



FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2024, through September 30, 2024



Table of Contents

Message from the Inspector General 1

Snapshot of OIG Accomplishments 3

OIG’s Oversight..... 4

 Overview 4

 OIG’s Risk-Based Oversight Strategy 4

 Management and Performance Challenges 4

 OIG’s Oversight of FHFA’s Programs and Operations Through Audit,
 Evaluation, and Compliance Activities During This Reporting Period..... 5

 Office of Audits 5

 Office of Evaluations 6

 Office of Compliance 6

Reports and Recommendations 7

 Significant Reports 7

 Enterprises and CSS 8

 FHLBank System 9

 Agency Operations 10

 IG Act Information Concerning Reports 10

 Recommendations 11

 Open Recommendations 11

 Closed, Rejected Recommendations and Potential Cost Savings 25

Investigative Activity 34

 Significant Cases 36

 Closed Case Summaries 36

 OIG Updates to Significant Investigations by Fraud Scheme Category 38

 Multifamily 38

 Loan Origination 38

 GSE/FHLBank 39

 Loan Modification 41

 PPP Loan Fraud 42

 Criminal Investigative Results 42

 Multifamily Schemes 42

 Loan Origination Schemes 43

 Fraud Affecting the Enterprises, the FHLBanks, or
 FHLBank Member Institutions 46

 Loan Modification Schemes 49

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Short Sale Schemes	50
Property Management and REO Schemes.....	51
Adverse Possession, Distressed Property and Bankruptcy Fraud Schemes	51
RMBS	51
Fraud Affecting the FHLBanks, or FHLBank Member Institutions as a Result of (or Related to) the CARES Act PPP	52
OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period April 1, 2024, through September 30, 2024	55
Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation.....	55
Peer Reviews	56
OIG Peer Review Results	56
Outstanding Recommendations from Any Peer Review of OIG.....	57
Peer Reviews Conducted by OIG and Outstanding Recommendations.....	57
Outreach	57
Public and Private Partnerships, Outreach, and Communications	57
Congress	57
Hotline	57
Coordinated Oversight Activities and Professional Organizations	58
Law Enforcement Outreach	59
Other Inspector General Act Reporting Requirements.....	59
FHFA’s Refusal to Provide Information and Attempts to Interfere with OIG Independence.....	59
Federal Financial Management Improvement Act of 1996	60
Review of Legislation and Regulations.....	60
Index of Information Required by the Inspector General Act	61



Message from the Inspector General

I am pleased to present this Semiannual Report to Congress, which covers significant achievements of the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) for the semiannual reporting period from April 1, 2024, through September 30, 2024.

We published 15 reports during this semiannual period. These included audits, an evaluation, compliance reviews, inspections, and infographics. These products are available on our website and at Oversight.gov. As in prior reporting periods, we focused our resources on the Agency programs and operations that pose the greatest financial, governance, or reputational risk to FHFA; the Enterprises; Common Securitization Solutions, LLC; and the Federal Home Loan Banks. For example, during this semiannual period we issued reports related to fair lending, flood insurance, information security, multifamily seniors housing, FHLBank mortgage purchases, and quality control reviews. We made 46 recommendations to FHFA to address our findings this semiannual period, the bulk of which address vulnerabilities related to information security and FHFA's IT infrastructure. FHFA agreed to implement all of them.

In addition to these oversight efforts, our special agents, attorneys, and analysts, working both independently and in collaboration with our partner law enforcement agencies, continued to vigorously investigate criminal and civil offenses involving fraud that impacts the integrity and safety and soundness of the entities within our jurisdiction. For example, in August, a former Kansas bank's Chief Executive Officer was sentenced to 293 months in prison for embezzling tens of millions of dollars in a cryptocurrency scheme that led the bank to fail at a complete loss of equity for investors. Prior to its failure, the bank was a member of the Federal Home Loan Bank of Topeka. We will continue to enforce the law to protect the American public's interests.



Brian M. Tomney
Inspector General

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

OIG remains committed to our mission through excellence in oversight and enforcement activities. The accomplishments that follow would not be possible without the talent, dedication, and hard work of our team of professionals. Their commitment continues to drive our results, and I thank them for their work.

Brian M. Tomney
Inspector General
September 30, 2024

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Snapshot of OIG Accomplishments

**Semiannual Reporting Period
April 1, 2024–September 30, 2024**

Reports Issued Includes audits, an evaluation, compliance reviews, inspections, and infographic reports	15
Recommendations Made	50*
Investigative Activities:	
Indictments / Charges	54
Convictions / Pleas	41
Sentencings	42
Suspended Counterparty Referrals to FHFA	6
Investigative Monetary Results:	
Criminal Restitution	\$11,163,757
Criminal Fines / Special Assessments / Forfeitures	\$3,435,608
Investigations Total Monetary Results*	\$14,599,365**

* Includes four recommendations to OIG made by an independent public accounting firm related to audit report, *Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024* (AUD-2024-006). The remaining 46 recommendations were directed to FHFA.

** Includes court-ordered results from individual OIG investigations and joint investigations with other law enforcement organizations.

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

OIG's Oversight

Overview

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); Common Securitization Solutions, LLC, an affiliate of each Enterprise (CSS); the Federal Home Loan Banks (FHLBanks) (collectively, the Enterprises, CSS, 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. As of June 30, 2024, the Enterprises collectively reported more than \$7.6 trillion in assets and the FHLBanks reported almost \$1.3 trillion.

Since September 2008, FHFA also has served as the Enterprises' conservator. Initially, the conservatorships were intended to be a temporary measure during a period of extreme stress to stabilize the mortgage markets and promote financial stability. They are now in their seventeenth year.

OIG's Risk-Based Oversight Strategy

FHFA's dual roles as the regulated entities' supervisor and the Enterprises' conservator present unique challenges for OIG. These dual responsibilities put FHFA in a position different from other financial regulators, and OIG structures its oversight program to rigorously examine the Agency's exercise of both responsibilities. As part of that oversight, OIG focuses its work – which includes audits, evaluations, compliance reviews, inspections, and investigations – on the areas of greatest risk to FHFA.

Management and Performance Challenges

An integral part of OIG's oversight is to identify and assess FHFA's top management and performance challenges and align our work with these challenges. We annually assess and report to the FHFA Director our view of the Agency's most significant management and performance challenges that, if not addressed, could adversely affect FHFA's accomplishment of its mission. Our memorandum identifying FHFA's most significant management and performance challenges for Fiscal Year (FY) 2024 is available on our [website](#). A summary of the planned oversight activities during FY 2024 is discussed in our [Annual Plan](#).

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

FHFA’s most significant management and performance challenges for FY 2024 were:¹

- Continue strengthening supervision of the regulated entities
- Continue stewardship of the Enterprise conservatorships
- Respond to market volatility and change
- Enhance oversight of cybersecurity at the regulated entities and ensure an effective information security program at FHFA
- Ensure oversight of counterparty risk, third-party risk, and fourth-party risk at the regulated entities
- Strengthen oversight of the regulated entities’ model risk
- Oversee people risk at the regulated entities and enhance FHFA’s human capital management
- Ensure resiliency at the regulated entities and at FHFA

Many of these challenges reiterated themes we identified in prior years.

OIG focused much of its oversight activities on identifying vulnerabilities in these areas and recommending positive, meaningful actions that the Agency could take to mitigate these risks and remediate identified deficiencies.

OIG’s Oversight of FHFA’s Programs and Operations Through Audit, Evaluation, and Compliance Activities During This Reporting Period

OIG fulfills its oversight mission through four operational offices. This section discusses the oversight activities performed by three of those offices: the Office of Audits, the Office of Evaluations, and the Office of Compliance. Our Office of Investigations’ work is discussed below in the Investigative Activity section.

Office of Audits

The Office of Audits conducts independent performance audits with respect to the Agency’s programs and operations. It also undertakes projects to address statutory requirements and

¹ Shortly after conclusion of the semiannual period, OIG released the [FHFA Fiscal Year 2025 Management and Performance Challenges](#) memorandum, which updated the FY 2024 memorandum. An overview of the related OIG oversight activities planned for FY 2025 is discussed in the [FHFA-OIG FY 2025 Annual Plan](#).

stakeholder requests. As required by the Inspector General Act of 1978, as amended (IG Act), the Office of Audits performs its audits in accordance with 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 Evaluations

The Office of Evaluations conducts independent and objective reviews, assessments, studies, and analyses of FHFA’s programs and operations. Under the IG Act, 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 Compliance

The Office of Compliance has multiple responsibilities. First and foremost, it conducts validation testing to determine whether FHFA effectively implemented agreed-upon corrective actions to remedy deficiencies identified by OIG. The Office also performs inspections to assess whether FHFA is following rules, policies, or procedures it adopted of its own accord, rather than in response to OIG recommendations. These activities are conducted pursuant to the CIGIE Blue Book. Additionally, the Office administers OIG’s Recommendation Tracking System, which monitors each OIG recommendation’s status and advises the divisions to ensure that OIG applies consistent standards for closing recommendations. Finally, the Office oversees the annual assessment 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 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).

Reports and Recommendations

Significant Reports

OIG issued 15 products during the semiannual reporting period from April 1, 2024, through September 30, 2024:

[Federal Home Loan Banks Mortgage Purchases](#) (September 30, 2024)

[DBR Provided Sufficient Oversight of the Federal Home Loan Banks' Mortgage Programs](#) (AUD-2024-011, September 25, 2024)

[FHFA's Disaster Recovery Exercise for Its General Support System Needs Improvement](#) (AUD-2024-010, September 25, 2024)

[DER's Supervision and Oversight of the Enterprises' Purchases of Single-Family Loans in Special Flood Hazard Zone Areas Were Effective, But Improvements Are Needed](#) (AUD-2024-009, September 18, 2024)

[Enterprise Single-Family Mortgage Acquisition Mix](#) (September 11, 2024)

[DBR Provided Sufficient Oversight of the Office of Finance's Debt Issuance and Debt Servicing Functions](#) (AUD-2024-008, September 11, 2024)

[FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures](#) (EVL-2024-003, August 19, 2024)

[FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats](#) (AUD-2024-007, August 12, 2024)

[Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024](#) (AUD-2024-006, July 30, 2024)

[Inspection: FHFA's Adherence to Cyber Incident Reporting Procedures](#) (COM-2024-009, July 30, 2024)

[Inspection: FHFA's Inclusion of a Mandatory Anti-Gag Provision in Its Non-Disclosure Materials During the Review Period](#) (COM-2024-008, June 18, 2024)

[DER Satisfied Procedural Requirements When Planning Its Supervision of CSS for the 2023 Examination Cycle](#) (COM-2024-007, June 18, 2024)

[Multifamily Seniors Housing](#) (May 13, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

[The Fair Lending Examination Program Was Implemented in Accordance with Policies and Procedures, But Guidance Needs Improvement](#) (AUD-2024-005, May 8, 2024)

[DBR Performed Quality Control Reviews of All Substantive Workpapers Prepared by Examiners-in-Charge During the Review Period](#) (COM-2024-006, April 23, 2024)

Detailed information on each report is available at the links above. This body of work provides important insights across FHFA’s programs and operations, including the entities under the Agency’s purview.

Enterprises and CSS

FHFA’s Division of Enterprise Regulation (DER) regulates and supervises the Enterprises and their affiliate, CSS. During this semiannual period, we assessed these functions’ effectiveness in a number of key risk areas, including as to floods, the most common and costly natural disasters in the United States. Under the National Flood Insurance Act, as a condition of receiving a federally backed loan, mortgage lenders must require a borrower whose property is within a Special Flood Hazard Area to obtain flood insurance at purchase and maintain it throughout the life of the loan. When we assessed the effectiveness of FHFA’s oversight in [AUD-2024-009](#), we found that DER conducted effective supervision and oversight of the Enterprises’ purchases of single-family loans for properties located in Special Flood Hazard Areas; however, improvements are needed. The Agency agreed to implement our three recommendations.

We found in our 2019 audit that DER’s CSS supervisory framework was outdated because it was established in 2016, prior to when CSS began issuing, on the Enterprises’ behalf, a single, common mortgage-backed security. In response, DER adopted a framework under which it would supervise CSS using the same procedures and standards it applied to the Enterprises, subject to limited exceptions. We conducted a compliance review, [COM-2024-007](#), to determine whether DER followed its procedure when planning its supervision of CSS for the 2023 examination cycle, and we found that it had.

