Federal Housing Finance Agency
Office of Inspector General

Semiannual Report to the Congress

April 1, 2016, through September 30, 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 holds accountable 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

April 1, 2016–September 30, 2016

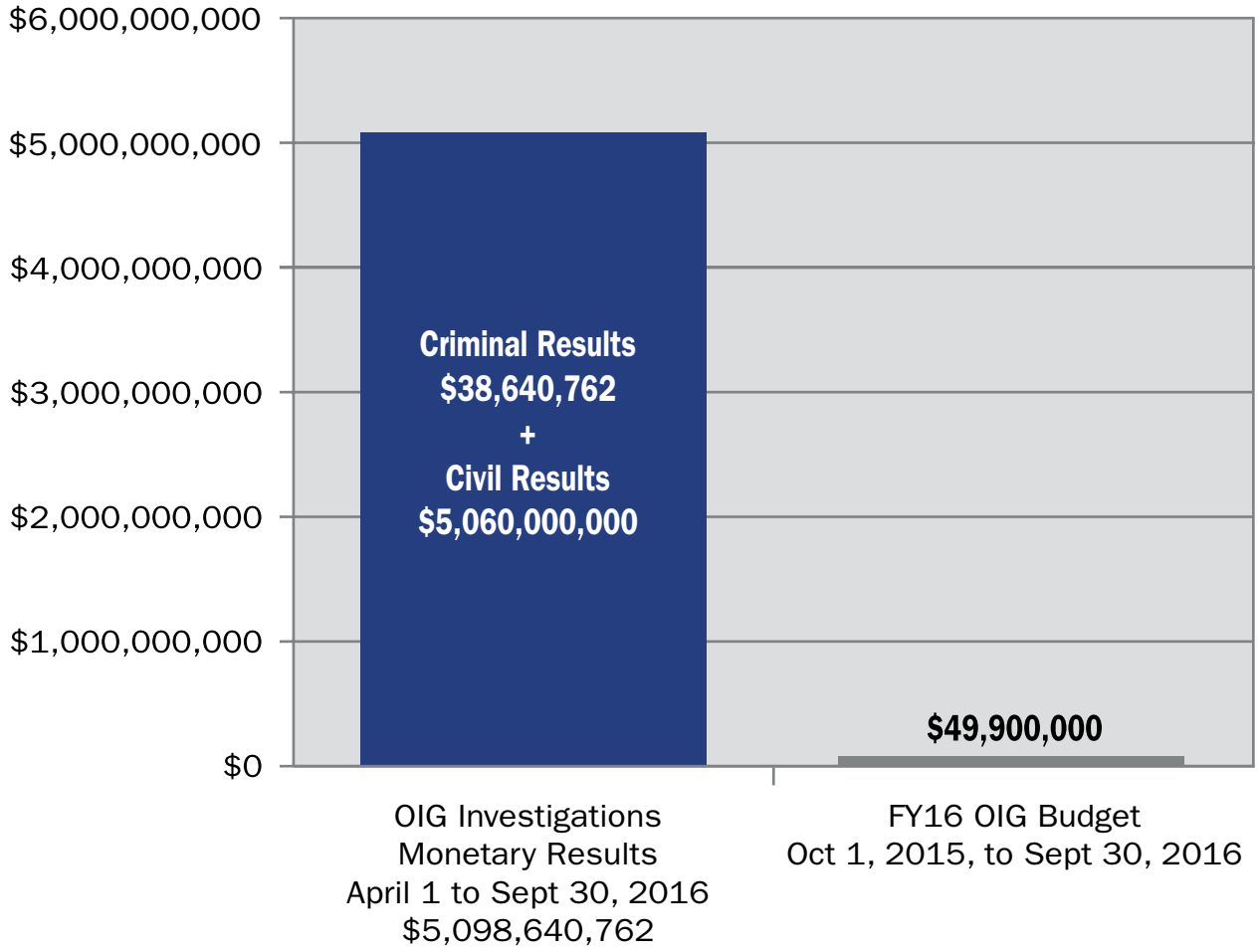
OIG Investigations Monetary Results	
Restitution	$34,139,854
Fines/Special Assessments/Seizures	$4,500,908
Settlements	$5,060,000,000
TOTAL	$5,098,640,762
Judicial Actions	
Indictments/Charges	75
Arrests	59
Convictions/Pleas	45
Sentencings	46
Suspensions/Debarment Referrals	31
Hotline Contacts	1,118
Reports Issued	13
Audit Reports	5
Evaluation Reports	3
Compliance Reviews	2
Management Alerts	1
Special Project Reports	1
White Papers	1
Recommendations	23
Responses to Requests Under the Freedom of Information Act	45

Monetary Results

April 1, 2016–September 30, 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 102 times greater than the fiscal year budget, as demonstrated in Figure 1 (see below).

Figure 1. OIG Monetary Results April 1, 2016, to September 30, 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 twelfth Semiannual Report to the Congress, which covers the period from April 1, 2016, to September 30, 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. Seeking to reorganize, rehabilitate, and wind up the affairs of the Enterprises to prepare for fundamental housing reform legislation, FHFA placed them in conservatorship in September 2008, and undertook the extraordinary dual role of supervisor and conservator. Now in their ninth year, FHFA's conservatorships of the Enterprises are of unprecedented scope, scale, and complexity. FHFA continues to serve 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 present unique and novel challenges. Consequently, 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 13 reports—including audits, evaluations, management alerts, white papers, and special project reports—published during this reporting period. Our work during this reporting period centered on three of the greatest financial, governance, and/or reputational risks to FHFA, the Enterprises in its conservatorship, and the entities it regulates: we issued two reports involving different aspects of FHFA's management of the conservatorships; nine reports addressing elements of FHFA's annual supervisory cycle for its examinations of the regulated entities; and one report assessing the adequacy of FHFA's privacy controls for its electronic data. One report was a mandated review of FHFA's compliance with the Improper Payments Information Act of 2002 as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012.

