Federal Housing Finance Agency
Office of Inspector General

Semiannual Report to the Congress

October 1, 2015, through March 31, 2016

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Our Vision

Our vision is to be an organization that promotes excellence and trust through exceptional service to the Federal Housing Finance Agency (FHFA or Agency), Congress, stakeholders, and the American people. The FHFA Office of Inspector General (OIG) achieves this vision by being a first-rate independent oversight organization in the federal government that acts as a catalyst for effective management, accountability, and positive change in FHFA and brings enforcement actions against those, whether inside or outside of the federal government, who waste, steal, or abuse government funds in connection with the Agency, Fannie Mae and Freddie Mac (the Enterprises), or any of the Federal Home Loan Banks (FHLBanks).

Our Mission

OIG promotes economy, efficiency, and effectiveness and protects FHFA and the entities it regulates against fraud, waste, and abuse, contributing to the liquidity and stability of the nation's housing finance system. We accomplish this mission by providing independent, relevant, timely, and transparent oversight of the Agency in order to promote accountability, integrity, economy, and efficiency; advising the Director of the Agency and Congress; informing the public; and engaging in robust enforcement efforts to protect the interests of the American taxpayers.

Core Values

OIG's core values are integrity, respect, professionalism, and results. Accordingly, we strive to maintain the highest level of integrity, professionalism, accountability, and transparency in our work. We follow the facts—wherever they go, without fear or favor; report findings that are supported by sufficient evidence in accordance with professional standards; and recommend actions tied to our findings. Our work is risk-based, credible, and timely. We play a vital role in promoting the economy and efficiency in the management of the Agency and view our oversight role both prospectively (advising the Agency on internal controls and oversight, for example) and retrospectively (by assessing the Agency's oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks in its role as regulator, and its operation of Fannie Mae and Freddie Mac in its role as conservator).

Because FHFA has been placed in the extraordinary role of regulator and conservator of two Enterprises, which support over $5 trillion in mortgage loans and guarantees, our oversight role reaches matters delegated by FHFA to the Enterprises to ensure that the Enterprises are satisfying their delegated responsibilities and that taxpayer monies are not wasted or misused.

We emphasize transparency in our oversight work to the fullest reasonable extent to foster accountability in the use of taxpayer monies and program results. We seek to keep the Agency's Director, members of Congress, and the American taxpayers fully and currently informed of our oversight activities, including problems and deficiencies in the Agency's activities as regulator and conservator and the need for corrective action.

Report fraud, waste, or abuse by visiting www.fhfaoig.gov/ReportFraud or calling (800) 793-7724.

Snapshot of OIG Accomplishments

October 1, 2015–March 31, 2016

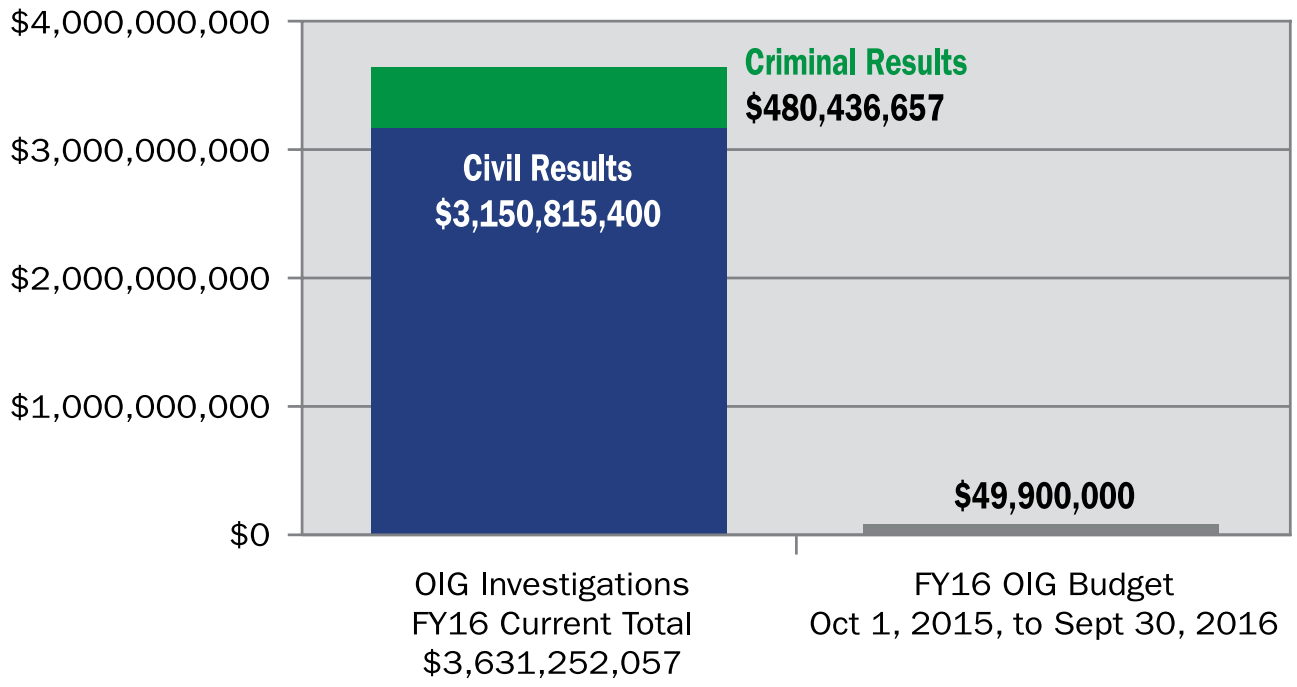
OIG Investigations Monetary Results	
Restitution	$174,169,402
Fines/Special Assessments/Seizures	$306,267,255
Recoveries	$549,400
Settlements	$3,150,266,000
TOTAL	$3,631,252,057
Judicial Actions	
Indictments/Charges	53
Arrests	47
Convictions/Pleas	73
Sentencings	75
Suspensions/Debarment Referrals	63
Hotline Contacts	1,125
Audit and Evaluation Reports Issued	8
White Papers Issued	2
Office of Compliance and Special Projects Reports Issued	2
Nonmonetary Recommendations Made	27
Regulations Reviewed	6
Responses to Requests Under the Freedom of Information Act	43

Monetary Results

October 1, 2015–March 31, 2016

OIG's fiscal year 2016 (FY16) budget is $49.9 million. During this reporting period the monetary results as an outcome of OIG criminal and civil investigations are 72 times greater than the fiscal year budget, as demonstrated in Figure 1 (see below).

Figure 1. OIG Monetary Results October 1, 2015, to March 31, 2016, vs. FY16 OIG Budget



A Message from the Inspector General

Laura S. Wertheimer
Inspector General of the
Federal Housing Finance Agency

I am pleased to present OIG's eleventh Semiannual Report to the Congress, which covers the period from October 1, 2015, to March 31, 2016.

Our mission is to promote economy, efficiency, and effectiveness of FHFA and protect FHFA, the Enterprises in its conservatorship, and the entities it regulates against fraud, waste, and abuse, through independent, relevant, timely, and transparent oversight and robust law enforcement efforts. OIG seeks to be a voice for, and protect the interests of, those who have funded Treasury's investment in the Enterprises—the American taxpayers.

Created by statute in July 2008, FHFA is charged with serving as regulator of the Enterprises and the FHLBanks. Once the Enterprises were placed in conservatorship in September 2008 and FHFA was appointed conservator of them, it was placed in the extraordinary dual role of supervisor and conservator. Now in their eighth year, FHFA's conservatorships of the Enterprises are of unprecedented scope, scale, and complexity. FHFA currently serves in a unique role: it is both conservator and regulator of the Enterprises and regulator of the FHLBanks. The scope, complexity, and duration of the Agency's dual roles necessarily mean that OIG must structure its oversight program to examine FHFA's exercise of its dual responsibilities, which differ significantly from the typical federal financial regulator.

To best leverage our resources to strengthen OIG's oversight, we focus our audit and evaluation efforts on assessing existing controls on those programs and operations that we have determined to pose the greatest financial, governance, and/or reputational risk to FHFA, the Enterprises in its conservatorship, and the entities it regulates, and we conduct verification testing of closed recommendations to independently verify whether the Agency has implemented in full the corrective actions it represented to OIG that it intended to take. In this Semiannual Report, we provide a snapshot of the 12 reports we published during this period, categorized by the risk to FHFA, the Enterprises in its conservatorship, and the entities it regulates.

During this reporting period, OIG's investigations resulted in significant criminal prosecutions and civil fraud enforcement, including:

- 53 indictments;
- 5 trials;
- 73 convictions;
- 75 sentencings;
- More than $480 million in criminal fines, restitutions, forfeitures, and settlements; and
- Over $3 billion in civil settlements.

Where our investigations develop sufficient evidence to prove the elements of a crime, we will refer it for criminal prosecution every time. We work closely with prosecutors to look for the evidence that they believe is sufficient to bring criminal charges. Where we do not find evidence sufficient to refer the matter for criminal charges, we seek to bring civil claims.

In our written reports and our law enforcement efforts, both civilly and criminally, we hold institutions and their officials accountable for their actions or inactions. We continue to work diligently to act as a catalyst for effective management, accountability, and positive change within FHFA and the Enterprises in its conservatorship.

Our achievements would not be possible without the dedication and hard work of the professionals at OIG, and I thank them for their service.

Laura S. Wertheimer
Inspector General
April 29, 2016

Executive Summary

Overview

The Federal Housing Finance Agency (FHFA or Agency) was created on July 30, 2008, when the President signed into law the **Housing and Economic Recovery Act of 2008 (HERA)**.* HERA charged the newly created FHFA to serve as regulator of **Fannie Mae** and **Freddie Mac** (the Enterprises) and of the **Federal Home Loan Bank (FHLBank) System** (collectively, the **government-sponsored enterprises**, or the **GSEs**) and enhanced its resolution authority.

In September 2008, FHFA exercised its authority under HERA to place Fannie Mae and Freddie Mac into **conservatorship** in an effort to stabilize the residential mortgage finance market. Concurrently, the Department of the Treasury (Treasury) entered into **Senior Preferred Stock Purchase Agreements (PSPAs)** with each Enterprise to ensure that each maintained a positive net worth going forward. Under these PSPAs, U.S. taxpayers, through Treasury, have invested a total of $187.5 billion into the Enterprises since 2008. As conservator of the Enterprises, FHFA is authorized under HERA to:

- Succeed to all rights and powers of any stockholder, officer, or director of the Enterprises;
- Operate the Enterprises; and
- Take such action as may be:
  - Necessary to put the Enterprises in a sound and solvent condition; and
  - Appropriate to carry on the Enterprises' business and preserve and conserve the Enterprises' assets and property.[1]

Initially, conservatorship was intended to be a "time out" during a period of extreme stress to stabilize the mortgage markets and promote financial stability. Now in their eighth year, FHFA's conservatorships of the Enterprises are of unprecedented scope, scale, and complexity. Since September 2008, FHFA has served in the unique role of conservator and regulator of the Enterprises and regulator of the FHLBank System.

HERA also amended the **Inspector General Act of 1978** to establish an Office of Inspector General (OIG) for FHFA. OIG began operations on October 12, 2010, when its first Inspector General (IG) was sworn in. Because FHFA has acted as both regulator and conservator of the Enterprises since September 2008, OIG's responsibilities are correspondingly broader than those of an IG for any other prudential federal financial regulator because they include oversight of FHFA's actions as conservator in order to protect the U.S. taxpayers' investment of $187.5 billion in the Enterprises. We accomplish this mission by providing independent, relevant, timely, and transparent oversight in order to promote accountability, integrity, economy, and efficiency; advising the Director of the Agency and Congress; informing the public; and engaging in robust enforcement efforts to protect the interests of the American taxpayers.

***Terms and phrases in bold are defined in Appendix A, *Glossary and Acronyms*. If you are reading an electronic version of this Semiannual Report, then simply move your cursor to the term or phrase and click for the definition.**

This Report

This Semiannual Report discusses OIG operations from October 1, 2015, to March 31, 2016. Among other things, it:

- Explains our risk-based oversight strategy;
- Describes our organizational structure;
- Discusses the audits, evaluations, compliance tests, and white papers published during the period;
- Summarizes the numerous OIG investigations that resulted in 53 indictments, 73 convictions, and 75 sentencings against individuals responsible for fraud, waste, or abuse in connection with programs and operations of FHFA and the Enterprises; more than $480 million in criminal fines, restitutions, forfeitures, and settlements; and over $3 billion in civil settlements;
- Highlights our outreach during the period;
- Provides comments to the Agency's proposed "duty to serve" regulations; and
- Reviews the status of OIG's audit, evaluation, and compliance recommendations.

OIG's Oversight Strategy

OIG began operations on October 12, 2010. It was established by HERA, which amended the Inspector General Act. The primary mission of OIG is to conduct independent audits, evaluations, and investigations to promote economy and efficiency and to prevent and detect fraud, waste, abuse, and mismanagement in the programs and operations of FHFA, including its conservatorships of the Enterprises.

OIG's operations are funded by annual assessments that FHFA levies on the Enterprises and the FHLBanks pursuant to 12 U.S.C. § 4516. For FY16, OIG's operating budget is $49.9 million.

Risk-Focused Strategy

OIG's broad oversight mission encompasses the full scope of the Agency's programs and operations, including its conservatorship of the Enterprises. In February 2014, OIG issued a Strategic Plan for fiscal years 2015–2017 with four high-level goals that serve as a blueprint for OIG's risk-based oversight of FHFA and independent reporting. To best leverage our resources to strengthen OIG's oversight, we determined to focus our resources on programs and operations that pose the greatest financial, governance, and/or reputational risk to the Agency, the Enterprises, and the FHLBanks. Because our work plan is dynamic, it adjusts to a changing risk profile.

Our current work plan, adopted in February 2016, continues our focus on four areas of significant risk facing FHFA. This plan is based on: ongoing OIG work; OIG published reports; other publicly available information; OIG's general knowledge of FHFA's operations and the external environment; discussions with FHFA and officials of the regulated entities, the public, Congress, and other government officials; reviews of relevant reports and documents prepared by FHFA and external parties; risk assessments performed in key areas related to FHFA's mission; and matters referred to OIG through its hotline. The four areas of significant risk are:

- ***Conservatorship Operations.*** Since September 2008, FHFA has administered two conservatorships of unprecedented scope and undeterminable duration. Under HERA, the Agency's actions as conservator are not subject to judicial review or intervention, nor are they subject to procedural safeguards that are ordinarily applicable to regulatory activities such as rulemaking. As conservator of the Enterprises, FHFA exercises control over trillions of dollars in assets and billions of dollars in revenue, and makes business and policy decisions that influence and impact the entire mortgage finance industry. For reasons of efficiency, concordant goals with the Enterprises, and operational savings, FHFA has determined to delegate revocable authority for general corporate governance and day-to-day matters to the Enterprises' boards of directors and executive management.

- ***Supervision of the Regulated Entities.*** As discussed earlier, FHFA plays a unique role as both conservator and regulator for the Enterprises and as regulator for the FHLBank System. Effective supervision by FHFA is fundamental to ensuring the safety and soundness of its regulated entities. Within FHFA, the Division of Federal Home Loan Bank Regulation is responsible

for supervision of the FHLBank System, and the Division of Enterprise Regulation is responsible for supervision of the Enterprises. FHFA's supervisory activities include designing a comprehensive, risk-based supervisory strategy (examination planning), conducting on-site examinations (examination execution), and monitoring remediation of deficiencies identified during examinations (oversight).

- ***Counterparties and Third Parties.*** The Enterprises rely heavily on counterparties and third parties for a wide array of professional services, including mortgage origination and servicing. That reliance exposes the Enterprises to counterparty risk—that the counterparty will not meet its contractual obligations. FHFA has delegated to the Enterprises the management of their relationships with counterparties and reviews that management largely through its regulatory responsibilities. One of the most significant counterparty risks is the risk posed by loan originators and **servicers** that are not depository institutions (also called nonbanks). As participants in the mortgage market change, counterparties can affect the risks to be managed by the Enterprises. Nonbanks are lightly regulated by federal financial regulatory agencies and may not have the same financial strength, liquidity, or operational capacity needed to meet their obligations to the Enterprises as depository institutions. As a result, there is a risk that a nonbank seller that failed to honor its contractual obligations, such as by selling to an Enterprise loans that did not comply with the Enterprise's lending requirements, would not have sufficient capital or liquidity to honor repurchase demands by the Enterprises for noncompliant loans.

- ***Information Technology Security.*** With over 67,000 cyber incidents reported to the United States Computer Emergency Readiness Team in fiscal year 2014, systems security continues to be a preeminent issue for businesses and individuals alike. The regulated entities, like most modern institutions, rely on numerous, complex information technology (IT) systems to conduct almost every aspect of their work. These systems manage processes to **guarantee** and purchase loans, supporting more than $5 trillion in Fannie Mae and Freddie Mac mortgage assets. Both Enterprises and the FHLBanks have been the subject of cyber attacks, although none caused significant harm. All of the entities regulated by FHFA acknowledge that the substantial precautions put into place to protect their information systems may be vulnerable and penetration of their systems poses a material risk to their business operations. Further, the Enterprises are increasingly relying on third-party service providers, requiring the sharing of sensitive information between Enterprise and third-party systems. Consequently, the Enterprises face an increased risk in that an operational failure by a third party will adversely affect them.

Our revised Audit and Evaluation Plan is available at www.fhfaoig.gov/Reports/AuditAndEvaluationPlan. The work plan for each identified risk has been designed to produce reports that can be generated promptly both to increase transparency and to improve the programs and operations of the Agency without compromising the rigor of the methodology.

OIG's Organizational Structure

OIG consists of the Inspector General, senior staff, and OIG offices, which principally are its operational offices: the Office of Audits, Office of Evaluations, Office of Investigations, and the Office of Compliance and Special Projects. Additionally, OIG's Executive Office includes the Office of Chief Counsel, the Office of External Affairs, the Office of Communications, and OIG's Equal Employment Opportunity Program Office and provides organization-wide supervision; the Office of Risk Analysis, the Office of Administration, and the Office of Internal Controls and Facilities provide organization-wide support.

Leadership

On May 22, 2014, President Barack Obama nominated Laura S. Wertheimer to the position of FHFA Inspector General; she was confirmed by the Senate on September 18, 2014, and sworn in shortly thereafter. Prior to becoming Inspector General, Ms. Wertheimer was a partner at a law firm where she led numerous independent internal investigations on behalf of audit, governance, and special board committees of publicly traded companies. She also represented public companies, professional service partnerships, and corporate directors and officers in regulatory investigations and enforcement proceedings under the federal securities laws.

Executive Office

The Executive Office (EO) provides leadership and programmatic direction for OIG's offices and activities.

EO includes the Office of Chief Counsel (OC), which serves as the chief legal advisor to the Inspector General and provides independent legal advice, counseling, and opinions to OIG about its programs and operations. OC also reviews audit and evaluation reports for legal sufficiency and compliance with OIG's policies and priorities. Additionally, it reviews drafts of FHFA regulations and policies and prepares comments as appropriate. OC also coordinates with FHFA's Office of General Counsel and manages OIG's responses to requests and appeals made under the Freedom of Information Act and the Privacy Act.

The Office of External Affairs is also within EO, and it responds to inquiries from members of Congress.

The Office of Communications is also within EO, and it responds to inquiries from the press and public.

Additionally, OIG's Equal Employment Opportunity Program Office is within EO, and it oversees compliance with federal requirements for equal opportunities in the workplace.

Office of Risk Analysis

To exercise rigorous oversight, we must identify emerging risks and revise our work plan as new risks emerge and existing risks are well-controlled. Our Office of Risk Analysis uses data mining, quantitative data, and analysis of data and relevant information to identify and monitor emerging and ongoing areas of risk. The identification, analysis, and prioritization of risk areas allow us to utilize resources strategically and realign our Audit and Evaluation Plan, in real time, to address those risks.

Office of Audits

The Office of Audits (OA) is tasked with designing and conducting independent performance audits with respect to the Agency's programs and operations. OA also undertakes projects to address statutory requirements and stakeholder requests. For example, the Improper Payments Information Act of 2002 (IPIA), as amended, requires OIG annually to audit FHFA's compliance with IPIA during the prior fiscal year. Additionally, the Federal Information Security Management Act of 2002 (FISMA) directs OIG annually to audit whether FHFA's and OIG's information security programs and practices meet FISMA's security requirements.

Under the Inspector General Act, inspectors general are required to comply with the Government Accountability Office's (GAO) *Government Auditing Standards* (Yellow Book). OA performs its audits and attestation engagements in accordance with the Yellow Book.

Office of Evaluations

The Office of Evaluations (OE) conducts program and management reviews and makes recommendations for improvement where applicable. OE provides independent and objective reviews, studies, survey reports, and analyses of FHFA's programs and operations. The **Inspector General Reform Act of 2008** requires that inspectors general adhere to the *Quality Standards for Inspection and Evaluation* (Blue Book), issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). OE performs its evaluations in accordance with the Blue Book.

Office of Investigations

Staffed with special agents (SAs), investigators, analysts, prosecutors, and attorney advisors, the Office of Investigations (OI) conducts criminal and civil investigations into those, whether inside or outside of government, who waste, steal, or abuse government monies in connection with programs and operations of the Agency and the GSEs. OI pursues wrongdoers within the Agency and the GSEs as well as individuals and entities that make misrepresentations to the Enterprises in connection with loans that the Enterprises buy or guarantee.

OI also takes the lead in responding to referrals made to OIG's hotline through telephone, email, website, and in-person complaints, abiding by all applicable whistleblower protections set forth in the Inspector General Act. Our hotline is staffed by a third-party vendor to protect the anonymity of the callers and provides easy access for individuals to report concerns, allegations, information, and evidence of violations of criminal and civil laws in connection with programs and operations of the Agency. During this reporting period, our hotline has received and analyzed 1,125 contacts. When OI determines that a full investigation is not warranted, it works closely with OA and OE to determine whether an audit or evaluation project is advisable.

To maximize criminal and civil law enforcement, OI works closely with other law enforcement agencies, including the Department of Justice (DOJ), the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Postal Inspection Service, the Federal Bureau of Investigation (FBI), the Department of Housing and Urban Development Office of Inspector General (HUD-OIG), the Secret Service, IRS-Criminal Investigation (IRS-CI), and state and local law enforcement entities nationwide.

Office of Compliance and Special Projects

The Office of Compliance and Special Projects (OCo), created in December 2014, addresses the reputational risk arising from the practical necessity of closing OIG recommendations based largely upon representations from the Agency. Pursuant

to the Inspector General Act, inspectors general (IGs) recommend remedial actions to correct shortcomings identified through reviews of agency programs and operations. When an agency accepts an IG recommendation and takes steps to begin implementation of the corrective action, the agency reports on its efforts to the IG and the IG typically relies on materials and representations from the agency to close the recommendation. Practices vary across IG offices respecting responsibility to track outstanding recommendations, standards used to close open recommendations, and efforts to validate the efficacy of remedial agency actions in response to IG recommendations.

Historically, OIG reports were prepared by three operating divisions within OIG—OA, OE, and OI—and each division issued recommendations to the Agency. The status of open recommendations was tracked separately by each division in its own tracking system, and each division independently determined whether the Agency's representations and corrective actions, if any, were sufficient to close open recommendations. The lack of a comprehensive and standardized tracking system prevented OIG from efficiently determining the status of all recommendations across the office. Moreover, it led to different standards and practices within OIG for closing recommendations and for follow-up after closure to assess and ensure the effectiveness and impact of both the recommendations and the Agency's corrective actions.

OCo is charged with several critical responsibilities. First, it consults with each division in the development of recommendations to ensure that such recommendations, if accepted and implemented, will be susceptible to follow-up verification testing. Second, it tracks, in real time, the status of all OIG recommendations, from issuance to closure to subsequent follow-up and testing. Third, it consults with each division, prior to closure of a recommendation, to facilitate application of a single standard across the office for closing recommendations. Last, it conducts verification testing on closed recommendations to verify independently whether FHFA has implemented in full the corrective actions it represented to OIG that it intended to take. The results of OCo's testing are published in "compliance reviews." These compliance reviews (three of which have been issued) permit FHFA, Congress, and the public to assess the impact of OIG's recommendations, as well as the efficacy of the Agency's implementation of them.

To address OIG's lack of a tool with which to track all open recommendations across the office, OCo designed and implemented a Recommendation Tracking System (RTS), which is now accessible to every OIG employee. Each division issuing a report with trackable recommendations is responsible for entering them into RTS upon issuance using established data fields and updating each such entry with information from the Agency, including timetables for remediation and relevant implementation documents. RTS automatically notifies designated users when an Agency corrective action is due, thereby facilitating effective and timely follow-up and review prior to closure.

By eliminating the legacy tracking systems used by different OIG divisions and replacing them with a single, office-wide, comprehensive, and current source of data on all recommendations to which an Agency response is required, RTS ensures consistency in the collection and storage of, and access to, information relating to tracked recommendations. It provides OIG and its employees with accurate information as to the real-time status of every recommendation, as well as automatic notification on the date the Agency is expected to complete its implementation of a

corrective action. Because RTS data can be filtered or aggregated, RTS facilitates better reporting.

Consistent with the primary mission of OCo, RTS assists in the planning and development of compliance reviews designed to test the Agency's diligence in following through on its corrective actions and the longer-term impact of those actions. Compliance reviews are important because the Inspector General Act does not provide an IG with authority to ensure that its recommendations are adopted, or that, once adopted, actions taken by an agency to correct shortcomings identified by an IG are fully implemented and maintained. Once an IG closes a recommendation, the success or failure of an agency's corrective action, or decision to discontinue the corrective action, may not be discovered by an IG without follow-up on closed recommendations. As OCo's first three compliance reviews reflect,[a] OIG has found instances in which polices or programs offered as corrective actions by the Agency, and relied upon by OIG to close recommendations, were, in the wake of OIG's closure, abandoned or not implemented in full by the Agency, nullifying the intended benefits of the recommendations.

At the request of the IG, OCo also performs high-value, short-turnaround special projects.

Office of Administration

The Office of Administration (OAd) manages and oversees OIG administration, including budget, human resources, financial management, and IT. For human resources, OAd develops policies to attract, develop, and retain exceptional people, with an emphasis on linking performance planning and evaluation to organizational and individual accomplishment of goals and objectives. OAd also coordinates budget planning and execution and oversees all of OIG's procedural guidance for financial management and procurement integrity.

Office of Internal Controls and Facilities

The Office of Internal Controls and Facilities manages and oversees OIG's workplace safety, facilities, and **internal controls**.

[a]Each of these reviews is accessible on our website: *OIG's Compliance Review of FHFA's Implementation of Its Housing Finance Examiner Commission Program* (COM-2015-001); *Compliance Review of FHFA's Implementation of Its Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances* (COM-2016-001); *Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance* (COM-2016-002).