We also examined whether FHFA implemented its Enterprise fair lending examination program in accordance with applicable policies and procedures in [AUD-2024-005](#), and we determined that it had. While we identified no issues in the fair lending examination program implementation, FHFA’s Office of Fair Lending Oversight² had not documented its process for referring potential Fair Housing Act violations to the Department of Housing and Urban Development and the Department of Justice. We also found that the office had not documented its process to perform quality control reviews of adverse examination findings. We made two recommendations, both of which FHFA agreed to implement.

² In July 2024, the fair lending examination program of the Office of Fair Lending Oversight was moved to the Office of Consumer Protection in a new FHFA division.

Our infographics highlighted important emerging matters for the Enterprises and FHFA. One report explained that [Multifamily Seniors Housing](#) is one part of the Enterprises’ multifamily businesses, and the need for seniors housing is strong; however, this market remains fragile since the pandemic and faces ongoing challenges. Another report discussed the [Enterprise Single-Family Mortgage Acquisition Mix](#), explaining that as mortgage rates have risen, a greater proportion of people are taking out new single-family mortgages to buy homes rather than refinancing existing ones. Consequently, the Enterprises’ share of purchase mortgage acquisitions in 2023 significantly outweighed refinances. Purchase mortgages might have higher risk factors like elevated loan-to-value and debt-to-income ratios, which increase the risk that borrowers might not pay back their loans. The Enterprises must carefully manage this increased risk.

FHLBank System

FHFA also serves as supervisor and regulator of the FHLBank System, with these functions being performed by the Agency’s Division of Federal Home Loan Bank Regulation (DBR). FHFA increased its scrutiny of the FHLBank System’s lending and credit risk management practices when four bank members collapsed in the Spring of 2023 after relying on FHLBank funding prior to their failure. In [EVL-2024-003](#), we evaluated the extent to which FHFA examined the adequacy of the FHLBanks’ assessment of their bank members’ credit risk and took appropriate action to address any deficient practices the Agency identified. We found that DBR examiners shifted their supervisory focus in 2023 to address the shortcomings in the FHLBanks’ credit risk management policies and practices that were exposed by the member failures. There remain areas for improvement where DBR can apply lessons learned from that experience. We offered four recommendations related to FHFA’s oversight of the FHLBanks, and the Agency agreed to implement them.

As part of its processes, DBR conducts quality control reviews to confirm that workpapers support examination findings, conclusions, and ratings, and are consistent with Agency standards. As a follow up to a 2019 OIG audit, we determined in [COM-2024-006](#) that, pursuant to revised procedures, the Quality Control Branch reviewed all applicable examination workpapers during our review period.

In another infographic, we explained that [FHLBank Mortgage Purchases](#) serve as interest-earning assets to FHLBanks and provide liquidity to their members. Although these mortgages account for a relatively small portion of the FHLBanks’ portfolios, they are subject to risk that must be monitored and managed; and in [AUD-2024-011](#), we determined that DBR provided sufficient oversight of the FHLBanks’ management of risks in their mortgage programs.

The Office of Finance functions as the fiscal agent for each FHLBank. It facilitates the issuance and servicing of all FHLBanks’ consolidated obligations, which they use to make advances and to purchase mortgage loans and investments. We determined in [AUD-2024-008](#) that DBR provided sufficient oversight of the Office of Finance’s debt issuance and servicing functions.

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Agency Operations

Our body of work encompasses not only FHFA’s oversight of the regulated entities but also the Agency’s internal operations, including but not limited to its management of information risk. FHFA’s management of such risk is a core component of its operations. In [AUD-2024-006](#), our contracted certified independent accounting firm found that while the Agency substantially complied with FISMA and related information security policies and procedures, standards, and guidelines, the Agency’s information security programs and practices were not effective. Similarly, in another network and information security audit, [AUD-2024-007](#), we determined that FHFA’s security controls were not effective to protect its network and systems against internal threats. Our internal penetration testing demonstrated that the Agency’s network has serious vulnerabilities that increase the likelihood that hacking attempts will succeed. The vulnerabilities we found make FHFA’s IT infrastructure and the sensitive information stored in it more susceptible to unauthorized access and security compromises. The breadth, depth, and potential impact of the identified network security deficiencies are serious matters that require prompt corrective action by FHFA management. We issued 34 recommendations related to these information security shortcomings, all of which were accepted by FHFA.

As another facet of managing information risk, FHFA must establish, maintain, and implement plans for emergency response, backup operations, and post-disaster recovery for organizational information systems, as well as periodically test and evaluate information security policies, procedures, and practices. In [AUD-2024-010](#), we determined that FHFA did not effectively plan its FY 2024 disaster recovery exercise for its General Support System. Without full and effective disaster recovery exercises, FHFA risks that it may not be able to effectively and timely recover its network and systems in the event of a service disruption or disaster. We made six recommendations, all of which FHFA agreed to implement.

We also assessed FHFA’s adherence to procedures for reporting certain information about cyber security incidents to the Department of Homeland Security’s Computer Emergency Readiness Team. In [COM-2024-009](#), we found that FHFA generally followed its Cyber Incident Reporting Procedures. We offered one recommendation for improvement, which FHFA accepted.

Beyond information security matters, we examined compliance with requirements to include an “anti-gag” provision in agency non-disclosure policies, forms, and agreements informing employees that such non-disclosure documents do not limit their rights to report wrongdoing. In [COM-2024-008](#), we determined that FHFA complied with the requirements.

IG Act Information Concerning Reports

OIG’s reports during this reporting period did not include recommendations with questioned costs, unsupported costs, or funds to be put to better use by management.

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

We do not have reportable information for this period regarding management decisions related to an audit, inspection, or evaluation issued in a previous reporting period.

During this reporting period, OIG did not close any inspection, compliance review, evaluation, or audit without disclosing the report’s existence to the public.³

Recommendations

Open Recommendations

The following table contains all open recommendations from the reporting period ending September 30, 2024, and previous semiannual reporting periods.⁴ For a regularly updated list of all open recommendations, see OIG’s monthly [Compendium of Unimplemented Recommendations](#). We do not currently have any open recommendations with questioned costs, unsupported costs, or funds to be put to better use by management from prior reporting periods.

Significant, Open Recommendation	Report Title and Date
Because information in this report could be used to circumvent FHFA’s internal controls, it has not been released publicly, and the recommendation text is therefore non-public.	Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2020 (AUD-2021-001, October 20, 2020)
FHFA should update the General Support System contingency plan to include the Correspondence Tracking System and its servers, and ensure the Correspondence Tracking System and its servers are included in the annual General Support System contingency plan testing.	FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS) (AUD-2022-003, December 13, 2021)
FHFA should assess whether the Office of Technology and Information Management has sufficient, qualified staff to complete required updates and testing of its contingency plans in accordance with FHFA’s standard and National Institute of Standards and Technology requirements, and address any resource constraints that have adversely affected the Office of Technology and Information Management’s ability to carry out its contingency planning requirements.	FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS) (AUD-2022-003, December 13, 2021)

³ We issued reports that contained information identified by OIG as non-public, privileged, or otherwise protected from disclosure under applicable law; accordingly, OIG has not publicly disclosed such contents. We have provided unredacted reports to FHFA and made them available to our Congressional oversight committees.

⁴ This includes four recommendations for OIG.