With regard to criminal investigations, OIG recognizes that the best deterrent against mortgage and financial institutional fraud is a proactive and visible criminal law enforcement effort. Our Office of Investigations conducts investigations into a wide variety of potential fraud schemes. Working closely with prosecutors, we follow the evidence wherever it leads to develop sufficient evidence to prove the elements of a crime, and hold those persons accountable who seek to prey on innocent victims and defraud the regulated entities. Where we do not find evidence sufficient to refer the matter to prosecutors to consider bringing criminal charges, we examine whether the evidence supports civil claims.

During this reporting period, OIG successfully conducted a number of investigations involving civil and criminal fraud, which resulted in significant criminal prosecutions and civil fraud enforcement, including:

- 75 indictments;
- 45 convictions;
- 46 sentencings;
- More than $38 million in criminal fines, restitutions, forfeitures, and settlements; and
- Over $5 billion in civil settlements.

Through 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 reflected in this Semiannual Report to the Congress 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
October 28, 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 ninth 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) within 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 April 1, 2016, to September 30, 2016. Among other things, it:

- Explains our risk-based oversight strategy;
- Describes our organizational structure;
- Discusses the audits, evaluations, compliance reports, and white papers published during the period;
- Provides highlights of some of the numerous OIG investigations that resulted in 75 indictments/charges, 45 convictions, and 46 sentencings against individuals responsible for fraud, waste, or abuse in connection with programs and operations of FHFA and the Enterprises; more than $38 million in criminal fines, restitutions, forfeitures, and settlements; and over $5 billion in civil settlements;
- Summarizes our outreach during the period; 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 fiscal year 2016, 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 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.

An integral part of OIG's oversight is to identify and assess FHFA's management and performance challenges and to align its work with these challenges. In September 2015, the Inspector General identified the most serious management and performance challenges the Agency faced in the previous year. They included:

- Conservatorship operations: oversight of delegated and non-delegated matters
- Supervision
- Non-bank sellers
- Information technology security

Our current Audit and Evaluation plan, adopted in February 2016, builds on the four areas of significant risk facing FHFA identified in our management and performance challenges memorandum. The four areas of significant risk identified in that plan 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 authority to manage 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 purchase loans and **guarantee** the timely payment of principal and interest to investors in **mortgage-backed securities**, and support 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.

OIG focused much of its oversight during this reporting period (and during the prior reporting period) on identifying vulnerabilities in these areas, recommending positive, meaningful actions that the Agency could take to mitigate these risks, and fulfilling statutory mandates. Our Audit and Evaluation Plan is available at www.fhfaoig.gov/Reports/AuditAndEvaluationPlan.

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.

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, evaluation, compliance, and other reports and white papers 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.

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 Modernization Act of 2014 (FISMA) directs OIG annually to perform an independent evaluation of whether FHFA's and OIG's information security programs and practices meet FISMA's security requirements.

During this reporting period, Marla Freedman joined OIG as the Deputy Inspector General of Audits. Ms. Freedman formerly led the audit division at the Department of the Treasury Office of Inspector General for 15 years, and has over 30 years' experience conducting audits within the federal government. Ms. Freedman was recently awarded the David M. Walker Excellence in Government Performance and Accountability Award, awarded to one federal government employee every two years. Robert Taylor also joined OIG as the Assistant Inspector General of Audits. Mr. Taylor also comes to OIG from the Department of the Treasury Office of Inspector General and has over 35 years of audit experience. Under the leadership and guidance of Ms. Freedman and Mr. Taylor, OIG is continuing to restructure our audit division to ensure that the skill sets of OIG personnel facilitate the types of performance audits and evaluations that OIG plans to conduct, and to fulfill OIG's strategic vision of producing targeted, relevant, high-quality audit and evaluations products faster and with smaller teams. Toward that goal, OIG welcomed six additional new professionals to OA during this reporting period who will enhance our ability to conduct audits relevant to cyber issues and FHFA supervision of the FHLBanks.

Under the Inspector General Act, inspectors general are required to comply with generally accepted government auditing standards (GAGAS) established by the Comptroller General of the United States. OA performs its audits and attestation engagements in accordance with the *Government Auditing Standards* (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, 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 is responsible for conducting a preliminary review of all 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 1,118 contacts. OI investigates hotline and whistleblower

complaints involving potential violations of criminal or civil laws; the Office of Compliance and Special Projects, OA, or OE may conduct inquiries, audits, or evaluations regarding hotline and whistleblower complaints that involve administrative matters or involve potential inefficiencies, waste, or other abuses.

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) 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.

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.

OCo also performs special projects, which include inquiries or investigations into high-profile or high-risk issues that may arise.

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 (OICF) manages and oversees OIG's workplace safety and facilities in support of OIG program-wide operations. OICF also manages the implementation of OIG's **internal controls** program in compliance with Office of Management and Budget (OMB) Circular A-123 on *Management's Responsibility for Enterprise Risk Management and Internal Control* and the *Standards for Internal Control in the Federal Government* (Green Book).

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 ninth 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.

Earlier in conservatorship, the Enterprises required $187.5 billion in financial investment from Treasury to avert their insolvency. 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.

Non-delegated Matter: Management Alert Questioning Budget for the Build-Out of Fannie Mae's Corporate Headquarters

In response to an anonymous complaint to OIG's hotline, OIG conducted a special project review of alleged excessive spending on Fannie Mae's relocation to a new headquarters in downtown Washington, DC. Our review resulted in a management alert to FHFA. (See OIG, *Management*

Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae's Headquarters Consolidation and Relocation Project (COM-2016-004, June 16, 2016), online at www.fhfaoig.gov/Reports/AdditionalActionItems.)

OIG found that Fannie Mae's budget estimates for the build-out costs for the DC headquarters building—for items such as furnishings and office configurations—increased 53% from the time FHFA approved the project in January 2015 to March 2016. Further, the FHFA office responsible for overseeing the project was unaware of these cost increases. OIG also found that Fannie Mae's planned expenditures on the project included items that may not be appropriate for an entity in a taxpayer-supported conservatorship, such as spiral staircases and glass bridges.