OIG's Accomplishments from 2010 to Present

141 Reports

- **54** Audits
- **43** Evaluations
- **10** White Papers
- **8** Evaluation Surveys
- **4** Compliance Reports
- **11** Semiannual Report to Congress
- **12** Systemic Implication Reports (SIRs)[b]

262 Recommendations[a]

537 Investigations

- **$4.712 billion** Criminal Monetary Results[c]
- **$37.379 billion** Civil Monetary Results[d]

715 Indictments/Charges[e]

458 Convictions/Pleas

56 Regulatory Activities

[a]Public recommendations only.
[b]12 SIRs have been produced, of which 5 have been published publicly and 7 remain privileged due to their investigative content.
[c]Includes criminal restitution and forfeitures/fines/special assessments and seizures.
[d]Includes settlements/recoveries/fines.
[e]Superseding indictments are included in this total.

OIG's Audit, Evaluation, and Compliance Activities

OIG actively strives to fulfill its mission through audit, evaluation, and compliance projects and reports and through investigations. Our Audit and Evaluation Plan identifies the four risk areas on which our audit and evaluation projects have been focused.

We now discuss our oversight activities during the reporting period by risk area.

Conservatorship Operations

When then-Secretary of the Treasury Henry Paulson announced the conservatorships in September 2008, he explained that they were meant to be a "time out" during which the Enterprises would be stabilized, enabling the "new Congress and the next Administration [to] decide what role government in general, and these entities in particular, should play in the housing market."[2] The current FHFA Director has echoed that view, recognizing that conservatorship "cannot and should not be a permanent state" for the Enterprises. However, putting the Enterprises into conservatorships has proven to be far easier than taking them out, and the "time out" period for the conservatorships has now entered its eighth year. The lack of consensus in Congress about the nation's future mortgage finance system and the role, if any, for the Enterprises may mean that the Enterprises will continue to operate under FHFA's conservatorship for a considerably longer period.

While in conservatorship, the Enterprises have required $187.5 billion in financial investment from Treasury to avert their insolvency, and, through December 2015, the Enterprises have paid to Treasury approximately $241 billion in dividends on its investment. Despite their high leverage, lack of capital, conservatorship status, and uncertain future, the Enterprises have grown in size during conservatorship and, according to FHFA, their combined market share of newly issued **mortgage-backed securities** is approximately 70%.[3] The Enterprises' combined total assets are approximately $5.2 trillion and their combined debt exceeds $5 trillion.[4] Although market conditions have improved and the Enterprises have returned to profitability, their ability to sustain profitability in the future cannot be assured for a number of reasons: the winding down of their investment portfolios and reduction in net interest income; the level of guarantee fees they will be able to charge; the future performance of their business segments; the elimination by 2018 of a capital cushion to buffer against losses; and the significant uncertainties involving key market drivers such as mortgage rates, homes prices, and credit standards.[5]

Given the taxpayers' enormous investment in the Enterprises, the unknown duration of the conservatorships, the Enterprises' critical role in the secondary mortgage market, and their unknown ability to sustain future profitability, OIG determined that FHFA's administration of the conservatorships has been, and continues to be, a critical risk.

Oversight of Delegated Matters

As conservator of the Enterprises, FHFA owes duties to the U.S. taxpayers, the largest shareholders in the Enterprises, and has statutory responsibilities to ensure that the Enterprises achieve their statutory purpose. Pursuant to its powers under HERA to take actions "necessary to put [Fannie Mae and Freddie Mac] in a sound and solvent condition"

and "appropriate to carry on the business of [Fannie Mae and Freddie Mac]" and "preserve and conserve" their assets, 12 U.S.C. § 4617(b)(2)(D), FHFA has delegated authority for many matters, both large and small, to the Enterprises and, since 2008, has issued more than 230 conservatorship directives in which it instructs the Enterprises to take certain actions, most of which relate to delegated responsibilities. The Enterprises acknowledge in their public securities filings that their directors serve on behalf of the conservator and exercise their authority as directed by and with the approval, when required, of the conservator. As conservator, FHFA is ultimately responsible for all decisions made and actions taken by the Enterprises, pursuant to FHFA's revocable grant of delegated authority.

A key focus of OIG's oversight of FHFA's role as conservator is on its oversight of delegated matters to the Enterprises to protect the U.S. taxpayers' substantial investment in the Enterprises. Four of our reports published during this semiannual period involved delegated matters.

One of these reports was a compliance review, following up on an audit recommendation issued by OIG in 2012 and closed by OIG in March 2013 on the basis of the Agency's representations and written policy document. In a 2012 audit report, *FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards* (AUD-2012-003), OIG found that the Agency lacked a formal process to review Fannie Mae's and Freddie Mac's single-family mortgage purchase underwriting standards and variances to those standards. We recommended that FHFA establish a policy for reviewing Enterprise **underwriting** standards and variances, including escalation of unresolved issues reflecting potential lack of agreement. The Agency accepted the recommendation, and, in January 2013, implemented a process called the "Single-Family Policy Review and Escalation Process" (the Process). OIG's compliance review tested the Agency's implementation of this Process. (See OIG, *Compliance Review of FHFA's Implementation of Its Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances* (COM-2016-001, December 17, 2015), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) Our verification testing found that the Agency had never fully implemented this Process. Specifically, we found that the Agency did not implement two of the Process' three key requirements; the Agency advised us that, in late 2014, it had begun to "reevaluate and reengineer" those two requirements but, as of the date of our compliance review, the Agency had not established any timeline for completing its work on the Process. Regarding the third requirement, we found that, while one Enterprise routinely submitted all proposed revisions to its single-family credit policies for the Agency's review, the other Enterprise submitted far fewer proposed revisions to its policies. As a result, the Agency had reduced "visibility" into the latter Enterprise's single-family credit policies and underwriting standards.

As a result of our compliance review, OIG reopened the recommendation from AUD-2012-003, and will hold it open until FHFA fulfills its commitment to establish and fully implement a formal process for reviewing the Enterprises' underwriting standards and variances to those standards. FHFA agreed with the recommendation.

In a report issued by OE, we looked at FHFA's oversight of Enterprise implementation of two conservatorship directives. FHFA issues conservatorship directives to set forth significant policy determinations and initiatives and provide specific directions to the Enterprises for which compliance is required. As of October 2015, FHFA had issued 231 conservatorship directives of differing scope and purpose.

In December 2011 and in April 2013, then-FHFA Inspector General testified before Congress that FHFA had not proactively overseen Enterprise compliance with its conservatorship directives to ensure that their purposes were achieved.[6] We conducted an evaluation survey to assess whether FHFA had significantly enhanced its oversight of the Enterprises' implementation of and compliance with two conservatorship directives for an 18-month period, from January 2013 through June 2014 (the review period), and learned that little had changed. (See OIG, *FHFA's Oversight of the Enterprises' Implementation of and Compliance with Conservatorship Directives during an 18-Month Period* (ESR-2016-002, March 28, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

We found that, in large measure, FHFA exercised little oversight of the Enterprises' compliance with these two conservatorship directives and relied on the Enterprises to self-report concerns, questions, and operational issues with implementation and compliance. We found that one Enterprise provided FHFA with compliance reports every quarter on the implementation status of directives, but its reports were of very limited value because of their inaccuracies and incomplete information. The other Enterprise provided no written directive compliance reports to FHFA and, at the end of the review period, had not completed its formal compliance program and had not tested compliance with conservatorship directives. We found that FHFA's heavy reliance on the Enterprises to self-report compliance issues with conservatorship directives during the review period significantly limited FHFA's ability, as conservator, to determine whether the policies and initiatives announced in its conservatorship directives had been fully implemented.

During this evaluation survey, we were advised that Enterprise reporting on the implementation of and compliance with conservatorship directives changed in 2014. We intend to monitor FHFA's oversight of Enterprise implementation of and compliance with conservatorship directives, and will subsequently test whether additional reporting from the Enterprises has enhanced FHFA's oversight of conservatorship directives.

In 2012, FHFA announced significant changes to the Enterprises' representation and warranty framework in a conservatorship directive. During this reporting period, we published an audit reporting on our efforts to examine FHFA's process to assess Enterprise implementation of the representation and warranty framework.

Historically, the Enterprises relied on the sellers' representations and warranties when purchasing loans from sellers. In the event of **default** of a purchased loan, the affected Enterprise reviewed the loan file for possible breach by the seller of its contractual representations and warranties. When a breach was identified, the affected Enterprise could exercise its contractual rights to require the seller to repurchase the loan, mitigating losses caused by underwriting defects. After the housing market collapsed and loan defaults skyrocketed, the Enterprises were placed into conservatorship. At the direction of FHFA, the Enterprises reviewed defaulted loans for evidence of breach of sellers' representations and warranties and the Enterprises demanded repurchase of many such loans from the lenders. Sellers complained that the Enterprises' open-ended ability to demand loan repurchases was unfair and unpredictable, and caused them to tighten lending standards beyond what the Enterprises required to protect themselves from future exposure from loan repurchases. Concerned by the limitations on the availability of mortgage credit, FHFA directed the Enterprises in 2012 to develop and implement a new representations and

warranties framework (new Framework) to provide sellers with greater certainty about their potential future repurchase exposure.

In February 2012, FHFA identified its strategic goals for the Enterprises in a strategic plan; in 2013 and in each subsequent year, FHFA has issued a Scorecard in which it sets objectives for each of its three strategic goals and sets specific targets for each objective. FHFA tracks and rates Enterprise performance against the Scorecard on a quarterly basis and awards an overall annual Scorecard performance for each Enterprise, which is factored into Enterprise executive compensation for the following year. Tracking Enterprise performance against the annual Scorecard is a valuable internal control to keep Enterprise activities aligned with conservatorship strategic goals and to keep Enterprise executives accountable for the Enterprises' performance.

FHFA's 2013 Scorecard, issued on April 1, 2013, and revised on May 1, 2013 (2013 Scorecard), identified 11 measurable objectives with specific targets for the Enterprises to work toward meeting FHFA's strategic goals. One of those 11 objectives was implementation of the new Framework. That objective contained two quarterly targets for both Enterprises. The first target required development of a plan to conduct upfront quality control reviews. The second target required an assessment of the Enterprises' execution of the new model and use of tools to identify defective loans, and an assessment of the effectiveness of the upfront quality control reviews.

OIG audited the effectiveness of FHFA's efforts to track and rate Enterprise performance on this objective regarding implementation of the new Framework. (See OIG, *Review of FHFA's Tracking and Rating of the 2013 Scorecard Objective for the New Representation and Warranty Framework Reveals Opportunities to Strengthen the Process* (AUD-2016-002, March 28, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) With respect to this one objective, OIG found that the rating for the first target for an Enterprise was inconsistent with the underlying written assessment. We also found that the rating for the second target of this objective for both Enterprises, where each Enterprise was found to have met the target, was inconsistent with documentation created after the quarter reporting that the target had been suspended due to insufficient data. While FHFA advised us that this second target was suspended near the end of the fourth quarter in 2013, it did not revise its 2013 Scorecard target. FHFA reported to us that it advised each Enterprise orally that the target had been suspended during that quarter, but we were not able to confirm whether FHFA provided the same advice to both Enterprises.

We found that these inconsistencies and gaps, if not confined to this one instance, have the potential to create the misimpression that Scorecard objectives have been met when, in fact, they were suspended or modified by FHFA employees. Because of the importance of FHFA's Scorecard tracking and rating process, we recommended that FHFA: (1) establish standards requiring that modifications or suspensions of Scorecard targets must be documented in writing; (2) require that FHFA comments and ratings on quarterly rating sheets be dated; and (3) establish standards to address missed or partially missed quarterly targets, including requiring that every quarterly rating sheet record when any target was missed and the reset target date. FHFA agreed with all OIG recommendations and identified actions that it believed addressed each recommendation. OIG has not yet assessed the Agency's actions and will hold open its recommendations until it determines that the corrective actions reported by FHFA are completed and responsive to the recommendations.

We also assessed FHFA's oversight of the Fannie Mae board of directors in connection with Fannie Mae's cyber risk management program. A discussion of that evaluation report appears below, under the risk "Information Technology Security."

Non-delegated Matters

As conservator, FHFA can retain authority to decide specific issues and can, at any time, revoke previously delegated authority. Because FHFA typically asserts its authority to decide those issues of significant monetary or reputational value, it is critical for FHFA to develop and put into place strong internal processes for information sharing and analysis to strengthen its decision-making processes. During this reporting period, we issued two reports relating to FHFA's review and approval process as conservator of the Enterprises.

A compliance review followed up on a 2011 recommendation addressing FHFA approval of at-risk executive compensation at the Enterprises. In our 2011 evaluation report, *Evaluation of Federal Housing Finance Agency's Oversight of Fannie Mae's and Freddie Mac's Executive Compensation Programs* (EVL-2011-002, March 31, 2011), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations, we found that the Enterprises had paid their top six executives more than $35 million in compensation in 2009 and 2010, of which a substantial portion was "at risk" because it was tied to individual performance and could be reduced if the performance was inadequate. OIG found that the Agency's oversight of the Enterprises' compensation process was insufficiently robust: FHFA largely accepted and approved the Enterprises' annual at-risk compensation proposals rather than verifying and testing the accuracy of the reported information and conclusions. OIG recommended that the Agency strengthen its process to review the at-risk compensation proposals for Enterprise executives by, among other things, testing and verifying the Enterprises' proposals. FHFA agreed with this recommendation. At year-end 2011, the Agency provided us with its newly adopted testing and verification procedures. After review, OIG closed the recommendation on February 27, 2012.

OIG initiated a compliance review to test FHFA's implementation of these testing and verification procedures. (See OIG, *Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance* (COM-2016-002, March 17, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) During the course of our review, we learned that on March 9, 2012, FHFA discontinued the implementation of its testing and verification procedures upon adoption of a new structure for Enterprise executive compensation that reduced the percentage of at-risk compensation from roughly 70% to 30%. According to FHFA, its March 2012 compensation structure rendered its testing and verification procedures obsolete. While FHFA acted within its discretion in establishing the new executive compensation structure, its decision to abandon any effort to test or verify the Enterprise proposals for at-risk executive compensation payments limited its ability to review the Enterprises' proposals before approving them. The total individual at-risk compensation payments amounted to $11.7 million for 85 executives in 2014. Our compliance review found several instances where the Enterprises proposed, and the Agency approved, payment of all at-risk compensation for executives even though the Enterprises were not on track to meet some of the performance goals for which the executives were responsible. In these cases, the Agency did not follow up with the Enterprises to gather basic information about their compensation proposals, much less challenge any of them.

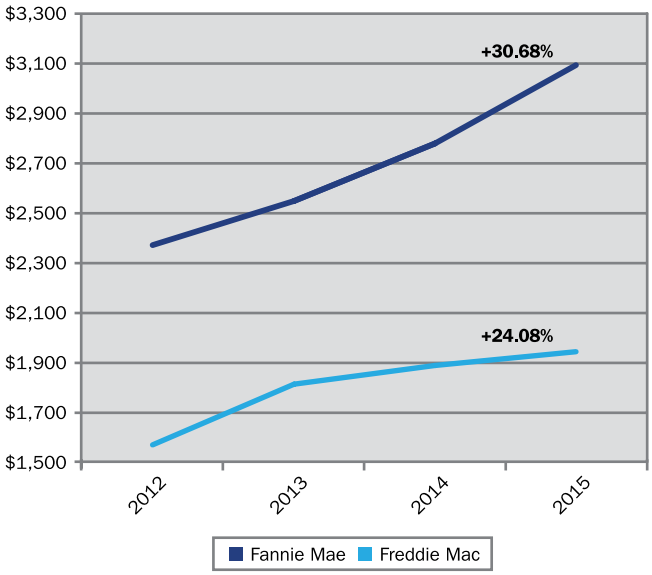
In light of our findings, OIG recommended that: (1) the Agency develop controls to test and verify

Enterprise proposals for at-risk compensation based on executive performance prior to its approval of them; and (2) FHFA notify OIG when it does not fully implement, substantially alters, or abandons controls or corrective actions implemented in response to OIG recommendations. The Agency rejected both recommendations.

During the last semiannual reporting period, we assessed the effectiveness of FHFA's existing budget review and approval process for the Enterprises' annual operating budgets, which had increased roughly $1.2 billion, or 31%, between 2012 and 2015. We found budget submissions by the Enterprises after the fiscal year had begun, combined with cursory level analysis by FHFA's Division of Conservatorship and inadequate resources within that Division to assess the reasonableness of the proposed budgets, prevented FHFA from exercising effective control over Enterprise spending, both in amount and direction, and FHFA's approval of the budgets created the risk that it endorsed Enterprise spending that was not well understood by FHFA. (See OIG, *FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose* (EVL-2015-006, September 30, 2015), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) Given the size of these spending increases, OIG committed in that evaluation to trace the net spending increases.

In a white paper published on March 9, 2016, OIG reported the results of our efforts to trace the FHFA-approved net spending increases of more than $1 billion from 2012 through 2015 by the Enterprises. (See OIG, *$1.1 Billion Increase in Expenses for Fannie Mae and Freddie Mac from 2012 through 2015: Where the Money Went* (WPR-2016-001, March 9, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) Specifically, OIG traced Fannie Mae's spending increases, from

Figure 2. Enterprise Expenses 2012-2015, Actual and Projected ($ millions)

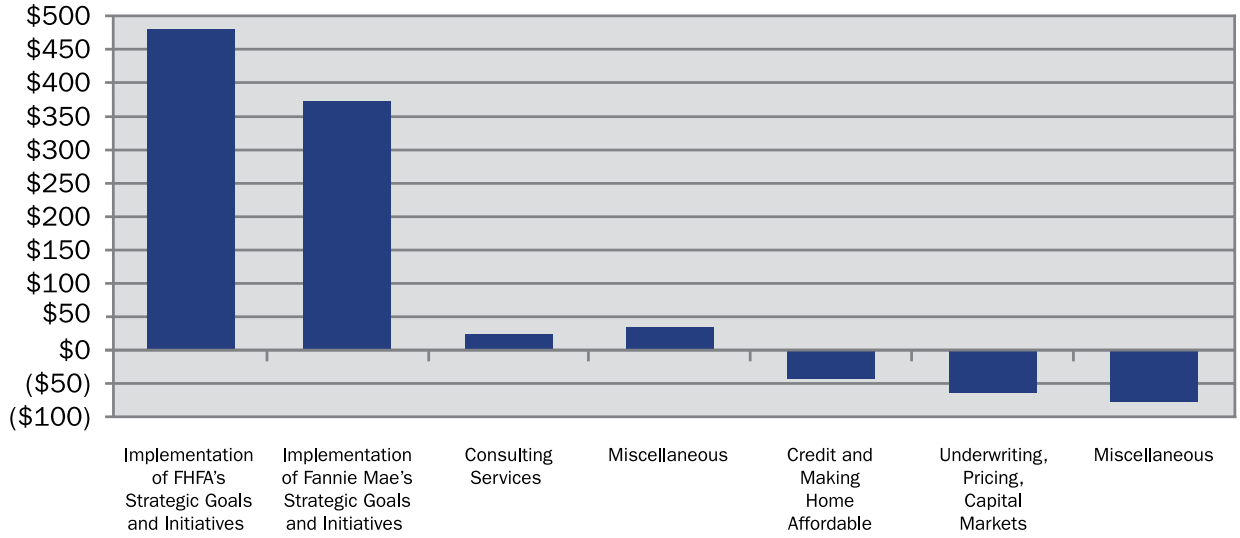


$2.366 billion in 2012 to a projected $3.092 billion in 2015, a net increase of $726 million, or 30.68%, and Freddie Mac's spending increases, from $1.561 billion in 2012 to a projected $1.937 billion in 2015, a net increase of $376 million, or 24.08%, as shown in Figure 2 (see above).

Drivers for the net increases in Fannie Mae's spending during this period included implementation of FHFA strategic goals and initiatives, such as integration of the Common Securitization Platform (CSP; $145 million), reduction of its retained portfolio ($16 million), and a one-time pension plan termination expense ($315 million). Fannie Mae also reported increased spending for Enterprise-specific strategic goals and initiatives, including critical safety and soundness projects ($267 million) and other modernization efforts ($102 million). Additional Fannie Mae net increases in spending resulted from consulting services ($25 million) and other miscellaneous expenses ($35 million).

Fannie Mae reported net decreases in spending in the following areas: credit and making home affordable ($41 million); underwriting, pricing, and

Figure 3. Fannie Mae Summary of Drivers in Net Increases of Expenses During Review Period ($ millions)



capital markets ($62 million); and miscellaneous categories ($76 million). This activity is summarized in Figure 3 (see above).

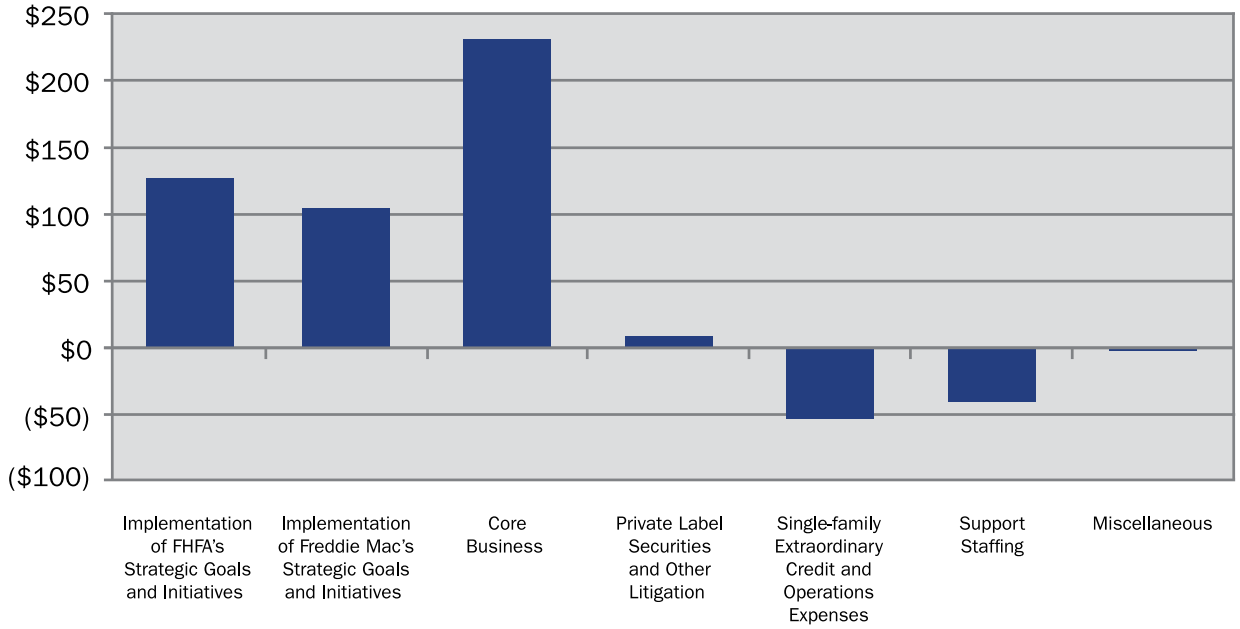
Drivers for the net increases in Freddie Mac's spending during the relevant period included implementation of FHFA strategic goals and initiatives, such as integration of the CSP ($61 million) and a one-time pension plan termination expense ($67 million). Freddie Mac also reported increased spending for Enterprise-specific strategic goals and initiatives, including loan advisor suite ($58 million), enhanced and new operations and technology capabilities ($35 million), and pricing execution ($12 million). Additional Freddie Mac net increases in spending resulted from its core business operations, such as salaries and benefits, professional services, computer data services, loan prospector, software lease and maintenance, travel, and other business expenses ($233 million). Freddie Mac also reported increased expenses for private-label securities and other litigation ($8 million). Freddie Mac experienced net decreases in spending during the relevant period in single-family extraordinary credit and operations ($54 million), support staffing ($41 million), and other miscellaneous expenses ($3 million). This activity is summarized in Figure 4 (see page 25).

Supervision of the Regulated Entities

As FHFA recognizes, effective supervision of the entities it regulates is fundamental to ensuring their safety and soundness. Within FHFA, the Division of Federal Home Loan Bank Regulation (DBR) is responsible for supervision of the FHLBanks. Section 20 of the Federal Home Loan Bank Act (12 U.S.C. § 1440) requires each FHLBank to be examined at least annually. The exam function for the FHLBanks descends from the old Federal Home Loan Bank Board, through the Federal Housing Finance Board, to FHFA. As a result, there is a long history of examination practice and examination standards for DBR to draw upon.

FHFA's Division of Enterprise Regulation (DER) is responsible for supervision of the Enterprises. FHFA's annual examination program assesses

Figure 4. Freddie Mac Summary of Drivers in Net Increases of Expenses During Review Period ($ millions)



Fannie Mae's and Freddie Mac's financial safety and soundness and overall risk management practices through ongoing monitoring, targeted examinations, and risk assessments. Prior to the creation of FHFA, the Enterprises were regulated by the Office of Federal Housing Enterprise Oversight (OFHEO), and OFHEO's first examination took place in 1994. In its *Fiscal Year 2014 Performance and Accountability Report to Congress*, FHFA stated, "To ensure that the regulated entities are operating safely and soundly, FHFA identifies risks to the regulated entities and takes timely supervisory actions to address risks and improve their condition."

During the reporting period, OIG focused considerable attention on the robustness of FHFA's supervision over the entities it regulates and published five reports.

Risk Assessments

FHFA and other federal financial regulators for sophisticated financial institutions use a risk-based approach for their examination activities. Critical to the success of a risk-based approach are detailed risk assessments of each regulated entity. A risk assessment presents a comprehensive, risk-focused view of the regulated entity so that examiners can focus their supervisory activities upon the risks that present the highest supervisory concerns.

On January 4, 2016, OIG published a report in which we assessed whether FHFA's requirements for its risk assessments of the Enterprises are sufficiently robust to produce risk assessments that achieve the purpose for which they are intended. (See OIG, *Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels* (EVL-2016-001, January 4, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) OIG found that FHFA's requirements for its risk assessments of the Enterprises fall short of the requirements and guidance provided by other prudential federal financial regulators that we reviewed. FHFA's loosely defined parameters lack standardized measures of risks (such as credit risk, sensitivity to market risk, liquidity risk, and operational risk), do not define the risk measures that examiners must use, or do

not require examiners to use a common format and common, defined measures of risk. Additionally, over the past four years, DER has experienced high turnover in examination staff, limiting common, stable practices over successive examination cycles to promote continuity in institutional knowledge.