Significant, Open Recommendation	Report Title and Date
The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve the Agency’s existing internal controls over its employee financial disclosure process by performing and documenting technical reviews and conflict of interest analysis within 60 days of receiving employee financial disclosure reports as required by Office of Government Ethics regulations and FHFA policy.	<u>FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</u> (AUD-2022-011, September 8, 2022)
The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve FHFA’s existing internal controls over its employee financial disclosure process by ensuring that employees file their financial disclosure reports timely as required by Office of Government Ethics regulations and FHFA policy.	<u>FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</u> (AUD-2022-011, September 8, 2022)
FHFA should, in a timely manner, ensure that complaints are filed with the relevant state appraiser licensing authorities for each appraisal from its December 2021 review in which FHFA found overt references to race, color, and other prohibited bases.	<u>FHFA Could Further Combat Appraisal Bias by Ensuring That Complaints Are Filed with State Authorities and Ensuring the Enterprises Use Appraisals That Comply with Federal Law</u> (EVL-2023-001, December 20, 2022)
FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should perform an Affordable Housing Program workforce planning analysis using the minimum examination frequencies for Affordable Housing Program risk areas established in response to Recommendation 1 to determine current and future examination needs and address any staffing gaps identified.	<u>The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</u> (AUD-2023-001, February 9, 2023)
FHFA’s Chief Information Officer should develop and maintain a complete and accurate cloud system component inventory, as required by National Institute of Standards and Technology Special Publication 800-53.	<u>FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</u> (AUD-2023-002, March 8, 2023)
FHFA’s Chief Information Officer should develop and implement a solution to encrypt all data-at-rest on the cloud system as required by National Institute of Standards and Technology Special Publication 800-53.	<u>FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</u> (AUD-2023-002, March 8, 2023)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
In accordance with DER priorities and policies, FHFA should update and refine the 2016 Common Securitization Solutions, LLC Module and other examination modules, as appropriate, in order to provide accurate examination guidance applicable to Common Securitization Solutions, LLC examination activities.	<u>FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance</u> (EVL-2023-002, March 20, 2023)
<p>FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should update FHFA’s conservatorship decision policy and procedures to align with current practice and:</p> <ul style="list-style-type: none"> • Provide clarity on approval authorities for issuing conservatorship directives and Common Securitization Solutions, LLC decisions. • Provide guidance on performing and documenting monitoring and surveillance activities. • Establish procedures for issuing guidance decisions. • Establish procedures describing FHFA’s practice to de-escalate Letter of Instruction decision requests. 	<u>FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures</u> (AUD-2023-003, March 29, 2023)
FHFA should develop, document, and implement control activities to ensure that (a) only current FHFA employees are receiving transportation benefits, (b) no employee is improperly participating in both transportation benefit programs, (c) the Transit Benefits System has a record/certification for each employee who receives a transportation benefit, and (d) SmarTrip® cards are physically controlled. Such control activities include periodic reconciliation of approved transit subsidy recipients in the Transit Benefits System to FHFA transit subsidy recipients listed on the Washington Metropolitan Area Transit Authority Monthly Activity Reports, periodic reconciliation of approved transit subsidy recipients to active parking permit recipients, and periodic inventory counts of SmarTrip® cards registered to FHFA and undistributed parking permits. [Closed in June 2019; reopened upon results of compliance testing.]	<u>FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs</u> (AUD-2018-013, September 25, 2018) and <u>FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program</u> (COM-2023-005, June 21, 2023)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Significant, Open Recommendation	Report Title and Date
FHFA should ensure that the Transit Benefits System has accurate and up-to-date records of, and current certifications for, each FHFA employee who receives a transportation benefit. [Closed in June 2019; reopened upon results of compliance testing.]	FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs (AUD-2018-013, September 25, 2018) and FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program (COM-2023-005, June 21, 2023)
FHFA's Acting Chief Information Officer should update FHFA's Supply Chain Risk Management Strategy to include past due OMB M-22-18 requirements including: <ul style="list-style-type: none"> • Obtaining a self-attestation from the software producer before using the software; • Obtaining from software producers artifacts that demonstrate conformance to secure software development practices, as needed; • Establishing a system to store self-attestation letters from the software producer that are not publicly available in a central location; and • Assessing and developing training for reviewing and validating self-attestation letters. 	Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)
If FHFA is unable to meet the requirements in OMB M22-18 and/or OMB M-23-16 in a timely manner, FHFA should consider [a] request for an extension or waiver in accordance with OMB M-22-18 and/or OMB M-23-16. If FHFA requests a waiver, FHFA should consider documenting a risk-based decision, and document any compensating controls.	Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)
FHFA's Acting Chief Information Officer should remediate past due exploitable vulnerabilities in accordance with Cybersecurity and Infrastructure Security Agency Binding Operating Directive 22-01 and the Office of Technology and Information Management Vulnerability Management Process.	Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Acting Chief Information Officer should develop plan of actions and milestones to track the remediation of past due Cybersecurity and Infrastructure Security Agency known exploitable vulnerabilities that cannot be remediated in a timely manner (within 14 days) in accordance with Cybersecurity and Infrastructure Security Agency's Binding Operating Directive 22-01 and Office of Technology and Information Management Vulnerability Management Process. FHFA's Acting Chief Information Officer should consider implementing compensating controls (i.e., isolating systems with un-remediated vulnerabilities) to mitigate the risk of the vulnerabilities.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023</u> (AUD-2023-004, July 26, 2023)
FHFA's Acting Chief Information Officer should implement requirements across all Event Logging maturity tiers to ensure events are logged and tracked in accordance with OMB M-21-31.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023</u> (AUD-2023-004, July 26, 2023)
FHFA's Acting Chief Information Officer should identify and implement solutions, in coordination with vendors, where a solution does not exist for systems to natively forward event logs to the Security Information and Event Management tool. If there are no viable solutions, perform a risk assessment and cost benefit analysis. Based on the risk assessment, document any risk-based decisions, including compensating controls, for systems not in compliance with OMB M-21-31.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023</u> (AUD-2023-004, July 26, 2023)
FHFA's Acting Chief Information Officer should update the Disaster Recovery Procedures for FHFA Production Systems to include Job Performance Plan and its servers, and ensure they are included in the annual contingency testing.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023</u> (AUD-2023-004, July 26, 2023)
FHFA's Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement guidance documenting examination procedures for evaluating Federal Home Loan Banks' employee expense reimbursement processes. Guidance should include: (a) documenting examination analysis and results; and (b) following up on implementation of recommendations, including reviewing corrective actions.	<u>DBR Conducted Effective Oversight of FHLBanks' Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance</u> (AUD-2023-009, September 28, 2023)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Division of Federal Home Loan Bank Regulation Deputy Director should obtain and review Federal Home Loan Banks' internal audit results on employee expense reimbursements for the years that the Division of Federal Home Loan Bank Regulation does not include these expenses in its examinations to ensure that the Division of Federal Home Loan Bank Regulation is aware of any findings related to wasteful or fraudulent spending.	<u>DBR Conducted Effective Oversight of FHLBanks' Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance</u> (AUD-2023-009, September 28, 2023)
FHFA management should reinforce FHFA's Travel Policy and Federal Travel Regulation requirements to employees and approving officials through ongoing training and periodic reminders of responsibilities.	<u>Deficiencies in FHFA's Travel Program From April 1, 2022, Through March 31, 2023</u> (OIG-2023-001, September 28, 2023)
FHFA management should ensure that employees submit travel vouchers within five working days after completing their travel.	<u>Deficiencies in FHFA's Travel Program From April 1, 2022, Through March 31, 2023</u> (OIG-2023-001, September 28, 2023)
FHFA management should ensure that employees are aware and periodically reminded that the travel cards must be used for all official travel expenses.	<u>Deficiencies in FHFA's Travel Program From April 1, 2022, Through March 31, 2023</u> (OIG-2023-001, September 28, 2023)
FHFA management should ensure that approving officials approve travel reimbursements within five calendar days of receipt of the voucher in the Agency's electronic travel system.	<u>Deficiencies in FHFA's Travel Program From April 1, 2022, Through March 31, 2023</u> (OIG-2023-001, September 28, 2023)
FHFA's DER Deputy Director should ensure that DER's Nonbank Seller Servicer Risk Monitoring Branch develops and implements written policies and procedures to guide the risk monitoring and analysis process, to include but not limited to, procedures and internal controls.	<u>DER Provided Effective Oversight of the Enterprises' Nonbank Seller/ Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities</u> (AUD-2024-003, March 28, 2024)
FHFA should define the role and responsibilities of FHFA personnel involved in the review of the proposed determinations submitted by the Enterprises, including personnel from DER, with respect to performing and documenting the evaluation of the impact of a change in credit score models required by section 1254.8(d) of the Regulation and the review and Agency decision required by section 1254.9(a).	<u>FHFA's Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</u> (EVL-2024-002, March 28, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA should clearly document in the decision record FHFA's conclusion that any credit score model the Agency approves is consistent with the safe and sound operation of the Enterprises. Such a step would better demonstrate FHFA's fulfillment of its responsibility under the Economic Growth Act and the Regulation.	<u>FHFA's Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</u> (EVL-2024-002, March 28, 2024)
FHFA should clarify the extent to which FHFA expects the Enterprise Business Assessments to discuss the impact of a new credit score model or models on the Enterprises' operations and risk management in terms of FHFA's prudential management and operations standards and relevant governance regulations. To ensure that the Enterprises evaluate the impact of a new credit score model relative to the Agency's prudential standards and risk management requirements, FHFA should explain what it means by "in accordance with" in this context.	<u>FHFA's Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</u> (EVL-2024-002, March 28, 2024)
FHFA should require the Enterprises to include in their proposed determinations: (a) explicit statements that a credit score model did or did not pass the Enterprise Business Assessment, (b) the specific criteria in section 1254.8(b) that the model did not pass, and (c) the reasons for disapproval of the application. This step would ensure that FHFA has the benefit of relevant and meaningful details when it conducts its independent analysis under section 1254.8(d).	<u>FHFA's Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</u> (EVL-2024-002, March 28, 2024)
FHFA's Division of Housing Mission and Goals Deputy Director should ensure the Office of Fair Lending Oversight documents its process for monitoring and tracking referrals to the U.S. Department of Housing and Urban Development or the U.S. Department of Justice.	<u>The Fair Lending Examination Program Was Implemented in Accordance with Policies and Procedures, But Guidance Needs Improvement</u> (AUD-2024-005, May 8, 2024)
FHFA's Division of Housing Mission and Goals Deputy Director should ensure the Office of Fair Lending Oversight documents its quality control review process of adverse examination findings in policy and procedures.	<u>The Fair Lending Examination Program Was Implemented in Accordance with Policies and Procedures, But Guidance Needs Improvement</u> (AUD-2024-005, May 8, 2024)
FHFA's Chief Information Officer should develop and implement policies and procedures to oversee FHFA's background reinvestigation process, including oversight controls over FHFA's service provider.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Chief Information Officer should update the service level agreement between FHFA and the service provider to include requirements for the service provider to provide background reinvestigation status reports on a regular basis.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
FHFA's Chief Information Officer should implement a process to monitor and ensure that background reinvestigations for relevant employees and contractors are conducted timely in accordance with FHFA and U.S. Office of Personnel Management standards.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
OIG's Chief Information Officer should develop and implement policies and procedures to oversee OIG's background reinvestigation process, including oversight controls over OIG's service provider.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
OIG's Chief Information Officer should update the service level agreement between OIG and the service provider to include requirements for the service provider to provide background reinvestigation status reports on a regular basis.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
OIG's Chief Information Officer should implement a process to monitor and ensure that background reinvestigations for relevant employees and contractors are conducted timely in accordance with OIG and U.S. Office of Personnel Management standards.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
OIG's Chief Information Officer should establish and implement a process to make suitability adjudicative determinations and take suitability actions for covered positions in accordance with U.S. Office of Personnel Management's regulation under Title 5 C.F.R., Part 731.103.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
FHFA's Chief Information Officer should disable accounts of non-privileged users who have been inactive for over 365 days, as required by the FHFA customer controls for the cloud system.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
FHFA's Chief Information Officer should work with the cloud system's vendor to implement software updates that automatically disable user accounts after 365 days of inactivity, as required by the FHFA customer controls for the cloud system.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Chief Information Officer should update the customer controls for the cloud system to include a procedure for regular reviews of non-privileged users' access.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
FHFA's Chief Information Officer should complete the review and update of overdue System Security and Privacy Plans and Customer Control Plans in accordance with the existing related Plan of Action and Milestones.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
FHFA's Chief Information Officer should complete the review, update, and testing of the Capital Models (PolyPaths) Information System Contingency Plan in accordance with the existing related Plan of Action and Milestones.	<u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024</u> (AUD-2024-006, July 30, 2024)
FHFA's Office of Technology and Information Management should update its existing written procedures to include new controls or improve existing controls to ensure the accuracy of security incident records, and train staff on the updated procedures.	<u>Inspection: FHFA's Adherence to Cyber Incident Reporting Procedures</u> (COM-2024-009, July 30, 2024)
FHFA's Chief Information Officer should restrict user access to the folders and files on FHFA's network in accordance with least privilege principle.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should evaluate the need for the software script to generate and record user login records and restrict access to the log files in accordance with least privilege principle.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should ensure that the default or initial login passwords are changed for all 179 users whose passwords were compromised in this audit.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should ensure that upon initial login, FHFA users establish a new password that meets FHFA requirements for length and complexity and that the password is not a commonly used or a known compromised password.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Chief Information Officer should ensure that standard user accounts and privileged user accounts are not set up with the same default or initial login password.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should ensure that personnel are trained on standard and privileged user FHFA authentication and identification policies.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should identify and implement a solution, in coordination with vendors, to ensure that multifactor authentication is required to access FHFA's network. If there are no viable solutions, document any risk-based decisions, including compensating controls.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should change the credentials for the compromised cloud administrator account.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should use the secure access method recommended by FHFA's cloud service provider to access the FHFA cloud environment.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should identify and implement a solution, in coordination with vendors, to ensure multifactor authentication is required for privileged users to access FHFA's cloud environment. If there are no viable solutions, document any risk-based decisions, including compensating controls.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should identify and implement a solution to detect and monitor the transfer of large amounts of data moving across FHFA's network.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should identify and implement a solution to detect and prevent controlled unclassified information or personally identifiable information from being transferred outside of FHFA's network to personal accounts on email and cloud-based storage services.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Chief Information Officer should determine whether resources can be made available to implement a data loss prevention system to prevent the exfiltration of controlled unclassified information.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should reevaluate the former Acting Chief Information Officer's risk acceptance related to portable software programs, and implement security controls to detect and prevent users from downloading and running unapproved software on FHFA's system in accordance with National Institute of Standards and Technology and FHFA's Rules of Behavior.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should monitor and respond to unauthorized software downloads in accordance with FHFA's Common Control Plan.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should identify and secure the resources necessary to remediate identified internal critical, high, and medium exploitable vulnerabilities on the FHFA servers, workstations, and other devices in compliance with Cybersecurity and Infrastructure Security Agency Binding Operational Directive 22-01 and FHFA's Office of Technology and Information Management Vulnerability Management Process, Revision 2.7 (September 7, 2022).	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should develop a Plan of Action and Milestones to track the remediation of past due Cybersecurity and Infrastructure Security Agency Known Exploitable Vulnerabilities in accordance with Cybersecurity and Infrastructure Security Agency's Binding Operational Directive 22-01 and FHFA's Office of Technology and Information Management Vulnerability Management Process, Revision 2.7 (September 7, 2022). FHFA's Office of Technology and Information Management should implement compensating controls (i.e., isolating systems with un-remediated vulnerabilities) to mitigate the risk of the vulnerabilities.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Chief Information Officer should prioritize existing Office of Technology and Information Management resources based on the Plan of Action and Milestones to ensure that Cybersecurity and Infrastructure Security Agency Known Exploitable Vulnerabilities are remediated in accordance with Cybersecurity and Infrastructure Security Agency's Binding Operational Directive 22-01 and FHFA's Office of Technology and Information Management Vulnerability Management Process, Revision 2.7 (September 7, 2022).	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should reevaluate the former Chief Information Officer's risk acceptance related to the device lock policy and implement security controls to ensure that all FHFA laptops adhere to FHFA's device lock policy in accordance with FHFA System Security and Privacy Plan for the General Support System (June 5, 2023).	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should emphasize through training an FHFA user's responsibility to securely lock their unattended devices.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should implement security controls to lock down Universal Serial Bus ports so that only authorized Universal Serial Bus devices are allowed.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Chief Information Officer should review and update the Common Control Plan, on a regular basis, to reflect which wireless networks are authorized to be set to broadcast.	<u>FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats</u> (AUD-2024-007, August 12, 2024)
FHFA's Division of Federal Home Loan Bank Regulation should issue written guidance on the Federal Home Loan Banks' collateral subordination practices.	<u>FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures</u> (EVL-2024-003, August 19, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA's Division of Federal Home Loan Bank Regulation should complete the development and implementation of protocols for Division of Federal Home Loan Bank Regulation personnel to follow in times of member distress and failure, including heightened oversight of the Federal Home Loan Banks and coordination of communication and actions with the appropriate federal and state regulators.	<u>FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures</u> (EVL-2024-003, August 19, 2024)
FHFA should update the Examination Manual's Credit Risk Management module and Advances and Collateral module to include guidance on the review of topics and issues related to the Spring 2023 bank failures and otherwise incorporate lessons learned from the 2023 examinations of member credit risk management.	<u>FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures</u> (EVL-2024-003, August 19, 2024)
FHFA's Division of Federal Home Loan Bank Regulation should adopt a process to ensure the appropriate examination coverage of all topics within its Examination Manual guidance.	<u>FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures</u> (EVL-2024-003, August 19, 2024)
FHFA's DER Deputy Director should update examination manuals to include specific procedures to assess the Enterprises' oversight of seller/servicers' flood insurance compliance.	<u>DER's Supervision and Oversight of the Enterprises' Purchases of Single-Family Loans in Special Flood Hazard Zone Areas Were Effective, But Improvements Are Needed</u> (AUD-2024-009, September 18, 2024)
FHFA's DER Deputy Director should ensure examiners perform and document examination activities to assess whether Freddie Mac implemented procedures reasonably designed to ensure that mortgage loans they purchase are covered by adequate flood insurance if the property is located in a Special Flood Hazard Area.	<u>DER's Supervision and Oversight of the Enterprises' Purchases of Single-Family Loans in Special Flood Hazard Zone Areas Were Effective, But Improvements Are Needed</u> (AUD-2024-009, September 18, 2024)
FHFA's DER Deputy Director should reinforce to examination staff through reminders, training, or other communication, their responsibilities under Examination Practices Bulletin 2014-01 to document the sampling methodology, Examiner-in-Charge approval, and testing or analysis results to support examination conclusions.	<u>DER's Supervision and Oversight of the Enterprises' Purchases of Single-Family Loans in Special Flood Hazard Zone Areas Were Effective, But Improvements Are Needed</u> (AUD-2024-009, September 18, 2024)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Significant, Open Recommendation	Report Title and Date
FHFA’s Chief Information Officer should update the Business Impact Analysis annually in accordance with FHFA standards.	FHFA’s Disaster Recovery Exercise for Its General Support System Needs Improvement (AUD-2024-010, September 25, 2024)
FHFA’s Chief Information Officer should update the disaster recovery procedures document to ensure it includes (a) up to date time periods for the recovery time objective and the recovery point objective for resumption of the General Support System operations consistent with the Business Impact Analysis, (b) database procedures, and (c) steps to validate successful failover and failback of the remote access infrastructure system.	FHFA’s Disaster Recovery Exercise for Its General Support System Needs Improvement (AUD-2024-010, September 25, 2024)
FHFA’s Chief Information Officer should ensure the After Action Report is consistent with the Recovery Exercise Test Results by documenting all actions taken during the failover and failback of the Disaster Recovery Exercise including all correct dates for when testing was conducted.	FHFA’s Disaster Recovery Exercise for Its General Support System Needs Improvement (AUD-2024-010, September 25, 2024)
FHFA’s Chief Information Officer should perform annual testing of the contingency plan in accordance with the recovery procedures document to ensure failover and failback are conducted as planned.	FHFA’s Disaster Recovery Exercise for Its General Support System Needs Improvement (AUD-2024-010, September 25, 2024)
FHFA’s Chief Information Officer should ensure Office of Technology and Information Management officials communicate planned Disaster Recovery Exercises and any scheduled changes with all parties involved, including auditors and other independent observers.	FHFA’s Disaster Recovery Exercise for Its General Support System Needs Improvement (AUD-2024-010, September 25, 2024)
FHFA’s Chief Information Officer should encrypt all backup data-at-rest at FHFA’s alternate site and update the existing Plan of Action and Milestones to include compensating controls until the Plan of Action and Milestones has been closed.	FHFA’s Disaster Recovery Exercise for Its General Support System Needs Improvement (AUD-2024-010, September 25, 2024)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Closed, Rejected Recommendations and Potential Cost Savings