OIG recommended that the Agency take immediate action to ensure that it had adequate internal staff or contractors with the necessary professional expertise and experience to oversee the project, and that it direct Fannie Mae to provide regular updates and formal budgetary reports for Agency approval through the design and construction process. The Agency accepted OIG's recommendations.

Delegated Matter: Shale Oil Boom and Bust: Implications for the Mortgage Market

Beginning in 2005, rising oil prices together with technological developments—horizontal drilling and hydraulic fracturing, also known as fracking—drove an increase in U.S. oil production. These technologies made drilling economically feasible in parts of the country that were not traditional oil producers, particularly "shale" areas. Most U.S. shale oil production has come from three regions: Bakken, primarily in western North Dakota; Permian Basin, primarily in western Texas; and Eagle Ford, primarily in southern Texas.

The shale oil production boom bolstered the growth of employment and population in these regions, which put pressure on local housing markets. Widespread use of nontraditional and temporary housing emerged. Single-family home prices in North Dakota and Texas increased substantially, especially in counties with higher oil and gas industry employment, compared to a decline nationwide. Demand for multifamily rental housing also strengthened, with rents in some places rising rapidly.

Since 2014, oil prices have dropped and currently stand at levels below which new shale oil production is generally economically viable. These three shale oil regions have witnessed a decline in new shale drilling activity over this period. Some areas have seen a rise in unemployment. In some of the regions, the housing markets have slowed, accompanied by early signs of stress. As a result, there is an emerging risk that the shale oil areas could face a further slowdown in their housing markets, which has the potential to adversely impact the Enterprises.

In light of concerns about the potential impact of the oil bust on housing raised by Fannie Mae and Freddie Mac, financial and industry entities, and media outlets, we assessed the Enterprises' business activities in core shale regions during the 2005 to 2015 boom and bust cycle to better understand their potential exposure. (See OIG, *Shale Oil Boom and Bust: Implications for the Mortgage Market* (WPR-2016-003, September 7, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) We found that less than one-tenth of 1% of the Enterprises' single-family mortgage acquisitions and less than 1% of their multifamily acquisitions from 2005 to 2015 were concentrated in these regions.

From the materials we reviewed, we believe that, as matters now stand, the Enterprises' potential exposure from this emerging risk is quite small as a proportion of their overall acquisitions, and the white paper makes no recommendations.

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 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."

Supervision of the Enterprises: Targeted Examination Planning and Execution

Like other federal financial regulators, FHFA maintains that it uses a risk-based approach for its supervisory activities. Supervision by risk requires a comprehensive, risk-focused view of each regulated entity so that supervisory activities can be tailored to the risks with the highest supervisory concerns. Each DER core team prepares a number of semiannual risk assessments for each Enterprise, and using these risk assessments, they should develop an annual supervisory plan for the respective Enterprise. The annual supervisory plan identifies all planned supervisory activities—ongoing monitoring and targeted examinations—of selected areas of high importance or risk.

As discussed in the previous Semiannual Report to the Congress, earlier this year we published a report in which we assessed whether FHFA's requirements for its risk assessments of the Enterprises were sufficiently robust to produce risk assessments that achieve the purpose for which they were intended. We reported that FHFA's loosely defined parameters lacked standardized measures of risks, did not define the risk measures that examiners must use, and did not require examiners to use a common format or common, defined measures of risk. We also found the absence of minimum required standards for risk assessments combined with the broad discretion granted to examiners-in-charge (EICs) and examination managers to select and define risk measures had resulted in a lack of consistency in defining significant risks and identifying supervisory concerns in risk assessments for an Enterprise over a period of years. The significant variability in risk assessments for an Enterprise limits their utility in development of a risk-based supervisory plan. (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.)

In response to our recommendations to improve the preparation of risk assessments, DER issued internal guidance in May 2016 to improve consistency of definitions and use of key terms and risk measures, and prescribed specific documentation and approval requirements to apply to midyear risk assessments. According to FHFA senior leadership, FHFA plans to assess the effectiveness of the enhanced risk assessment procedures in the first quarter of 2017 before midyear risk assessments for 2017 are prepared.

Beginning in October 2015, prior to the issuance of DER's May 2016 internal guidance, we decided to build upon our evaluation work by conducting an audit to determine whether DER (1) supported its 2014 and 2015 high-priority planned targeted examinations identified in its annual supervisory plans with risk assessments and completed those planned high-priority examinations; (2) performed its planned targeted examinations for Fannie Mae from 2012 through 2015 and, if it did not, whether FHFA documented the deviations from its plans in accordance with policies and procedures; and (3) performed its planned targeted examinations for Freddie Mac from 2012 through 2015 and, if it did not, whether FHFA documented the deviations from its plans in accordance with policies and procedures. We issued three reports from this audit.

The first report analyzed whether the high-priority planned targeted examinations identified by DER in its annual supervisory plans for 2014 and 2015 for each Enterprise were supported by risk assessments and whether those planned high-priority targeted examinations were completed. (See OIG, *FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005, September 30, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

Of the 61 high-priority targeted examinations planned for the Enterprises for 2014 and 2015, we were able to trace 32 to DER risk assessments but were unable to trace the remaining 29—almost half of the total. The then-current EICs for the DER core examination teams for the Enterprises explained to us that we were unable to trace 27 of the 29 high-priority targeted examinations to underlying risk assessments because the core teams obtained information outside the risk assessment process and planned those 27 examinations on the basis of such information. However, none of the risk assessments were updated to include this newly obtained information, as required by FHFA. The result of gathering information from outside the risk assessment process meant that risk assessments did not provide the critical foundation for planning almost half of the high-priority targeted examinations for the Enterprises for the 2014 and 2015 supervisory cycles.

We also determined how many of the 61 high-priority targeted examinations planned for 2014 and 2015 were completed by the end of our fieldwork (June 17, 2016). We found that only 25 (41%) of the 61 high-priority targeted examinations planned for the 2014 and 2015 supervisory cycles were completed.