FHFA's flexible guidance on preparation of risk assessments, combined with significant changes in examiner staffing, has produced risk assessments that are not readily susceptible to comparison year over year for one Enterprise. The lack of comparability limits the utility of risk assessments in planning risk-based supervision activity for that Enterprise.

OIG recommended that FHFA implement detailed risk assessment guidance that provides: (1) minimum requirements for risk assessments that facilitate comparable analyses for each Enterprise's risk positions, including common criteria for determining whether risk levels are high, medium, or low, year over year; and (2) standard requirements for format and the documentation necessary to support conclusions in order to facilitate comparisons between Enterprises and reduce variability among DER's risk assessments for each Enterprise and between the Enterprises. OIG also recommended that FHFA direct DER to train its examiners-in-charge and exam managers in the preparation of semiannual risk assessments, using enhanced risk assessment guidance consistent with the first two recommendations. FHFA agreed with our recommendations.

Supervisory Standards and Practices for MRA Issuance and Remediation

On-site examinations of the Enterprises by DER are fundamental to FHFA's supervisory mission. Through its supervisory activities, DER may identify a concern or deficiency, the most significant of which is labeled by FHFA as a Matter Requiring Attention (MRA). FHFA requires an Enterprise to promptly remediate an MRA. According to FHFA, a key component of effective supervision is close oversight of an Enterprise's efforts to timely and effectively remediate MRAs.

Because MRAs are only issued by DER for the most serious supervisory deficiency, OIG assessed whether DER examiners followed FHFA's requirements and supplemental guidance for supervision of an Enterprise's efforts to remediate MRAs. (See OIG, *FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies* (EVL-2016-004, March 29, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) We first compared FHFA's requirements against the requirements imposed by other prudential federal financial regulators and found that, in certain instances, FHFA's standards fell short. We then reviewed whether DER examiners followed existing FHFA requirements and guidance in their oversight of a previously issued MRA and found that they did not.

Specifically, the evidence showed: DER accepted the Enterprise's proposed remediation plan, even though the plan failed to address all of the deficiencies identified in the MRA, and DER examiners did not assess the adequacy and timeliness of the Enterprise's efforts to remediate the MRA beyond attending meetings with Enterprise personnel and receiving written presentations.

OIG recommended that FHFA: (1) review its existing requirements, guidance, and processes regarding MRAs against those adopted by other federal financial regulators; (2) assess whether any should be enhanced, and to make such enhancements; (3) compare the processes followed by DER and DBR for the form, content, and issuance of an MRA, approval authority for a proposed remediation plan, and real-time assessments at regular intervals of MRA remediation efforts; (4) assess whether the guidance issued and processes followed

should be enhanced, and make such enhancements; (5) provide mandatory training for all FHFA examiners on MRA-related guidance; and (6) utilize the results of its quality control reviews to identify MRA-related gaps and weaknesses. FHFA disagreed with recommendations 1 and 2 and agreed with the remaining four recommendations.

Supervisory Standards for Communication of Serious Deficiencies and Board Oversight of Management's Remediation Efforts

Under FHFA's supervisory guidance, an Enterprise board is responsible for ensuring timely and effective correction of significant supervisory deficiencies. In order to perform such oversight, an Enterprise board must know that an MRA has issued, the practices giving rise to the MRA, and the remedial plan and timetables proposed by Enterprise management. The board would also benefit from specific supervisory expectations on its oversight responsibilities for MRA remediation. Because FHFA consistently maintains, based on the language of its authorizing statute, that its supervisory authority over the entities it regulates "is virtually identical to—and clearly modeled on—Federal bank regulators' supervision of banks,"[7] we compared the stringent requirements imposed on directors for oversight of MRA remediation by the Office of the Comptroller of the Currency (OCC) and the Federal Reserve to those imposed by FHFA on Enterprise directors. (See OIG, *FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate* (EVL-2016-005, March 31, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

OIG found that FHFA's requirements, guidance, and practices fell far short of peer federal financial regulators. Specifically, we found that:

- The OCC and Federal Reserve require a board of directors to be notified, in writing, by the exam team when an MRA issues and the reasons for its issuance; FHFA examiners notify Enterprise management, not Enterprise directors, that an MRA has issued. An Enterprise board receives information that an MRA has issued and the basis for its issuance from management, even though actions or inactions by management typically give rise to the MRA.
- The OCC and Federal Reserve require a board of directors to engage early in the MRA remediation process by reviewing or approving a written remedial plan to correct the MRA deficiencies; FHFA places sole responsibility on Enterprise management to develop and submit a remedial plan to FHFA, without review by Enterprise directors, and there is no supervisory expectation that an Enterprise board receive a copy of the remediation plan, either before it is submitted for FHFA approval or after FHFA has approved it.
- The OCC and Federal Reserve require a board of directors to oversee management's efforts to implement the proposed remedial measures on an ongoing basis and ensure that management's remediation is adequate and timely; FHFA does not.
- The OCC and Federal Reserve expect a board of directors to keep the regulator informed of the progress of the remediation; FHFA does not.

We found that, under FHFA's current supervisory practices, there is a risk that an Enterprise board could become no more than a bystander to management's efforts to remediate MRAs, and FHFA risks prolonged or inadequate resolution of the most serious threats to the Enterprises' safety and soundness.

OIG recommended that FHFA: (1) 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; (2) 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; (3) revise its supervision guidance to require DER to identify all open MRAs in the annual, written Report of Examination (ROE) and the expected timetable to complete outstanding remediation activities; and (4) include in this year's ROE, to be issued to each Enterprise for 2015 supervisory activities, all open MRAs and the expected timetable to complete outstanding remediation activities for each open MRA.

FHFA agreed with recommendations (1), (3), and (4). As demonstrated in our report, FHFA governance principles require an Enterprise board to oversee management's efforts to correct all supervisory deficiencies identified by FHFA in a timely and appropriate manner and to hold management accountable. No board can exercise its oversight responsibilities if it lacks the approved remediation plans, which include the agreed upon deliverables and timetables for completion of remediation, and, for that reason, we proffered recommendation (2). FHFA "partially agree[d]" with recommendation (2): it agreed to "send the chair of the board audit committee a copy of DER's written response to each MRA remediation plan" but refused to agree to provide the MRA remediation plan, which provides the basis for DER's written response, directly to the chair of the board audit committee. Instead, FHFA committed to communicate "to Enterprise management the supervisory expectation for clear, timely, detailed reporting to the boards of directors on open remediation plans and associated timetables" and its "expectations about circumstances in which remediation plans should be provided by management to the chair of the board audit committee."

FHLBanks

The Agency's responsibilities as regulator—and, by extension, OIG's oversight responsibilities—are broad in nature. Two of our reports issued during this semiannual period involve FHFA's supervision of the FHLBanks.

The merger of the FHLBanks of Des Moines and Seattle, effective May 31, 2015, was the first voluntary merger of two FHLBanks. The merger was completed on schedule, with no interruption in service to members. The continuing FHLBank, headquartered in Des Moines, is now the largest of the 11 FHLBank regions in both geography and number of members. This merger was the subject of our recent white paper. (See OIG, *Merger of the Federal Home Loan Banks of Des Moines and Seattle: FHFA's Role and Approach for Overseeing the Continuing FHLBank* (WPR-2016-002, March 16, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Although the FHLBanks chose to merge with each other and negotiated the merger agreement, FHFA played a decisive role in encouraging the FHLBank of Seattle to find a merger partner to address some of the Agency's longstanding supervisory concerns with that FHLBank. In contrast, FHFA found the overall condition of the FHLBank of Des Moines to be satisfactory, but raised questions about operational risk, particularly with respect to the FHLBank of Des Moines' multiyear plan to upgrade its core banking system. Because the merger compounded these operational risks and created new challenges, our white paper identified this possible emerging risk and signaled our intent to monitor the risk.

During this semiannual reporting period, we published an audit to assess whether DBR's examination of the effectiveness of the FHLBanks' cyber risk management programs included review of the design of their vulnerability scanning and penetration testing efforts. (See OIG, *FHFA Should*

Improve its Examinations of the Effectiveness of the Federal Home Loan Banks' Cyber Risk Management Programs by Including an Assessment of the Design of Critical Internal Controls (AUD-2016-001, February 29, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) This audit is discussed in "Information Technology Security," below.

Information Technology Security

Corporate Governance

FHFA has recognized that cyber risk is an increasing concern to the entities it supervises and regulates and that disruptions to their businesses from cyber attacks could have widespread and harmful effects on the housing finance system, result in theft—including confidential consumer data, and expose the regulated entities to reputational and legal risk. FHFA, as conservator, has delegated to the boards of directors of the Enterprises responsibility for adopting cyber risk management policies that meet FHFA's supervisory expectations, overseeing the entity's cyber risk management program to ensure that the program meets FHFA's supervisory expectations, holding management accountable in its efforts to develop such a cyber risk management program, and addressing FHFA's supervisory concerns in a timely and appropriate manner.

In an evaluation, OIG assessed the execution of cyber risk management responsibilities by Fannie Mae's Board of Directors (Board). (See OIG, *Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues* (EVL-2016-006, March 31, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) Although we found that the Board has made progress, we determined that much more remains to be done by the Board in order to satisfy the cyber risk management responsibilities delegated to it by FHFA. Oversight by a board of directors of a cyber risk management program for a complex financial institution is difficult, and this task is made more challenging by the numerous legacy IT systems used by Fannie Mae. OIG found that the Board's three foundational cyber risk management policies did not meet FHFA's supervisory expectations announced in the Agency's advisory bulletin. OIG also found that Fannie Mae management presented to the Board plan after plan to enhance Fannie Mae's cyber risk management program without explaining the reasons for the numerous plans or the integration of one plan with another, and offered timeline upon timeline, but provided little evidence of concrete progress in remediating conditions that gave rise to FHFA's supervisory concerns. The Board largely received these presentations without challenging management's changing timelines or multiple plans, questioning the integration of one plan with prior plans still in effect, or pressing management to provide a comprehensive master plan with clear timelines and milestones to remediate legacy technology issues and implement current cyber security initiatives.

OIG recommended that FHFA direct the Fannie Mae Board to enhance its cyber risk management policies, establish and communicate a desired target state of cyber risk management for Fannie Mae that identifies and prioritizes which risks to avoid, accept, mitigate, or transfer through insurance, and oversee management's efforts to leverage industry standards. FHFA agreed with OIG's recommendations, but asserted that the report does not sufficiently recognize the Board's recent activities and offered work performed by three third-party experts who evaluated Fannie Mae's cyber risk management efforts. Two of the third-party reports were not completed until January and March 2016, after OIG's field work concluded, and the findings of those reports will not be shared with the Board until

its May 2016 meeting. The third report, issued in the second half of 2015, recommended that the Board place extremely high priority on implementation of the National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity (NIST Framework), a task that management reported to the Board had been completed in March 2015.

NIST Framework

FHFA is one of a number of federal agencies involved in a national effort to protect the critical infrastructure of the U.S. financial services sector. In May 2014, FHFA issued an advisory bulletin recognizing that cyber threats facing its regulated entities are constantly evolving and growing more sophisticated. The advisory bulletin described a "cyber risk management program that the FHFA believes will enable the Regulated Entities and the Office of Finance to successfully perform their responsibilities and protect their [information security] environments."

The FHFA Director, along with the heads of other federal financial regulators, is a voting member of the Financial Stability Oversight Council (FSOC). In 2015, FSOC recommended that federal financial institutions use the NIST Framework and that financial regulators map their existing regulatory guidance to appropriate elements of the NIST Framework and encourage consistent cyber security standards. Five of these federal financial regulators, exclusive of FHFA, are members of the Federal Financial Institutions Examination Council (FFIEC), an organization that promotes uniformity in the supervision of financial institutions. FFIEC has developed supervisory guidance on cyber security risk management, which its five federal regulators follow. Although FHFA is not a member of FFIEC, FHFA has maintained that its respective regulatory responsibilities are similar. OIG conducted an evaluation to assess whether FHFA had mapped its regulatory guidance to the NIST Framework and whether its supervisory guidance on the development of a cyber security framework is substantially similar to the guidance adopted by FFIEC (and its federal regulatory members). (See OIG, *FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework* (EVL-2016-003, March 28, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

At the conclusion of OIG's evaluation, OIG found that FHFA had not mapped its supervisory guidance to appropriate elements of the NIST Framework. We also found that FHFA's guidance is far less prescriptive and far more flexible than the guidance adopted by FFIEC and its federal regulatory members.

OIG recommended that FHFA implement FSOC's 2015 recommendations to map its existing regulatory guidance to appropriate elements of the NIST Framework, identify gaps, and determine whether to revise its existing guidance to address those gaps. FHFA accepted OIG's recommendations.

FHLBanks

Since 2008, FHFA has been the regulator for the FHLBanks and their Office of Finance. Each Bank, like other federally supervised financial institutions, relies heavily on its information systems and other technology to conduct and manage its business. The Banks recognize that "a failure or breach, including as a result of cyber attacks, of the information systems of the FHLBanks and the Office of Finance, and those of critical vendors and third parties, could disrupt the FHLBanks' businesses or result in significant losses or reputational damage."[8] Each FHLBank has a cyber risk management program

that includes vulnerability management. The FHLBanks conduct, through contractors they retain, vulnerability scanning and/or penetration testing as part of their vulnerability management efforts.

DBR is responsible for supervision of the FHLBanks, which include on-site annual examinations and off-site monitoring. Because effective management of cyber risk is vital to the performance and success of the Banks' operations, DBR examinations include reviews of the FHLBanks' IT risk management programs.

OIG conducted an audit to assess whether DBR's examination of the effectiveness of the Banks' cyber risk management programs included review of the design of their vulnerability scanning and penetration testing efforts. (See OIG, *FHFA Should Improve its Examinations of the Effectiveness of the Federal Home Loan Banks' Cyber Risk Management Programs by Including an Assessment of the Design of Critical Internal Controls* (AUD-2016-001, February 29, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Applicable criteria recognize that review of the design of internal controls is an important element of an examination to assess the operational effectiveness of those controls and determine whether the controls will adequately mitigate the risks. OIG found that in 14 of 15 of DBR's IT examinations performed between 2013 and 2014 that included vulnerability scanning and/or penetration testing, DBR did not assess the design of those tests performed by contractors at the Banks' direction. Some DBR examiners determined that such an assessment was outside of the scope of the examination plan, and all 14 of the work programs lacked steps to perform the assessment. Absent any examination of the design of vulnerability scans or penetration tests, we found that FHFA lacks reasonable assurance that such testing can accomplish its intended purpose. OIG determined that failure to assess the design of key IT internal controls, such as vulnerability scanning and penetration tests, as part of FHFA's examination of operational effectiveness of those controls, creates significant risks to FHFA's DBR examination program because vulnerabilities may not be detected and the findings may not be reliable or accurate.

OIG recommended that FHFA: (1) update its Information Technology Risk Management Program Module to direct examiners to assess the design of the Banks' vulnerability scans and penetration tests when assessing the operational effectiveness of such controls; and (2) require examiners to document their assessment of the design of the Banks' vulnerability scans and penetration tests as part of their assessment of the operational effectiveness of such controls. The Agency agreed with OIG's recommendations.

Recommendations

A complete list of OIG's audit and evaluation recommendations is provided in Appendix B.

OIG's Investigations

This OIG is vested with statutory law enforcement authority, which is exercised by the Office of Investigations (OI). OI is staffed by highly trained law enforcement officers, investigative counsels (ICs), forensic auditors, and support staff who conduct investigations related to programs overseen by FHFA. Depending on the type of misconduct uncovered during OIG investigations, the investigations may result in criminal charges, civil complaints, and/or administrative sanctions and decisions. Criminal charges filed against individuals or entities may result in plea agreements or trials, incarceration, restitution, fines, and penalties. Civil claims can lead to settlements or verdicts with restitution, fines, penalties, forfeitures, assessments, and exclusion of individuals or entities from participation in federal programs. ICs in OI have been appointed as Special Assistant U.S. Attorneys (SAUSAs) in several judicial districts throughout the country. They have been assigned criminal matters arising from OI's investigations in the districts where they have been appointed and have pursued these investigations through to conviction and sentencing. (See discussion below on OIG ICs.)

The type of misconduct OI special agents (SAs) investigate varies, as does the complexity of the schemes involved. Various elements contribute to determining the resources necessary for each investigation and the length of time necessary to see each investigation through to the end. For example, loan or mortgage origination schemes, a common type of mortgage fraud, can be very labor intensive. Experienced SAs review and analyze mortgage loan files in order to detect red flags. Special agents understand how to identify the indicators of fraud, and just as importantly, how to gather necessary evidence and put together a case.

During the semiannual reporting period, OI conducted numerous criminal, civil, and administrative investigations, which resulted in the filing of criminal charges against 53 individuals, the conviction of 73 individuals, and 75 sentencings, as well as court-ordered fines and restitution awards.

Figure 5 (see below) summarizes the results obtained during this reporting period from our investigative efforts.

Figure 5. Prosecutions and Recoveries from October 1, 2015, Through March 31, 2016

	Criminal Investigations	Civil Investigations
Fines[a]	$306,267,255	$-
Settlements	$-	$3,150,266,000
Restitutions	$174,169,402	$-
Recoveries		$549,400
Total	**$480,436,657**	**$3,150,815,400**
Charges	53	
Convictions	73	
Sentencings	75	
Trials	5	

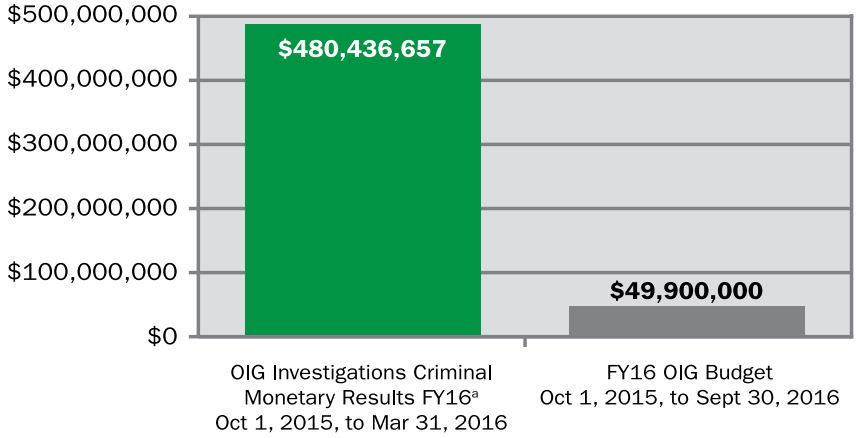
[a]Fines include criminal fines, seizures, forfeiture and special assessments, and civil fines imposed by federal court.

Figure 6 (see page 33) shows a comparison of the criminal results achieved during this reporting period against OIG's FY16 budget. OIG's FY16 budget covers October 1, 2015, through September 30, 2016.

Figure 7 (see page 33) shows a comparison of the civil settlements results achieved during this reporting period against OIG's FY16 budget.

For ease of review of our OI activities, we group our criminal investigations during this period into the categories described below. In each category,

Figure 6. OIG Criminal Monetary Results October 1, 2015, Through March 31, 2016, vs. FY16 OIG Budget



[a]Includes criminal fines, restitution, and forfeiture.

we describe the nature of the crime and include a few highlights of matters investigated by OIG. For a summary of publicly reportable investigative outcomes for each category during this reporting period, see Appendices E-L.

Investigations: Civil Cases

During the semiannual reporting period, OI continued to actively participate in the Residential Mortgage-Backed Securities (RMBS) Working Group. Established by the President in 2012 to investigate individuals and entities responsible for misconduct involving the pooling of mortgage loans and sale of RMBS, the Working Group is a collaborative effort of dozens of federal and state law enforcement agencies. OI SAs work closely with U.S. Attorneys' offices around the country and with state attorneys general to investigate allegations of fraud committed by financial institutions and individuals in connection with RMBS. OI has reviewed evidence produced by various parties for members of the Working Group, assisted with witness interviews, provided strategic litigation advice, and briefed other law enforcement agencies on the operations of the RMBS market. Since the inception of the RMBS Working Group, DOJ has negotiated civil settlements worth over $34 billion. During this semiannual reporting period, a civil settlement was reached with Morgan Stanley.

Morgan Stanley Settles RMBS Claims by Agreeing to Pay $2.6 Billion Penalty

Morgan Stanley agreed to pay a $2.6 billion penalty to resolve claims related to its marketing, sale, and issuance of RMBS. In a detailed statement of

Figure 7. OIG Civil Settlements Results October 1, 2015, Through March 31, 2016, vs. FY16 OIG Budget ($ millions)

facts that is part of the agreement, Morgan Stanley acknowledged that it failed to disclose critical information to prospective investors about the quality of the mortgage loans underlying its RMBS and about its due diligence practices. Investors, including federally insured financial institutions, suffered billions of dollars in losses from investing in RMBS issued by the bank in 2006 and 2007.

Morgan Stanley made representations to investors that it did not **securitize underwater** loans (loans that exceeded the value of the property). The bank did not, however, disclose that in April 2006 it had expanded its "risk tolerance" in evaluating loans in order to purchase and securitize "everything possible." The expansion resulted in Morgan Stanley ignoring information indicating that thousands of securitized loans were, in fact, underwater. As part of the agreement, the bank acknowledged that it did securitize nearly 9,000 underwater loans from January 2006 through mid-2007. Morgan Stanley also made representations to investors that it did not securitize loans that failed to meet the originators' guidelines unless those loans had compensating factors. However, the bank acknowledged that it "did not disclose to securitization investors that employees of Morgan Stanley received information that, in certain instances, loans that did not comply with underwriting guidelines and lacked adequate compensating factors . . . were included in the RMBS sold and marketed to investors."

Investigations: Criminal Cases

OIG Investigative Counsels

ICs are appointed as SAUSAs in districts throughout the country to help investigate and prosecute criminal cases involving fraud that adversely affects the Enterprises, the FHLBanks, and its members. These cases tend to be labor and document intensive and factually complex, typically requiring lengthy, time-consuming investigations by OIG ICs and SAs. Mortgage loan files containing many hundreds of pages must be obtained via request or subpoena and analyzed for fraud indicators, including those that violate applicable underwriting guidelines. The analysis requires collecting and reviewing, among other things, financial records, property history records, and working with others to identify and calculate loan losses. As a result of the analysis, further investigative leads may develop, resulting in the decision to track down and interview borrowers, realtors, loan officers, title agents, and others. Once a criminal case is brought, OIG ICs designated as SAUSAs may try the case through verdict or may obtain a guilty plea by the defendant.

OIG ICs provide additional valuable prosecutorial resources to U.S. Attorneys' offices in need of dedicated and experienced mortgage fraud prosecutors. Because OIG ICs investigate and prosecute criminal violations of law against those, whether inside or outside of the federal government, who waste, steal, or abuse government funds in connection with the Agency and the entities it regulates, their activities significantly further our mission. During this semiannual period, three OIG ICs designated as SAUSAs successfully tried to verdict cases in three different judicial districts. The following case is one of those matters.

Four Convicted at Trial for Mortgage Fraud, Virginia

On February 3, 2016, a federal jury convicted Mohsin Raza, Humaira Iqbal, Farukh Iqbal, and Mohammad Haider on charges of conspiracy to commit wire fraud affecting a financial institution and wire fraud affecting a financial institution.

According to evidence presented in court, from May 2006 through January 2007, the defendants, all former employees of SunTrust Mortgage, conspired to defraud SunTrust by preparing false mortgage

loan applications for prospective borrowers for 13 properties. These fictitious loan applications contained false material information such as inflated incomes, inflated assets, reduced liabilities, and statements that the borrowers intended to use the houses as their primary residences. To support these false loan applications, defendants prepared false documents, created fraudulent wage-and-earning statements for the prospective borrowers, and generated false letters from certified public accountants. They submitted the fraudulent loan applications and supporting documents to SunTrust Mortgage offices to obtain approvals for the loans sought by the prospective borrowers and some of the loans, in turn, were sold to Fannie Mae.

In addition to criminal cases developed by OIG ICs and SAs, OIG special agents review Treasury reports and other filings to proactively identify potential matters for investigation, investigate complaints and tips of possible misconduct to develop sufficient evidence to prove the elements of a crime, and work closely with ICs and other federal prosecutors to look for the evidence that they believe is sufficient to bring criminal charges. Below, we set forth highlights of OIG criminal investigations during this semiannual reporting period in a number of different categories that resulted in criminal indictments, convictions, plea agreements, sentencings, and court-ordered fines and restitution awards.

Condo Conversion and Builder Bailout Schemes

In these types of schemes, sellers or developers typically solicit investors with good credit who want low-risk investment opportunities by offering deals on properties with no money down and other lucrative incentives, such as cash back and guaranteed and immediate rent collection. The sellers fund these incentives with inflated sales prices. The fraudsters conceal the incentives and the true property values from the lenders, defrauding them into making loans that are much riskier than they appear. When the properties go into **foreclosure**, lenders suffer large losses.

Below we summarize two OI investigations in this category that resulted in criminal convictions during this semiannual reporting period. (See Appendix E for a summary of publicly reportable investigative outcomes in this category.)

Conviction of Former CEO of Cay Clubs Resorts, Florida

On December 11, 2015, Fred Davis "Dave" Clark Jr., former CEO of Cay Clubs Resorts and Marinas, was convicted after a five-week jury trial on charges of bank fraud, making false statements to a financial institution, and obstruction of the Securities and Exchange Commission (SEC). Approximately 1,400 investors, Federal Deposit Insurance Corporation (FDIC) -insured banks, and the Enterprises were defrauded in this $300 million Ponzi scheme involving the sale of Cay Clubs vacation rental units.

On February 22, 2016, Clark was sentenced to 480 months (40 years) in federal prison, followed by 5 years of supervised release, ordered forfeiture of $303.8 million, and ordered to pay $3.3 million

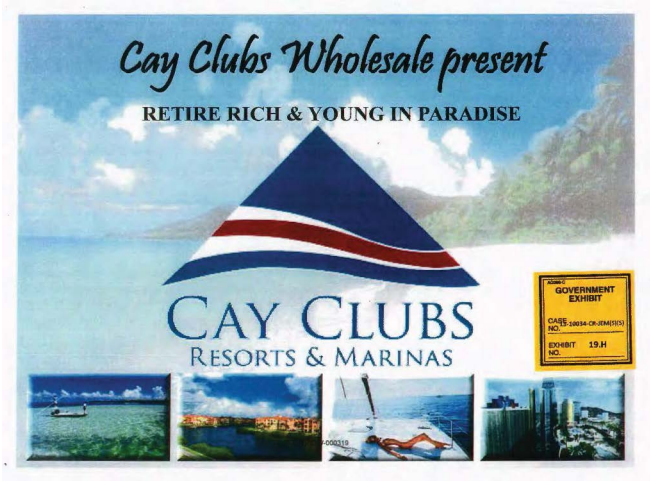


Exhibit for trial showing marketing materials used by Fred Davis Clark Jr.

for obstructing an SEC investigation. Additionally, Clark was ordered to forfeit $2.6 million in overseas assets.