The following table contains 43 recommendations rejected by Agency management that are closed. OIG had identified a total potential cost savings of \$893,525,860.⁵ See OIG’s [Compendium of Unimplemented Recommendations](#) for a comprehensive list, updated monthly, of all recommendations closed as rejected.

Closed, Rejected Recommendation	Report Title and Date
FHFA should publish Fannie Mae’s reduction targets and overpayment findings.	Evaluation of Fannie Mae’s Servicer Reimbursement Operations for Delinquency Expenses (EVL-2013-012, September 18, 2013)
FHFA should direct Fannie Mae to obtain a refund from servicers for improperly reimbursed property inspection claims, resulting in estimated funds put to better use of \$5,015,505.	FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections (AUD-2014-005, January 15, 2014)
FHFA should promptly quantify the potential benefit of implementing a repurchase late fee program at Fannie Mae, and then determine whether the potential cost of from \$500,000 to \$5.4 million still outweighs the potential benefit.	FHFA Oversight of Enterprise Handling of Aged Repurchase Demands (AUD-2014-009, February 12, 2014)
FHFA’s Division of Housing Mission and Goals Deputy Director should establish an ongoing process to evaluate servicers’ Servicing Alignment Initiative compliance and the effectiveness of the Enterprises’ remediation efforts.	FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)
FHFA’s Division of Housing Mission and Goals Deputy Director should direct the Enterprises to provide routinely their internal reports and reviews for the Division of Housing Mission and Goals’ assessment.	FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)
FHFA’s Division of Housing Mission and Goals Deputy Director should regularly review Servicing Alignment Initiative-related guidelines for enhancements or revisions, as necessary, based on servicers’ actual versus expected performance.	FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)
Counterparties, Third Parties, and Fourth Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.	FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections (AUD-2014-012, March 25, 2014)

⁵ This figure includes potential aggregate cost savings to the Agency or the Enterprises from specific recommendations, i.e., recommendations of potential funds to be put to better use by management and questioned costs, and other monetary calculations in all OIG oversight reports supporting OIG recommendations and conclusions.

Closed, Rejected Recommendation	Report Title and Date
FHFA should perform a comprehensive analysis to assess whether financial risks associated with the new representation and warranty framework, including with regard to sunset periods, are appropriately balanced between the Enterprises and sellers. This analysis should be based on consistent transactional data across both Enterprises, identify potential costs and benefits to the Enterprises, and document consideration of the Agency's objectives.	<u>FHFA's Representation and Warranty Framework</u> (AUD-2014-016, September 17, 2014)
FHFA should direct Fannie Mae and Freddie Mac to assess the cost/benefit of a risk-based approach to requiring their sellers and servicers to provide independent, third-party attestation reports on compliance with Enterprise origination and servicing guidance.	<u>FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines</u> (AUD-2014-018, September 26, 2014)
DER should adopt a comprehensive examination workpaper index and standardize electronic workpaper folder structures and naming conventions between the two Core Teams. In addition, FHFA and DER should upgrade recordkeeping practices as necessary to enhance the identification and retrieval of critical workpapers.	<u>Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities</u> (EVL-2015-001, October 6, 2014)
FHFA should develop a strategy to enhance the Executive Compensation Branch's capacity to review the reasonableness and justification of the Enterprises' annual proposals to compensate their executives based on Corporate Scorecard performance. To this end, FHFA should ensure that: the Enterprises submit proposals containing information sufficient to facilitate a comprehensive review by the Executive Compensation Branch; the Executive Compensation Branch tests and verifies the information in the Enterprises' proposals, perhaps on a randomized basis; and the Executive Compensation Branch follows up with the Enterprises to resolve any proposals that do not appear to be reasonable and justified.	<u>Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u> (COM-2016-002, March 17, 2016)
FHFA should develop a policy under which it is required to notify OIG within 10 days of its decision not to fully implement, substantially alter, or abandon a corrective action that served as the basis for OIG's decision to close a recommendation.	<u>Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u> (COM-2016-002, March 17, 2016)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Closed, Rejected Recommendation	Report Title and Date
FHFA should review FHFA’s existing requirements, guidance, and processes regarding MRAs against the requirements, guidance, and processes adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and other federal financial regulators including, but not limited to, content of an MRA; standards for proposed remediation plans; approval authority for proposed remediation plans; real-time assessments at regular intervals of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; final assessment of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; and required documentation for examiner oversight of MRA remediation.	<u>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</u> (EVL-2016-004, March 29, 2016)
Based on the results of the review in recommendation 1, FHFA should assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.	<u>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</u> (EVL-2016-004, March 29, 2016)
FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each plan submitted by Enterprise management to remediate an MRA with associated timetables and the response by DER.	<u>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</u> (EVL-2016-005, March 31, 2016)
FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each conclusion letter setting forth an MRA.	<u>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</u> (EVL-2016-005, March 31, 2016)
FHFA should ensure that it has adequate internal staff, outside contractors, or both, who have the professional expertise and experience in commercial construction to oversee the build-out plans and associated budget(s), as Fannie Mae continues to revise and refine them.	<u>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project</u> (COM-2016-004, June 16, 2016)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Closed, Rejected Recommendation	Report Title and Date
FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to the Division of Conservatorship (now known as the Division of Conservatorship Oversight and Readiness) for its review and for FHFA approval through the design and construction of Fannie Mae’s leased space in Midtown Center.	<u>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project</u> (COM-2016-004, June 16, 2016)
FHFA should require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management’s remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system.	<u>FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises</u> (EVL-2016-007, July 14, 2016)
FHFA should ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER’s MRA tracking system(s).	<u>FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises</u> (EVL-2016-007, July 14, 2016)
FHFA should require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.	<u>FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises</u> (EVL-2016-007, July 14, 2016)
FHFA should direct DER to revise its guidance to require reports of examination to focus the boards’ attention of the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.	<u>FHFA’s Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management’s Remediation of Supervisory Concerns</u> (EVL-2016-008, July 14, 2016)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Closed, Rejected Recommendation	Report Title and Date
<p>FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise’s board of directors that explains:</p> <ul style="list-style-type: none"> The purpose for DER’s annual presentation to each Enterprise board of directors on the report of examination results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response. 	<p><u>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports</u> (EVL-2016-009, July 14, 2016)</p>
<p>FHFA should direct the Enterprises’ boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.</p>	<p><u>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports</u> (EVL-2016-009, July 14, 2016)</p>
<p>Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub. L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p><u>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</u> (OIG-2017-004, March 23, 2017)</p>
<p>Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub. L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p><u>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise</u> (OIG-2017-004, March 23, 2017)</p>
<p>FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.</p>	<p><u>FHFA Should Improve its Administration of the Suspended Counterparty Program</u> (COM-2017-005, July 31, 2017)</p>

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Closed, Rejected Recommendation	Report Title and Date
FHFA should periodically conclude, based upon sufficient examination work, on the overall effectiveness of the Internal Audit functions at Fannie Mae and Freddie Mac.	<u>FHFA Requires the Enterprises' Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners' Use of that Validation Work</u> (EVL-2018-002, March 28, 2018)
FHFA should direct that examiners can use Internal Audit work to assess the adequacy of MRA remediation only if FHFA has concluded that the Internal Audit function is effective overall.	<u>FHFA Requires the Enterprises' Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners' Use of that Validation Work</u> (EVL-2018-002, March 28, 2018)
FHFA should determine and pay the vendor the interest penalties owed under the Prompt Payment Act regulations for the late payments of the leased seasonal decorations received by FHFA for the 2015, 2016, and 2017 holiday seasons.	<u>Audit of FHFA's Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements</u> (AUD-2018-011, September 6, 2018)
To reduce the waste from Option C (the option Fannie Mae selected for its future operations in Northern Virginia), FHFA, consistent with its duties as conservator, should cause Fannie Mae to calculate the net present value for a Status Quo Option, and calculate the costs associated with terminating the lease with Boston Properties.	<u>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce</u> (OIG-2018-004, September 6, 2018)
To reduce the waste from Option C, FHFA, consistent with its duties as conservator, should direct Fannie Mae to terminate the lease, cancel the sale of the three owned buildings, and implement the Status Quo Option, should the net present value for a Status Quo Option and the termination costs be lower than the adjusted net present value for Option C.	<u>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce</u> (OIG-2018-004, September 6, 2018)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Closed, Rejected Recommendation	Report Title and Date
FHFA should re-assess the appropriateness of the annual compensation package of \$3.6 million to the Fannie Mae President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Fannie Mae’s continued conservatorship status and the burdens imposed on the taxpayers from that status; and the 10-year practice at Fannie Mae where one individual executed the responsibilities of both the Chief Executive Officer and President positions, with annual compensation capped at \$600,000 since 2015.	<u>FHFA’s Approval of Senior Executive Succession Planning at Fannie Mae Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</u> (EVL-2019-001, March 26, 2019)
FHFA should re-assess the appropriateness of the annual compensation package of \$3.25 million to the Freddie Mac President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Freddie Mac’s continued conservatorship status and the burdens imposed on the taxpayers from that status; the 10-year practice at Freddie Mac where one individual executed the Chief Executive Officer responsibilities with annual compensation capped at \$600,000 since 2015; and the temporary nature of the position of President, in light of FHFA’s representation that Candidate A will leave Freddie Mac if he is not selected for the Chief Executive Officer position.	<u>FHFA’s Approval of Senior Executive Succession Planning at Freddie Mac Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</u> (EVL-2019-002, March 26, 2019)
FHFA should establish and communicate clear expectations for use of revised and new examination modules by DER examiners.	<u>Five Years After Issuance, Many Examination Modules Remain in Field Test; FHFA Should Establish Timelines and Processes to Ensure Timely Revision of Examiner Guidance</u> (EVL-2019-003, September 10, 2019)
FHFA should assess the \$80,985 in costs that we questioned in this report, as well as any additional costs related to disincentives that may have been triggered after our review period. FHFA should take action to recover these costs, as appropriate, and enforce disincentive clauses going forward.	<u>Management Advisory: FHFA Failed to Enforce a Provision of an IT Services Contract, Resulting in More than \$80,000 in Questioned Costs</u> (OIG-2020-001, March 3, 2020)