Our second report analyzed whether DER examiners performed the planned targeted examinations for Fannie Mae from 2012 through 2015 and, in those instances where the planned targeted examinations were not completed, whether DER documented the deviations from its plans in accordance with policies and procedures. (See OIG, *FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No*

Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006, September 30, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

DER planned 102 targeted examinations for Fannie Mae from 2012 through 2015, of which 43 were completed. Of the remaining 59 planned targeted examinations: 19 were cancelled, 9 were deferred, 14 were converted to ongoing monitoring, 7 were commenced but not completed, and 10 lacked documentation as to their disposition as of the end of our fieldwork on June 17, 2016. Overall, we found that both the number and percent of completed targeted examinations that were identified in the annual supervisory plans decreased significantly during this four-year period. Of particular concern, for the 2015 supervisory cycle, DER planned 11 targeted examinations, but completed ***none*** before the 2015 report of examination (ROE) issued on March 23, 2016. The only targeted examinations for which findings were reported in the 2015 ROE were 3 examinations planned for the 2014 supervisory cycle and completed in the 2015 supervisory cycle.

Effective January 1, 2014, DER requires that changes to supervisory plans be risk related, approved by the EIC, and documented. For Fannie Mae, 64 targeted examinations were planned for 2014 and 2015. Of these 64, 17 were completed and 7 were commenced but not completed as of June 17, 2016. The remaining 40 (63%) were either not conducted or their disposition was not documented. While DER provided us with documentation that explained the change in status for 33 of the 40, only 11 reflected risk-related reasons for the change in status. The reasons provided by DER to explain the change in status for the remaining 22 were not risk related.

Our third report analyzed whether DER examiners performed the planned targeted examinations for Freddie Mac from 2012 through 2015 and, in those instances where the planned targeted examinations were not completed, whether DER documented the deviations from its plans in accordance with policies and procedures. (See OIG, *FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007, September 30, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

We found that DER planned 90 targeted examinations for Freddie Mac from 2012 through 2015, of which 50 were completed. Of the remaining 40 planned targeted examinations: 17 were cancelled, 4 were deferred, 7 were converted to ongoing monitoring, 4 were commenced but not completed, and 8 lacked documentation as to their disposition as of the end of our fieldwork on June 17, 2016. As with Fannie Mae, we found overall that both the number and percent of completed targeted examinations that were identified in the annual supervisory plans decreased significantly during this four-year period.

For Freddie Mac, 54 targeted examinations were planned for 2014 and 2015. Of these 54, 22 were completed and 4 were commenced but not completed as of the end of our fieldwork. The remaining 28 (52%) were either not conducted or their disposition was not documented. While DER provided us with documentation that explained the change in status for 21 of the 28, only 4 reflected risk-related reasons for the change in status. The reasons provided by DER to explain the change in status for the remaining 17 were not risk related.

The reason repeatedly provided to us by DER officials for failure to commence a significant number of planned targeted examinations for Fannie Mae and Freddie Mac was resource constraints, notwithstanding the consistent position of DER leadership and FHFA senior leadership that

DER has an adequate complement of examiners. For a federal financial regulator, responsible for supervising two Enterprises that together own or guarantee more than $5 trillion in mortgage assets and operate in conservatorship, to fail to complete a substantial number of planned targeted examinations, including failure to complete any of its 2015 planned targeted examinations for Fannie Mae within the 2015 supervisory cycle, is an unsound supervisory practice and strategy.

Additionally, as noted in all three reports, our audit work was hampered by the lack of DER's supervisory documentation maintained in its official system of record. In our judgment, the lack of such documentation creates a significant risk exposure. This significant risk exposure, coupled with the other deficiencies identified in this audit, threatens FHFA's ability to fulfill its statutory mission to ensure that the Enterprises operate in a safe and sound manner.

We made nine recommendations to address the findings identified in the three reports.

In our first report, we recommended that FHFA: (1) ensure that risk assessments support the supervisory plans in terms of the targeted examinations included in those supervisory plans and the priority assigned to those targeted examinations; (2) reinforce and hold the EICs accountable to meet FHFA's requirement for risk assessments to be updated semiannually, and as additional information is learned that causes significant changes to the risk profile, such information, from whatever sources, should be factored into the risk assessment during the next update; (3) direct DER to develop and implement controls to ensure that high-priority planned targeted examinations are completed before lower-priority targeted examinations, unless the reason(s) for performing a lower-priority targeted examination in lieu of a higher-priority planned targeted examination is documented and risk based (e.g., change in process, delay in implementation); (4) enhance DER guidance to provide a common definition for the priority assigned to targeted examinations and require examiners to document the basis of the priority assigned to targeted examinations; and (5) revise existing guidance to require examiners to prepare complete documentation of supervisory activities and maintain such documentation in the official system of record, and train DER examiners on this guidance. This last recommendation applied to all three reports.

In its written comments to our draft report, FHFA stated that it issued internal guidance in May 2016 that FHFA believes confirms its general agreement with recommendations 1, 2, 3, and 4. FHFA stated that during the first quarter of 2017, it will assess the effectiveness of the enhanced risk assessment procedures outlined in the guidance and determine whether any revisions are needed before the midyear risk assessment process commences in 2017. Since FHFA is committed to implementing recommendations 1, 2, 3, and 4, either through its implementation of its May 2016 internal guidance or as part of its 2017 assessment, we consider FHFA's response to these recommendations to be an agreement. After FHFA performs its 2017 planned midyear assessment of the implementation of the May 2016 guidance, we plan to review the results of that assessment. To the extent that FHFA's assessment finds that recommendations 1, 2, 3, and 4 are not fully implemented by that guidance, we expect FHFA to take additional corrective actions.

