882	114,764	101,095	65,240	78,035	45,811	36,416	27,075	20,277	29,911	24,270	17,673
Forbearance Plans Inventory (at period end)	8,827	9,036	172,170	1,149,188	1,450,557	1,398,250	1,263,980	1,147,033	1,045,808	922,589	841,977	804,559	771,369	738,925	660,039	592,985	540,421

Source: FHFA (Fannie Mae and Freddie Mac)

By the end of October 2020, the number of Enterprise loans in forbearance had reportedly dropped below 1,000,000 for the first time since crossing that threshold in April 2020. The number continued to decline; in March 2021, FHFA reported that there were approximately 660,000 Enterprise loans in forbearance, representing approximately 2.2% of their portfolios.[14]

As set forth in Figure 1, above, by the end of April 2021—more than a year since the first Enterprise loan went into forbearance under the CARES Act—the number of Enterprise loans in forbearance had reportedly declined to fewer than 600,000, or about 2% of the Enterprises' portfolios. That month, for the first time since the inception of CARES Act forbearance in April 2020, fewer than 30,000 new forbearance plans were initiated on Enterprise mortgages.

As reflected in Figure 1, forbearance volume peaked in May 2020 and has continued to decline since. The week ending July 24, 2020, reportedly saw a significant drop (18,000) in the number of Enterprise loans in forbearance, as borrowers continued to exit their plans, with fewer new forbearance plans being originated. By the beginning of August 2021, Enterprise loans in forbearance had decreased to approximately 1.79% of their portfolios and by mid-August, the percentage had declined even further to 1.66%.[15]

The Agency Projected the Cost of Forbearance to the Enterprises

In July 2020, the Agency's Division of Research and Statistics (DRS) developed projections for the Enterprises' anticipated foreclosure losses associated with the end of forbearance, as well as various expenses and fees associated with forbearance, i.e., two of the three elements of the ultimate cost of forbearance, as detailed above, but not the costs associated with the foreclosure moratorium. DRS based its projections on its analysis of market conditions and data concerning transitions out of forbearance. At the time, DRS estimated these elements to amount to $5.4 billion. However, as DRS acknowledged, these factors "remain very fluid and cannot be ascertained with certainty."[16]

As noted above, in October 2020 then-Director Calabria cited Enterprise estimates of the anticipated cost of forbearance to the Enterprises of "at least $6 billion, principally driven by some $4 billion in losses from anticipated defaults and approximately $1 billion in expenses related to the foreclosure moratorium."

Officials from DRS stated that, in July 2021, DRS increased the projected cost of forbearance to the Enterprises from "at least $6 billion" to between $7 and $8 billion over the next 2-4 years. In

[14] *See* FHFA, *Foreclosure Prevention and Refinance Report*, *supra* note 8, at 5.

[15] According to analysis by the Mortgage Bankers Association, see www.mba.org/2021-press-releases/august/share-of-mortgage-loans-in-forbearance-slightly-decreases-to-347-percent and www.mba.org/2021-press-releases/august/share-of-mortgage-loans-in-forbearance-decreases-to-325-percent.

[16] In response to an OIG inquiry, the Agency cautions that "there is still much uncertainty concerning the transitions out of forbearance and defaults particularly given other contemporaneous market conditions, e.g., strong house price appreciation. Until additional data provides additional insight, it is difficult to assess forbearance related losses with high precision."

substantial part, the increase reflected the extension of the foreclosure moratorium and the associated costs to the Enterprises. These developments caused DRS to increase from approximately $1 billion to approximately $2 billion the Enterprises' original projection of expenses associated with that moratorium, as quoted by the former Director in October 2020. DRS did not change its projection of the Enterprises' likely losses from anticipated defaults. It remained at approximately $4 billion, consistent with the estimate cited by former Director Calabria.

FHFA has Determined that, in the Present Housing Market, the Enterprises' Increased Capital and the Adverse Market Fee Will Enable Them to Bear the Cost of Forbearance

Shortly after then-Director Calabria's October 2020 address in which he projected the overall cost of forbearance to the Enterprises, the Agency took steps to better prepare the Enterprises to absorb that cost. Specifically, FHFA approved a 0.5% "adverse market fee" to be imposed by the Enterprises on some refinance acquisitions beginning in December 2020.[17] The fee has reportedly generated some $5.3 billion in additional revenue for the Enterprises[18]—nearly 70% of DRS' projected cost of forbearance.

Of even greater significance to the Enterprises for purposes of their capacity to absorb the cost of forbearance—although implemented before the pandemic or forbearance had been anticipated—has been the change to their capital structure that resulted from the 2019 amendment to the Preferred Stock Purchase Agreements (PSPAs).[19] That revision to the PSPAs allows the Enterprises to retain significantly more capital—more than sufficient to absorb the costs that then-Director Calabria had foreseen. Specifically, Fannie Mae is permitted to retain up to $25 billion, and Freddie Mac is permitted to retain up to $20 billion.

By September 30, 2020—some six months after the start of the pandemic—Fannie Mae and Freddie Mac had retained equity capital of approximately $21 billion and $14 billion, respectively. At the time, then-Director Calabria stated that they had thereby improved their combined leverage ratio from 1000:1 in April 2019, to 250:1.[20] As noted below, their capital has increased since that time, providing an additional margin of safety.

[17] On July 16, 2021, FHFA announced the termination of that fee, effective August 1, 2021.

[18] D. Hollier, *Fannie and Freddie Hit the Mother Lode With the Adverse Market Fee*, Inside Mortgage Finance, July 22, 2021.

[19] The PSPAs form the arrangements under which Treasury funded the Enterprises following their failure in the Financial Crisis. They include limitations on the amount of capital the Enterprises can retain (see www.fhfa.gov/Conservatorship/Pages/Senior-Preferred-Stock-Purchase-Agreements.aspx).