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Closed, Rejected Recommendation	Report Title and Date
<p>FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented. That process should include:</p> <ul style="list-style-type: none"> Identifying the appropriate number of Enterprise high-risk models to be examined each year through targeted examinations; Identifying the current examination skills and competencies of examiners engaged in supervisory activities of high-risk models; Forecasting the optimal staffing levels and competencies of examiners necessary to complete the identified number of targeted examinations of high-risk models planned for each examination cycle; Evaluating whether a gap exists between skills required to conduct supervision of high-risk models that its examiners currently need but do not possess; and addressing that gap. 	<p><u>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</u> (EVL-2020-001, March 25, 2020)</p>
<p>Based on the results of its workforce analysis, FHFA should conduct a written assessment of whether DER’s current budget for its supervision of high-risk models is sufficient.</p>	<p><u>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</u> (EVL-2020-001, March 25, 2020)</p>
<p>FHFA should establish measurable objectives and risk tolerances for the Enterprises’ 97% loan-to-value mortgage programs, such as those for acquisition volume and delinquency rates, so that management can better identify, analyze, and respond to risks related to achieving the programs’ objectives.</p>	<p><u>Weaknesses in FHFA’s Monitoring of the Enterprises’ 97% LTV Mortgage Programs May Hinder FHFA’s Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs’ Objectives</u> (AUD-2020-014, September 29, 2020)</p>
<p>In the current examination cycle, FHFA should assess Fannie Mae’s business resiliency practices and capabilities and formally determine whether they meet or fail to meet Prudential Management and Operations Standard 8, Principle 11.</p>	<p><u>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</u> (EVL-2021-002, March 22, 2021)</p>

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Closed, Rejected Recommendation	Report Title and Date
FHFA should develop and implement written procedures that define: (a) the pertinent information that needs to be recorded, tracked, and reported for all security incidents and (b) the controls to ensure the accuracy and completeness of the security incident records.	<u>FHFA Did Not Record, Track, or Report All Security Incidents to US-CERT; 38% of Sampled FHFA Users Did Not Report a Suspicious Phone Call Made to Test User Awareness of its Rules of Behavior</u> (AUD-2021-009, June 25, 2021)
FHFA should enhance guidance and House Price Index production processes to include written requirements that FHFA’s Division of Research and Statistics document its performance of validation procedures and when necessary, follow-up on exceptions or anomalies identified through those procedures.	<u>FHFA Lacked Documentation of its Validation of Data Used to Produce the Third Quarter 2020 Seasonally Adjusted, Expanded-Data FHFA HPI and Failed to Timely Review its Information Quality Guidelines</u> (AUD-2021-010, July 22, 2021)
FHFA should issue a formal position on the use of non-binding supervisory guidance as criteria for supervisory activities.	<u>FHFA’s Failure to Use its Prudential Management and Operations Standards as Criteria for Supervision of the Enterprises Is Inconsistent with the FHFA Director’s Statutory Duty to Ensure the Enterprises Comply with FHFA’s Guidelines</u> (OIG-2021-004, September 20, 2021)

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Investigative Activity

OIG’s investigative mission is to prevent and detect fraud, waste, and abuse in the programs and operations of FHFA and its regulated entities. OIG’s Office of Investigations executes its mission by investigating allegations of significant criminal and civil wrongdoing with the potential to affect the Agency and its regulated entities. The Office’s investigations are conducted in strict accordance with professional guidelines established by the Attorney General of the United States and also with CIGIE’s Quality Standards for Investigations.

The Office of Investigations is comprised of highly trained law enforcement officers, investigative counsels, analysts, and attorney advisors. We maximize the impact of our criminal and civil law enforcement efforts by working closely with federal, state, and local law enforcement agencies nationwide.

The Office of Investigations is the primary federal law enforcement organization that specializes in deterring and detecting fraud perpetrated against the Enterprises, which collectively held more than \$7.6 trillion worth of assets as of June 30, 2024. Each year, the Enterprises acquire millions of mortgages worth hundreds of billions of dollars. The Office of Investigations also investigates cases involving the 11 regional FHLBanks, which had almost \$1.3 trillion in assets as of June 30, 2024, and, in some instances, cases involving banks that are members of the FHLBanks.

During the reporting period, OIG’s own investigations and our joint investigations with other law enforcement organizations resulted in orders of criminal restitution, fines, special assessments, and forfeitures of over \$14 million.

Fraud schemes that can fall within the Office’s investigative purview include:

- **Loan/Mortgage Origination** – This fraud scheme typically involves the falsifying of borrowers’ income, assets, employment histories, and credit profiles to make them more attractive to lenders. Offenders often employ fictitious Social Security numbers and fabricated or altered documents, such as W-2s and bank statements, to cause lenders to make loans they would not otherwise make.
- **Short Sales** – Short sales occur when a lender allows a borrower to sell his/her property for less than the debt owed. This usually involves a borrower who intentionally misrepresents or fails to disclose material facts to induce a lender to agree to a short sale.
- **Loan Modification/Property Disposition** – In loan modification/property disposition fraud, fraudulent actors prey on vulnerable homeowners by advertising that they can secure loan modifications if the homeowners pay significant upfront fees or take other action that enriches the defendant. Typically, these fraudulent actors deliver little or no action, leaving homeowners in a worse position. These schemes can involve hundreds of victims.

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

- **Real Estate Owned (REO) Homes** – These homes represent collateral seized to satisfy unpaid mortgage loans. REO inventory has sparked many different schemes to either defraud the Enterprises – using contractors to secure, maintain and repair, price, and ultimately sell their properties – or to defraud individuals seeking to purchase REO properties from the Enterprises.
- **Adverse Possession/Distressed Property** – These fraud schemes use illegal adverse possession (also known as “home squatting”) or fraudulent documentation to control distressed homes, foreclosed homes, and REO properties. In distressed property schemes, perpetrators falsely purport to assist struggling homeowners seeking to delay or avoid foreclosure. Violators use fraudulent tactics, such as filing false bankruptcy petitions, while collecting significant fees from the homeowners.
- **Condo Conversion and Builder Bailout** – Sellers or developers in these fraud schemes wrongfully conceal from prospective lenders the incentives they have offered to investors and the true value of the properties. Acting on this misinformation, the lenders make loans that are far riskier than they have been led to believe. Such loans often default and go into foreclosure.
- **Residential Mortgage-Backed Securities (RMBS)** – In this type of fraud scheme, traders fraudulently manipulate the buying and selling prices of RMBS bonds, causing customers to pay more to purchase the RMBS securities and to receive less when they sell RMBS securities.
- **Multifamily Loans** – Multifamily loan fraud relates to loans purchased by the Enterprises to finance multifamily properties.
- **Victim-Specific Schemes** – These fraud schemes include those where Fannie Mae, Freddie Mac, the FHLBanks, or members of FHLBanks are victims.
- **Coronavirus Disease 2019 (COVID) Paycheck Protection Program (PPP) Loans** under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) – Fraud perpetrated against these programs includes schemes where FHLBank member banks are victimized by the submission of PPP applications with false and misleading statements about a company’s business operations and payroll expenses. These applications often include supporting documentation that is fabricated or altered, such as false federal tax filings and employee payroll records, to cause loan approval.

A summary of publicly reportable investigative outcomes can be found in the Criminal Investigative Results section.

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Significant Cases

Investigations often span multiple years; in the first section we highlight significant cases completed and closed this semiannual period, and the sections that follow detail significant events or material updates by fraud scheme category.

Closed Case Summaries

The Office of Investigations closed 14 significant criminal investigations during this reporting period. The criminal investigations resulted in 43 convictions, over 68 years in prison, and more than \$151 million in restitution and forfeiture and a \$35 million negotiated monetary settlement in lieu of prosecution when the cases were open.

The schemes perpetrated in these cases included: RMBS trading fraud; loan origination fraud; multifamily loan fraud; various plots victimizing FHLBank member banks; deed fraud targeting distressed or foreclosed properties; COVID relief fraud schemes that targeted FHLBank member banks; and a real estate attorney who misappropriated millions of dollars from clients who trusted him to handle their real estate transactions.

Select summaries are provided below:

An international financial services company and a U.S. Attorney’s Office entered into a non-prosecution agreement relating to the fraudulent trading of RMBS, which included loans insured by the Enterprises. The government’s investigation revealed that the corporation, principally from its trading floor in New York City, perpetrated a scheme from 2009 to 2013 to defraud its customers by increasing its profits on RMBS trades. The scheme was conducted by and through its employees, who acted with the knowledge, encouragement, and participation of supervisors, including those tasked with compliance responsibilities. Individual RMBS traders were also criminally prosecuted for their roles. The company misrepresented material facts in RMBS trades and then lied to those who suspected that they had been the victims of fraud.

In one origination fraud investigation, real estate agents representing a major nationwide homebuilder assisted more than 100 homebuyers, who were unqualified to obtain a mortgage, to submit falsified applications to induce lenders to fund mortgages. Agents worked with document fabricators to wrongfully alter the homebuyers’ bank statements to inflate their assets and to create false bank entries for non-existent direct deposits. They also generated fictitious earnings statements to match the fictitious direct deposit entries. Additionally, homebuyers submitted false information to the nationwide homebuilder indicating they were represented by a selling agent when, in fact, the selling agent frequently did not represent the homebuyer and performed no services for the homebuyer. In many instances, the selling agents never even met the homebuyers but would collect a commission from the homebuilder. The selling agents would funnel most

of the commission back to the listing agents and others responsible for adding their name to the agreement, while keeping a share as compensation for their role in the scheme.

In another case, a former loan officer and vice president of a member bank of the FHLBank of Chicago used his position to fraudulently obtain over \$600,000 from the bank to purchase investment properties and pay credit card bills and real estate taxes. He enticed bank customers to act as straw purchasers, on his behalf, to obtain real property through mortgage loans financed by the bank that he originated and approved while failing to disclose the true nature of his relationship with the straw purchasers. He also increased the loan amounts by thousands of dollars over the purchase price of the investment properties to fraudulently obtain excess cash at closings that he deposited into accounts controlled by him.

In a multifamily loan fraud case, a founding partner of a corporate entity, who was also an owner and managing member, directed a scheme to fraudulently refinance multifamily properties by providing materially false information to financial institutions about the rents collected, the number of apartments leased, the expenses, and the true owners of the properties. The founding partner and others provided lenders with fabricated documents including: falsified leases that created the appearance of occupancy in vacant spaces and that overstated the rent paid by tenants; false personal financial statements; and fictitious expense documents and operating agreements that misrepresented ownership interests in the multifamily properties. The fraudulent refinances resulted in cash payouts from the lenders, which the founding partner and others used for their own enrichment and to continue the fraud scheme.

In a multi-state deed fraud case, conspirators targeted various financial institutions and real estate purchasers. The scheme participants created shell companies and executed various mortgage and property documents that purportedly conveyed ownership interests of various real properties from the true owners to the conspirators' shell companies. Fraudulent documents were then filed with county offices falsely showing that they had mortgage liens on the properties, sold the properties, and triggered the title companies to unwittingly fund the conspirators. During the scheme, fraudulent notary stamps were obtained using real people's identities, which enabled the conspirators to legitimize the otherwise fraudulent documents.

In a COVID relief fraud case, conspirators submitted 11 fraudulent PPP loan applications and three fraudulent Economic Injury Disaster Loan applications on behalf of purported businesses. Each application contained false representations, including fictitious federal tax return documentation and fabricated information about the number of employees and wages paid. Based on these misrepresentations, lenders, FHLBank member banks, and the Small Business Administration collectively provided the purported businesses with over \$2 million in federal COVID relief funds.

Another fraud scheme involved an owner of a law firm that specialized in real estate law and oversaw hundreds of real estate sales transactions totaling tens of millions of dollars. The attorney knowingly devised and conducted a scheme to defraud and obtain money from clients under false

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

pretenses. Specifically, the attorney misappropriated millions of dollars belonging to clients who trusted him to handle their real estate transactions. To conceal his scheme, the attorney entered or caused false and misleading information to be entered into his law firm’s accounting system to make it appear that the firm had paid a client’s mortgage when, in fact, the attorney had used the money for fraudulent purposes.