FHFA disagreed with recommendation 5. FHFA stated that DER has sufficient guidance in place for documentation of supervisory activities. Moreover, in mid-2015, DER put in place an enhanced quality control function that provides an independent review of targeted examination work products to

assess whether written communications to the Enterprises are supported by documentation of examination work that meets DER standards and applicable FHFA guidance for preparation of written products. DER believes that existing internal guidance and the quality control reviews now being performed are effective to ensure that the official records of examination activities are complete and maintained appropriately. As discussed in the first report as well as in the two companion reports on the targeted examinations of Fannie Mae and Freddie Mac, DER's operating procedures direct that supervisory planning is documented and incorporated into official agency records. Our efforts to track the planning and execution of DER's supervisory activities through documentation maintained in FHFA's Information Management System (IMS) were not successful because a significant amount of documentation was not retained in IMS. FHFA's suggestion that DER's enhanced quality control reviews will remedy these problems is unfounded. In accordance with DER's quality control review process, put in place in July 2015, these reviews are focused on documentation for completed targeted examinations. This audit found lack of documentation supporting the planning and execution of supervisory activities.

In our second report regarding FHFA's targeted examinations of Fannie Mae, we made four additional recommendations. Specifically, we recommended that FHFA: (1) assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high priority within each supervisory cycle and address the resource constraints that have adversely affected DER's ability to carry out its risk-based supervisory plans; (2) develop and implement guidance that clearly requires supervisory plans to identify and prioritize the planned targeted examinations that are to be completed for each supervisory cycle in order to fully inform the ROE and **CAMELSO** ratings for that cycle; (3) develop and implement a control that provides for the tracking and documentation of planned targeted examinations, through disposition, in DER's official system of record; and (4) reinforce and hold EICs accountable to follow DER's requirement to fully document the risk-based justifications for changes to the supervisory plan, and that changes to supervisory plans are documented and approved by the EIC. These recommendations also applied with equal force to our third report on FHFA's targeted examinations of Freddie Mac. That report did not include any further recommendations.

DER partially agreed with recommendation 1. DER did not agree that current staffing levels adversely affected DER's ability to meet its supervisory responsibilities. DER agreed, however, that it is a sound practice to regularly assess whether staffing levels are sufficient to carry out DER responsibilities for fulfillment of FHFA's mission. As part of the annual agency-wide budget process, DER assesses its resource needs in making its submission for preparation of FHFA's budget. DER will continue to provide this information and will seek to promptly fill open positions. In OIG's view, FHFA's assertion that DER's staffing levels have not adversely affected its ability to meet its supervisory responsibilities cannot be squared with findings from this audit: DER failed to conduct and complete more than half of its planned targeted examinations of Fannie Mae for the past four supervisory cycles and almost half of its planned targeted examinations of Freddie Mac, and the reason repeatedly provided by DER officials for this failure was resource constraints.

With respect to recommendations 2 and 4, FHFA stated that the guidance issued in May 2016 confirms its general agreement with these recommendations. As noted above, FHFA stated its

intent during the first quarter of 2017 is to assess the effectiveness of the enhanced risk assessment procedures outlined in the guidance and determine whether any revisions are needed before the midyear risk assessment process commences in 2017. FHFA agreed with recommendation 3 and stated that by September 23, 2017, DER will establish an improved mechanism for tracking the status of activities included on Enterprise examination plans.

Supervision of the Enterprises: Reports of Examinations

In its role as regulator of the Enterprises, FHFA produces written ROEs for each annual supervisory cycle. FHFA's governance regulations and *Examination Manual* charge a board of directors (board) of each of its regulated entities with oversight responsibilities to ensure that management corrects all deficient, unsafe, or unsound practices giving rise to supervisory concerns and findings in an ROE. The purpose of an ROE is to communicate to the board of each regulated entity examination results and conclusions, findings, supervisory concerns, and the composite and component ratings assigned in accordance with FHFA's examination rating system.

Given the central role the ROE serves in communicating FHFA's supervisory concerns, examination findings, and ratings to the board of each of its regulated entities, and the importance of diligent board oversight of corrective action by management, OIG conducted an evaluation to compare FHFA's ROE requirements and applicable requirements established by other federal financial regulators—the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve), and the Federal Deposit Insurance Corporation (FDIC). We first assessed whether DER followed FHFA requirements when issuing the ROEs, and whether it obtained written responses to the ROEs as required by FHFA policy. (See OIG, *FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns* (EVL-2016-008, July 14, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

We found that the guidance issued by FHFA and DER on the structure and content of the annual ROE is incomplete compared to guidance issued by three other federal financial regulators and has led to inconsistent and incomplete ROEs. Based on our review of ROEs issued for five annual supervisory cycles, we found that as a result of the incomplete guidance: (1) the content of the ROEs varied by Enterprise and across the five supervisory cycles; (2) specific deficiencies in management practices and the root causes of supervisory deficiencies were not consistently reported in the ROEs; and (3) FHFA's supervisory expectations for the corrective actions to be taken by management and overseen by the board for each supervisory concern or deficiency were not clearly communicated in the ROEs.

We also found that the ROEs issued to each Enterprise during the five annual supervisory cycles failed to consistently provide Enterprise directors with critical information on the most serious examination findings, such as specific deficiencies in management practices or the root causes of those deficiencies giving rise to an open Matter Requiring Attention (MRA). When a deficiency is identified during a supervisory activity, FHFA examiners will classify the deficiency as an MRA, which only issue for the most serious supervisory matters, a violation, or a recommendation. In those instances where open MRAs were reported in an ROE, we found that the deficient, unsafe, or unsound practices identified in the narrative section for each component rating typically were not linked

to specific open MRAs, constraining the ability of Enterprise directors to exercise effective oversight of management's remedial efforts.

In addition, we found that DER's ROE review process continues to create the appearance that the Enterprises exert influence over ROE content. In 2011, DER was criticized internally for allowing the Enterprises to edit and rewrite sections of draft ROEs, some of which changed the language and tone of the ROEs. While the scope of comments by Enterprise management to draft ROEs has been reduced since 2011, we found that proposed line edits suggested by Enterprise management went beyond correction of factual errors to include changes to language, tone, or conclusions.