[20] *See* FHFA, *Calabria testimony, supra* note 5.

In its 2020 Annual Report to Congress, the Agency stated the Enterprises are able to sustain their pandemic-related policies "in significant part because of risk reductions and capital increases achieved in the second half of 2019, just months before the pandemic began."[21]

We sought the opinion of FHFA's Chief Accountant concerning both the Agency's projections as to the cost of CARES Act forbearance to the Enterprises and the Enterprises' ability to sustain those costs. The Chief Accountant told us that the Agency's estimated cost of forbearance is largely supported by accounting statements provided by the Enterprises themselves, reflecting "anticipated credit losses." Anticipated credit losses are calculated, for accounting purposes, differently from the manner in which DRS has projected the cost of forbearance; nevertheless, the Chief Accountant opined that, given the resources currently available to Fannie Mae and Freddie Mac, the Agency's projected cost of forbearance—whether viewed as economic losses or from an accounting perspective—does not present an existential threat to the Enterprises.

Indeed, the Agency reports that the Enterprises have some $59 billion on hand, according to their 2021 2nd quarter 10-Qs[22]—over seven times DRS' $7-$8 billion projection of the cost of forbearance.

FHFA Does Not Anticipate an Imminent Change in the Housing Market

As detailed above, the Agency has determined that the Enterprises are well-positioned to sustain the costs of forbearance. Nevertheless, FHFA has acknowledged that, notwithstanding both the improved leverage and capital made possible by changes to the PSPAs, a substantial downturn in the housing market could still prove a serious challenge to the Enterprises' ability to continue supporting U.S. housing finance and providing liquidity for the housing market.[23]

We asked FHFA's Deputy Director for DRS what, in her view, would constitute such a downturn and whether the Agency deemed such a downturn probable in connection with the end of forbearance. The Deputy Director opined to us that a "significant downturn" would be a decline of 25-30% in house prices. DRS noted that, under current conditions, such a downturn was unlikely in the immediate future (the remaining quarter of 2021), absent a significant shock to the economy.

At present, DRS reports healthy housing prices across the country and opines that post-forbearance foreclosures, given current inventories and projections, are unlikely to cause a downturn; on the contrary, DRS anticipates that the market will likely consume distress sales

[21] FHFA, *Report to Congress 2020* at 16 (June 15, 2021) (www.fhfa.gov/AboutUs/Reports/Pages/Annual-Report-to-Congress-2020.aspx).

[22] *See* Fannie Mae, *Second Quarter 2021 10-Q* (June 30, 2021) (www.fanniemae.com/media/40576/display) and Freddie Mac, *Second Quarter 2021 10-Q* (June 30, 2021) (http://otp.investis.com/clients/us/federal_homeloan/SEC/sec-show.aspx?FilingId=15119280&Cik=0001026214&Type=PDF&hasPdf=1 [hereinafter Fannie Mae and Freddie Mac 10-Q].

[23] *See* FHFA, *Calabria testimony*, *supra* note 5, at 6.

quickly because there is a dearth of homes for sale on the market. Indeed, as of the end of June 2021, U.S. house prices were up 17.4% over the preceding 12 months and up over 20% since the onset of the pandemic.[24]

Although the housing market has been cooling slightly of late, home prices continue to rise. Financial service company CoreLogic's Deputy Chief Economist was quoted in August 2021 as predicting that home price growth would stay in double digits through the end of the year. CoreLogic further predicts that gains, while slower, will continue through next June.[25]

In addition, according to FHFA's Office of the Chief Accountant, the Enterprises' own projections, as reflected in their financial reports,[26] are consistent with DRS' view of the housing market and its assessment of the relatively low probability of a serious downturn in the short term. This projection thus reflects a consensus among the Agency's analysts and those of both Enterprises.

Conclusion

We initiated this inquiry due to concerns raised by FHFA's former Director and by other industry participants about the potential costs of CARES Act-related forbearance. The record set forth above demonstrates that the Agency has been tracking and estimating the potential cost of forbearance to the Enterprises since at least the onset of the pandemic. FHFA projects that the Enterprises are well-positioned to absorb the costs associated with CARES Act forbearance without recourse to additional funding from the Treasury due, in part, to the 2019 amendment to the PSPAs that increased the amount of capital the Enterprises may retain and to the profits generated by the imposition of the adverse market fee.

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[24] FHFA, *U.S. House Price Index (HPI) Quarterly Report*, 2021 Q2, Aug. 31, 2021 (www.fhfa.gov/AboutUs/Reports/Pages/US-House-Price-Index-Report-2021-Q2.aspx).

[25] DS News, *YoY Price Surge Recorded in June*, Aug. 31, 2021 (https://dsnews.com/daily-dose/08-31-2021/yoy-home-price-surge-recorded-in-june*); see also* CoreLogic, *U.S. Home Price Insights*, Aug. 4, 2021 (https://dfdnews.com/2021/08/04/u.s.-home-price-insights/).

[26] *See* Fannie Mae and Freddie Mac 10-Q, *supra* note 22.

Objective, Scope, and Methodology

We initiated this survey in May 2021 in response to statements by then-Director Calabria regarding the financial condition of the Enterprises and the current and anticipated future impact of CARES Act forbearance. We sought to determine whether the Agency's oversight had prepared the Enterprises to absorb the costs of forbearance.

To accomplish our objective, we reviewed publicly available information and documents, including Enterprise financial records, Agency reports, and public source data; in addition, we requested and reviewed internal Agency and Enterprise documents and conducted interviews with FHFA officials from the Office of the Chief Accountant, the Office of Risk Analysis, and the Division of Housing Mission and Goals.

We conducted our fieldwork from May 2021 through July 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.