OIG Updates to Significant Investigations by Fraud Scheme Category

Multifamily

Four Real Estate Investors Pleaded Guilty for Roles in Mortgage Fraud Conspiracy, New Jersey

During this reporting period, in the District of New Jersey, four real estate investors pleaded guilty for their roles in an extensive, multi-year conspiracy to fraudulently obtain millions in loans and to fraudulently acquire multifamily and commercial properties.

Chaim (Eli) Puretz, Fredrick Schulman, Mark (Moshe) Silber, and Aron Puretz were all charged by information and pleaded guilty to conspiracy to commit wire fraud affecting a financial institution.

According to court records, the scheme participants and others conspired to deceive lenders into issuing multifamily and commercial mortgage loans, including the funding or purchasing of loans by Fannie Mae. They engaged in flip transactions, in which the conspirators used a related party to purchase a property at market value before selling or flipping the property to another conspirator at an inflated price. The scheme participants would then purportedly finance the loan at the inflated price and keep the inflated loan proceeds. Specific fraudulent transactions from this scheme were published in the previous semiannual report.

Loan Origination

Four Conspirators Pleaded Guilty in Years-Long Origination Fraud Scheme, California

During this reporting period, in the Northern District of California, Tjoman Buditaslim, Jose Tellez, Jose Martinez, and Travis Holasek pleaded guilty to conspiracy to commit wire fraud in connection with a years-long mortgage fraud scheme. Many of the fraudulent mortgages were sold to the Enterprises after origination.

According to court records, Buditaslim, Tellez, Martinez, and Holasek obtained more than \$55 million in residential mortgage loans for home buyers by creating fraudulent documents that they submitted to mortgage origination companies to qualify buyers for loans. They profited by taking loan origination commissions, real estate broker commission payments from escrow, and direct payments from potential buyers who wrote checks directly to the conspirators for submitting loan applications on their behalf.

The conspirators created false divorce decree documents and child support checks purportedly payable to the potential buyer from an individual the buyer had never been married to or even met. They created false and fabricated bank statements showing falsely inflated bank account balances for potential buyers, and submitted loan applications containing materially false information about buyers' income to lenders. Potential buyers were not informed of the inclusion of fraudulent documents. The conspirators knew, based on the potential buyers' true income and bank statement balances, they would not have qualified for the sought mortgages.

Title Company Owner Sentenced in Mortgage Fraud Scheme, Florida

On May 22, 2024, in the Southern District of Florida, Dora Ameneiro Martinez was sentenced to 36 months in prison and five years supervised release in connection with a mortgage fraud scheme which included Fannie Mae owned loans.

According to court records, Martinez caused the preparation of false and fraudulent mortgage applications and other related documents on behalf of herself, Apex Title, Apex Capital, and other homeowners. The applications and related documents submitted to lenders to induce the funding of mortgage loans contained materially false and fraudulent statements and representations relating to existing mortgages on properties, employment, income, deposits, assets, liabilities, and other information necessary for lenders to assess the qualifications to borrow money.

Martinez also intentionally failed to record the new mortgages causing some of the loans extended by the lenders to be unsecured for months. The delay in the recording at times was to obtain additional fraudulent loans.

Additionally, in some instances, Martinez prepared or caused to be prepared closing disclosures that falsely represented that the loan proceeds furnished at real estate closings would be used to satisfy existing mortgages on properties in the transactions. Instead, she fraudulently diverted the funds for personal use and benefit and to further the fraud scheme.

GSE/FHLBank

Former CEO Sentenced in Multimillion-Dollar Embezzlement Scheme Resulting in a Bank Failure, Kansas

On August 19, 2024, in the District of Kansas, former Chief Executive Officer (CEO) of Heartland Tri-State Bank Shan Hanes was sentenced to 293 months in prison and three years supervised release, with restitution to be determined at a later date, for engaging in a multimillion-dollar embezzlement scheme that caused the failure of Heartland Tri-State, a member bank of the FHLBank of Topeka.

As highlighted in the preceding semiannual report, Hanes initiated 11 outgoing wire transfers totaling \$47.1 million of Heartland's funds to a cryptocurrency wallet. The funds were then transferred to multiple cryptocurrency accounts controlled by unidentified third parties. The \$47.1 million loss caused the failure of Heartland Tri-State and bank investors to lose \$9 million.

Former Bank President Sentenced for Fraud Scheme Resulting in a Bank Failure, Nebraska

On August 1, 2024, in the District of Nebraska, Jack Poulsen was sentenced to 18 months in prison, five years supervised release, and ordered to pay \$815,000 in restitution for his role in a fraud scheme that contributed to the failure of Ericson State Bank, a member bank of the FHLBank of Topeka.

Poulsen was the bank president from 2010 to 2019 and a Board of Directors (Board) member. He was responsible for overseeing all bank affairs and managing day-to-day operations and for keeping other Board members informed of the bank’s financial condition. Poulsen had lending authority but was required to seek approval from the bank’s loan committee for any loans exceeding \$250,000. He was not allowed to be the loan officer on loans for which he would have a personal conflict of interest, including loans made to parties or entities related to him.

According to court records, in 2012, the bank began a lending relationship with an individual related to Poulsen. This individual and his business entities received numerous loans and opened several accounts with the bank. In 2015, Poulsen began interfering with these insider-related loans and accounts for the purpose of hiding their unsoundness from the Board. These actions included advancing bank funds on insider-related loans more than the approved loan amounts; manipulating data contained in the bank’s computer system by advancing payment due dates and loan maturity dates to conceal the past-due status of the insider-related loans from the Board; advancing loans over the approved note amounts and applying the funds to conceal overdrafts on the insider-related checking accounts from the Board. Poulsen’s actions continued until his removal from both positions in September 2019.

Financial Advisor Sentenced in Bank Fraud Scheme, Maryland

On April 30, 2024, in the District of Maryland, Eddy Blizzard was sentenced to 42 months in prison, two years supervised release, and ordered to pay over \$1 million in restitution and \$848,445 in forfeiture for his role in a fraud scheme where he embezzled approximately \$1 million from an elderly client’s retirement account causing the client to incur a \$63,000 debt with the Internal Revenue Service and a home foreclosure.

According to court documents, the elderly client began using Blizzard as a financial adviser for retirement investments from the bank where he was a client. Eventually the victim client began using Blizzard as a financial advisor independent of the bank. However, Blizzard never went to work as an independent financial advisor. The victim client gave Blizzard blank checks to make investments on his behalf and believed Blizzard was paying his mortgage out of his investment funds.

Over a six-year period, Blizzard, without authorization, caused approximately \$1 million to be withdrawn from the elderly client’s retirement and other accounts and deposited into Blizzard controlled accounts.

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

The victim client’s home was put into the foreclosure process due to Blizzard’s failure to pay the mortgage. Blizzard’s actions also led the victim elderly client to owe \$63,000 in federal income tax to the Internal Revenue Service from the retirement account disbursements.

The victim client passed away in March 2020.

Loan Modification

Nine Sentenced in Multimillion-Dollar Loan Fraud Scheme, California

During this reporting period, nine conspirators were sentenced for their roles in a sophisticated mortgage and green loan fraud scheme executed over several years resulting in approximately \$15 million in loss and \$9 million in exposure for the Enterprises.

The sentences and scheme participants were:

- Richard Ayvazyan – sentenced to 10 years and four months in state prison and ordered to pay over \$3 million in restitution, jointly and severally;⁶
- Grigor Tatoian – sentenced to 11 months in jail, 37 months mandatory supervision, and ordered to pay \$168,015 in restitution;
- Andranik Petrosyan – sentenced to 10 months in jail, 30 months mandatory supervision, and ordered to pay \$131,700 in restitution;
- Artashes Martirosyan – sentenced to seven months in jail, 49 months mandatory supervision, and ordered to pay \$155,760 in restitution, jointly and severally;
- Rosa Zarate – sentenced to two years of probation and ordered to pay \$200,000 in restitution, jointly and severally;
- Estephanie Reynoso – sentenced to two years of probation and ordered to pay \$48,201 in restitution, jointly and severally;
- Lubia Carrillo – sentenced to two years of probation and ordered to pay \$50,000 in restitution;
- Lilit Malyan – sentenced to two years of probation and ordered to pay \$82,000 in restitution; and
- Vanessa Bell – sentenced to two years of probation and ordered to pay \$50,000 in restitution.

⁶ As a result of another OIG federal investigation involving a PPP loan fraud scheme discussed in a previous semiannual report, Ayvazyan was also sentenced to 17 years in prison, five years supervised release, and ordered to pay over \$17 million in restitution, jointly and severally.

Additional convictions and sentencings and facets of the scheme that used stolen identities to obtain mortgage loans, and green loans were published in earlier semiannual reports.

PPP Loan Fraud

Conspirator Sentenced for Fraudulently Obtaining Over \$1.5 Million in COVID Relief Funds, Massachusetts

On April 9, 2024, in the District of Massachusetts, Joao Mendes was sentenced to 27 months in prison, one year of supervised release, and ordered to pay over \$1.5 million in restitution and forfeiture in connection with a scheme to submit false applications to lenders, including multiple FHLBank member banks, to obtain PPP and Economic Injury Disaster Loan Program (EIDL) funds.

According to court records, Mendes submitted multiple fraudulent PPP and EIDL loan applications on behalf of various entities. The PPP loan applications misrepresented the number of employees and the average monthly payroll expenses of Mendes’ various businesses supported by false tax records. In his EIDL applications, Mendes misrepresented the number of employees, gross revenues, and costs of goods sold for each business.

Mendes and two of his relatives received over \$1.5 million in PPP and EIDL funds. Mendes spent the illicit proceeds for his own personal benefit, including for the purchase of cryptocurrency, or transferring the funds into other accounts he controlled or to other individuals.

The United States seized cryptocurrency and fiat currency from over 20 accounts, resulting in the recovery of over \$1.5 million in cryptocurrency and more than \$206,000 in U.S. currency.

Criminal Investigative Results

Below are individuals sentenced, convicted, or charged during the reporting period, grouped by fraud category.

Multifamily Schemes

Real Estate Executive Sentenced in Multifamily Fraud Scheme			
Defendant	Role	Most Recent Action	District
Tyler Ross	Co-Chief Executive Officer	Sentenced to: one year and one day in prison; two years supervised release; ordered to pay a \$200,000 fine	Eastern District of Michigan

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Former Insurance Broker Sentenced in Multifamily Insurance Fraud Scheme

Defendant	Role	Most Recent Action	District
Robert Wells	Insurance Broker	Sentenced to: 24 months in prison; one year of supervised release; ordered to pay \$126,799 in restitution	Eastern District of California

Four Pleaded Guilty in Connection with a Multimillion-Dollar Mortgage Fraud Conspiracy

Defendant	Role	Most Recent Action	District
Chaim Eli Poretz	Real Estate Investor	Charged by information and pleaded guilty to: conspiracy to commit wire fraud affecting a financial institution	District of New Jersey
Fredrick Schulman	Real Estate Investor	Charged by information and pleaded guilty to: conspiracy to commit wire fraud affecting a financial institution	District of New Jersey
Moshe Silber	Real Estate Investor	Charged by information and pleaded guilty to: conspiracy to commit wire fraud affecting a financial institution	District of New Jersey
Aron Poretz	Real Estate Investor	Charged by information and pleaded guilty to: conspiracy to commit wire fraud affecting a financial institution	District of New Jersey

Loan Origination Schemes**Title Company Owner Sentenced in Mortgage Fraud Scheme**

Defendant	Role	Most Recent Action	District
Dora Ameneiro Martinez	Title Company Owner	Sentenced to: 36 months in prison; five years supervised release	Southern District of Florida

Loan Officer Sentenced in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Evelisse Hernandez	Loan Officer	Sentenced to: two years of probation; ordered to pay \$261,696 in restitution and \$11,940 in forfeiture	Middle District of Florida

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Two Sentencings in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Carlos Ferrer	Business Owner	Sentenced to: four months in prison; three years supervised release; ordered to pay a \$10,000 fine	Middle District of Florida
Elena Villarini	Participant	Sentenced to: five years of probation; ordered to pay a \$10,000 fine	Middle District of Florida

One Pleaded Guilty and One Charged in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Kenneth Blair	Participant	Pleaded guilty to: bank fraud	Middle District of Florida
Angel Jackson	Participant	Charged by indictment with: conspiracy to commit bank fraud	Middle District of Florida

Two Sentenced in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Shamsher Singh	Participant	Sentenced to: three years of probation including eight months home confinement; ordered to pay \$739,926 in forfeiture	Central District of California
Luis Ramirez	Participant	Sentenced to: three years of probation including eight months home confinement; ordered to pay \$111,290 in forfeiture	Central District of California