OIG recommended that FHFA: (1) direct DER to develop and adopt a standard template for Enterprise ROEs, issue instructions for completing that template, and promulgate guidance that establishes baseline elements that must be included in each ROE, such as clear communication of deficient, unsafe, or unsound practices; explanation of how those practices gave rise to supervisory concerns and deficiencies; and prioritization of remediation of supervisory concerns and deficiencies; (2) direct DER to revise its guidance to require ROEs to focus the boards' attention on the most critical and time-sensitive supervisory concerns through (a) the prioritization of examination findings and conclusions and (b) identification of deficiencies and MRAs in the ROE and discussion of their root causes; and (3) develop written procedures for the "fatal flaw" review of the ROE by Enterprise management that establish the purpose of the review, its duration, and a standard message for conveying this information to Enterprise management. FHFA partially agreed with our first recommendation, disagreed with the second, and agreed with the third.

FHFA's response does not address whether its instructions will require, in accordance with OIG's first recommendation, clear communication of deficient, unsafe, or unsound practices; explanation of how those practices gave rise to supervisory concerns and deficiencies; or prioritization of remediation of supervisory concerns and deficiencies. Because FHFA has advised OIG that its template and accompanying instructions "will likely not require enumeration of all supervisory concerns," we do not consider FHFA's response as fully responsive to our recommendation that the ROEs be required to include all such concerns.

FHFA disagreed with recommendation 2, stating that conclusion letters, which are issued from targeted examinations, along with ROEs and unnamed "other supervisory communications," are sufficient to enable board oversight to remediate MRAs and other supervisory concerns. FHFA's corporate governance regulation requires each Enterprise board to ensure that management addresses "all supervisory concerns of FHFA in a timely and appropriate manner." While FHFA requires conclusion letters to report all MRAs arising from the targeted examination, DER did not require examiners to provide those conclusion letters to Enterprise directors until June 2016, when FHFA only changed its guidance in response to an OIG recommendation in a report issued earlier this year. Neither FHFA nor DER requires DER examiners to identify all supervisory concerns that do not rise to the level of an MRA in a conclusion letter. Consequently, Enterprise directors would not learn about any such supervisory concerns from conclusion letters. Following the publication of the *Examination Manual* in December 2013, DER was not required to identify all open MRAs in ROEs until June 2016, when, in response to the same OIG report issued in March 2016, DER adopted formal internal guidance requiring the inclusion of MRAs in ROEs. As we found in this report, only one of the three ROEs issued to Fannie Mae during

that period identified open MRAs. DER's new guidance does not require supervisory concerns or the basis for those concerns to be identified in an ROE. FHFA has not identified the "supervisory communication" in which it communicates supervisory concerns to Enterprise directors, apart from the ROE and conclusion letters. As matters now stand, there is no clear foundation for FHFA's assertion that Enterprise directors will learn about supervisory concerns from conclusion letters, "other supervisory communications," or the ROE. In our recommendation, we sought to address a related shortcoming identified in this report: namely, to require DER to identify all supervisory concerns and deficiencies in each ROE and the root causes of such concerns and deficiencies to Enterprise directors to enable them to satisfy their governance obligations.

In OIG's second report on this topic, we compared FHFA's requirements and guidance for the issuance of an ROE and response to it by the board of the regulated entity to the requirements and guidance of other federal financial regulators. (See OIG, *FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports* (EVL-2016-009, July 14, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.) We found that FHFA's requirements and guidance on communication of the annual ROE are more limited than the requirements of other federal financial regulators and led to divergent and inefficient practices among DER's examination teams. We also assessed whether DER examiners followed FHFA's limited requirements and guidance and found that they largely had not. In addition to frequent delivery of the ROE through Enterprise management instead of directly to the boards of directors, we observed that the Enterprises only rarely responded to the ROEs with any written commitments of even the most general kind.

OIG recommended that FHFA (1) revise its *Examination Manual* to:

- require that each final ROE be addressed and delivered to the board of directors of an Enterprise by DER examiners to eliminate any confusion over the meaning of the term "issue;"
- establish a timetable for submission of the final ROE to each Enterprise's board of directors and for DER's presentation of the ROE results, conclusions, and supervisory concerns to each Enterprise board;
- require each Enterprise board to reflect its review of each annual ROE in meeting minutes; and
- require each Enterprise board to reflect its review and approval of its written response to the ROE in meeting minutes.

OIG also recommended that FHFA (2) direct DER to develop detailed guidance and promulgate that guidance to each Enterprise's board of directors that explains:

- the purpose for DER's annual presentation to each Enterprise board of directors on the ROE results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and
- the requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response.

Finally, OIG recommended that FHFA (3) direct the Enterprises' boards to amend their charters to require review by each director of its annual ROE and review and approval of the written response to DER for each annual ROE. FHFA partially agreed

with the first and second recommendations and disagreed with the third.

FHFA disagreed with OIG's first recommendation in that it called for delivery of the ROE by examiners directly to the board. The Agency stated that Enterprise management can effectuate the delivery. Pursuant to FHFA's delegations of authority and corporate governance rule, each Enterprise board is responsible for day-to-day operations of that Enterprise and is charged with ensuring that management promptly addresses all supervisory concerns. As informed by the guidance of the OCC and Federal Reserve, delivery of an ROE to the board of directors of a regulated entity is the best practice. FHFA offers no reasonable basis on which to reject our recommendation that it ensure that every ROE be delivered directly to Enterprise board members rather than through Enterprise management, which typically is responsible for the actions or inactions criticized in the ROE.

In addition, FHFA disagreed with the second recommendation to the extent that it called for the Agency to promulgate guidance to each Enterprise's board of directors explaining the requirement for each Enterprise board to respond to each ROE and the expected level of detail in that response. In light of FHFA's refusal to issue supervisory guidance to Enterprise directors about their obligations, we intend to monitor closely the boards' ROE responses and assess whether they meet requirements imposed by FHFA and DER.

FHFA rejected our third recommendation, maintaining that its agreement to require directors to confirm, in writing, their review of each ROE obviates the need for Enterprise boards to amend their charters. As we found, the few requirements that FHFA has adopted with respect to ROEs have not been followed. One of the two Enterprise boards was not aware of its obligation to review each ROE and respond in writing to it. For those reasons, our recommendation sought to clarify, in the respective board of directors' charters, director responsibilities with respect to ROEs.