Clark was the CEO of Cay Clubs, which operated from 2004 through 2008 from offices in Florida. Cay Clubs marketed vacation rental units for 17 locations in Florida, Las Vegas, and the Caribbean and raised more than $300 million from investors by promising to develop dilapidated properties into luxury resorts. Evidence at trial showed that these properties were never developed. Clark further incentivized investors by promising an upfront "leaseback" payment of 15-20% of the unit sales price at the time of closing. Clark concealed these incentives from lenders and the Enterprises.

Clark deceived lenders and the Enterprises by conducting insider sales transactions of the units, artificially inflating values. Clark directed his administrative assistant and his bookkeeper to forge signatures on loan documents and falsely notarize mortgage paperwork to make it appear that **straw buyers**, including family members, were executing the documents when in reality Clark was providing the deposits and down payments and using the proceeds of the transactions to fund Cay Club's operations and for his own personal benefit. Clark engaged in a series of fraudulent mortgage transactions, which resulted in a total of more than $20 million in bank loans.

After the collapse of Cay Clubs, the SEC began an investigation into alleged securities fraud at Cay Clubs. In March 2013, after the SEC filed a civil fraud action against him, Clark transferred more than $2 million to a corporate account he controlled in Honduras. After this transfer, U.S. law enforcement and authorities in Honduras were able to obtain a court order freezing these funds.

The fraud scheme caused losses to Fannie Mae and Freddie Mac in excess of $11 million.

In related cases, on October 27, 2015, former Cay Clubs executives Barry J. Graham and Ricky Lynn Stokes were ordered to pay restitution of $163,530,377. In a previous reporting period, Graham and Stokes, Director of Sales and Director of Investor Relations respectively, were each sentenced to 60 months of imprisonment.

Conviction in Builder Bailout Scheme, California

On February 5, 2016, a federal jury found Momoud Aref Abaji guilty of wire fraud, conspiracy to commit bank and wire fraud, and tax evasion in connection with a builder bailout scheme involving more than 100 condominium units across the country.

According to evidence presented in court, Abaji and his co-conspirators targeted struggling condominium developments, negotiating with developers to buy units in return for hefty commissions that they often misleadingly referred to as "marketing fees" and did not disclose to the lenders. The deals allowed the developers to show that the condominiums were selling and maintaining their market value. To pay for the mortgages, Abaji and the other defendants used straw buyers and false information—such as fake employment and income—and fabricated documents, such as altered W-2 Wage and Tax Statements, pay stubs, and bank statements. They ultimately received more than $21 million in loans, many of which went into default and resulted in foreclosure.

Dozens of the loans were purchased on the secondary mortgage market by the Enterprises, which lost at least $2.37 million to delinquencies, defaults, and foreclosures.

Fraud Committed Against the Enterprises, the FHLBanks, or FHLBank Member Institutions

Investigations in this category involve a variety of schemes that target Fannie Mae, Freddie Mac, the

FHLBanks, or members of FHLBanks directly. Below we provide highlights of OIG investigations of two matters in this category that resulted in five indictments, one conviction, and one sentencing during this semiannual reporting period. (See Appendix F for a summary of publicly reportable investigative outcomes in this category.)

Five Indicted on Money Laundering Charges at a Member Bank of the FHLBank of Topeka

On October 6, 2015, three former employees of the Plains State Bank (PSB), President J. Kirk Friend, Matthew Thomas, loan officer, and Kathy Shelman, bank cashier, were charged by a superseding indictment along with business owners and PSB customers George and Agatha Enns for an alleged conspiracy to launder money through PSB, a member bank with more than $76 million in advances from the FHLBank in Topeka, Kansas. From 2011 to 2014, deposits into a PSB bank account controlled by the two indicted business owners totaled more than $6.8 million, which included more than $1.6 million in cash. The PSB bank employees failed to file Treasury reports, as required, based upon the amount and type of cash and monetary instruments deposited into the PSB account.

Short Sale Fraud Conviction and Sentencing Involving an FHLBank Member Bank, Virginia

On November 17, 2015, Michelle M. Borzillo, former senior attorney at the FDIC, pled guilty to bank fraud relating to a **short sale** of her home to her live-in boyfriend.

According to court documents, Borzillo purchased a home for $850,000 with mortgages totaling $807,500 from Wells Fargo Bank, a member of an FHLBank. In 2013, she engineered the short sale of her home to her boyfriend, who had been living with her at the property for several years. Borzillo induced Wells Fargo Bank to approve the short sale by falsely representing that the sale was an arm's length transaction to someone with whom she had no close personal relationship. Borzillo also falsely certified that she was moving out of the property and claimed she was suffering a financial hardship due to a federal pay freeze. In reality, despite her representation to her lender and her acceptance of $3,000 in relocation assistance in connection with a federal program designed to assist financially distressed short sellers, Borzillo admitted that she had no intention of moving out of the property. As a senior FDIC employee, Borzillo had not been subject to the federal pay freeze, and, at the time of the short sale, her base annual salary steadily increased. As a result of her misrepresentations, the mortgage lender approved the short sale and Borzillo benefitted from a $290,000 reduction in her mortgage while continuing to live in the home after the sale. As a result of the fraudulent short sale transaction, Wells Fargo Bank was required to write off nearly $300,000 in losses.

On February 19, 2016, Borzillo was sentenced to 12 months and one day in prison, followed by 2 years of supervised release. She was also ordered to pay $288,497 in restitution and to forfeit the proceeds of her offense.

Home purchased by Borzillo and then sold in a short sale transaction to her boyfriend.

Loan Origination Schemes

Loan or mortgage origination schemes are the most common type of mortgage fraud. These schemes typically involve falsifying borrowers' income, assets, employment, and credit profiles to make them more attractive to lenders. These schemes often use bogus Social Security numbers and fake or altered documents, such as W-2 Wage and Tax Statements and bank statements, to defraud lenders into making loans they would not otherwise make. Typically, perpetrators pocket origination fees or inflate home prices and divert proceeds.

Below we provide highlights of OIG investigations resulting in convictions, sentencings, and court-ordered restitution in this category during this semiannual reporting period. (See Appendix G for a summary of publicly reportable investigative outcomes in this category.)

Attorney and Loan Officer Convicted on Mail and Wire Fraud Charges

On October 8, 2015, a jury found Robert Lattas, an attorney, and Nicholas Burge, a loan officer, guilty on charges of mail and wire fraud. Lattas and Burge were alleged to have caused buyers to fraudulently obtain five mortgage loans valued at approximately $1.49 million. Working with others, Lattas and Burge caused false representations in loan applications, real estate contracts, HUD-1 settlement statements, bank statements, W-2 Wage and Tax Statements, and pay stubs submitted to lenders. The documents included false statements on the source of the down payments. The lenders relied on the false documents in their underwriting decisions.

The properties involved in the scheme were knowingly sold to straw buyers at inflated prices. The buyers were recruited from the community and were aware of the scheme. Shortly after the properties were sold, the mortgages went into default. The associated activities resulted in a combined Fannie Mae and Freddie Mac loss of approximately $800,000.

Sentencing in Appraisal Fraud, Washington

On December 3, 2015, Douglas White and Diana Merritt were sentenced to 60 months in prison and 3 months in county jail, respectively, for their roles in an appraisal fraud scheme. White stole the identity of Tom Reed, a licensed real estate appraiser, and together with Merritt, White's girlfriend and a loan officer, ran an appraisal fraud scheme that continued for more than seven years. Using Reed's stolen identity, White, who was not a licensed real estate appraiser, prepared and submitted over 400 fake real estate appraisals that were used to obtain loans in real estate transactions. Lenders approved mortgage applications that included these appraisals. Merritt participated in the scheme by steering appraisal business to White; Merritt was subsequently found guilty of mortgage fraud charges related to these false appraisals. The Enterprises bought at least 375 loans that include appraisals associated with the defendants.

On February 11, 2016, White was ordered to pay $20,250 in restitution. White and Merritt were referred for suspension by HUD.

Multiple Sentencings in Loan Origination Fraud Scheme, California

On January 28, 2016, Jose "Joe" Garcia was sentenced to 42 months in prison, followed by 3 years of supervised release, and was ordered to pay $1,610,000 in restitution, jointly and severally.

From at least December 2004 to October 2008, Garcia, a co-owner of Jolu, Inc., a mortgage brokerage company, ran a loan origination fraud scheme in which Garcia and other co-conspirators

created fictitious self-employed borrowers, inflated income and assets, and created fraudulent rental documentation. The conspirators purchased fraudulent tax letters that supported the fabricated self-employed borrowers and then submitted the fraudulent documents to financial institutions to obtain mortgages. Many of these fraudulent mortgages were then sold to the Enterprises. The Enterprises suffered $1.5 million in losses due to subsequent defaults on those mortgages.

On January 11, 2016, former Jolu Loan Officer Lidubina "Lido" Perez was sentenced for her role in the scheme to 7 months in prison, followed by 7 months of home detention and 3 years of supervised release, and was ordered to pay $735,750 in restitution, jointly and severally, with two other defendants.

Short Sale Schemes

Short sales occur when a lender allows a borrower who is "underwater" on his/her loan—that is, the borrower owes more than the property securing the loan is worth—to sell his/her property for less than the debt owed. Short sale fraud usually involves a borrower intentionally misrepresenting or not disclosing material facts to induce a lender to agree to a short sale to which it would not otherwise agree. Below are highlights of OIG investigations that resulted in criminal charges and sentencings in this category during this semiannual reporting period. (See Appendix H for a summary of publicly reportable investigative outcomes in this category.)

Real Estate Broker and Investor Charged in a Buy-and-Bail Scheme, Michigan

On December 9, 2015, William Elias, owner and a licensed real estate broker for Elias Realty, and Kimberly Doren, an Elias Realty employee and owner of KLD Consulting, were charged by information for their roles in a short sale fraud scheme.

According to the information, Elias executed a buy-and-bail scheme through Elias Realty. Through extensive advertising, Elias reached out and promised homeowners whose homes were underwater that he could help them sell their existing homes, eliminate their debt, and buy new homes. To accomplish this, Elias instructed his clients to apply for a mortgage and buy a second home. Allegedly, the mortgage applications falsely inflated the values of the first homes and misrepresented that the borrowers intended to keep their existing homes as rental properties. In reality the homes were worth significantly less than stated, and the homeowners had no intention of renting their homes; rather, they intended to sell them by short sale. In order to convince the second loan originator that the existing home was being retained for a rental property, Elias Realty manipulated the Multiple Listing Service (MLS) to make it appear as though the existing property was not being short sold. The false MLS information corroborated the false and fraudulent information on the loan applications.

Once the second homes were purchased, Elias purportedly instructed the homeowners to stop making mortgage payments on the first homes and to apply for approval with their lenders to conduct short sales on their original properties given the financial hardships due to having two active mortgages. Many homeowners were permitted to conduct short sales and lenders forgave the difference between the short sale prices and the outstanding amount of the loans. In some instances, however, the financial institutions did not agree to the short sales and the mortgages were foreclosed.

In addition, according to the information, in December 2013, Doren allegedly caused KLD Consulting to act as a straw buyer on behalf of William Elias. Prior to the sale, Doren and the seller allegedly signed an affidavit that falsely stated the short sale was an arm's length transaction between the parties.

The Enterprises suffered losses in excess of $5.1 million involving nearly 100 homes.

Sentencings in Complex Short Sale Fraud Scheme, California

An OIG investigation found evidence of a wide-ranging conspiracy in which numerous conspirators engaged in several schemes to fraudulently obtain money, including: a "flopping" scheme where banks were convinced to accept short sale prices that were lower than a legitimate buyer would be willing to pay, recording false second and third liens, tricking distressed homeowners into signing their properties over to the conspirators, and renting distressed properties while simultaneously stalling foreclosure through the use of fraudulent documents. Mortgages on at least eight of the properties were owned by the Enterprises, causing losses to date of $300,000.

On December 3, 2015, the following individuals received sentences ranging from 6 years in prison to 80 days in custody with 5 years of probation: James Styring, Joseph Jaime, Deanna Bashara, and Delia Wolfe. Varying amounts of restitution from $50,000 to $596,232 were also ordered.

Loan Modification and Property Disposition Schemes

These schemes prey on homeowners who are in default or are at risk of imminent default on their home loans. Businesses advertise that they can secure loan modifications, provided that the homeowners pay significant **upfront fees**. Typically, these businesses take little or no action, leaving homeowners in a worse position. Below are some highlights of OIG investigations that resulted in criminal plea agreements and sentencings in this category during this semiannual reporting period. (See Appendix I for a summary of publicly reportable investigative outcomes in this category.)

Sentencing in Loan Modification Scheme, California

Najia Jalan ran several loan modification businesses and a not-for-profit organization that preyed on financially distressed homeowners. Jalan and other conspirators used these entities to extract hundreds of thousands of dollars from homeowners on the basis of false promises and misrepresentations. Many of the underlying loans were owned by the Enterprises.

Typically, Jalan contacted struggling borrowers and convinced them to pay upfront fees in exchange for mortgage relief services which, ultimately, were never provided. To gain her victims' trust, Jalan used the stolen identities of several unsuspecting lawyers to trick the homeowners into thinking she was a lawyer. In some instances, Jalan falsely represented that she was affiliated with a government agency. In a previous reporting cycle, Jalan pled guilty to charges of mail fraud and aggravated identity theft for her role in the scheme.

On October 5, 2015, Jalan was sentenced to 70 months in prison, 3 years of supervised release, and ordered to pay restitution of $236,785.

Sentencing in Loan Modification Scheme, California

Michael Nazarinia, in conjunction with the law firm Haffar & Associates and other co-conspirators, participated in a loan modification scheme that contacted distressed homeowners and promised to facilitate loan modifications on the homeowners' behalf in exchange for upfront payments. Conspirators at Haffar & Associates made false representations to prospective clients, including that the firm had a 98% success rate in obtaining loan modifications and that each case would be handled by an attorney. More than 1,000 homeowners were convinced to sign up for the loan modification services and paid the upfront fee. In reality, however, the homeowners were provided with little to no

services at all and their homes went into foreclosure, eight of which were owned by Fannie Mae. As a result of the foreclosures, Fannie Mae suffered more than $1.1 million in losses. Nazarinia's role in the scheme included supervising and training case managers, developing underwriting guidelines for new clients, and devising the borrower's checklist.

On October 26, 2015, Nazarinia pled guilty to mail fraud and filing a false tax return, and on February 8, 2016, he was sentenced to 9 months in prison and 3 years of supervised release. Stacy Tuers, another co-conspirator, was sentenced on March 10, 2016, for his role in this modification scheme.

Five Pled and Two Sentenced in Loan Modification Scheme, California

In November 2015, Roscoe Umali, Joshua Johnson, Isaac Perez, Raymund Dacanay, Jefferson Maniscan, and Hanh (Jennifer) Seko were arrested for allegedly participating in a nationwide loan modification scheme.

During March 2016, five of the co-defendants pled guilty to conspiracy to commit wire fraud. According to statements of facts filed with their plea agreements, Umali, Johnson, Perez, Dacanay, Mansican, and others made a series of misrepresentations to struggling homeowners in order to induce the homeowners to make payments of thousands of dollars in exchange for supposed home loan modification assistance. The defendants allegedly convinced struggling homeowners to make several "trial mortgage payments" directly to the conspirators rather than to the homeowners' mortgage lenders. The defendants then did nothing to help modify any mortgages, no services were provided, and the defendants allegedly used the money they received for their own benefit. The scheme victimized over 400 individuals and families and resulted in overall losses estimated at $3.8 million, with approximately $1.1 million in potential losses to the Enterprises. Seko did not plead guilty and is awaiting trial.

Two other schemers, Joshua Sanchez and Kristen Ayala, were sentenced on October 29, 2015, after pleading guilty to conspiracy to commit wire fraud. Sanchez was sentenced to 151 months in prison and 3 years of supervised release. Ayala was sentenced to 135 months in prison and 3 years of supervised release.

Property Management and REO Schemes

The wave of foreclosures following the housing crisis left the Enterprises with an inventory of **real estate owned (REO)** properties (i.e., properties that the Enterprises took back in foreclosure, possess, and are responsible to maintain). This REO inventory has sparked a number of different schemes to either defraud the Enterprises, which use contractors to secure, maintain and repair, price, and ultimately sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.

Below is an example of an OIG investigation that resulted in a sentencing in this category during this semiannual reporting period. (See Appendix J for a summary of publicly reportable investigative outcomes in this category.)

Real Estate Agent Sentenced to Prison, Illinois

On February 9, 2016, Harry Simons, owner of an Illinois RE/MAX real estate office, was sentenced to 120 days of incarceration, with credit for 33 days of time already served, 48 months of probation, and ordered to pay restitution in the amount of $140,300. Simons was convicted on November 23, 2015, for multiple counts of theft.

According to evidence presented in court, from late 2013 to early 2014, Simons stole escrow money provided by potential real estate buyers to use

for his business operating expenses and personal transactions. The earnest money of at least 12 clients, valued at over $100,000, was stolen by Simons. RE/MAX County Line was an approved Fannie Mae REO broker. At least five of the properties involved in the scheme were Fannie Mae REO properties. Simons' broker license was revoked by the state of Illinois in early 2014. Fannie Mae lost approximately $17,000 on the deals that were completed.

Adverse Possession Schemes

Adverse possession schemes use illegal adverse possession (also known as "home squatting") or fraudulent documentation to control distressed homes, foreclosed homes, and REO properties. Below are some highlights of OIG investigations that resulted in criminal charges, a plea agreement, and sentencings in this category during this semiannual reporting period. (See Appendix K for a summary of publicly reportable investigative outcomes in this category.)

Sentencings in Fraudulent Deed Scheme, California

On February 11, 2016, Shara Surabi, Panik Karikorian, and Juan Velasquez were sentenced for their roles in a foreclosure rescue scheme. All three defendants were sentenced to 4 months in prison, followed by 5 years of probation. The sentencings occurred shortly after no contest pleas to conspiracy were entered by defendants Surabi and Velasquez in late December 2015, along with Karikorian's plea of no contest to being an accessory after the fact during the same time period. On February 24, 2016, Eugene Fulmer, a fourth co-conspirator, pled guilty to his role in this foreclosure rescue scheme.

According to court documents, from early 2011 to early 2014, Surabi, Karikorian, Velasquez, and co-conspirators collected more than $2 million in proceeds from their foreclosure-delay/eviction-delay scheme involving hundreds of fraudulent **bankruptcies** and deeds of trust.

The schemers worked for and operated Trustee Sale Stoppers, Property Assistance, Asset Help, as well as other businesses out of Los Angeles, California. Surabi and Karikorian contacted homeowners who were in foreclosure and facing a trustee's sale and promised that they would delay the trustee's sale for up to 36 months for an initial payment of $750 to over $1,000, and a $750 per month fee thereafter. To accomplish the delays, Karikorian and Surabi caused a series of fraudulent bankruptcies to be filed, mostly in the Northern and Central Judicial Districts of California. They would also file backdated "short form Deed of Trust and assignment of rent" forms against the clients' homes, which included several d/b/a companies as well as Velasquez and others as beneficiaries. At least 60 fraudulent deeds of trust were recorded at the direction of Surabi and Karikorian.

At least 11 of the properties involved were Freddie Mac-owned, resulting in a credit loss of approximately $817,955; the overall exposure on these properties is approximately $4.4 million.

Guilty Plea in REO/Deed Theft Scheme, California

On January 5, 2016, former real estate agent Mazen Alzoubi pled guilty to conspiracy to commit mail and wire fraud, mail fraud, aggravated identity theft, money laundering conspiracy, and criminal forfeiture associated with his role in a REO/deed theft scheme.

Alzoubi and his co-defendants, Daniel Deaibes and Mohamad Daoud, operated a scheme to steal properties from the Enterprises and others by forging grant deeds granting the underlying properties to shell companies they created and filing the deeds in the county recorder's office. By recording these fraudulent deeds, the defendants made the transfers appear legitimate. The stolen properties were then marketed

and sold, using a legitimate title and escrow company, to unwitting investors. Once the sale proceeds were wired to the defendants' bank accounts, the money was either wired overseas or transferred numerous times in an attempt to launder the money.

As investigators closed in on the defendants and successfully stopped the sale of stolen properties, the defendants changed tactics and fraudulently assumed control over an LLC that owned many investment properties. The defendants, while acting as owners of the stolen LLC, attempted to obtain hard money loans using the properties owned by the LLC as collateral.

By the time the defendants were indicted and arrested, they had either sold or attempted to sell 15 properties worth more than $3.6 million. On at least 10 occasions, the defendants were successful and earned nearly $2.2 million in illicit proceeds.

At least 10 of the properties stolen by the defendants were owned by the Enterprises, valued at over $2.5 million.

Charges Filed in Foreclosure Rescue Scheme, Michigan

On March 9, 2016, Pasquale Longordo and his company, Modify Loan Experts, LLC, were charged for allegedly stealing money from homeowners facing mortgage foreclosures or who needed help managing their credit card debt.

Longordo and Modify Loan Experts allegedly promised victims that an attorney would be assigned to negotiate mortgage modifications with mortgage companies on the homeowners' behalf. However, this did not happen and many victims lost their homes as a result.

Additionally, Longordo, who also operated a credit card debt management service, allegedly told debt management victims he was putting their funds into an escrow account and that he would use the payments to negotiate their debt with credit card companies. In reality, Longordo put the victims' funds into a regular bank account and allegedly made withdrawals for personal use. Losses to the GSEs have not yet been determined in this case.

Outreach

OIG develops public-private partnerships where appropriate. We delivered 22 fraud awareness briefings to different audiences to raise awareness of OIG's law enforcement mission and of fraud schemes targeting FHFA programs.

OIG has developed and intends to further strengthen ongoing close working relationships with other law enforcement agencies, including DOJ and U.S. Attorneys' offices; the FBI; HUD-OIG; the FDIC-OIG; IRS-CI; SIGTARP; the Financial Crimes Enforcement Network; state attorneys general; mortgage fraud working groups; and other federal, state, and local law enforcement agencies nationwide. OI also works closely with Fannie Mae's Mortgage Fraud Program and with Freddie Mac's Financial Fraud Investigation Unit.

During this reporting period OIG worked with additional local and state partners, including the Ventura County California District Attorney's Office, King County Washington District Attorney's Office, Wayne County Prosecutor's Office, DuPage County State Attorney's Office, Burr Ridge Police Department, California Department of Justice, California Franchise Tax Board, New York Department of Financial Services, Prince George's County Police Department, Montgomery County Police Department, and the Loudon County Sheriff's Office.

Investigations: Administrative Actions

In addition to the criminal cases brought as a result of OIG investigations, OI's investigative work regularly results in administrative referrals to other entities for action. For example, a criminal case of mortgage fraud that results in a guilty plea by a licensed real estate agent, attorney, or certified public accountant for participation in a bank fraud scheme may result in a referral by OIG to a state licensing body for disciplinary actions. Where a real estate professional is prosecuted for mortgage fraud, that prosecution may cause OIG to refer the matter to another federal agency for possible suspension or debarment of that individual from participation in federal programs. During this reporting period, OIG made 63 referrals for suspension and debarment.

Suspended Counterparty Referrals

FHFA has adopted a Suspended Counterparty Program under which it issues "suspension orders directing the regulated entities to cease or refrain" from doing business with counterparties (and their affiliates) who were previously found to have "engaged in covered misconduct." Suspension of such counterparties is warranted to protect the safety and soundness of the regulated entities. For purposes of the program, covered misconduct means "convictions or administrative sanctions within the past three years based on fraud or similar misconduct in connection with the mortgage business."[9]

During this reporting period, OIG made 37 referrals of counterparties to FHFA for consideration of potential suspension under its Suspended Counterparty Program.

A summary of OIG's referrals during the reporting period is captured in Figure 8 (see below).

Figure 8. Administrative Actions from October 1, 2015, Through March 31, 2016

Administrative Actions	
Suspension/Debarment Referrals	63
Referral to FHFA Suspended Counterparty Program	37

OIG's Regulatory Activities and Outreach

Regulatory Activities

Pursuant to the Inspector General Act, OIG assesses whether proposed legislation and regulations related to FHFA are efficient, economical, legal, or susceptible to fraud and abuse. During this reporting period, OIG reviewed two proposed and four final rules subsequently published by FHFA. One of the Agency's proposed rules is entitled "Enterprise Duty to Serve Underserved Markets" (Duty to Serve Rule or Proposed Rule), which FHFA published on December 18, 2015.[10]

The Proposed Rule relates to a requirement in The Safety and Soundness Act (Act), which directs the Enterprises to "provide leadership to the market in developing loan products and flexible underwriting guidelines to facilitate a secondary mortgage market for mortgages for very low-, low-, and moderate-income families" for three underserved markets: manufactured housing, affordable housing preservation, and rural markets (Underserved Markets).[11] The Act also requires the Director, effective in 2010, to promulgate a regulation that sets forth FHFA's process to evaluate whether, and the extent to which, the Enterprises have complied with their duty to serve the Underserved Markets and for rating the extent to which they did so. This is the Agency's second attempt to implement this obligation under the Act. FHFA originally published a Notice of Proposed Rulemaking and Request for Comments on June 7, 2010, but never issued a final rule.[12]

FHFA's Proposed Rule requires that each Enterprise submit to FHFA an "Underserved Markets Plan" (Plan) describing how it will satisfy their duty to serve Underserved Markets[13] and enumerating several assessment factors that FHFA will use to evaluate the Enterprise's compliance with its Plan.

The Proposed Rule provides that the Agency will use the Plans to create annual, Enterprise-specific evaluation guides (Guides), which shall include the specific considerations that FHFA will use to evaluate whether, and the extent to which, the Enterprises have complied with their duty to serve the Underserved Markets.[14]

The Proposed Rule does not specify what evaluation factors the Guides will contain, other than they will be based in part on each Enterprise's Plan.[15] This approach could result in the Enterprises being evaluated based on disparate criteria rather than a common standard. By publishing the Guides after the Enterprises have issued their Plans, FHFA may hinder the Enterprises' ability to formulate and implement compliant Plans. As the Proposed Rule specifies that FHFA intends to establish specific evaluation criteria in Guides that are not subject to statutory notice and comment requirements, OIG has concerns that this proposed course of action will not satisfy the Act's mandate that the Agency establish by regulation its manner for evaluating the Enterprises' compliance with their duty to serve.