Two Sentencings and a Guilty Plea in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Marko Lopez	Real Estate Agent	Sentenced to: time served; three years supervised release	Eastern District of California
Lisa Santos	Loan Officer	Sentenced to: time served; two years supervised release; ordered to pay a \$10,000 fine	Eastern District of California
German Lopez-Velasquez	Real Estate Agent	Pleaded guilty to: conspiracy to commit bank fraud	Eastern District of California

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Guilty Pleas and Sentencing in Multi-Layered Fraud Scheme

Defendant	Role	Most Recent Action	District
Richard Grassie	Participant	Pleaded guilty to: conspiracy to make false statements to mortgage lending businesses and financial institutions; sentenced to: time served	Southern District of Texas
Arleen Grockett	Participant	Pleaded guilty to: conspiracy to make false statements to mortgage lending businesses and financial institutions	Southern District of Texas

Four Pleaded Guilty in Years-Long Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Tjoman Buditaslim	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Northern District of California
Jose Tellez	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Northern District of California
Jose Martinez	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Northern District of California
Travis Holasek	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Northern District of California

Seven Charged in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Marielos Hinnaoui	Participant	Charged by state felony complaint with: mortgage fraud; grand theft	California Attorney General's Office
Michael Boito	Participant	Charged by amended state felony complaint with: mortgage fraud; grand theft	California Attorney General's Office
Oscar Salazar	Participant	Charged by amended state felony complaint with: mortgage fraud; grand theft	California Attorney General's Office
Oliver Salazar	Participant	Charged by amended state felony complaint with: mortgage fraud; grand theft	California Attorney General's Office
Gavina Espino	Participant	Charged by amended state felony complaint with: mortgage fraud; grand theft	California Attorney General's Office

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Juan Gonzalez	Participant	Charged by amended state felony complaint with: mortgage fraud; grand theft	California Attorney General's Office
Manuel Angulo-Tapia	Participant	Charged by amended state felony complaint with: mortgage fraud; grand theft	California Attorney General's Office

Real Estate Attorney Charged in Title Insurance Fraud Scheme

Defendant	Role	Most Recent Action	District
Samuel Ozburn	Real Estate Attorney	Charged by indictment with: residential mortgage fraud; forgery; theft by taking; violation of the Georgia Racketeer Influenced and Corrupt Organizations Act	Dekalb County, GA, District Attorney's Office

Fraud Affecting the Enterprises, the FHLBanks, or FHLBank Member Institutions

Former CEO Sentenced in Multimillion-Dollar Embezzlement Scheme Resulting in a Bank Failure

Defendant	Role	Most Recent Action	District
Shan Hanes	Chief Executive Officer	Sentenced to: 293 months in prison; three years supervised release	District of Kansas

Financial Advisor Sentenced in Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Eddy Blizzard	Financial Advisor	Sentenced to: 42 months in prison; two years supervised release; ordered to pay \$1,037,719 in restitution and \$848,445 in forfeiture	District of Maryland

Business Owner Sentenced in Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Carlos Velez-Cruz	Business Owner	Sentenced to: 21 months in prison; four years supervised release	District of Puerto Rico

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Former Bank Board of Directors Members Sentenced in Multimillion-Dollar Embezzlement Conspiracy Resulting in a Bank Failure			
Defendant	Role	Most Recent Action	District
George Kozdemba	Former Board of Directors Member	Sentenced to: 12 months and one day in prison; one year of supervised release; ordered to pay a \$25,000 fine	Northern District of Illinois
Janice Weston	Former Board of Directors Member	Sentenced to: three months in prison; one year of supervised release; ordered to pay a \$20,000 fine	Northern District of Illinois
Bank President and Business Owner Sentenced in Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Brandon Zanotti	Business Owner	Sentenced to: two years of probation; ordered to pay a \$5,000 fine	Southern District of Illinois
Steven Cook	Bank President	Sentenced to: time served; two years supervised release; ordered to pay a \$6,000 fine	Southern District of Illinois
Former Bank President Sentenced for Fraud Scheme Resulting in a Bank Failure			
Defendant	Role	Most Recent Action	District
Jack Poulsen	Former Bank President	Sentenced to: 18 months in prison; five years supervised release; ordered to pay \$815,000 in restitution	District of Nebraska
Former Bank Chief Financial Officer Charged in Bank Fraud Scheme			
Defendant	Role	Most Recent Action	District
Aaron Luneke	Chief Financial Officer	Charged by indictment with: bank fraud	District of Nebraska
A Sentencing, Two Guilty Pleas, and a Charge in Bank Account Takeover Scheme			
Defendant	Role	Most Recent Action	District
Trent Rivers	Participant	Sentenced to: 24 months in prison; four years supervised release; ordered to pay \$3,747 in restitution	Middle District of Florida
Terrence Peoples	Participant	Pleaded guilty to: conspiracy to commit bank fraud; aggravated identity theft	Middle District of Florida

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Sinder Telis	Participant	Pleaded guilty to: bank fraud; aggravated identity theft	Middle District of Florida
Michael Olmeda DeJesus	Participant	Charged by indictment with: bank fraud	Middle District of Florida

Personal Banker Charged in Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Igor Shushpanov	Participant	Charged by information with: bank fraud	Middle District of Florida

Former Bank CEO Pleaded Guilty to Falsifying Loan Information During Bank Examination

Defendant	Role	Most Recent Action	District
Steven Harms	Former Bank Chief Executive Officer	Charged by information and pleaded guilty to: making a false bank entry	Southern District of Iowa

Loan Officer Pleaded Guilty in Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
John Padilla	Vice President/ Loan Officer	Pleaded guilty to: bank fraud	Western District of Oklahoma

Conspirator Pleaded Guilty in Bank Fraud Scheme

Defendant	Role	Most Recent Action	District
Jeremiah Almaguer	Participant	Pleaded guilty to: unlawful monetary transactions	Southern District of Texas

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Loan Modification Schemes

Nine Sentencings in Multimillion-Dollar Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Richard Ayvazyan	Participant	Pleaded no contest to: mortgage fraud; grand theft; conspiracy; money laundering; conveying personal information with intent to defraud; procuring and offering a false or forged instrument; sentenced to: 10 years and four months in state prison; ordered to pay \$3,014,154 in restitution, jointly and severally	California Attorney General's Office
Artashes Martirosyan	Participant	Pleaded nolo contendere to: mortgage fraud; grand theft; conspiracy; money laundering; conveying personal information with intent to defraud; sentenced to: seven months in jail; 49 months mandatory supervision; ordered to pay \$155,760 in restitution, jointly and severally	California Attorney General's Office
Vanessa Bell	Participant	Pleaded guilty to: grand theft; sentenced to: two years of probation; ordered to pay \$50,000 in restitution	California Attorney General's Office
Andranik Petrosyan	Participant	Pleaded guilty to: mortgage fraud; grand theft; unlawful transfer of identifying information; sentenced to: 10 months in jail; 30 months mandatory supervision; ordered to pay \$131,700 in restitution	California Attorney General's Office
Grigor Tatoian	Participant	Pleaded guilty to: grand theft; procuring or offering a false or forged instrument; sentenced to: 11 months in jail; 37 months mandatory supervision; ordered to pay \$168,015 in restitution	California Attorney General's Office
Estephanie Reynoso	Participant	Sentenced to: two years of probation; ordered to pay \$48,201 in restitution, joint and several	California Attorney General's Office
Lubia Carrillo	Participant	Sentenced to: two years of probation; ordered to pay \$50,000 in restitution	California Attorney General's Office
Rosa Zarate	Participant	Sentenced to: two years of probation; ordered to pay \$200,000 in restitution, joint and several	California Attorney General's Office
Lilit Malyan	Participant	Sentenced to: two years of probation; ordered to pay \$82,000 in restitution	California Attorney General's Office

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Conspirator Pleaded Guilty in Multi-State Loan Modification Fraud Scheme

Defendant	Role	Most Recent Action	District
Mark Lezama	Participant	Pleaded guilty to: conspiracy to commit wire fraud	Western District of Washington

Short Sale Schemes**Two Pleaded Guilty in Multimillion-Dollar Short Sale Fraud Scheme**

Defendant	Role	Most Recent Action	District
Michael Herskowitz	Attorney	Charged by superseding information and pleaded guilty to: conspiracy to commit bank fraud	Eastern District of New York
Michael Konstantinovskiy	Real Estate Broker	Pleaded guilty to: conspiracy to commit wire and bank fraud	Eastern District of New York

Public Official and Conspirator Charged in Short Sale Fraud Scheme

Defendant	Role	Most Recent Action	District
Nathaniel Anderson	Participant	Charged by indictment with: conspiracy to commit wire fraud affecting a financial institution; bank fraud; false statements on a loan application	District of New Jersey
Chrisone Anderson	Participant	Charged by indictment with: conspiracy to commit wire fraud affecting a financial institution; bank fraud; false statements on a loan application; false statements to a federal agent	District of New Jersey

Four Charged in Short Sale Fraud Scheme

Defendant	Role	Most Recent Action	District
Bruce Egert	Attorney	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; false statements to a financial institution	District of New Jersey
Nelson Kong	Attorney	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; false statements to a financial institution	District of New Jersey
Seung Han Shin	Attorney	Charged by indictment with: conspiracy to commit bank fraud; bank fraud	District of New Jersey
Francisco Sanchez	Realtor	Charged by indictment with: conspiracy to commit bank fraud; bank fraud	District of New Jersey

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Property Management and REO Schemes

Attorney Pleaded Guilty for Defrauding Clients and Employees of Over \$3.9 Million			
Defendant	Role	Most Recent Action	District
Matthew Browndorf	Attorney	Pleaded guilty to: wire fraud; money laundering	District of Maryland

Adverse Possession, Distressed Property and Bankruptcy Fraud Schemes

Two Sentenced for National Foreclosure Rescue Scheme			
Defendant	Role	Most Recent Action	District
Joel Harvey	Owner	Sentenced to: 31 days in prison; three years supervised release	Southern District of Ohio
Damien Byrd	Owner	Sentenced to: time served; three years supervised release	Southern District of Ohio

Two Conspirators Charged in Deed Fraud Scheme			
Defendant	Role	Most Recent Action	District
Orenthanal Bennett	Participant	Charged by information with: an organized scheme to defraud for over \$50,000	Pasco County, FL, State's Attorney's Office
Victoria Strickler	Participant	Charged by information with: an organized scheme to defraud for over \$50,000	Pasco County, FL, State's Attorney's Office

RMBS

Former Nomura Vice President Sentenced in Connection with the Fraudulent Trading of Residential Mortgage-Backed Securities			
Defendant	Role	Most Recent Action	District
Frank Dinucci Jr.	Former Vice President	Sentenced to: time served	District of Connecticut

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Fraud Affecting the FHLBanks, or FHLBank Member Institutions as a Result of (or Related to) the CARES Act PPP

Conspirator Sentenced for Fraudulently Obtaining Over \$1.5 Million in COVID Relief Funds

Defendant	Role	Most Recent Action	District
Joao Mendes	Participant	Sentenced to: 27 months in prison; one year of supervised release; ordered to pay \$1,542,559 in restitution and \$1,751,694 in forfeiture	District of Massachusetts

Two Sentencings and a Guilty Plea in Multimillion-Dollar COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Mayer Misak	Participant	Sentenced to: 21 months in prison; three years supervised release; ordered to pay \$448,330 in restitution with \$410,830 joint and several	Southern District of Texas
Tekle Tesfaye	Participant	Sentenced to: 12 months and one day in prison; three years supervised release; ordered to pay \$581,677 in restitution, joint and several	Southern District of Texas
Muhammad Owais Khan	Participant	Pleaded guilty to: conspiracy	Southern District of Texas

Two Sentenced and Four Pleaded Guilty in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Derrick Clark	Participant	Sentenced to: one day time served; three years supervised release including one year of home confinement; ordered to pay \$1,442,522 in restitution, joint and several	Western District of Tennessee
Rose Giachelli	Participant	Sentenced to: one day time served; three years supervised release including one year of home confinement; ordered to pay \$990,656 in restitution, joint and several	Western District of Tennessee
Rodrick Flowers	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee
LaTonya Herman	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

Jarvys Jones	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee
Cleveland Wells	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee

Conspirator Pleaded Guilty in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Herman Shaw	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee

Two Business Owners Sentenced in COVID Relief Loan Fraud Scheme

Defendant	Role	Most Recent Action	District
Darryl Isom-Young	Business Owner	Sentenced to: 78 months in prison; three years supervised release; ordered to pay \$5,278,485 in restitution, joint and several, and \$345,293 in forfeiture	District of New Jersey
Nivah Garcis	Business Owner	Sentenced to: 12 months and one day in prison; three years supervised release; ordered to pay \$1,124,803 in restitution, joint and several, and \$1,054,258 in forfeiture	District of New Jersey