Supervision of the Enterprises: Tracking Matters Requiring Attention

When DER examiners identify a deficiency during supervisory activities and classify it as an MRA, FHFA requires the affected entity to promptly remediate it. According to FHFA, a key component of effective supervision is close oversight of efforts by an entity it regulates to correct identified supervisory concerns, and it requires all examiners to "check and document" the progress of MRA remediation.

To enhance their oversight of MRA remediation, federal financial regulators, including the OCC and the Federal Reserve, use MRA tracking systems. These systems provide a centralized repository of information on open and closed MRAs, track upcoming deadlines, and provide ready access to underlying work papers. Because FHFA maintained to us that DER used an MRA tracking system, we compared the MRA tracking systems used by the OCC, the Federal Reserve, and DBR to those used by the DER Fannie Mae and Freddie Mac examination teams. We also reviewed a sample of open and closed MRAs issued to each Enterprise by DER to assess whether DER examiners performed independent assessments of the timeliness and adequacy of each Enterprise's efforts to remediate the MRA. (See OIG, *FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises* (EVL-2016-007, July 14, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

OIG found substantial weaknesses in DER's tracking systems that limit significantly the utility of those

systems as a tool to monitor the Enterprises' efforts to remediate deficiencies giving rise to MRAs. We also found a lack of consistent independent analysis by DER examiners of the timeliness and adequacy of each Enterprise's remedial efforts. Specifically, we found that:

- DER's MRA tracking systems lack important prospective dates and the tracking system for Fannie Mae MRAs does not provide ready access to underlying remediation documents, thus rendering those systems of limited utility in tracking the progress of MRA remediation.
- DER examiners did not consistently conduct and document independent assessments of the timeliness and adequacy of the Enterprises' remediation efforts.

OIG recommended that FHFA: (1) require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management's remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system; (2) require DER, upon acceptance of an Enterprise's remediation plan, to estimate the date by which it expects to confirm internal audit's validation, and to enter that date into a dedicated field in the MRA tracking system; (3) ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER's MRA tracking system(s); (4) require DER to conduct and document, in an Analysis Memorandum or other work paper, an independent assessment of the adequacy of each Enterprise MRA remediation plan and the basis upon which such plan is either accepted or rejected, and to maintain that document in DER's supervisory record-keeping system; (5) require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis; and (6) require DER, when evaluating whether to close an MRA, to conduct and document (in an Analysis Memorandum or other work paper) an independent analysis of the adequacy and sustainability of the Enterprise's remediation activity, or where appropriate, the adequacy of the Enterprise's internal audit validation work, and maintain that document in DER's supervisory record-keeping system.

FHFA agreed with recommendations 4 and 6, and disagreed with recommendations 3 and 5. While FHFA "partially agreed" with recommendations 1 and 2, its proposed corrective actions did not address the underlying shortcomings in the Agency's oversight of the Enterprises' remediation of MRAs that were identified.

OIG made the third recommendation to enhance the efficiency of DER's tracking of MRA remediation. As discussed in our report, the tracking systems used by the OCC, the Federal Reserve, and DER's Freddie Mac examination team contain (or examiners may insert) live links to the supervisory documents relating to each MRA. The tracking system used by the Fannie Mae examination team, however, does not. Moreover, Fannie Mae examiners store remediation documents for open MRAs on four separate SharePoint sites, rather than in FHFA's centralized examination record-keeping system. These remediation documents are migrated to FHFA's electronic record-keeping system only after the Fannie Mae examination team closes an MRA. Due to DER's large backlog in closing Fannie Mae MRAs, there is a significant number of MRAs with work papers stove-piped in separate SharePoint sites. In its management response, FHFA does not claim that it is preferable to stove-pipe Fannie Mae examination documents into separate SharePoint sites, nor does it claim that implementing our recommendation—to bring the Fannie Mae examination team in line with the Freddie Mac

examination team—would somehow impose an undue burden or expense.

With respect to the fifth recommendation, FHFA has a statutory obligation to supervise the Enterprises and, pursuant to its own *Examination Manual*, issues MRAs for only the most serious deficiencies identified during a supervisory activity. While FHFA asserted that its current process is sufficient to enable DER to effectively oversee the Enterprises' MRA remediation, DER officials acknowledged to us that DER considers MRA remediation to be an Enterprise business function and that there is no expectation for DER to assess the adequacy or timeliness of the Enterprises' corrective actions during the remediation process. Our review of a sample of MRAs found virtually no evidence of independent examiner assessments of the sufficiency of the Enterprises' actions during their remediation. That record, combined with FHFA's refusal to require DER examiners to regularly assess and document the timeliness and adequacy of remediation, raises a concern that, as a practical matter, FHFA may have shifted a substantial portion of its supervisory responsibilities for MRA remediation to the entities that it regulates.

Supervision of the FHLBanks: Oversight of MRA Remediation

In a compliance review, we considered the Agency's implementation of a recommendation issued in an evaluation report, *FHFA's Oversight of Troubled Federal Home Loan Banks* (EVL-2012-001, January 11, 2012). In that evaluation, OIG found that the Agency lacked an automated information system to track deficiencies found during examinations of the FHLBanks and remediation of those deficiencies. The evaluation found that the Agency's practice of having individual examiners maintain separate, decentralized records was inefficient and presented challenges for Agency management. OIG recommended that the Agency develop and implement a centralized reporting system that would provide ready access to information about FHLBank findings, planned corrective actions, and their status. The Agency agreed to adopt OIG's recommendation and developed a tracking system, and the recommendation was closed.

In our follow-up compliance review, we assessed the Agency's implementation of the recommendation and found that it had established and was using an automated system, as recommended by OIG. (See OIG, *FHFA's Implementation of Its Automated System to Track Deficiencies Identified in Federal Home Loan Bank Examinations* (COM-2016-003, May 26, 2016), online at www.fhfaoig.gov/Reports/Compliance_Reviews.) We further found that Agency examiners were following the procedures established for use of the automated system and that Agency officials and supervisory examiners found that the system represented an improvement over the previous, decentralized records management practice. We concluded that the Agency had fully and successfully implemented OIG's recommendation and that the recommendation had, in fact, the desired effect.