The Proposed Rule also provides that the Agency will use its Guide to award up to 100 "scoring points" to each Enterprise for each of three underserved markets.[16] The proposed regulation provides that the scoring points will be awarded "based on FHFA's assessment of how well the Enterprise performed [its Underserved Markets Plan's] activity and associated objectives during the evaluation year[.]"[17] However, the Proposed Rule does not explain the specific manner in which the Agency will assess performance or award points. For example, the Proposed Rule provides that FHFA intends to create four overall ratings by which it might label each Enterprise's compliance in a given year—"Exceeds," "High

Satisfactory," "Low Satisfactory," and "Fails"—but provides no guidance regarding the actual scores that must be earned in order to receive a particular rating.[18] OIG has concerns that this lack of clarity regarding the manner in which FHFA will evaluate the Enterprises' compliance creates an ambiguity that could lead to Administrative Procedures Act challenges to any future compliance findings.[19]

In sum, the Proposed Rule reserves to FHFA the ability to rate the Enterprises based upon points for which no scoring rules are provided using a currently nonexistent evaluation Guide, which FHFA will create outside of the Proposed Rule based largely on each Enterprise's Plan.

Public and Private Partnerships, Outreach, and Communications

The Enterprises and the FHLBanks play a critical role in the U.S. housing finance system, and the recent financial crisis has shown that financial distress at the Enterprises and deteriorating conditions in U.S. housing and financial markets threaten the U.S. economy. American taxpayers put their money and confidence in the hands of regulators and lawmakers to restore stability to the economy and decisions were made to invest $187.5 billion in the Enterprises. The continuing significant role of the Enterprises and FHLBanks in housing finance demands constant supervision and monitoring. Fundamental to OIG's mission is independent and transparent oversight of Agency programs and operations, and of the Enterprises to the extent FHFA, as conservator, has delegated responsibilities to them.

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 prevent fraud, encourage transparency, and ensure accountability, responsibility, and ethical leadership.

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 and briefings to congressional committees and offices. We also endeavor to inform Congress through responses to numerous technical assistance and information requests, as well as replies to formal written inquiries from members of Congress on various topics.

Hotline

During this reporting period, the OIG hotline continued to serve as a vehicle through which Agency, Enterprise, and FHLBank employees and members of the public can report suspected fraud, waste, abuse, mismanagement, or misconduct in Agency programs and operations. The individuals reporting can choose to remain anonymous or disclose their identity. OIG actively promotes its hotline in multiple ways, including its website, posters, and public reports. During this reporting period, the hotline received 1,125 contacts, which included: reports of alleged misconduct that were referred to OI for potential investigation, reports of matters related to other agencies, requests for assistance on housing-related issues, and complaints related to the Enterprises, FHLBanks, member banks, and related entities and individuals.

Close Coordination with Other Oversight Organizations

OIG shares oversight of federal housing program administration with other federal agencies,

including HUD, the Department of Veterans Affairs, the Department of Agriculture, and Treasury's Office of Financial Stability (which manages the Troubled Asset Relief Program); their IGs; and other law enforcement organizations. To further the oversight mission, we coordinate with these entities to exchange best practices, case information, and professional expertise. During the reporting period, OIG made numerous presentations to state and local law enforcement agencies, prosecutors, mortgage fraud working groups across the country, and individual federal agencies responsible for investigating mortgage fraud, such as HUD-OIG, the FBI, U.S. Postal Inspection Service, IRS-CI, and DOJ.

We maintained active participation in coordinated oversight activities during this reporting period:

- ***RMBS Working Group.*** OIG continued its significant role in the RMBS Working Group. (See discussion at "Investigations: Civil Cases," pages 33-34.)
- ***FBI Cybercrimes Task Force.*** The FBI's Washington, DC, field office spearheads a cybercrimes task force, and OIG has assigned two special agents to it. This multi-agency task force focuses on investigating cybercrimes. OIG made this assignment to help combat such crimes and to work in partnership with multiple federal agencies. This concerted effort will help prosecute cybercriminals and stop cyber attacks made against institutions maintaining personally identifiable information, trade secrets, and financial data.
- ***CIGIE.*** OIG actively participates in several CIGIE committees and working groups.
    - The Inspection and Evaluation Committee provides leadership for the CIGIE inspection and evaluation community's effort to improve agency program effectiveness by maintaining professional standards, developing protocols, promoting the use of advanced techniques, and fostering awareness of best practices. During this semiannual period, the committee continued its work on a peer review program for inspection and evaluation units in the IG community. The peer review is designed to assess organizations' work under CIGIE's Blue Book (January 2012) and to promote credibility of such work by validating the organizations' work processes and evaluating their objectivity, independence, and rigorous adherence to applicable standards. The Committee's training team, of which OIG is an active member, also planned and sponsored training and development sessions and learning forums for inspection and evaluation staff from across the IG community, including a weeklong course teaching the fundamentals of conducting and writing inspections and evaluations.
    - The Investigation Committee advises the IG community on issues involving criminal investigations, criminal investigations personnel, and establishing criminal investigative guidelines. During this semiannual period, the Investigations Committee, in conjunction with the Legislation Committee, drafted a report on the history, requirements, and necessity of law enforcement authority in the IG community. Additionally, the committee hosted a meeting for all federal IGs at the Federal Law Enforcement Training Center to discuss the future agent and training agent leaders. A committee working group, chaired by OIG, continued work on a project to review and make recommendations regarding the quality standards for investigations and the investigations peer review process. Finally, OIG chairs the Investigations Subcommittee (hosted

under CIGIE's Information Technology Committee) that focuses on digital forensics and computer crime investigations.

- ***Council of Inspectors General on Financial Oversight (CIGFO).*** CIGFO was created by the **Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010** to oversee FSOC, which is charged with strengthening the nation's financial system. OIG is a permanent member of CIGFO, along with the IGs of Treasury, the FDIC, the SEC, and others. By statute, CIGFO audits FSOC each year. OIG participates in a CIGFO working group that conducts those annual audits. This year CIGFO is coordinating a review of FSOC's efforts to promote market discipline. Specifically, the working group will assess FSOC's efforts to eliminate expectations by shareholders, creditors, and counterparties of large bank holding companies or nonbank financial companies that the government will shield them from losses in the event of failure.

Private-Public Partnerships

Housing finance professionals are on the frontlines and often have a real-time understanding of emerging threats and misconduct. We speak regularly with officials at the FHLBanks and the Enterprises to benefit from their insights and make presentations to industry groups. Recent presentations include Appraisal Expo attendees, International Association of Financial Crimes Investigators, the Mortgage Bankers Association, financial institution investigators, and Fidelity National Title Group, focusing on fraud trends and emerging schemes in the mortgage industry.

Appendix A: Glossary and Acronyms

Glossary of Terms

Bankruptcy: A legal procedure for resolving debt problems of individuals and businesses; specifically, a case filed under one of the chapters of Title 11 of the U.S. Code.

Bonds: Obligations by a borrower to eventually repay money obtained from a lender. The buyer of the bond (or "bondholder") is entitled to receive payments from the borrower.

Conservatorship: Conservatorship is a legal procedure for the management of financial institutions for an interim period during which the institution's conservator assumes responsibility for operating the institution and conserving its assets. Under the Housing and Economic Recovery Act of 2008, the Enterprises entered into conservatorships overseen by FHFA. As conservator, FHFA has undertaken to preserve and conserve the assets of the Enterprises and restore them to safety and soundness. FHFA also has assumed the powers of the boards of directors, officers, and shareholders; however, the day-to-day operational decision making of each company is delegated by FHFA to the Enterprises' existing management.

Default: Occurs when a mortgagor misses one or more payments.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010: Legislation that intends to promote the financial stability of the United States by improving accountability and transparency in the financial system, ending "too big to fail," protecting the American taxpayer by ending bailouts, and protecting consumers from abusive financial services practices.

Emergency Economic Stabilization Act of 2008: Legislation that authorizes Treasury to undertake specific measures to provide stability and prevent disruption in the financial system and the economy. It also provides funds to preserve homeownership.

Fannie Mae: A federally chartered corporation that purchases residential mortgages and pools them into securities that are sold to investors. By purchasing mortgages, Fannie Mae supplies funds to lenders so they may make loans to home buyers.

Federal Home Loan Bank System: The FHLBanks are 11 regional cooperative banks that U.S. lending institutions use to finance housing and economic development in their communities. Created by Congress, the FHLBanks have been the largest source of funding for community lending for eight decades. The FHLBanks provide loans (or "advances") to their member banks but do not lend directly to individual borrowers.

Foreclosure: A legal process used by a lender to obtain possession of a mortgaged property in order to repay part or all of the debt.

Freddie Mac: A federally chartered corporation that purchases residential mortgages, pools them into securities, and sells them to investors. By purchasing mortgages, Freddie Mac supplies funds to lenders so they may make loans to home buyers.

Ginnie Mae: A government-owned corporation within HUD. Ginnie Mae guarantees investors the

timely payment of principal and interest on privately issued mortgage-backed securities backed by pools of government-insured and -guaranteed mortgages.

Government-Sponsored Enterprises: Business organizations chartered and sponsored by the federal government.

Guarantee: A pledge to investors that the guarantor will bear the default risk on a pool of loans or other collateral.

Housing and Economic Recovery Act of 2008: Legislation that establishes OIG and FHFA, which oversee the GSEs' operations. HERA also expanded Treasury's authority to provide financial support to the GSEs.

Inspector General Act of 1978: Legislation that authorizes establishment of offices of inspectors general, "independent and objective units" within federal agencies, that: (1) conduct and supervise audits and investigations relating to the programs and operations of their agencies; (2) provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of agency programs and to prevent and detect fraud, waste, or abuse in such programs and operations; and (3) provide a means for keeping the head of the agency and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.

Inspector General Reform Act of 2008: Legislation that amends the Inspector General Act to enhance the independence of inspectors general and to create the Council of the Inspectors General on Integrity and Efficiency.

Internal Controls: Internal controls are an integral component of an organization's management that provide reasonable assurance that the following objectives are achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reports, and (3) compliance with applicable laws and regulations. Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives and include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Mortgage-Backed Securities: Debt securities that represent interests in the cash flows—anticipated principal and interest payments—from pools of mortgage loans, most commonly on residential property.

OIG Fiscal Year 2016: OIG's FY16 covers October 1, 2015, through September 30, 2016.

Real Estate Owned: Foreclosed homes owned by government agencies or financial institutions, such as the Enterprises or real estate investors. REO homes represent collateral seized to satisfy unpaid mortgage loans. The investor or its representative then must sell the property on its own.

Securitization: A process whereby a financial institution assembles pools of income-producing assets (such as loans) and then sells securities representing an interest in the assets' cash flows to investors.

Senior Preferred Stock Purchase Agreements: Entered into at the time the conservatorships were created, the PSPAs authorize the Enterprises to

request and obtain funds from Treasury, among other matters. Under the PSPAs, the Enterprises agreed to consult with Treasury concerning a variety of significant business activities, capital stock issuance, dividend payments, ending the conservatorships, transferring assets, and awarding executive compensation.

Servicers: Servicers act as intermediaries between mortgage borrowers and owners of the loans, such as the Enterprises or mortgage-backed securities investors. They collect the homeowners' mortgage payments, remit them to the owners of the loans, maintain appropriate records, and address delinquencies or defaults on behalf of the owners of the loans. For their services, they typically receive a percentage of the unpaid principal balance of the mortgage loans they service. The recent financial crisis has put more emphasis on servicers' handling of defaults, modifications, short sales, and foreclosures, in addition to their more traditional duty of collecting and distributing monthly mortgage payments.

Short Sale: The sale of a mortgaged property for less than what is owed on the mortgage.

Straw Buyer: A straw buyer is a person whose credit profile is used to serve as a cover in a loan transaction. Straw buyers are chosen for their ability to qualify for a mortgage loan, causing loans that would ordinarily be declined to be approved. Straw buyers may be paid a fee for their involvement in purchasing a property and usually never intend to own or occupy the property.

Underwater: Term used to describe situations in which the homeowner's equity is below zero (i.e., the home is worth less than the balance of the loan(s) it secures).

Underwriting: The process of analyzing a loan application to determine the amount of risk involved in making the loan; it includes a review of the potential borrower's credit worthiness and an assessment of the property value.

Upfront Fees: One-time payments made by lenders when a loan is acquired by an Enterprise. Fannie Mae refers to upfront fees as "loan level pricing adjustments" and Freddie Mac refers to them as "delivery fees."

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Acronyms and Abbreviations

Agency	Federal Housing Finance Agency
Blue Book	*Quality Standards for Inspection and Evaluation*
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CSP	Common Securitization Platform
DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
DHMG	Division of Housing Mission and Goals
DOJ	Department of Justice
ECB	Executive Compensation Branch
Enterprises	Fannie Mae and Freddie Mac
EO	Executive Office
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency
FHLBanks	Federal Home Loan Banks
FISMA	Federal Information Security Management Act of 2002
FSOC	Financial Stability Oversight Council
FY16	Fiscal Year 2016
GAO	Government Accountability Office
GSEs	Government-Sponsored Enterprises
HERA	Housing and Economic Recovery Act of 2008
HUD-OIG	Department of Housing and Urban Development Office of Inspector General
IC	Investigative Counsel
IG	Inspector General
IPIA	Improper Payments Information Act of 2002
IRS-CI	IRS-Criminal Investigation
IT	Information Technology
MLS	Multiple Listing Service
MRA	Matter Requiring Attention
NIST Framework	National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity
OA	Office of Audits
OAd	Office of Administration
OC	Office of Chief Counsel
OCC	Office of the Comptroller of the Currency
OCo	Office of Compliance and Special Projects
OE	Office of Evaluations
OFHEO	Office of Federal Housing Enterprise Oversight
OI	Office of Investigations
OIG	Federal Housing Finance Agency Office of Inspector General
PSB	Plains State Bank

PSPAs	Senior Preferred Stock Purchase Agreements
REO	Real Estate Owned
RMBS	Residential Mortgage-Backed Securities
ROE	Report of Examination
RTS	Recommendation Tracking System
SA	Special Agent
SAI	Servicing Alignment Initiative
SAUSA	Special Assistant U.S. Attorney
SEC	Securities and Exchange Commission
SIGTARP	Office of the Special Inspector General for the Troubled Asset Relief Program
SIR	Systemic Implication Report
Treasury	Department of the Treasury
Yellow Book	*Government Auditing Standards*

Appendix B: OIG Recommendations

In accordance with the provisions of the Inspector General Act, one of the key duties of OIG is to provide to FHFA recommendations that promote the transparency, efficiency, and effectiveness of the Agency's operations and aid in the prevention and detection of fraud, waste, or abuse. Figure 9 (see page 59) summarizes OIG's formal public recommendations that were made, pending, or closed during the reporting period. A report with any public recommendations still pending will remain in Figure 9 until all recommendations have been closed. Figure 10 (see page 77) lists OIG's audit and evaluation reports for which all of the public recommendations contained within have been closed.

Figure 9. Summary of OIG Public Recommendations

No.	Recommendation	Report	Status
AUD-2016-002-1	FHFA should establish standards requiring that modifications or suspensions of Scorecard targets must be documented in writing.	*Review of FHFA's Tracking and Rating of the 2013 Scorecard Objective for the New Representation and Warranty Framework Reveals Opportunities to Strengthen the Process*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2016-002-2	FHFA should require that FHFA comments and ratings on quarterly rating sheets be dated.	*Review of FHFA's Tracking and Rating of the 2013 Scorecard Objective for the New Representation and Warranty Framework Reveals Opportunities to Strengthen the Process*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2016-002-3	FHFA should establish standards to address missed or partially missed quarterly targets, including requiring that every quarterly rating sheet record when any target was missed and the reset target date.	*Review of FHFA's Tracking and Rating of the 2013 Scorecard Objective for the New Representation and Warranty Framework Reveals Opportunities to Strengthen the Process*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2016-001-1	FHFA should update its Information Technology Risk Management Program Module to direct examiners to assess the design of the Banks' vulnerability scans and penetration tests when assessing the operational effectiveness of such controls.	*FHFA Should Improve its Examinations of the Effectiveness of the Federal Home Loan Banks' Cyber Risk Management Programs by Including an Assessment of the Design of Critical Internal Controls*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
AUD-2016-001-2	FHFA should require examiners to document their assessment of the design of the Banks' vulnerability scans and penetration tests as part of their assessment of the operational effectiveness of such controls.	*FHFA Should Improve its Examinations of the Effectiveness of the Federal Home Loan Banks' Cyber Risk Management Programs by Including an Assessment of the Design of Critical Internal Controls*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2014-016-1	FHFA should assess the current state of the Enterprises' critical risk assessment tools, representations and warranties tracking systems, and any other systems, processes, or infrastructure to determine whether the Enterprises are in a position to minimize financial risk that may result from the new framework. The results of this assessment should document any areas of identified risk, planned actions, and corresponding timelines to mitigate each area of identified risk. Further, this assessment should provide an estimate of when each Enterprise will be reasonably equipped to work safely and soundly within the new framework.	*FHFA's Representation and Warranty Framework*	Recommendation partially agreed to by FHFA; however, OIG found FHFA's planned actions "potentially responsive." Recommendation remains open and will continue to be monitored.
AUD-2014-016-2	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.	*FHFA's Representation and Warranty Framework*	Closed—Recommendation rejected.

No.	Recommendation	Report	Status
AUD-2014-015-1	FHFA should communicate a written supervisory expectation to Fannie Mae requiring that its business units perform a review of non-delegated short sale transactions to identify any transactions where the servicer submitted net proceeds that were less than the sale amount approved by Fannie Mae and draft a remediation plan, as appropriate.	*FHFA Oversight of Fannie Mae's Collection of Funds from Servicers that Closed Short Sales Below the Authorized Prices*	Closed—Final action taken by FHFA.
AUD-2014-015-2	FHFA should communicate a written supervisory expectation to Fannie Mae requiring its internal audit group to review Fannie Mae's plan to collect funds for delegated and non-delegated short sale transactions where the net proceeds received were less than the amounts authorized by Fannie Mae.	*FHFA Oversight of Fannie Mae's Collection of Funds from Servicers that Closed Short Sales Below the Authorized Prices*	Closed—Final action taken by FHFA.
AUD-2014-015-3	FHFA should analyze Fannie Mae's actions and remediation plans in response to recommendations 1 and 2 to determine whether Fannie Mae has taken necessary steps to ensure that servicers are held accountable for servicing violations and credit losses are minimized. FHFA should also require modification by Fannie Mae of its remediation plans, as appropriate.	*FHFA Oversight of Fannie Mae's Collection of Funds from Servicers that Closed Short Sales Below the Authorized Prices*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2014-008-1	FHFA should perform supervisory review and follow-up to ensure that Fannie Mae takes action to change the portal message type from automatic override to manual override or fatal for the 25 proprietary messages related to underwriting requirements, which will require lenders to take action to address the appraisal-related messages warning of potential underwriting violations prior to delivering the loans.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.[b]

[b]FHFA indicated that it had substantially complied with the recommendation by changing most of the portal messages, and indicated reasons for not changing the remaining proprietary messages related to underwriting requirements. OIG considered the actions taken and the Agency's explanation, and determined to close the recommendation as final action taken.

No.	Recommendation	Report	Status
AUD-2014-008-2	FHFA should perform supervisory review and follow-up to ensure that Freddie Mac takes action to develop and implement additional proprietary messages related to its property underwriting requirements.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2014-008-3	FHFA should perform supervisory review and follow-up to ensure that Freddie Mac takes action to establish the additional proprietary messages related to property underwriting requirements as manual override or fatal, which will require the lenders to take action to address the messages prior to delivering the loans.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.[c]
AUD-2014-008-4	FHFA should perform supervisory review and follow-up to ensure that Freddie Mac takes action to review the type of message related to the existing nine proprietary messages for consideration of converting the type of message from automatic override to manual override or fatal, which will require the lenders to take action to address the messages prior to delivering the loans.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2014-008-5	FHFA should perform supervisory review of both Enterprises to ensure the portal warning messages distinguish between inactive appraisers and unverified appraisers, as of the date the appraisal is performed.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2014-008-6	FHFA should perform supervisory review of both Enterprises to ensure that the portal tests whether appraisers are licensed and active at the time the appraisal is performed.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Recommendation agreed to by FHFA; implementation of recommendation pending.

[c]FHFA indicated that it substantially implemented the recommendation and provided additional explanation for maintaining specific messages as automatic override. OIG considered the actions taken and the updated information provided by the Agency, and determined to close the recommendation as final action taken.

No.	Recommendation	Report	Status
AUD-2014-008-7	FHFA should perform supervisory review of both Enterprises to change the message type, for messages relating to appraiser license status, from automatic override to manual override or fatal, which will require lenders to take action to address the message prior to delivering the loan. This action can be taken once the system logic is fixed and the historical records are available to determine the status of an appraiser's license at the time the appraisal work is performed, and the states are updating in real time.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2014-008-8	FHFA should perform supervisory review of both Enterprises to seek remedy for the 23 loans, valued at $3.4 million, delivered to the Enterprises by the two suspended appraisers in violation of underwriting requirements.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2014-008-9	FHFA should perform supervisory review and follow-up to ensure that Freddie Mac takes action to implement an internal control policy and related procedures to follow up on appraisal license status messages generated by the portal.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2014-008-10	FHFA should perform supervisory review and follow-up to ensure that Freddie Mac takes action to review loans purchased since the portal's inception that generated messages related to the appraiser's license status.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2014-008-11	FHFA should perform supervisory review and follow-up to ensure that Freddie Mac takes action to use the results of the review to repurchase the loans that contained appraisals that were performed by unlicensed appraisers, as appropriate.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.

No.	Recommendation	Report	Status
AUD-2014-008-12	FHFA should pursue retention of historical records of the status of appraisers' licenses in the National Registry of Appraisers sufficient to determine the status of appraisers' licenses at the time the appraisal work is performed.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2014-008-13	FHFA should pursue having the National Registry of Appraisers updated to reflect the status of state-certified and -licensed appraisers on a real-time basis.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2014-008-14	FHFA should perform supervisory review and follow-up to ensure that the Enterprises develop and implement the portal as intended by FHFA's uniform mortgage data program directive.	*FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages*	Closed—Final action taken by FHFA.
AUD-2012-003-1	FHFA's Division of Housing Mission and Goals (DHMG) should formally establish a policy for its review process of underwriting standards and variance including escalation of unresolved issues reflecting potential lack of agreement.	*FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards*	Based on COM-2016-001, this recommendation was reopened. Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2012-003-2	FHFA's Division of Examination Program and Support should enhance existing examination guidance for assessing adherence to underwriting standards and variances from them.	*FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards*	Closed—Final action taken by FHFA.
EVL-2016-006-1	FHFA should direct the Fannie Mae Board to enhance Fannie Mae's existing cyber risk management policies to: a. Require a baseline Enterprise-wide cyber risk assessment with subsequent periodic updates; b. Describe information to be reported to the Board and committees; c. Include a cyber risk framework and cyber risk appetite.	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2016-006-2	FHFA should instruct the Fannie Board to establish and communicate a desired target state of cyber risk management for Fannie Mae that identifies and prioritizes which risks to avoid, accept, mitigate, or transfer through insurance.	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-006-3	FHFA should direct the Fannie Mae Board to oversee the management's efforts to leverage industry standards to: a. Protect against and detect existing threats; b. Remain informed on emerging risks; c. Enable timely response and recovery in the event of a breach; and d. Achieve the desired target state of cyber risk management identified in recommendation 2 above within a time period agreed upon by the Board.	*Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-005-1	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.	*FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-005-2	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.	*FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate*	Recommendation partially agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2016-005-3	FHFA should revise its supervision guidance to require DER to identify all open MRAs in the annual, written ROE and the expected timetable to complete outstanding remediation activities.	*FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-005-4	FHFA should include in the year's ROE, to be issued to each Enterprise for 2015 supervisory activities, all open MRAs and the expected timetable to complete outstanding remediation activities for each open MRA.	*FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-004-1	FHFA should review FHFA's existing requirements, guidance, and processes regarding MRAs against the requirements, guidance, and processes adopted by the OCC, Federal Reserve, 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.	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies*	Recommendation not accepted by FHFA.
EVL-2016-004-2	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.	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies*	Recommendation not accepted by FHFA.

No.	Recommendation	Report	Status
EVL-2016-004-3	Because DER and DBR examiners are bound to follow FHFA's requirements and guidance, FHFA should compare the processes followed by DBR for the form, content, and issuance of an MRA, standards for a proposed remediation plan, approval authority for a proposed remediation plan, and real-time assessments at regular intervals of the effectiveness and timeliness of MRA remediation efforts to the processes followed by DER.	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-004-4	Based on the results of the review in recommendation 3, FHFA should assess whether guidance issued and processes followed by either DER or DBR should be enhanced, and make such enhancements.	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-004-5	FHFA should provide mandatory training for all FHFA examiners on FHFA requirements, guidance, and processes and DER and DBR guidance for MRA issuance, review and approval of proposed remediation plans, and oversight of MRA remediation.	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-004-6	FHFA should evaluate the results of quality control reviews conducted by DER and DBR to identify and address gaps and weaknesses involving MRA issuance, review and approval of proposed remediation plans, and oversight of MRA remediation.	*FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-003-1	FHFA should comply with FSOC recommendations to take formal and timely action to compare existing regulatory guidance to appropriate elements of the NIST Framework and identify the gaps between existing regulatory guidance and appropriate elements of the NIST Framework.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2016-003-2	FHFA should comply with FSOC recommendations to determine the priority in which to address the gaps.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-003-3	FHFA should comply with FSOC recommendations to address the gaps, as prioritized, to reflect and incorporate appropriate elements of the NIST Framework.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-003-4	FHFA should comply with FSOC recommendations to revise existing regulatory guidance to reflect and incorporate appropriate elements of the NIST Framework in a manner that achieves consistency with other federal financial regulators.	*FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-001-1	FHFA should implement detailed risk assessment guidance that provides minimum requirements for risk assessments that facilitate comparable analyses for each Enterprise's risk positions, including common criteria for determining whether risk levels are high, medium, or low, year over year.	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-001-2	FHFA should implement detailed risk assessment guidance that provides standard requirements for format and the documentation necessary to support conclusions in order to facilitate comparisons between Enterprises and reduce variability among DER's risk assessments for each Enterprise and between the Enterprises.	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2016-001-3	FHFA should direct DER to train its examiners-in-charge and exam managers in the preparation of semi-annual risk assessments, using enhanced risk assessment guidance consistent with recommendations EVL-2016-001-1 and EVL-2016-001-2.	*Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-007-1	FHFA should ensure that DER's recently adopted procedures for quality control reviews meet the requirements of Supervision Directive 2013-01 and require DER to document in detail the results and findings of each quality control review in examination workpapers, including any shortcomings found during the quality control review.	*Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-007-2	FHFA should evaluate the effectiveness of the new quality control procedures, as implemented, one year after adoption.	*Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-006-1	FHFA should direct each Enterprise to submit its proposed operating budget and supporting materials for the next fiscal year so that FHFA has sufficient time before the fiscal year begins to adequately analyze the proposals.	*FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2015-006-2	FHFA should revise the existing budget review process and staff the review process with employees who have the qualifications and experience needed for critical financial assessments of the proposed Enterprise budgets to permit FHFA to determine whether each Enterprise's budget aligns with FHFA's strategic direction and its safety and soundness priorities.	*FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-006-3	FHFA should set a date certain during the first quarter of 2016 by which FHFA will take final action on each proposed annual operating budget for 2016 and approve the budget by that date.	*FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-006-4	FHFA should set a date certain, prior to January 31 of each subsequent fiscal year, by which FHFA will take final action on each proposed annual operating budget and approve the budget by that date.	*FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose*	Recommendation generally agreed to by FHFA; implementation of recommendation pending.
EVL-2015-004-1	FHFA should implement a sufficiently robust internal communications process to ensure that the FHFA Director is informed of significant issues and concerns by FHFA staff on all conservatorship and supervisory matters that require the Director's decision.	*FHFA's Oversight of Governance Risks Associated with Fannie Mae's Selection and Appointment of a New Chief Audit Executive*	Closed—Final action taken by FHFA.