Purported Business Owner Charged in Multimillion-Dollar COVID Fraud Scheme

Defendant	Role	Most Recent Action	District
Nickenson Jean Mathurin	Participant	Charged by indictment with: wire fraud; money laundering	District of New Jersey

Attorney Pleaded Guilty in COVID Relief Fraud Scheme

Defendant	Role	Most Recent Action	District
Sanjay Patel	Attorney	Pleaded guilty to: theft of government funds; money laundering	Northern District of Georgia

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Business Owner Charged in PPP Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Marvin Reed	Business Owner	Charged by indictment with: wire fraud	Northern District of Illinois

Former Investment Advisor Charged in PPP Fraud Scheme			
Defendant	Role	Most Recent Action	District
Jared Eakes	Former Investment Advisor	Charged by superseding indictment with: wire fraud; bank fraud	Middle District of Florida

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period April 1, 2024, through September 30, 2024

Reports; Referrals to Federal, State, and Local Prosecuting Authorities; Prosecutions; and Convictions: April 1, 2024 – September 30, 2024*	
Investigative Reports**	31
Criminal Referrals to the Department of Justice	57
Criminal Referrals to State and Local Prosecuting Authorities	8
Indictments and Informations during the Reporting Period that Resulted from Referrals to Prosecutors during Prior Reporting Periods	41
Total Indictments and Informations during the Reporting Period Resulting from OIG Referrals	54
Trials	1
Defendants Tried	2
Convictions / Pleas	41
Sentencings	42

* All criminal charges and successive actions (pleas/convictions/sentencings) are supported with documents filed with the corresponding federal or state court, including non-public (sealed) documents. All referrals made to the Department of Justice and to state prosecutors are captured within each investigative file; these actions are tabulated via a statistical report run in OIG’s case management system. Criminal referrals, indictments, and informations on this chart include both individuals and entities.

** For the purposes of this table, an investigative report is defined as the Report of Investigation finalized at the conclusion of an investigation, prior to case closure.

Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation⁷

Pursuant to the IG Act, Sections 5(a)(13), (14), (16)(B), and 5(g), OIG is required to report certain information regarding (1) investigations involving senior government employees and (2) government officials found to have engaged in whistleblower retaliation.

Sections 5(a)(13) and 5(g) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each

⁷ This portion of the Semiannual Report to Congress shows the IG Act Section 5 semiannual report requirements as amended by Pub. L. No. 117-263, §§ 5235(1), 5273(2) (Dec. 23, 2022).

investigation it conducted involving a senior government employee when allegations of misconduct were substantiated. OIG does not have reportable information for this period.

Sections 5(a)(14) and 5(g) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on any instance of whistleblower retaliation, including information about an official found to have engaged in retaliation. OIG does not have reportable information for this period.

Sections 5(a)(16)(B) and 5(g) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving a senior government employee that is closed and was not disclosed to the public. OIG does not have reportable information for this period.

Peer Reviews

OIG Peer Review Results

Peer Review Results	Date Reported
Office of Audits: The most recent peer review was conducted by the National Aeronautics and Space Administration OIG. OIG received an external peer review rating of pass, the highest rating an audit organization can receive.	September 21, 2022
Office of Evaluations and Office of Compliance: The most recent peer review of the Office of Evaluations and the Office of Compliance was conducted by the Treasury Inspector General for Tax Administration (TIGTA), which issued a final report on September 8, 2022. TIGTA determined that Office of Evaluations and Office of Compliance policies were generally consistent with the applicable Blue Book standards addressed by the peer review team. This is the highest rating under applicable peer review standards. In addition, the peer review team found that all four of the reports it reviewed generally complied with Blue Book standards.	September 8, 2022
Office of Investigations: The most recent peer review of our investigative function was conducted by the General Services Administration (GSA) OIG. GSA-OIG issued an Opinion Letter and a Letter of Observations detailing the results of its review. In the Opinion Letter, GSA-OIG reported that OIG’s system of internal safeguards and management procedures for our investigative function is in compliance with the quality standards established by CIGIE and the applicable Attorney General guidelines. In the Letter of Observations, GSA-OIG recognized OIG for employing three “best practices” in its investigative operations.	July 5, 2023

Outstanding Recommendations from Any Peer Review of OIG

OIG has no outstanding recommendations from any peer reviews.

Peer Reviews Conducted by OIG and Outstanding Recommendations

OIG did not conduct any peer reviews during this period and there are no outstanding recommendations from peer reviews conducted by OIG.

Outreach

Public and Private Partnerships, Outreach, and Communications

OIG prioritizes outreach and engagement to communicate its mission and work to members of Congress and to the public and to actively participate in government-wide oversight community activities. We continue to forge public and private partnerships to address fraud and coordinate oversight activities.

Highlights of our efforts during this reporting period include the following:

Congress

To fulfill its mission, OIG works closely with Congress and is committed to keeping it fully apprised of our oversight of FHFA. During this semiannual reporting period, OIG provided information on OIG work to congressional staff. Additionally, on June 26, 2024, the Inspector General testified before the House Subcommittee on Housing and Insurance.

Hotline

The OIG Hotline serves as a vehicle through which employees of the Agency, the Enterprises, the FHLBanks, and members of the public can report suspected fraud, waste, abuse, mismanagement, or misconduct in Agency programs and operations. The Hotline is managed by OIG's Office of Investigations, and potential criminal violations are investigated by that office. Potential civil or administrative matters are retained or referred to the appropriate OIG operating division for review and follow-up, as appropriate. During this reporting period, 1,351 discrete contacts to the Hotline were made involving tips, complaints, and referrals. This included 210 separate complaints logged by the Hotline.

For more information about OIG’s Hotline, including OIG contact information, see <https://www.fhfaig.gov/ReportFraud>.

Coordinated Oversight Activities and Professional Organizations

During the reporting period, OIG maintained active participation in coordinated oversight activities and professional organizations, including the following:

Council of the Inspectors General on Integrity and Efficiency

OIG actively participates in various CIGIE committees and working groups, including the Audit Committee, the Inspection and Evaluation Committee, the Investigations Committee, and the Integrity Committee. OIG also actively supports CIGIE’s efforts to work collaboratively with international partners to counter fraud targeting the public sector through its participation in the International Public Sector Fraud Forum (IPSFF). The IPSFF consists of representatives from the governments of Australia, Canada, New Zealand, the United Kingdom, and the United States. The Forum aims to collectively share best and leading practices in fraud risk management, specifically relating to fraud schemes that target the public sector.

Council of Inspectors General on Financial Oversight

The Council of Inspectors General on Financial Oversight (CIGFO) was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to oversee the Financial Stability Oversight Council (FSOC), which is charged with identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the U.S. financial system.

The FHFA IG is a statutory member of CIGFO, along with the IGs of the Department of the Treasury, Federal Deposit Insurance Corporation, Securities and Exchange Commission, and others. By statute, CIGFO may convene working groups to evaluate the effectiveness and internal operations of FSOC.

Additionally, in accordance with the Act, CIGFO issues an annual report to FSOC and to Congress that includes (1) a section by each member IG that highlights the concerns and recommendations of the IG based on ongoing and completed work, with a focus on issues that may apply to the broader financial sector; and (2) a summary of the general observations by the Council with a focus on measures that should be taken to improve financial oversight.

CIGFO’s annual report for 2024, issued in July 2024, is available on its [website](#) and [Oversight.gov](#).

Additionally, OIG leadership and staff serve in various significant public and private professional organizations supporting CIGIE, CIGFO, and the federal community.

Law Enforcement Outreach

Federal Bureau of Investigation Cybercrimes Task Force

The FBI’s Washington, D.C., field office spearheads a multiagency cybercrimes task force, and OIG assigns special agents to assist with task force law enforcement activities. OIG makes these assignments to help combat cybercrimes and to work in partnership with multiple federal agencies. This concerted effort helps prosecute cybercriminals and stop cyberattacks made against institutions maintaining personally identifiable information, trade secrets, and financial data.

Public Awareness of OIG’s Law Enforcement Mission

During this reporting period, OIG delivered 17 fraud awareness briefings to diverse audiences to raise awareness of its law enforcement mission and fraud schemes targeting FHFA programs.

Public-Private Partnerships

Housing finance professionals are on the frontlines and often have a real-time understanding of emerging threats and misconduct. OIG speaks with officials at the Enterprises and the FHLBanks regularly to benefit from their insights. OIG also makes presentations to academic and industry groups.

Coordination Among Law Enforcement Agencies

OIG has developed ongoing and close working relationships with other law enforcement agencies, including: Department of Justice and U.S. Attorneys’ offices; FBI; Department of Housing and Urban Development OIG; Federal Deposit Insurance Corporation OIG; Internal Revenue Service—Criminal Investigation; the U.S. Postal Inspection Service; Small Business Administration OIG; the U.S. Trustee Program (nationwide); Financial Crimes Enforcement Network; state attorneys general; and other federal, state, and local law enforcement agencies nationwide.

Other Inspector General Act Reporting Requirements

FHFA’s Refusal to Provide Information and Attempts to Interfere with OIG Independence

OIG has no instances to report for this period, therefore, we also have no related reports to the Agency head.

Table of Contents

Accomplishments

Reports and Recommendations

Investigations

Index of IG Act Requirements

Federal Financial Management Improvement Act of 1996

For the semiannual reporting period ending September 30, 2024, Section 5(a)(7) of the IG Act did not apply to the Agency or OIG.⁸

Review of Legislation and Regulations

OIG, through its Office of Counsel, stays up to date on all applicable proposed legislation that is publicly available or disseminated by the CIGIE Legislation Committee. When appropriate, OIG comments on enacted law or proposed legislative matters relating to FHFA’s programs and operations. OIG’s Office of Counsel also reviews all proposed regulations pertaining to FHFA and provides recommendations when appropriate.

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements

⁸ This paragraph reflects the IG Act Section 5 semiannual report requirement as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

Index of Information Required by the Inspector General Act

The IG Act provides that OIG shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing our activities during the immediately preceding six-month periods ending March 31 and September 30.

Below is a table directing the reader to the pages of this report on which various information required by the IG Act is provided.

Source/Requirement ⁹	Pages
Section 404(a)(2) – Review of legislation and regulations.	60
Section 5(a)(1) – A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA and associated reports and recommendations for corrective action made by OIG.	4-24
Section 5(a)(2) – An identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	11-33
Section 5(a)(3) – A summary of significant investigations closed.	36-38
Section 5(a)(4) – An identification of the total number of convictions resulting from investigations.	3, 55
Section 5(a)(5) – Information regarding each audit, inspection, or evaluation report issued, including a listing of each audit, inspection, or evaluation, and if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made.	7-11
Section 5(a)(6) – Information regarding any management decision made this period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	11
Section 5(a)(7) – The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	60

⁹ This table shows the IG Act Section 5 semiannual report requirements as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

Source/Requirement ⁹	Pages
Section 5(a)(8) – An appendix containing the results of any peer review conducted by another IG; or the date of the last peer review if no peer review was conducted during the reporting period.	56
Section 5(a)(9) – A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	57
Section 5(a)(10) – A list of any peer reviews of another IG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented.	57
Section 5(a)(11) – Statistical tables showing, for the reporting period, the total number of: investigative reports issued; persons referred to the Department of Justice for criminal prosecution; persons referred to State and local prosecuting authorities for criminal prosecution; and indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	55
Section 5(a)(12) – A description of the metrics used for developing the data for the statistical tables under the prior paragraph.	55
Section 5(a)(13) – A report on each investigation conducted by OIG where allegations of misconduct were substantiated involving a senior Government employee or senior official, including the name of the senior Government employee, if already made public by OIG, a detailed description of the facts and circumstances of the investigation, and the status and disposition of the matter.	55-56
Section 5(a)(14) – A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences FHFA imposed to hold that official accountable.	56
Section 5(a)(15) – A detailed description of any attempt by FHFA to interfere with the independence of OIG, including with budget constraints designed to limit OIG’s capabilities, and incidents where FHFA has resisted or objected to OIG oversight activities or restricted or significantly delayed access to information; and a summary of each report made to the FHFA head under section 6(c)(2).	59
Section 5(a)(16) – Detailed descriptions of the particular circumstances of each inspection, evaluation, and audit conducted by OIG that is closed and was not disclosed to the public; and each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	11, 56

Table of Contents

Accomplishments

Reports and
Recommendations

Investigations

Index of IG Act
Requirements



FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2024, through September 30, 2024

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