No.	Recommendation	Report	Status
EVL-2015-004-2	Given the importance of the Audit Committee's oversight over Fannie Mae's financial reporting and risk management and the breadth of its responsibilities, FHFA should require the Fannie Mae Audit Committee to hold meetings relating to its oversight responsibilities and to fully document, in meeting minutes, its discussions, deliberations, and actions at each meeting to ensure an effective flow of information among directors, senior management, and risk managers and to satisfy FHFA of the adequacy of the Committee's risk oversight function.	*FHFA's Oversight of Governance Risks Associated with Fannie Mae's Selection and Appointment of a New Chief Audit Executive*	Closed—Final action taken by FHFA.
EVL-2015-004-3	FHFA should conduct a comprehensive evaluation of the Audit Committee's effectiveness, which should include: whether all members of the Committee are independent from management; whether the Committee's responsibilities are clearly articulated; whether each Committee member understands what is expected of him/her under the Committee's Charter and regulatory requirements; whether the Committee's interactions with Fannie Mae's financial executives, Internal Audit, and the external audit firm are robust and occur regularly; whether the Committee raises critical questions with management and the Chief Audit Executive, including questions that indicate the Committee's understanding of key accounting policies and judgments and that challenge management's judgments and conclusions; whether the Committee has been responsive to issues raised by the external auditor; and whether the Committee periodically assesses the list of top risks and determines responsibility for management of each risk.	*FHFA's Oversight of Governance Risks Associated with Fannie Mae's Selection and Appointment of a New Chief Audit Executive*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2015-004-4	FHFA should direct the Audit Committee to align its meetings to address priority issues and risks so that standard reports and informational materials are provided to the Committee in advance of the meetings and may not need to be included on the meeting agenda for discussion and so that the Committee has sufficient time at each meeting to enable it to focus on the most critical issues and risks.	*FHFA's Oversight of Governance Risks Associated with Fannie Mae's Selection and Appointment of a New Chief Audit Executive*	Closed—Final action taken by FHFA.
EVL-2015-004-5	FHFA should assess the adequacy of the criteria and processes used by the Enterprise's Board of Directors to populate each committee of the Board and to rotate committee membership to ensure that the members of each committee have the commitment to be effective.	*FHFA's Oversight of Governance Risks Associated with Fannie Mae's Selection and Appointment of a New Chief Audit Executive*	Closed—Final action taken by FHFA.
EVL-2015-003-1	FHFA should test the new human resource system to ensure that it will provide data sufficient to enable the Agency to perform comprehensive analyses of workforce issues.	*Women and Minorities in FHFA's Workforce*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-003-2	FHFA should regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.	*Women and Minorities in FHFA's Workforce*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2015-003-3	FHFA should adopt a diversity and inclusion strategic plan.	*Women and Minorities in FHFA's Workforce*	Closed—Final action taken by FHFA.
EVL-2015-003-4	FHFA should research opportunities to partner with inner-city and other high schools, where feasible, to ensure compliance with HERA.	*Women and Minorities in FHFA's Workforce*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2014-008-1	To strengthen its management of the CSP, FHFA should establish schedules and time frames for completing key components of the project, as well as an overall completion date as appropriate.	*Status of the Development of the Common Securitization Platform*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2014-008-2	To strengthen its management of the CSP, FHFA should establish cost estimates for varying stages of the initiative, as well as an overall cost estimate.	*Status of the Development of the Common Securitization Platform*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2014-003-1	FHFA's Deputy Director of DHMG should establish an ongoing process to evaluate servicers' Servicing Alignment Initiative (SAI) compliance and the effectiveness of the Enterprises' remediation efforts.	*FHFA's Oversight of the Servicing Alignment Initiative*	Recommendation partially agreed to by FHFA; recommendation remains open and will continue to be monitored.
EVL-2014-003-2	FHFA's Deputy Director of DHMG should direct the Enterprises to provide routinely their internal reports and reviews for DHMG's assessment.	*FHFA's Oversight of the Servicing Alignment Initiative*	Recommendation partially agreed to by FHFA; recommendation remains open and will continue to be monitored.
EVL-2014-003-3	FHFA's Deputy Director of DHMG should regularly review SAI-related guidelines for enhancements or revisions, as necessary, based on servicers' actual versus expected performance.	*FHFA's Oversight of the Servicing Alignment Initiative*	Recommendation partially agreed to by FHFA; recommendation remains open and will continue to be monitored.
EVL-2014-002-1	FHFA should review its implementation of the 2013 Enterprise examination plans and document the extent to which resource limitations, among other things, may have impeded their timely and thorough execution.	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises*	Recommendation agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2014-002-2	FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2014-002-3	FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.	*Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2013-012-1	FHFA should ensure Fannie Mae takes the actions necessary to reduce servicer reimbursement processing errors. These actions should include utilizing its process accuracy data in a more effective manner and implementing a red flag system.	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses*	Closed—Final action taken by FHFA.
EVL-2013-012-2	FHFA should require Fannie Mae to: • quantify and aggregate its overpayments to servicers regularly; • implement a plan to reduce these overpayments by (1) identifying their root causes, (2) creating reduction targets, and (3) holding managers accountable; and • report its findings and progress to FHFA periodically.	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2013-012-3	FHFA should publish Fannie Mae's reduction targets and overpayment findings.	*Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses*	Closed—Recommendation rejected.

No.	Recommendation	Report	Status
EVL-2012-005-1	FHFA should continue its ongoing horizontal review of unsecured credit practices at the FHLBanks by: • following up on any potential evidence of violations of the existing regulatory limits and taking supervisory and enforcement actions as warranted; and • determining the extent to which inadequate systems and controls may compromise the FHLBanks' capacity to comply with regulatory limits and taking any supervisory actions necessary to correct such deficiencies as warranted.	*FHFA's Oversight of the Federal Home Loan Banks' Unsecured Credit Risk Management Practices*	Closed—Final action taken by FHFA.
EVL-2012-005-2	To strengthen the regulatory framework around the extension of unsecured credit by the FHLBanks, as a component of future rulemakings, FHFA should consider the utility of: • establishing maximum overall exposure limits; • lowering the existing individual counterparty limits; and • ensuring that the unsecured exposure limits are consistent with the FHLBank System's housing mission.	*FHFA's Oversight of the Federal Home Loan Banks' Unsecured Credit Risk Management Practices*	Recommendation agreed to by FHFA; implementation of recommendation pending.
COM-2016-002-1	FHFA should develop a strategy to enhance the Executive Compensation Branch's (ECB) 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 ECB; • ECB tests and verifies the information in the Enterprises' proposals, perhaps on a randomized basis; and • ECB follows up with the Enterprises to resolve any proposals that do not appear to be reasonable and justified.	*Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance*	Recommendation not accepted by FHFA.

No.	Recommendation	Report	Status
COM-2016-002-2	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.	*Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance*	Recommendation not accepted by FHFA.
COM-2015-001-1	FHFA should determine the causes of the shortfalls in the Housing Finance Examiner Commission Program that we have identified, and implement a strategy to ensure the program fulfills its central objective of producing commissioned examiners who are qualified to lead major risk sections of GSE examinations.	*OIG's Compliance Review of FHFA's Implementation of Its Housing Finance Examiner Commission Program*	Recommendation agreed to by FHFA; implementation of recommendation pending.

Figure 10. Summary of OIG Reports Where All Public Recommendations Are Closed

Report	No. of Recommendations
FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines (AUD-2014-018)	1
FHFA Oversight of Freddie Mac's Information Technology Investments (AUD-2014-017)	3
FHFA Actions to Manage Enterprise Risks from Nonbank Servicers Specializing in Troubled Mortgages (AUD-2014-014)	2
CohnReznick LLP's Independent Audit of FHFA's Oversight of Enterprise Monitoring of the Financial Condition of Mortgage Insurers (AUD-2014-013)	3
FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections (AUD-2014-012)	2
FHFA's Use of Government Travel Cards (AUD-2014-010)	4
FHFA Oversight of Enterprise Handling of Aged Repurchase Demands (AUD-2014-009)	3
FHFA's Use of Government Purchase Cards (AUD-2014-006)	4
FHFA Oversight of Fannie Mae's Reimbursement Process for Pre-Foreclosure Property Inspections (AUD-2014-005)	4
FHFA Oversight of Fannie Mae's Remediation Plan to Refund Contributions to Borrowers for the Short Sale of Properties (AUD-2014-004)	3
Fannie Mae's Controls Over Short Sale Eligibility Determinations Should be Strengthened (AUD-2014-003)	6
FHFA Can Strengthen Controls over Its Office of Quality Assurance (AUD-2013-013)	7
Additional FHFA Oversight Can Improve the Real Estate Owned Pilot Program (AUD-2013-012)	3
FHFA Can Improve Its Oversight of Fannie Mae's Recoveries from Borrowers Who Possess the Ability to Repay Deficiencies (AUD-2013-011)	1
FHFA Can Improve Its Oversight of Freddie Mac's Recoveries from Borrowers Who Possess the Ability to Repay Deficiencies (AUD-2013-010)	4
Action Needed to Strengthen FHFA Oversight of Enterprise Information Security and Privacy Programs (AUD-2013-009)	5

Report	No. of Recommendations
FHFA Should Develop and Implement a Risk-Based Plan to Monitor the Enterprises' Oversight of Their Counterparties' Compliance with Contractual Requirements Including Consumer Protection Laws (AUD-2013-008)	1
Enhanced FHFA Oversight Is Needed to Improve Mortgage Servicer Compliance with Consumer Complaint Requirements (AUD-2013-007)	9
FHFA Can Enhance Its Oversight of FHLBank Advances to Insurance Companies by Improving Communication with State Insurance Regulators and Standard-Setting Groups (AUD-2013-006)	2
FHFA's Oversight of the Asset Quality of Multi-family Housing Loans Financed by Fannie Mae and Freddie Mac (AUD-2013-004)	2
FHFA's Oversight of Contract No. FHF-10-F-0007 with Advanced Technology Systems, Inc. (AUD-2013-002)	5
FHFA's Oversight of the Enterprises' Efforts to Recover Losses from Foreclosure Sales (AUD-2013-001)	3
FHFA's Conservator Approval Process for Fannie Mae and Freddie Mac Business Decisions (AUD-2012-008)	9
FHFA's Oversight of the Enterprises' Management of High-Risk Seller/Servicers (AUD-2012-007)	2
FHFA's Call Report System (AUD-2012-006)	3
FHFA's Supervisory Risk Assessment for Single-Family Real Estate Owned (AUD-2012-005)	1
FHFA's Supervisory Framework for Federal Home Loan Banks' Advances and Collateral Risk Management (AUD-2012-004)	7
FHFA's Supervision of Freddie Mac's Controls over Mortgage Servicing Contractors (AUD-2012-001)	5
FHFA's Oversight of Fannie Mae's Default-Related Legal Services (AUD-2011-004)	3
Clifton Gunderson LLP's Independent Audit of the Federal Housing Finance Agency's Privacy Program and Implementation - 2011 (AUD-2011-003)	9
Clifton Gunderson LLP's Independent Audit of the Federal Housing Finance Agency's Information Security Program - 2011 (AUD-2011-002)	5
Audit of the Federal Housing Finance Agency's Consumer Complaints Process (AUD-2011-001)	3
Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities (EVL-2015-001)	1

Report	No. of Recommendations
Freddie Mac Could Further Reduce Reimbursement Errors by Reviewing More Servicer Claims (EVL-2014-011)	2
FHFA's Oversight of the Enterprises' Lender-Placed Insurance Costs (EVL-2014-009)	1
Recent Trends in Federal Home Loan Bank Advances to JPMorgan Chase and Other Large Banks (EVL-2014-006)	1
FHFA's Reporting of Federal Home Loan Bank Director Expenses (EVL-2014-005)	2
FHFA's Oversight of Derivative Counterparty Risk (ESR-2014-001)	1
FHFA's Oversight of Fannie Mae's 2013 Settlement with Bank of America (EVL-2013-009)	1
FHFA's Oversight of the Federal Home Loan Banks' Compliance with Regulatory Limits on Extensions of Unsecured Credit (EVL-2013-008)	2
FHFA's Initiative to Reduce the Enterprises' Dominant Position in the Housing Finance System by Raising Gradually Their Guarantee Fees (EVL-2013-005)	2
FHFA's Oversight of the Federal Home Loan Banks' Affordable Housing Programs (EVL-2013-04)	3
Case Study: Freddie Mac's Unsecured Lending to Lehman Brothers Prior to Lehman Brothers' Bankruptcy (EVL-2013-03)	3
FHFA's Oversight of the Enterprises' Compensation of Their Executives and Senior Professionals (EVL-2013-001)	1
FHFA's Oversight of Freddie Mac's Investment in Inverse Floaters (EVL-2012-009)	4
Evaluation of FHFA's Oversight of Fannie Mae's Transfer of Mortgage Servicing Rights from Bank of America to High Touch Servicers (EVL-2012-008)	4
Follow-up on Freddie Mac's Loan Repurchase Process (EVL-2012-007)	1
FHFA's Certifications for the Preferred Stock Purchase Agreements (EVL-2012-006)	2
Fannie Mae's and Freddie Mac's Participation in the 2011 Mortgage Bankers Association Convention and Exposition (ESR-2012-004)	2
FHFA's Oversight of the Enterprises' Charitable Activities (ESR-2012-003)	2

Report	No. of Recommendations
Evaluation of FHFA's Management of Legal Fees for Indemnified Executives (EVL-2012-002)	2
FHFA's Oversight of Troubled Federal Home Loan Banks (EVL-2012-001)	3
Evaluation of the Federal Housing Finance Agency's Oversight of Freddie Mac's Repurchase Settlement with Bank of America (EVL-2011-006)	2
Evaluation of Whether FHFA Has Sufficient Capacity to Examine the GSEs (EVL-2011-005)	4
Evaluation of FHFA's Oversight of Fannie Mae's Management of Operational Risk (EVL-2011-004)	3
Evaluation of FHFA's Role in Negotiating Fannie Mae's and Freddie Mac's Responsibilities in Treasury's Making Home Affordable Program (EVL-2011-003)	1
Evaluation of Federal Housing Finance Agency's Oversight of Fannie Mae's and Freddie Mac's Executive Compensation Programs (EVL-2011-002)	8
Federal Housing Finance Agency's Exit Strategy and Planning Process for the Enterprises' Structural Reform (EVL-2011-001)	2

Appendix C: Information Required by the Inspector General Act and Subpoenas Issued

Section 5(a) of the Inspector General 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. Further, section 5(a) lists more than a dozen categories of information that we must include in our semiannual reports.

Below, OIG presents a table that directs the reader to the pages of this report where the information required by the Inspector General Act may be found.

The text that follows further addresses the status of OIG's compliance with sections 5(a)(6), (8), (9), (10), (11), (12), (13), (14), (15), and (16) of the Inspector General Act. Finally, OIG provides information concerning administrative subpoenas that it issued during the semiannual period.

Source/Requirement	Pages
Section 5(a)(1)- A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA.	19-31
Section 5(a)(2)- A description of the recommendations for corrective action made by OIG with respect to significant problems, abuses, or deficiencies.	19-31 59-76
Section 5(a)(3)- An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.	59-76
Section 5(a)(4)- A summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	32-44 88-115
Section 5(a)(5)- A summary of each report made to the Director of FHFA.	19-31
Section 5(a)(6)- A listing, subdivided according to subject matter, of each audit and evaluation report issued by OIG during the reporting period and for each report, where 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.	19-31 83
Section 5(a)(7)- A summary of each particularly significant report.	19-31
Section 5(a)(8)- Statistical tables showing the total number of audit and evaluation reports and the total dollar value of questioned and unsupported costs.	19-31 83
Section 5(a)(9)- Statistical tables showing the total number of audit and evaluation reports and the dollar value of recommendations that funds be put to better use by management.	19-31 83
Section 5(a)(10)- A summary of each audit and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.	83
Section 5(a)(11)- A description and explanation of the reasons for any significant revised management decision made during the reporting period.	83
Section 5(a)(12)- Information concerning any significant management decision with which the Inspector General is in disagreement.	83-84
Section 5(a)(13)- The information described under section [804](b) of the Federal Financial Management Improvement Act of 1996.	84
Section 5(a)(14)- 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.	84-85
Section 5(a)(15)- A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	84-85
Section 5(a)(16)- A list of any peer reviews of another IG during the reporting period.	84-85

Audit and Evaluation Reports with Recommendations of Questioned Costs, Unsupported Costs, and Funds to Be Put to Better Use by Management

Section 5(a)(6) of the Inspector General Act, as amended, requires that OIG list its reports during the semiannual period that include questioned costs, unsupported costs, and funds to be put to better use. Section 5(a)(8) and section 5(a)(9), respectively, require OIG to publish statistical tables showing the dollar value of questioned and unsupported costs, and of recommendations that funds be put to better use by management. The reports that OIG issued during the reporting period did not include recommendations with dollar values of questioned costs, unsupported costs, or funds to be put to better use by management.

Figure 11 (see below) discloses OIG's questioned and unsupported cost findings, and recommendations that funds be put to better use.

Audit and Evaluation Reports with No Management Decision

Section 5(a)(10) of the Inspector General Act, as amended, requires that OIG report on each audit and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. There were no audit or evaluation reports issued before October 1, 2015, that await a management decision.

Significantly Revised Management Decisions

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significant revised management decision made during the reporting period. During the six-month reporting period ended March 31, 2016, there were no significantly revised management decisions.

Significant Management Decision with Which the Inspector General Disagrees

Section 5(a)(12) of the Inspector General Act, as amended, requires that OIG report information concerning any significant management decision with which the Inspector General is in disagreement. During the six-month reporting period ended March 31, 2016, there are two management decisions with which the Inspector General disagreed.

OIG disagrees with FHFA's decision in response to the evaluation titled *FHFA's Examiners Did Not*

Figure 11. Funds to Be Put to Better Use by Management, Questioned Costs, and Unsupported Costs for the Period October 1, 2015, Through March 31, 2016

Report Issued	Recommendation No.	Date	Potential Monetary Benefits		
			Questioned Costs	Unsupported Costs	Funds Put to Better Use
			$-	$-	$-
Total			**$-**	**$-**	**$-**

Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies (EVL-2016-004). FHFA did not agree with OIG's recommendations to: (1) review existing requirements, guidance, and processes regarding MRAs against requirements, guidance, and processes adopted by the OCC, Federal Reserve, and other financial regulators; and (2) based on the results of the review in recommendation 1, assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.

OIG also disagrees with FHFA's decision in response to the compliance review titled *Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance* (COM-2016-002). FHFA did not agree with OIG's recommendations to: (1) develop a strategy to enhance ECB's capacity to review the reasonableness and justification of the Enterprises' annual proposals to compensate their executives based on Corporate Scorecard performance; and (2) develop a policy under which it is required to notify OIG within 10 days of its decision to not fully implement, substantially alter, or abandon a corrective action that served as the basis for OIG's decision to close a recommendation.

Federal Financial Management Improvement Act of 1996

Section 5(a)(13) of the Inspector General Act, as amended, requires that OIG report information concerning instances of and reasons for failures to meet any intermediate target dates from remediation plans designed to remedy findings that the Agency's financial management systems do not comply with federal financial management system requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level. During the reporting period, the Agency did not fail to meet any intermediate target dates in any remediation plans relating to the condition of its financial management system.

In its *Financial Audit: Federal Housing Finance Agency's Fiscal Years 2015 and 2014 Financial Statements* report, GAO did not identify any deficiencies in FHFA's internal controls over financial reporting that it considered to be a material weakness or significant deficiency. Further, GAO issued FHFA's prior and current financial statements audit reports as follows: fiscal year 2015 on November 16, 2015; fiscal year 2014 on November 17, 2014; fiscal year 2013 on December 16, 2013; and fiscal year 2012 on November 15, 2012. For all four audits, GAO found: (1) FHFA's financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles; (2) FHFA maintained, in all material respects, effective internal controls over financial reporting as of the last day of the audit period; and (3) no reportable noncompliance for the fiscal year tested with provisions of applicable laws, regulations, contracts, and grant agreements it tested. HERA requires GAO to conduct this audit

Peer Reviews

Sections 5(a)(14), (15), and (16) of the Inspector General Act, as amended, require that OIG provide information—relevant to the semiannual period—on any peer reviews of OIG, unimplemented recommendations from any peer reviews of OIG, and any peer reviews conducted by OIG. During the reporting period, there were no peer reviews of OIG's audit or investigative activities. The most recent—and only—peer reviews of OIG's audit and investigative activities were reported on March 20, 2014, and August 25, 2014, respectively. (For full copies of these reports, see www.fhfaoig.gov/About/PlanningAndPerformance.) Neither of these peer

review reports includes recommendations. However, in connection with the peer review of OIG's audit activities, the reviewer issued a separate finding and recommendation "that was not considered to be of sufficient significance to affect" the reviewer's opinion that OIG's "system of quality control for the audit organization . . . has been suitably designed and complied with to provide FHFA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects." OIG has implemented the recommendation. OIG did not conduct any peer reviews during the six-month reporting period ended March 31, 2016.

Appendix D: OIG Reports

See www.fhfaoig.gov for OIG's reports.

Evaluation Reports

Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues (EVL-2016-006, March 31, 2016).

FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate (EVL-2016-005, March 31, 2016).

FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies (EVL-2016-004, March 29, 2016).

FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework (EVL-2016-003, March 28, 2016).

FHFA's Oversight of the Enterprises' Implementation of and Compliance with Conservatorship Directives during an 18-Month Period (ESR-2016-002, March 28, 2016).

Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels (EVL-2016-001, January 4, 2016).

Audit Reports

Review of FHFA's Tracking and Rating of the 2013 Scorecard Objective for the New Representation and Warranty Framework Reveals Opportunities to Strengthen the Process (AUD-2016-002, March 28, 2016).

FHFA Should Improve its Examinations of the Effectiveness of the Federal Home Loan Banks' Cyber Risk Management Programs by Including an Assessment of the Design of Critical Internal Controls (AUD-2016-001, February 29, 2016).

Other Reports

Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (COM-2016-002, March 17, 2016).

Merger of the Federal Home Loan Banks of Des Moines and Seattle: FHFA's Role and Approach for Overseeing the Continuing FHLBank (WPR-2016-002, March 16, 2016).

$1.1 Billion Increase in Expenses for Fannie Mae and Freddie Mac from 2012 through 2015: Where the Money Went (WPR-2016-001, March 9, 2016).

Compliance Review of FHFA's Implementation of Its Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances (COM-2016-001, December 17, 2015).

Appendix E: OI Publicly Reportable Investigative Outcomes Involving Condo Conversion and Builder Bailout Schemes

In these types of schemes, sellers or developers typically solicit investors with good credit who want low-risk investment opportunities by offering deals on properties with no money down and other lucrative incentives, such as cash back and guaranteed and immediate rent collection. The sellers fund these incentives with inflated sales prices. The fraudsters conceal the incentives and the true property values from the lenders, defrauding them into making loans that are much riskier than they appear. When the properties go into foreclosure, lenders suffer large losses.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Bank Fraud Schemes in West Palm Beach and Tampa			
Individuals were allegedly involved in marketing and selling condominiums at developments in both Palm Beach County and in the Tampa area. The schemes were similar and involved seller-provided incentive packages that included cash to close, cash rebates, and guaranteed rent, which were not disclosed to the lenders that funded the mortgages.			
Anabel Reiners (also known as Anabel Reiners Bonzon)	Straw Buyer	Sentenced to 6 months in prison, 36 months of supervised release, and ordered to pay $17,350 in restitution, joint and several, and a $100 special assessment.	March 9, 2016
Mike Zaric	Contract Coordinator Manager for Broadmor Development, LLC	Sentenced to 5 years of probation and ordered to pay a $6,000 fine.	February 26, 2016
Gary Blankenship	Real Estate Agent/ Co-Conspirator	Pled guilty to conspiracy to commit bank and wire fraud affecting a financial institution.	February 4, 2016
Eduardo Ortega	Straw Buyer	Sentenced to 12 months in prison, 36 months of supervised release, and ordered to pay $17,350 in restitution, joint and several. As part of the sentencing a forfeiture judgment was entered against Ortega in the amount of $211,919.38.	January 29, 2016
Joseph L. Pasquale	Real Estate Broker/ Straw Buyer Recruiter	Convicted by a federal jury on five counts of a superseding indictment, one count of conspiracy to commit bank fraud, and four counts of bank fraud and aiding and abetting.	January 8, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Peter Mead	Marketer	Pled guilty to making false statements to federal agents about his knowledge and role in the scheme.	December 11, 2015
Jayson Martin	Loan Officer	Charged with one count of conspiracy to commit bank fraud and four counts of bank fraud.	September 23, 2015
Gary Hughes	Loan Officer	Charged with one count of conspiracy to commit bank fraud and four counts of bank fraud.	September 23, 2015
Brendan Bolger	Marketer	Sentenced to 24 months in prison, 60 months of supervised release, forfeiture of $4,322,264, and ordered to pay $13,641,197 in restitution, joint and several.	September 18, 2015
Jordana Ende-Tobel	Real Estate Broker	Was involved in two cases, one in the U.S. District Court for the Middle District of Florida, Tampa, which was transferred to and combined with the case in the U.S. District Court for the Southern District of Florida. Concurrently sentenced to 6 months of home confinement, 36 months of supervised release, forfeiture of $106,217 in the Southern District case and $56,883 in the Tampa case, and ordered to pay $1,878,211 in restitution, joint and several, in the Southern District case and $499,500, joint and several, in the Tampa case.	September 4, 2015
Eli Riesel	Developer	Sentenced to 36 months in prison, 36 months of supervised release, forfeiture of $506,651, and ordered to pay $12.5 million in restitution, joint and several.	July 16, 2015
Rashmi Airan-Pace	Attorney and Escrow/ Title Agent	Was involved in two cases, one in the U.S. District Court for the Middle District of Florida, Tampa, which was transferred to and combined with the case in the U.S. District Court for the Southern District of Florida. She was concurrently sentenced to 1 year, 1 day in prison, 36 months of supervised release, forfeiture of $26,973 in the Tampa case, and ordered to pay $16,496,242 in restitution, joint and several, in the Southern District Case and $2,652,974 in restitution, joint and several, in the Tampa case.	June 16, 2015
Joaquin Cossio	Real Estate Broker	Sentenced to 6 months in prison, 24 months of supervised release, and ordered to pay $1,215,729 in restitution, joint and several.	April 24, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Florencio Luis Tezanos	Former Home Mortgage Consultant at Wells Fargo Bank	Sentenced to 18 months in prison and 36 months of supervised release.	February 18, 2015
Jose Aller	Marketer	Sentenced to 12 months, 1 day in prison, 24 months of supervised release, and ordered to pay $2,951,263 in restitution, joint and several.	August 29, 2014
Ernesto Rodriguez	Recruiter	Sentenced to 12 months, 1 day in prison, later reduced to 6 months, 24 months of supervised release, and ordered to pay $2,951,263 in restitution, joint and several.	August 29, 2014
Additional Indictment in Elaborate Condo Scheme			
The indictment alleged that Sanchez and Cevallos, acting in concert with others, bought or facilitated the sale of condominiums to straw buyers at inflated prices. The inflated prices allowed the sellers in the transactions, also co-conspirators, to sell the condominiums for more than their market value.			
Angel Garcia	Former Attorney and Principal of Garcia-Oliver & Mainieri, P.A.	Charged with conspiracy to commit bank fraud and wire fraud affecting a financial institution.	March 8, 2016
David Cevallos	Mortgage Broker	Charged with conspiracy to commit bank fraud and wire fraud affecting a financial institution.	April 29, 2015
Osbel Sanchez	Sales Associate	Charged with conspiracy to commit bank fraud and wire fraud affecting a financial institution.	April 29, 2015
Condo Developer Ponzi Scheme Involving Enterprise Properties			
Cay Clubs Resorts, which operated resort-style hotels/condominiums throughout the U.S., operated as a massive Ponzi and securities fraud scheme. It defrauded 1,400 investors, FDIC-insured banks, and the Enterprises out of over $300 million. The scheme caused a loss to Freddie Mac of $8,390,663 and to Fannie Mae of $2,850,086.			
Fred Davis Clark Jr. (also known as Dave Clark)	Cay Clubs Owner/ Scheme Leader	Sentenced to 480 months in prison, 5 years of supervised release, forfeiture of $303,800,000 for the bank fraud and $3,300,000 for the SEC obstruction, and forfeiture of specific assets located overseas totaling approximately $2.6 million.	February 22, 2016
Barry J. Graham	Director of Sales for Cay Clubs	Restitution ordered in the amount of $163,530,377, joint and several. Previously sentenced to 60 months in prison and 36 months of supervised release.	October 27, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Ricky L. Stokes	Director of Investor Relations/Sales Agent	Restitution ordered in the amount of $163,530,377, joint and several. Previously sentenced to 60 months in prison and 36 months of supervised release.	October 27, 2015
Cristal Clark (also known as Cristal Coleman)	Cay Clubs Owner/ Executive	Acquitted.	August 14, 2015
Multi-state Condo Conversion Scheme			
Burchell and others allegedly negotiated with the builders of new housing developments in California, Florida, and Arizona to sell the units in exchange for large commissions not disclosed to the lenders. The defendants recruited straw buyers and submitted false loan applications to sell more than 100 units, resulting in a loss to the Enterprises of at least $2.37 million.			
Momoud Aref Abaji	Obtained Straw Buyers and Negotiated Kickbacks with Builders	Convicted by jury trial of wire fraud, conspiracy to commit bank and wire fraud, and tax evasion.	February 5, 2016
Mohamed Salah	Prepared False Documents	Convicted by jury trial of a conspiracy charge.	March 27, 2015
Maher Obagi	Office Manager	Convicted by jury trial of conspiracy and three wire fraud charges.	March 27, 2015
Jacqueline Burchell	Escrow Officer	Pled guilty to conspiracy to commit bank and wire fraud.	June 13, 2013
Wajieh Tbakhi	Obtained Straw Buyers and Taught Others How to Fabricate False Documents	Charged with wire fraud, conspiracy to commit bank and wire fraud, and aiding and abetting.	January 4, 2013
Ali Khatib	Owner of Company	Pled guilty to bank fraud.	August 2, 2012

Appendix F: OI Publicly Reportable Investigative Outcomes Involving Fraud Committed Against the Enterprises, the FHLBanks, or FHLBank Member Institutions

Investigations in this category involve a variety of schemes that target Fannie Mae, Freddie Mac, the FHLBanks, or members of FHLBanks.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Attorney Involved in Short Sale Fraud			
A former senior attorney with the FDIC sold her home to her live-in boyfriend in a fraudulent short sale. Borzillo submitted hardship material to the lender stating she had suffered a loss of income associated with a federal pay freeze and that the short sale transaction would be at arm's length. In fact, the individual was not subject to the pay freeze and the transaction was not at arm's length.			
Michelle Borzillo	Scheme Organizer/ Attorney	Sentenced to 12 months and 1 day in prison, 2 years of supervised release, and ordered to pay $288,497 in restitution. In addition, $3,000 forfeited representing illegal proceeds from bank fraud affecting a financial institution.	February 19, 2016
Missouri Loan Officer Charged with Theft and Embezzlement			
Cox, a loan officer at Focus Bank, an FHLBank member, allegedly embezzled approximately $170,000 in loan proceeds from Focus Bank. Cox had been entrusted with funds from multiple borrowers but converted the funds to his personal use and concealed his acts from his employer.			
Brian Cox	Loan Officer	Charged with theft, embezzlement, and misapplication by bank officer or employee.	January 21, 2016
Executive at Now-Defunct Mirae Bank Indicted in Loan Fraud Case			
Aminpour worked at Mirae Bank as the Chief Marketing Officer. According to the indictment, Aminpour was allegedly responsible for the bank issuing tens of millions of dollars in fraudulent loans—loans that were a significant factor in Mirae Bank's failure as a financial institution in 2009. At the time of Mirae's failure, there were outstanding advances from the FHLBank of San Francisco in the amount of $51 million.			
Ataollah Aminpour	Former Chief Marketing Officer	Indicted on charges of bank fraud, false statement to a financial institution, and causing an act to be done.	January 7, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Civil Settlement in Michigan Reverse Mortgage Fraud			
Abbruzzese failed to properly originate a reverse mortgage loan that was sold to Fannie Mae. The loan went into foreclosure.			
Mark Abbruzzese	Owner of Abbruzzese Consulting	Settlement agreement for $266,000.	December 22, 2015
Identity Theft Involving Fannie Mae Insider			
Thomas and others conspired to steal the PII of over 1,000 Fannie Mae customers, which also caused monetary damages to involved financial institutions, including JPMorgan Chase and Bank of America.			
Karen Mendoza	Runner	Pled guilty to conspiracy to commit bank fraud.	November 17, 2015
Anthony Minor	Recruiter	Sentenced to 16 years in prison, 3 years of supervised release, and ordered to pay $88,131 in restitution, joint and several.	March 18, 2015
Katrina Thomas	Underwriting Support Specialist	Sentenced to 48 months in prison, 24 months of supervised release, and ordered to pay $76,831 in restitution, joint and several.	November 13, 2014
Tilisha Morrison	Recruiter	Sentenced to 48 months in prison, 24 months of supervised release, and ordered to pay $88,131 in restitution, joint and several.	November 12, 2014
Kario Butler	Runner	Sentenced to 1 day (time served), 2 years of supervised release, and ordered to pay $8,970 in restitution, joint and several.	November 4, 2014
Jamilah Karriem	Runner	Sentenced to 1 day (time served), 2 years of supervised release, 80 hours of community service, and ordered to pay $1,000 in restitution.	November 2, 2014
Cyrus Pritchett	Runner	Sentenced to 4 months (time served), 2 years of supervised release, and ordered to pay $9,800 in restitution.	October 23, 2014
Former Title Company President Charged with Bank Fraud			
An indictment alleges that between 2010 and 2011 the defendant engaged in a scheme that caused approximately $1.3 million in losses to two financial institutions.			
Mark Andreotti	Former Title Company President	Indicted for bank fraud.	November 2, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Five Indicted on Money Laundering Charges at a Member Bank, FHLBank of Topeka			
Three former bank employees and two business owners allegedly conspired to launder money through Plains State Bank (PSB)—an FHLBank member bank that had more than $76 million in advances from the FHLBank in Topeka, Kansas. The PSB bank employees failed to file Treasury reports as required, based upon the amount and type of cash and monetary instruments deposited into the PSB account.			
J. Kirk Friend	Bank President	Charged with money laundering and failing to file Treasury reports as required.	October 6, 2015
Matthew Thomas	Bank Loan Officer	Charged with money laundering and failing to file Treasury reports as required.	October 6, 2015
George Enns	Business Owner/Bank Customer	Charged with money laundering and failing to file Treasury reports as required.	October 6, 2015
Agatha Enns	Business Owner/Bank Customer	Charged with money laundering and failing to file Treasury reports as required.	October 6, 2015
Kathy Shelman	Bank Cashier	Charged with failing to file Treasury reports as required.	October 6, 2015

Appendix G: OI Publicly Reportable Investigative Outcomes Involving Loan Origination Schemes

Loan or mortgage origination schemes are the most common type of mortgage fraud. These schemes typically involve falsifying borrowers' income, assets, employment, and credit profiles to make them more attractive to lenders. These schemes often use bogus Social Security numbers and fake or altered documents such as W-2 forms and bank statements to defraud lenders into making loans they would not otherwise make. Typically, perpetrators pocket origination fees or inflate home prices and divert proceeds.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Multi-defendant Origination Scheme Sentencings			
Subjects conspired to commit various types of financial fraud including mortgage fraud, federal student loan fraud, and small business loan fraud. The scheme involved submitting false documents and straw buyers. The loss exposure to the Enterprises is approximately $800,000.			
Noreen Mian	Loan Officer	Sentenced to time served (1 day), 24 months of supervised release, and ordered to pay $588,940 in restitution, joint and several.	March 4, 2016
Sirarthur McClelland	Organizer	Sentenced to 36 months of probation and ordered to pay $49,267 in restitution, joint and several.	February 10, 2016
Warren Taylor	Organizer	Pled guilty to mail fraud and identity theft.	February 3, 2016
David Edwards	Organizer	Sentenced to 36 months of probation and ordered to pay $24,490 in restitution, joint and several.	November 24, 2015
Derrek L. Campbell II	Straw Buyer	Sentenced to 6 months in prison, 24 months of supervised release with first 6 months under home detention, and ordered to pay $133,715 in restitution, joint and several.	August 21, 2015
Anthony Trice	Owner Credit Repair Business	Pled guilty to mail fraud and aggravated identity theft.	July 14, 2015
Jerrod Weathersby	Owner Credit Repair Business	Pled guilty to mail fraud and aggravated identity theft.	May 26, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
$3.8 Million Origination Scheme			
Campbell and Miles participated in a mortgage fraud scheme wherein false financial information was provided to secure home mortgage loans. Agodio subsequently participated in a variation of the scheme targeting unsuspecting immigrants, wherein he used false financial information to secure $3.8 million in loans through Miles to purchase approximately three dozen row houses. All of these properties are now in default or foreclosure.			
Alberic Okou Agodio	Real Estate Broker	Sentenced to 61 months in prison, 5 years of supervised release, and ordered to pay $3,356,581 in restitution.	February 26, 2016
Kevin Campbell	Property Investor/ Seller	Sentenced to 19 months in prison, 60 months of probation, and ordered to pay $1,182,822 in restitution, joint and several.	September 11, 2015
Jonathan Lee Miles	Loan Officer	Sentenced to 18 months in prison, 60 months of probation, and ordered to pay $1,182,822 in restitution, joint and several.	September 10, 2015
Loan Origination Fraud Involving Kickbacks to Straw Buyers, Buyers, and Other Participants			
Conspirators participated in a mortgage fraud scheme in which they entered into agreements to purchase properties for amounts in excess of the original asking price. The loss exposure to the Enterprises is $1,192,125.			
Enrique Hernandez	Loan Officer/Straw Buyer Recruiter	Sentenced to 10 months in prison, 36 months of supervised release, and ordered to pay $549,100 in restitution, joint and several. Hernandez was previously ordered to pay forfeiture of $108,724.	February 18, 2016
Carlos Morales	Developer/Seller	Sentenced to time served, 36 months of supervised release, and ordered to pay a $200 assessment and $230,121 in restitution, joint and several. An order of forfeiture in the amount of $40,000 was incorporated into the judgment.	December 18, 2015
Guillermo Rincon	Straw Buyer	Sentenced to 18 months in prison, 36 months of supervised release, and ordered to pay $549,100 in restitution, joint and several.	May 5, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Unlicensed Appraiser/Identity Theft Scheme			
Subjects fraudulently obtained and used the identity of a licensed appraiser to prepare real estate appraisals, which were subsequently used to support mortgage loans sold to the Enterprises. White submitted over 400 appraisals for use in mortgage loans using the stolen identity.			
Douglas White	Unlicensed Appraiser	Ordered to pay restitution in the amount of $20,250. Previously sentenced to 60 months in prison followed by 12 months of supervised release, and ordered to pay a special assessment of $600.	February 11, 2016
Diana Merritt	President/Loan Officer at Merit Home Finance Inc.	Sentenced to 90 days in jail, 6 months of supervised release, and ordered to pay a special assessment of $600.	December 3, 2015
Sentencings in Builder Loan Origination Fraud Scheme			
According to an information, the builder, along with co-conspirators, participated in preparing a false HUD-1 form that falsely represented that the borrower provided over $1 million on the date of closing as "cash to close" when in fact he brought no monies to the closing.			
David B. Pick	Mortgage Loan Officer	Sentenced to 5 months in prison, 6 months of home confinement, 3 years of supervised release, and ordered to pay $383,178 in restitution.	February 10, 2016
Timothy Ritchie	Builder/Investor	Sentenced to 12 months, 1 day in prison, 12 months of home detention with an electronic monitoring system, 3 years of supervised release, and ordered to pay $1,385,445 in restitution.	January 14, 2016
Chicago Attorney and Chief Financial Officer Pled Guilty			
Carroll, the CFO of 13th & State, an LLC created to facilitate the development and sale of units at a high-rise condo building known as Vision on State, and Lattas, an attorney, worked with others to allegedly create a builder bailout scheme that used inflated sales prices to pay undisclosed incentives to recruiters and straw buyers. The scheme resulted in approximately $22.8 million in fraudulent mortgages and $13 million in losses to financial institutions.			
Robert Lattas	Attorney	Pled guilty to bank fraud.	February 5, 2016
James Carroll	Chief Financial Officer	Pled guilty to bank fraud.	February 3, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Four Former Employees of SunTrust Mortgage Convicted at Trial			
SunTrust Mortgage employees conspired to commit wire fraud affecting a financial institution involving 13 properties. The employees prepared false mortgage loan applications for prospective borrowers knowing that the loan applications contained false material information, including statements that the borrowers intended to use the houses as their primary residences. As a result of their actions, there were total losses of $2,093,270 to SunTrust Mortgage, including a loss of $139,726 to Fannie Mae.			
Mohsin Raza	Loan Officer/Branch Manager	Convicted by jury trial on charges of conspiracy to commit wire fraud and wire fraud.	February 3, 2016
Farukh Iqbal	Loan Officer	Convicted by jury trial on charges of conspiracy to commit wire fraud and wire fraud.	February 3, 2016
Humaira Iqbal	Loan Officer Assistant	Convicted by jury trial on charges of conspiracy to commit wire fraud and wire fraud.	February 3, 2016
Mohammad Haider	Loan Officer	Convicted by jury trial on charges of conspiracy to commit wire fraud and wire fraud.	February 3, 2016
Loan Origination with Undisclosed Incentives and Misrepresentations			
King, Hearns, and others conspired to launder proceeds by means of committing wire fraud. King and Hearns had formed an agreement with others to assist in providing buyers of homes with the funds to close on real estate transactions, which they would falsely represent to lenders were provided by the buyers. The scheme caused a loss exposure of approximately $866,000 to the Enterprises, which bought or secured mortgages on 10 properties.			
Euneisha Hearns	Loan Officer	Sentenced to 46 months in prison, 5 years of supervised release, and ordered to pay $180,235 in restitution, joint and several.	February 2, 2016
Stephen King	Real Estate Agent	Sentenced to 33 months in prison, 36 months of supervised release, and ordered to pay $685,704 in restitution, joint and several.	March 18, 2015
$11 Million Fraudulent Loan Scheme			
Co-conspirators of the scheme prepared mortgage applications that contained false information about borrowers' income, employment, and assets and generated dozens of mortgage loans for unqualified borrowers. The co-conspirators then allegedly took a commission or fee. The fraudulent loans were worth more than $11 million.			
Jose "Joe" Garcia	Real Estate Broker/ Co-Owner of Mortgage Brokerage	Sentenced to 42 months in prison, 36 months of supervised release, and ordered to pay $1,610,000 in restitution, joint and several, and a $100 special assessment.	January 28, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Lidubina "Lido" Perez	Loan Officer	Sentenced to 7 months in prison, 7 months of home confinement, 36 months of supervised release, and ordered to pay $735,750 in restitution, joint and several, and a $100 special assessment.	January 11, 2016
Lucy Garcia	Real Estate Broker/ Co-Owner of Mortgage Brokerage	Pled guilty to conspiracy to commit bank fraud.	April 9, 2015

Three Charged in Loan Origination Scheme, New York

Co-conspirators allegedly recruited straw buyers to purchase properties using fraudulent mortgage loan applications in exchange for a fee. The loan applications misstated the borrowers' incomes, employment histories, and amounts of money in their bank accounts. In addition, the co-conspirators allegedly provided fictitious documents and falsified bank statements to support the misrepresentations made on the loan applications. The loans on the properties defaulted, resulting in at least $240,000 in losses to Freddie Mac and another financial institution.

Nimboko Miller	Co-Conspirator, Recruiter of Straw Buyers	Indicted for bank fraud, conspiracy to commit bank fraud, and false statements in connection with loan applications.	January 22, 2016
Christopher Scott Sr.	Co-Conspirator, Recruiter of Straw Buyers	Indicted for bank fraud, conspiracy to commit bank fraud, and false statements in connection with loan applications.	January 22, 2016
Christopher Scott Jr.	Co-Conspirator, Recruiter of Straw Buyers	Indicted for bank fraud, conspiracy to commit bank fraud, and false statements in connection with loan applications.	January 22, 2016

Bank Examiner Pled Guilty

In December 2014, an individual submitted a loan application with a false letter of employment. At the time, the individual was employed as a bank examiner for the OCC.

Sophelia Alexander	Borrower/Treasury Employee	Pled guilty to making false statements of financial condition. Sentenced to 1 year of probation and assessed a fine of $2,728.	January 15, 2016

Sentencing in Origination Scheme

Several individuals conspired to defraud lending institutions by inducing them to fund mortgage loans by using material misrepresentations and omissions of material fact in HUD-1 forms, Settlement Statements, loan applications, and other loan documents. The scheme caused estimated losses of $967,989 to Fannie Mae and $130,265 to Freddie Mac.

Donald Mattox	Home Builder/Straw Buyer	Sentenced to time served (7 months), 1 year of supervised release, ordered to pay $964,244 in restitution, joint and several, and forfeiture of $165,197.	January 5, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Michael Edwards	Loan Officer	A previous sentence was vacated and Edwards was resentenced to 46 months in prison, 12 months of supervised release, and ordered to pay $1,300,402 in restitution, joint and several.	September 11, 2015
Lawrence Day	Recruiter	Sentenced to 90 months in prison, 36 months of supervised release, forfeiture of $1,877,032, and ordered to pay $3,108,998 in restitution, joint and several.	July 28, 2015
Scott Sherman	Builder	Sentenced to 20 months in prison, 12 months of supervised release, and ordered to pay $493,500 in restitution, joint and several, and a $7,500 fine.	November 13, 2014
Donna Cobb	Escrow Officer	Sentenced to 21 months of incarceration, 36 months of supervised release, and ordered to pay $2,151,376 in restitution, joint and several.	May 28, 2014
Sentencing in Property Flipping Scheme			
Co-conspirators engaged in a property flipping scheme wherein straw buyers were paid undisclosed incentives to purchase houses sold by Payne.			
Marcus Payne	Mortgage Broker/ Company President	Sentenced to 70 months of incarceration, 60 months of supervised release, and ordered to pay a $200 assessment fee and $753 in restitution.	December 15, 2015
Straw Buyer Scheme Falls Flat			
Senior managers of Flatiron Development profited by selling homes to straw buyers at inflated prices. The homes fell into foreclosure, causing losses to the lending institutions, including Freddie Mac.			
Theodoros Ezanidis	Owner	Sentenced to 60 months in prison, 36 months of supervised release, and ordered to pay restitution, joint and several. The amount ordered to pay will be determined later.	October 20, 2015
Christopher Hopper	Employee	Sentenced to 12 months and 1 day in prison, 24 months of supervised release, and ordered to pay restitution, joint and several. The amount ordered to pay will be determined later.	October 20, 2015
Robert Rendino	Employee	Sentenced to 30 months in prison, 24 months of supervised release, and ordered to pay restitution, joint and several. The amount ordered to pay will be determined later.	October 20, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Susan Rendino	Co-Conspirator	Sentenced to 36 months of probation and ordered to pay $2,504 in restitution and a $2,000 fine.	May 19, 2015
Attorney and Loan Officer Convicted at Trial in Chicago			
Lattas and Burge aided straw buyers to fraudulently obtain at least five mortgage loans valued at approximately $1.49 million by making materially false representations in documents submitted to lenders. Soon after the properties were sold to the straw buyers, the mortgages went into default. The fraud resulted in a combined Fannie Mae and Freddie Mac loss of approximately $800,000.			
Robert Lattas	Attorney	Convicted by a jury at trial.	October 8, 2015
Nicholas Burge	Loan Officer	Convicted by a jury at trial.	October 8, 2015

Appendix H: OI Publicly Reportable Investigative Outcomes Involving Short Sale Schemes

Short sales occur when a lender allows a borrower who is "underwater" on his/her loan—that is, the borrower owes more than the property is worth—to sell his/her property for less than the debt owed. Short sale fraud usually involves a borrower intentionally misrepresenting or not disclosing material facts to induce a lender to agree to a short sale to which it would not otherwise agree.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Short Sale Schemes in Michigan			
An indictment alleges that multiple individuals were involved in short sale schemes that involved finding a straw buyer for the purchase of homes that were not listed for sale at the time of purchase. According to the indictment, cash buyers allegedly conveyed the properties to relatives of the original homeowner, who then allegedly originated a loan for less than the original loan amount.			
Lina Nassif	Short Seller	Charged with false pretenses and conspiracy.	January 11, 2016
Majid Krikor	Straw Buyer	Charged with false pretenses and conspiracy.	January 11, 2016
Bassam Hamood	Short Seller/Straw Buyer	Sentenced to 24 months of probation and ordered to pay $10,000 in restitution and a fine of $1,558.	January 8, 2016
Mohamad Eddin	Short Seller/Straw Buyer	Charged with false pretenses.	October 1, 2015
Mariam Dakroub	Short Seller/Straw Buyer	Charged with false pretenses and conspiracy.	August 13, 2015
Chadi Rustom	Short Seller/Straw Buyer	Charged with false pretenses and conspiracy.	August 13, 2015
Walid Fawaz Sr.	Short Seller/Straw Buyer	Charged with false pretenses and conspiracy.	August 13, 2015
Zinab Allie	Short Seller/Straw Buyer	Charged with false pretenses and conspiracy.	August 13, 2015
Bahij El-Fadl	Short Seller/Straw Buyer	Charged with false pretenses and conspiracy.	August 13, 2015
Abbas Hamid	Short Seller/Straw Buyer	Charged with false pretenses and conspiracy.	August 13, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Two Charged in Michigan Short Sale Fraud			
The owner of a real estate brokerage allegedly executed a short sale buy and bail scheme. He allegedly used extensive advertising to convince homeowners they could purchase new homes while he also assisted them with short selling their existing homes. His accomplice allegedly purchased one of the short sale homes through her company.			
William Elias	Real Estate Broker	Information filed charging bank fraud and money laundering.	December 9, 2015
Kimberly Doren	Realty Employee/KLD Owner	Information filed charging wire fraud.	December 9, 2015
Sentencings in Short Sale Scheme			
Conspirators allegedly engaged in several schemes to fraudulently obtain money, including: a "flopping" scheme where banks were convinced to accept short sale prices that were lower than a legitimate buyer would be willing to pay; recording false second and third liens; tricking distressed homeowners into signing their properties over to criminal actors; and renting distressed properties while simultaneously stalling foreclosure through the use of fraudulent documents.			
Deanna Bashara	Property Manager for Rent Scheme	Sentenced to 3 years in prison (18 months suspended, 15 months electronic monitoring, and 3 months in a residential drug treatment program) and ordered to pay $132,000 in restitution, fines of $300, and a special assessment of $350.	December 3, 2015
Delia Wolfe	Assisted with Shell Companies and Opened Bank Accounts Used in the Scheme	Sentenced to 80 days in custody, 200 hours of community service, 5 years of probation, and ordered to pay $176,349 in restitution, fines of $600, and a special assessment of $350.	December 3, 2015
James Styring	Generated and Filed False/Forged Documents	Sentenced to 98 days in custody, 5 years of probation, and ordered to pay $50,000 in restitution, fines of $600, and a special assessment of $110.	December 3, 2015
Joseph Jaime	Licensed Real Estate Salesperson/ Facilitated Short Sales	Sentenced to 6 years in prison and ordered to pay $596,232 in restitution, fines of $600, and a special assessment of $1,110.	December 3, 2015
Lindsay Petty	Generated False/ Forged Documents	Sentenced to 48 months in prison (20 months suspended) and ordered to pay $129,883 in restitution, $400 in fines, and a special assessment of $430.	October 1, 2015
Jackalyn Bashara	Scheme Leader and Licensed Real Estate Salesperson	Sentenced to 128 months in prison and ordered to pay $836,165 in restitution and $600 in fines.	June 29, 2015
Eric Wolfe	Scheme Leader/ Licensed Real Estate Broker	Pled guilty to conspiracy, grand theft, preparing false documents, and mortgage fraud.	June 25, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Billie Bryant	Straw Buyer and Opened Bank Accounts Used in the Scheme	Sentenced to 36 months of probation and ordered to pay $300,000 in restitution and $300 in fines.	May 13, 2015
Gerald Bryant	Straw Buyer and Opened Bank Accounts Used in the Scheme	Charges dropped.	
Jered Bryant	Intimidated Victims and Collected Rent Generated by the Scheme	Sentenced to 36 months in prison (18 months suspended), 18 months of supervised release, and ordered to pay $124,467 in restitution.	May 13, 2015
Brian Deden	Notary/Licensed Real Estate Broker	Charged with conspiracy, grand theft, mortgage fraud, and procuring/offering false/forged instruments.	June 25, 2014

Appendix I: OI Publicly Reportable Investigative Outcomes Involving Loan Modification and Property Disposition Schemes

These schemes prey on homeowners. Businesses advertise that they can secure loan modifications, provided that the homeowners pay significant upfront fees. Typically, these businesses take little or no action, leaving homeowners in a worse position.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Multiple Subject Indictment in California Loan Modification Scheme			
Defendants, along with others, allegedly devised a scheme to obtain upfront payments from victims who were trying to obtain a loan modification by leading them to believe they were receiving federally funded home loan modifications under the government's Home Affordable Modification Program.			
Isaac Perez	Bookkeeper, Customer Service Representative	Pled guilty to conspiracy to commit wire fraud.	March 30, 2016
Joshua Johnson	Sub-Leader, Closer	Pled guilty to conspiracy to commit wire fraud.	March 29, 2016
Jefferson Maniscan	Customer Service Representative	Pled guilty to conspiracy to commit wire fraud.	March 29, 2016
Raymund Dacanay	Facilitator, Opened Bank Accounts	Pled guilty to conspiracy to commit wire fraud.	March 29, 2016
Roscoe Umali	Scheme Leader	Pled guilty to conspiracy to commit wire fraud.	March 22, 2016
Joshua Sanchez	Scheme Leader	Sentenced to 151 months in prison and 3 years of supervised release.	October 29, 2015
Kristen Ayala	Co-Conspirator	Sentenced to 135 months in prison and 3 years of supervised release.	October 29, 2015
Hanh "Jennifer" Seko	Facilitator, Direct Marketer/Mailer	Indicted on wire fraud and conspiracy to commit wire fraud charges.	October 22, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Loan Modification Scheme			
The co-conspirators allegedly engaged in a mortgage loan modification fraud; using various company names, they claimed to negotiate with lenders to lower mortgage payments on behalf of victims. Co-conspirators allegedly made numerous false statements to induce payment of advance fees. Once the fees were paid, however, victims have stated they were unable to contact anyone within the various business entities.			
Aria Maleki	Scheme Leader	Pled guilty to conspiracy to commit mail and wire fraud.	March 22, 2016
Serj Geutssoyan	Closer	Pled guilty to conspiracy to commit mail and wire fraud.	February 25, 2016
Mehdi Moarefian	Closer	Pled guilty to conspiracy to commit mail and wire fraud.	February 17, 2016
Daniel Shiau	Closer, Set Up Website and Email Accounts	Pled guilty to conspiracy to commit mail and wire fraud.	February 17, 2016
Cuong King	Closer	Indicted on wire fraud, mail fraud, conspiracy to commit wire and mail fraud, and telemarketing fraud charges.	January 21, 2016
Michelle Lefaoseu	Processing Team Leader	Indicted on wire fraud, mail fraud, conspiracy to commit wire and mail fraud, and telemarketing fraud charges.	January 21, 2016
Kowit Yuktanon	Closer	Indicted on wire fraud, mail fraud, conspiracy to commit wire and mail fraud, and telemarketing fraud charges.	January 21, 2016
Loan Modification Scheme			
Defendants allegedly operated a loan modification scheme and allegedly made a number of false statements to clients in an effort to induce them to pay upfront fees, with little or no services rendered.			
Stacy Tuers	Office Manager of Telemarketing Company	Sentenced to 24 months of probation, 100 hours of community service, and ordered to pay a special assessment of $25.	March 10, 2016
Michael Nazarinia	Supervisor and Trainer	Sentenced to 9 months in prison, 3 years of supervised release, and ordered to pay a special assessment of $100.	February 8, 2016
Charlie Rose	Trained Telemarketers	Charged with mail fraud and subscribing to a false tax return.	July 8, 2015
Residential Home Loan Modification Scam Targets Hispanic Homeowners in Hyattsville, Maryland			
Co-conspirators allegedly promoted a fraudulent loan modification scheme targeting Hispanic homeowners with limited English language who were unfamiliar with mortgage lending practices.			
Pedrina Rodriguez Bonilla	Co-Conspirator/ Recruiter	Charged with conspiracy to commit mail and wire fraud.	February 17, 2016
Ana Gomez	Co-Conspirator/ Scheme Organizer	Charged with conspiracy to commit mail and wire fraud.	February 17, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Rene de Leon	Co-conspirator/ Scheme Organizer	Charged with conspiracy to commit mail and wire fraud.	February 17, 2016

Sentencings in Loan Modification Scheme

Defendants allegedly conspired to operate a loan modification scheme. Co-conspirators allegedly made false promises and guarantees to financially distressed homeowners regarding their company's ability to negotiate loan modifications from the homeowners' mortgage lenders, as well as false guarantees of specific interest rates and mortgage payments.

Crystal Buck	Sales Employee	Ordered to pay $6,420,052 in restitution, joint and several. Previously sentenced to 60 months in prison.	February 3, 2016
Albert DiRoberto	Sales Employee	Ordered to pay $3,501,381 in restitution, joint and several. Previously sentenced to 60 months in prison.	February 3, 2016
Christopher George	Co-Owner of Company	Sentenced to 20 years in prison, 5 years of supervised release, and ordered to pay $6,656,099 in restitution, joint and several.	February 3, 2016—amended restitution
Yadira Padilla	Handled Customer Complaints and Refund Requests	Ordered to pay $6,764,743 in restitution, joint and several.	February 3, 2016
Iris Pelayo	Appointment Setter	Ordered to pay $1,142,603 in restitution, joint and several.	February 3, 2016
Hamid Shalviri	Directed Distressed Homeowners to Sign a Fractional Interest in Their Properties Over to Him	Ordered to pay $64,869 in restitution, joint and several. Previously sentenced to 3 months in prison, 12 months of home confinement, 36 months of supervised release, and 200 hours of community service.	February 3, 2016
Catalina Deleon	Received Customer Complaints and Managed Processing Department	Ordered to pay $6,420,052 in restitution, joint and several. Previously sentenced to 30 months in prison, and 36 months of supervised released.	February 3, 2016
Andrea Ramirez	Scheme Leader	Ordered to pay $6,764,743 in restitution, joint and several. Previously sentenced to 18 years in prison, and 36 months of supervised release,	February 3, 2016
Michael Parker	Sales Employee	Ordered to pay $6,420,052 in restitution, joint and several. Previously sentenced to 72 months in prison, and 3 years of supervised release.	February 3, 2016
Michael Bates	Sales Employee	Ordered to pay $6,223,723 in restitution, joint and several. Previously sentenced to 366 days in prison, and 3 years of supervised release.	February 3, 2016
Mindy Holt	Supervised Processing Department	Ordered to pay $2,094,330 in restitution, joint and several. Previously sentenced to 18 months in prison, and 24 months of supervised release.	February 3, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Ruby Encina		Indicted for filing a false tax return.	September 9, 2015

Quit Claim Bankruptcy Scheme

A complaint alleges a company was quit claiming properties belonging to several individuals who were undergoing potential foreclosure, and that they filed bogus bankruptcy petitions in the names of the property owners to tie up the properties while they rented them out. The original owners never gave permission to the company to file bankruptcies on their behalf.

David Griffin	Recruiter—Owner of Bay 2 Bay	Sentenced to 36 months of incarceration, 3 years of supervised release, 300 hours of community service, and ordered to pay a $200 assessment fee, $5,000 fine, and $25,125 in restitution.	December 14, 2015

Sentencing and Plea in Short Sale Scheme

Defendants conspired to cause lenders to release liens on encumbered properties via fraudulently arranged short sale transactions. To complete the transactions, they submitted false loan applications and documents and recruited straw buyers. The losses to financial institutions/lenders total approximately $2 million. Fannie Mae purchased or secured over 100 loans from the mortgage lenders.

Yazmin Soto-Cruz	Co-Owner of NJ Property Management	Sentenced to time served (1 day), 36 months of supervised release, 8 months of location monitoring, 200 hours of community service, and ordered to pay a $100 special assessment.	December 8, 2015
Miguel LaRosa	Recruiter of Straw Buyers	Pled guilty to conspiracy to commit wire fraud.	December 2, 2015
Delio Coutinho	Loan Officer	Sentenced to 36 months in prison, 36 months of supervised release, and ordered to pay $1,312,334 in restitution, joint and several.	August 11, 2015
Kenneth Sweetman	Unlicensed Title Agent	Sentenced to 24 months in prison, 36 months of supervised release, and ordered to pay $2,223,131 in restitution, joint and several.	July 27, 2015
Carmine Fusco	Unlicensed Title Agent	Sentenced to 27 months in prison, 36 months of supervised release, forfeiture of $370,334, and ordered to pay $2,233,131 in restitution, joint and several.	July 14, 2015
Christopher Ju	Former Real Estate Agent	Sentenced to 24 months of supervised release, 4 months of home confinement, and ordered to pay $256,511 in restitution, joint and several.	June 8, 2015
Amedeo Gaglioti	Closing Attorney	Sentenced to 12 months in prison, 36 months of supervised release, forfeiture of $1 million, and ordered to pay $2,001,245 in restitution, joint and several.	June 4, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Joseph DiValli	Loan Officer	Pled guilty to conspiracy to commit wire fraud, wire fraud, and tax evasion.	May 28, 2015
Paul Chemidlin	Unlicensed Appraiser	Pled guilty to a one-count information with conspiracy to commit wire fraud and one count of distribution and possession with intent to distribute Methylone.	July 22, 2014
Loan Modification Scheme			
Jalan operated a scheme to defraud distressed homeowners by representing that she was an attorney offering loan modification services. Jalan failed to disclose that the Consumer Financial Protection Bureau had obtained a preliminary injunction that prohibited her from offering loan modification services.			
Najia Jalan	Scheme Leader	Sentenced to 70 months in prison, 3 years of supervised release, and ordered to pay $236,785 in restitution and a special assessment of $300.	October 5, 2015

Appendix J: OI Publicly Reportable Investigative Outcomes Involving Property Management and REO Schemes

The wave of foreclosures following the housing crisis left the Enterprises with a large inventory of REO properties. This large REO inventory has sparked a number of different schemes to either defraud the Enterprises, who use contractors to secure, maintain and repair, price, and ultimately sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Flipping REO Scheme in Memphis, Tennessee			
This scheme involved investor flipping of foreclosure properties by offering financial incentives to the borrowers that were not disclosed to the lenders. Allegations also involve loan officers facilitating the sales by falsifying loan applications.			
Nicholas Maxwell	Recruiter	Pled guilty to conspiracy to commit mail, wire, and bank fraud.	February 24, 2016
Charlie Paul	Mortgage Company President	Sentenced to time served, 12 months in a halfway house, 36 months of supervised release, and ordered to pay $463,372 in restitution and forfeiture of $455,252.	January 7, 2016
Cedric Scott	Mortgage Broker/Loan Officer	Sentenced to 15 months in prison, 24 months of supervised release, and ordered to pay $104,237 in restitution and forfeiture of $301,794.	October 16, 2015
Owner of RE/MAX Office in Illinois Found Guilty			
Simons stole escrow money provided by potential real estate buyers. The earnest money of at least 12 clients, valued at over $100,000, was identified as having been stolen by Simons. RE/MAX County Line was an approved Fannie Mae REO broker.			
Harry Simons	Owner of RE/MAX County Line	Sentenced to 120 days in jail, 48 months of probation, and ordered to pay $140,300 in restitution.	February 9, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
False REO Scheme			
In 2013, Moore filed documents with the Cook County Recorder's Office obscuring title ownership of a property, which gave the appearance he had claim to ownership or possession of the property when in fact he did not. Moore also proceeded to collect rent from tenants. The scheme obstructed sale of the property by Fannie Mae, the true owner of the property.			
Anatoly Moore	Owner/Landlord	Sentenced to 66 months in prison, 24 months of supervised release, and ordered to pay a fine of $689.	November 19, 2015

Appendix K: OI Publicly Reportable Investigative Outcomes Involving Adverse Possession Schemes

Adverse possession schemes use illegal adverse possession (also known as "home squatting") or fraudulent documentation to control distressed homes, foreclosed homes, and REO properties.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sovereign Citizen Group Charged in REO Scheme			
Four individuals were allegedly commandeering vacant or recently foreclosed homes owned by Fannie Mae or other lenders. Those charged were part of a sovereign citizens group known as "Moors"; the group does not believe that they must comply with state or federal law. The individuals allegedly moved into the properties or rented them to family members. In some cases, the renters were unaware of the scheme.			
Arshad Thomas	Sovereign Citizen	Pled guilty to three counts of burglary. Was sentenced to prison for 45 months, 24 months of supervised release, and ordered to pay $469 in fees.	March 15, 2016
David Farr	Sovereign Citizen	Charged with theft, burglary, and financial institution fraud.	June 30, 2015
Torrez Moore	Sovereign Citizen	Charged with theft, burglary, and financial institution fraud.	June 30, 2015
Raymond Trimble	Sovereign Citizen	Charged with theft, burglary, and financial institution fraud.	June 30, 2015
Subject and Entity Charged in Debt Management and Loan Modification Scam			
Longordo and his company, Modify Loan Experts, LLC, allegedly engaged in fraud by collecting upfront payments for loan modifications never received by homeowners. Modify Loan Experts, LLC allegedly promised homeowners an attorney would work directly with their financial institutions to negotiate on their behalf when in fact no such negotiations occurred.			
Pasquale Longordo	Business Owner	Charged with false pretenses, larceny by conversion, and violating the Debt Management Act.	March 9, 2016
Modify Loan Experts, LLC	Business Entity	Charged with false pretenses, larceny by conversion, and violating the Debt Management Act.	March 9, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Foreclosure Rescue and Bankruptcy Fraud Scheme			
From early 2011 to early 2014, defendants collected more than $2 million in proceeds from their foreclosure delay/eviction delay scheme involving hundreds of fraudulent bankruptcies and deeds of trust. At least 11 of the properties were owned by Freddie Mac, resulting in a loss of at least $800,000.			
Eugene Fulmer	Salesman	Pled guilty to an advance fee felony charge.	February 24, 2016
Shara Surabi	Salesman	Sentenced to 120 days in prison and 5 years of probation.	February 11, 2016
Panik Karikorian	Salesman	Sentenced to 120 days in prison and 5 years of probation.	February 11, 2016
Juan Velasquez	Beneficiary of False Deeds of Trust	Sentenced to 120 days in prison and 5 years of probation.	February 11, 2016
Deed Theft Scheme			
Subjects operated a scheme to steal Fannie Mae and Freddie Mac properties by filing forged grant deeds and then selling the stolen properties to unwitting investors. At least 10 of the properties stolen were owned by the Enterprises, valued at over $2.5 million.			
Mazen Alzoubi	Scheme Leader	Pled guilty to conspiracy to commit mail and wire fraud, mail fraud, aggravated identity theft, money laundering conspiracy, and criminal forfeiture.	January 5, 2016
Mohamad Daoud	Allowed His Company to be Used to Obscure Chain of Title	Pled guilty to money laundering.	July 6, 2015
Daniel Deaibes	Interacted with Escrow Companies During Sales of Stolen Properties	Pled guilty to mail fraud.	March 18, 2015
Adverse Possession Involving Fraudulent Ownership of Enterprise Properties, Pennsylvania			
Subjects allegedly operated a scheme where properties were stolen, including properties owned by the Enterprises, by creating fraudulent deeds purporting to convey ownership of the properties. The subjects then allegedly occupied several of the properties or attempted to rent or sell the properties. Reported losses by the Enterprises totaled approximately $240,000.			
Steven Hameed	Scheme Leader	Charged with conspiracy to commit bank fraud, illegal conversion of government property, aiding and abetting, corrupt interference with Internal Revenue laws, and fictitious obligations violations.	December 1, 2015
Darnel Young	Scheme Leader	Charged with conspiracy to commit bank fraud, illegal conversion of government property, aiding and abetting, corrupt interference with Internal Revenue laws, and fictitious obligations violations.	December 1, 2015

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Damond Palmer	Scheme Participant	Charged with conspiracy to commit bank fraud, illegal conversion of government property, aiding and abetting, corrupt interference with Internal Revenue laws, and fictitious obligations violations.	December 1, 2015
Florida Sovereign Citizens Involved in Illegal Occupancy of Fannie Mae REO			
Paul and Baptiste (a married couple/sovereign citizens) were illegally occupying a Fannie Mae-owned single-family residence. Paul and Baptiste conspired to file a false deed on the property with the Broward County Recorder's Office reflecting their ownership. Fannie Mae was notified and verified that the aforementioned single-family property was under Fannie Mae ownership as a REO property.			
Wonsik Paul	Sovereign Citizen/ Illegal Occupant	Sentenced to 2 years of house arrest and 8 years of probation.	November 24, 2015
Marlene Jean Baptiste	Sovereign Citizen/ Illegal Occupant	Sentenced to 5 years in prison.	November 24, 2015

Appendix L: OI Publicly Reportable Investigative Outcomes Involving RMBS Schemes

In this type of fraudulent conspiracy, 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.

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Three Former Bond Traders Charged			
Three former bond traders were indicted in a 10-count indictment alleging they committed fraud in connection with sales of RMBS bonds. The indictment alleges that the three former supervisory traders, who sat on the RMBS desk at Nomura in New York, engaged in a conspiracy to defraud customers of Nomura.			
Ross Shapiro	Managing Director of Nomura	Indicted via superseding indictment.	February 4, 2016
Michael Gramins	Executive Director of the RMBS Desk at Nomura	Indicted via superseding indictment.	February 4, 2016
Tyler Peter	Senior Vice President of the RMBS Desk at Nomura	Indicted via superseding indictment.	February 4, 2016

Appendix M: Figure Sources

Figure 2. Federal Housing Finance Agency Office of Inspector General, "Executive Summary," *$1.1 Billion Increase in Expenses for Fannie Mae and Freddie Mac from 2012 through 2015: Where the Money Went*, WPR-2016-001, at 3 (March 9, 2016). Accessed: April 26, 2016, at www.fhfaoig.gov/Content/Files/v2%20WPR-2016-001.pdf.

Figure 3. Federal Housing Finance Agency Office of Inspector General, "Fannie Mae," *$1.1 Billion Increase in Expenses for Fannie Mae and Freddie Mac from 2012 through 2015: Where the Money Went*, WPR-2016-001, at 13 (March 9, 2016). Accessed: April 26, 2016, at www.fhfaoig.gov/Content/Files/v2%20WPR-2016-001.pdf.

Figure 4. Federal Housing Finance Agency Office of Inspector General, "Freddie Mac," *$1.1 Billion Increase in Expenses for Fannie Mae and Freddie Mac from 2012 through 2015: Where the Money Went*, WPR-2016-001, at 17 (March 9, 2016). Accessed: April 26, 2016, at www.fhfaoig.gov/Content/Files/v2%20WPR-2016-001.pdf.

Appendix N: Endnotes

1 12 U.S.C. § 4617(b)(2)(A), (B), (D) (2011). Accessed: April 25, 2016, at www.gpo.gov/fdsys/pkg/USCODE-2011-title12/pdf/USCODE-2011-title12-chap46-subchapII-sec4617.pdf.

2 Department of the Treasury, *Statement by Secretary Henry M. Paulson, Jr. on Treasury and Federal Housing Finance Agency Action to Protect Financial Markets and Taxpayers* (September 7, 2008). Accessed: April 26, 2016, at www.treasury.gov/press-center/press-releases/Pages/hp1129.aspx.

3 See Freddie Mac Update July 2015 and Fannie Mae and Freddie Mac monthly volume summaries for market share information. For a discussion of the Enterprises' capital reserves and under the PSPAs, see OIG white paper *FHFA's Conservatorships of Fannie Mae and Freddie Mac: A Long and Complicated Journey*, WPR-2015-002 (March 25, 2015). Accessed: April 25, 2016, at www.fhfaoig.gov/Content/Files/WPR-2015-002_0.pdf. By operation of the PSPAs, the Enterprises' capital cushion will be eliminated over time. Given their paucity of capital, it is believed that the Enterprises may meet the definition of "critically undercapitalized" as set forth in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended (the Safety and Soundness Act). However, shortly after FHFA placed the Enterprises in conservatorship, it suspended the statutory requirement that the Agency issue quarterly capital classifications for the duration of the conservatorships. See FHFA press release *FHFA Announces Suspension of Capital Classifications During Conservatorship* (October 9, 2008). Accessed: April 25, 2016, at www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Suspension-of-Capital-Classifications-During-Conservatorship-and-Discloses-Minimum-and-RiskBased-Cap.aspx. The Safety and Soundness Act does not expressly permit the FHFA Director to suspend this requirement, but FHFA asserts that it suspended the requirement using its incidental powers as conservator or receiver. See 12 C.F.R. § 1237.3(c) (2013). Accessed: April 25, 2016, at www.gpo.gov/fdsys/pkg/CFR-2013-title12-vol9/pdf/CFR-2013-title12-vol9-sec1237-3.pdf. FHFA currently does not publish the data necessary for third parties to determine whether the Enterprises meet the definition of "critically undercapitalized."

4 Federal Housing Finance Agency, Division of Housing Mission and Goals, *Quarterly Performance Report of the Housing GSEs: First Quarter 2015*, at 14-17 (June 29, 2015). Accessed: April 25, 2016, at www.fhfa.gov/AboutUs/Reports/ReportDocuments/PerformanceReportofHousingGSEs-1Q2015.pdf.

5 For a detailed discussion of the uncertainty of the Enterprises' future profitability, see Federal Housing Finance Agency Office of Inspector General, *The Continued Profitability of Fannie Mae and Freddie Mac Is Not Assured*, WPR-2015-001 (March 18, 2015). Accessed: April 25, 2016, at www.fhfaoig.gov/Reports/AuditsAndEvaluations.

6 See Senate Committee on Banking, Housing, and Urban Affairs, *Testimony of Federal Housing Finance Agency Inspector General Steve A. Linick* (December 13, 2011). Accessed: April 25, 2016, at www.fhfaoig.gov/Content/Files/Senate-12-13-2011.pdf. ("FHFA was not proactive in oversight and enforcement, and accordingly, resource allocations may have affected its ability to oversee the GSEs and enforce its directives. Both trends have emerged

in a number of our reports."); see also Senate Committee on Banking, Housing, and Urban Affairs, *Testimony of Steve A. Linick, Inspector General, Federal Housing Finance Agency* (April 18, 2013). Accessed: April 25, 2016, at www.fhfaoig.gov/Content/Files/Linick testimony Senate Banking.pdf. ("Even when FHFA has identified risks and taken steps to manage those risks, the Agency has not consistently enforced its directives to ensure that identified risks are adequately addressed.")

7 Defendant's Response in Opposition to Plaintiffs' Motion to Compel Production of Certain Documents Withheld for Privilege, at 17, Fairholme Funds, Inc. v. United States, No. 13-465C (Fed. Cl. 2016).

8 Federal Home Loan Banks Office of Finance, *Combined Financial Report for the Year Ended December 31, 2014* (March 27, 2015). Accessed: April 25, 2016, at www.fhlb-of.com/ofweb_userWeb/resources/2014Q4Document-web.pdf.

9 Suspended Counterparty Program, 80 Fed. Reg. 79,675 (final rule December 23, 2015) (to be codified at 12 C.F.R. pt. 1227). Accessed: April 26, 2016, at www.gpo.gov/fdsys/pkg/FR-2015-12-23/pdf/2015-32183.pdf.

10 Enterprise Duty To Serve Underserved Markets, 80 Fed. Reg. 79,181 (proposed December 18, 2015) (to be codified at 12 C.F.R. pt. 1282). Accessed: April 25, 2016, at www.gpo.gov/fdsys/pkg/FR-2015-12-18/pdf/2015-31811.pdf.

11 12 U.S.C. § 4565(a)(1) (2014). Accessed: April 25, 2016, at www.gpo.gov/fdsys/pkg/USCODE-2014-title12/pdf/USCODE-2014-title12-chap46-subchapI-partB-subpart2-sec4565.pdf.

12 Enterprise Duty To Serve Underserved Markets, 75 Fed. Reg. 32,099 (proposed June 7, 2010) (to be codified at 12 C.F.R. pt. 1282). Accessed: April 25, 2016, at www.gpo.gov/fdsys/pkg/FR-2010-06-07/pdf/2010-13411.pdf.

13 Enterprise Duty To Serve Underserved Markets, 80 Fed. Reg. 79,181, at § 1282.32(a) (proposed December 18, 2015) (to be codified at 12 C.F.R. pt. 1282). Accessed: April 25, 2016, at www.gpo.gov/fdsys/pkg/FR-2015-12-18/pdf/2015-31811.pdf.

14 *Id.*, at § 1282.36(a).

15 *Id.*, at § 1282.36(c)(1).

16 The three underserved markets are manufactured housing, affordable housing preservation, and rural housing. *Id.*, at §§ 1282.33-35, per 12 U.S.C. § 4565(a)(1).

17 *Id.*, at § 1282.36(c)(2).

18 *Id.*, at § 1282.36(c)(3).

19 In its ruling on a challenge to an agency decision brought pursuant to the Administrative Procedure Act, 5 U.S.C. § 706, the U.S. District Court for the District of Columbia stated:

> In reviewing an administrative action, a district court must determine whether the administrative action was arbitrary and capricious, contrary to law, or unsupported by substantial evidence. § 706. To pass arbitrary and capricious review, the administrative body "must examine the relevant data and articulate a satisfactory explanation for its action including a 'rational connection between the facts found and the choice made.'" Motor Vehicle Mfrs. Ass'n of United States, Inc. v. State Farm Mut. Auto. Ins. Co., 463 U.S. 29, 43 (1983) (quoting Burlington Truck Lines v. United States, 371 U.S. 156, 168 (1962)). If the administrative action is reasonable, the court must accept it. Roberts v. Harvey, 441 F. Supp. 2d 111, 118 (D.D.C. 2006).

Jackson v. Mabus, 56 F. Supp. 3d 1, 12 (D.D.C. 2014).

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