In a special report, we assessed whether DBR followed the requirements of FHFA's Advisory Bulletin 2012-01 (AB 2012-01) to oversee MRA remediation by an FHLBank. OIG reviewed DBR's efforts to oversee remediation by different FHLBanks of a sample of nine MRAs issued by DBR from January 2014 through September 2015. (See OIG, *DBR's Unwritten Procedures and Practices for Oversight of Efforts by Federal Home Loan Banks to Correct Deficiencies Underlying the Most Serious Supervisory Matters Are Inconsistent with the Written Oversight Requirements Promulgated by FHFA* (COM-2016-006, September 30, 2016), online at www.fhfaoig.gov/Reports/Compliance_Reviews.)

OIG found that DBR examiners generally did not follow the specific requirements set forth in AB 2012-01 for examiner oversight of ongoing remediation of MRAs. For example, AB 2012-01 states that examiners must "check and document progress" by regulated entities during the remediation period to ensure that remediation efforts are timely and adequate. DBR examiners first review the corrective actions by the affected FHLBank during the next scheduled annual examination, when remediation may be completed. Similarly, AB 2012-01 requires examiners to "consider other supervisory action" or enforcement actions if progress toward remediation is unsatisfactory, and to document its consideration. For its sample of nine MRAs, OIG found that deadlines were missed and the necessary corrective actions were not timely for four of the nine MRAs, but DBR examiners never considered further regulatory or enforcement actions or documented the basis for their decisions.

Supervision of the Enterprises and FHLBanks: Consumer Complaints

During this semiannual reporting period, OIG conducted a compliance review that considered the Agency's implementation of a recommendation issued in an audit report, *Audit of the Federal Housing Finance Agency's Consumer Complaints Process* (AUD-2011-001, June 21, 2011). In that 2011 audit, OIG found that the Agency was unprepared to manage the increasing volume of consumer complaints requiring its attention. Our audit report noted the lack of a centralized system, and the absence of any established policies or procedures for processing consumer communications in a timely manner. We noted further in the audit report that the Agency did not monitor the status of matters referred to the Enterprises for follow-up action. OIG recommended, among other things, that FHFA establish a centralized system to track communications as well as policies and procedures for monitoring the status of communications referred to the Enterprises. The Agency agreed with our recommendation and established an IT-based system, as well as the necessary processes; OIG closed the recommendation in 2012.

In our compliance review (see OIG, *Compliance Review of FHFA's Implementation of its Consumer Communications Procedures* (COM-2016-005, July 14, 2016), online at www.fhfaoig.gov/Reports/Compliance_Reviews), we found that the Agency's system for processing consumer communications had been implemented effectively. We found that the Agency responded to 97% of its consumer communications within 30 days and that its average response time was only three days. We further found that the Agency had successfully implemented its procedures for the referral of matters to the Enterprises and the monitoring of those matters. We concluded, based on the evidence we had obtained, that the Agency's adoption and implementation of our recommendation had strengthened its capacity to manage consumer communications.

Information Technology Security

Statutory Audit: FHFA Computer System Controls over Access to Personally Identifiable Information

Section 406 of the Cybersecurity Act of 2015, enacted as Division N of the Consolidated Appropriations Act of 2016 (Pub. L. No. 114-113), required OIG to report to Congress the following information collected from FHFA on FHFA computer systems that provide access to personally identifiable information (PII): (a) a description of the logical access policies and practices used to access a PII system, including whether appropriate standards were followed; (b) a description and list of the logical access controls and multifactor authentication used by the agency to govern access

to PII systems by privileged users; (c) a description of policies and procedures followed to detect data exfiltration and maintain an inventory of software and licenses on the covered systems; and (d) a description of policies and procedures to ensure that contractors and other entities providing services to the agency implement appropriate data security management practices. We contracted with the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to conduct a performance audit to meet this reporting requirement. (See OIG, *Kearney & Company, P.C.'s Results of the Federal Housing Finance Agency's Cybersecurity Act Audit* (AUD-2016-004, August 11, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

In its audit, Kearney concluded FHFA has established and implemented the required privacy controls according to National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, for "moderate" impact systems as of June 30, 2016. Additionally, FHFA has satisfied the NIST SP 800-53 required privacy controls for six reviewed systems and has implemented a combination of preventive and detective security controls (e.g., network firewalls, encryption, intrusion detection systems, etc.) to protect sensitive information such as PII. As required, we provided Kearney's report to Congress on August 11, 2016.

Agency Operations

Statutory Audit: Improper Payments

Because federal agencies regularly make payments to program beneficiaries, grantees, vendors, and contractors, or on behalf of program beneficiaries, there is a possibility that some of these payments may be "improper" in one or more respects. The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (collectively, IPIA, as amended), requires federal agencies periodically to review, estimate, and report programs and activities that may be susceptible to significant improper payments. The IPIA was amended by IPERA to direct federal inspectors general to determine annually whether the agency is in compliance with the statute.

This semiannual period, we conducted a performance audit to assess FHFA's compliance with the IPIA, as amended, for fiscal year 2015. (See OIG, *FHFA Complied with Applicable Improper Payment Requirements During Fiscal Year 2015* (AUD-2016-003, May 5, 2016), online at www.fhfaoig.gov/Reports/AuditsAndEvaluations.)

FHFA, through its Office of General Counsel, maintains that most requirements of the IPIA, as amended, are not applicable to FHFA because those requirements apply only to payments made with federal funds and FHFA does not finance its operations with federal funds. We determined that this analysis is reasonable and we do not challenge FHFA's conclusions. FHFA also asserts that it has put into place internal controls to achieve the intent of the IPIA, as amended.

In our audit, we found that FHFA complied with the applicable provisions of the IPIA, as amended, as well as related criteria established by OMB. Specifically, we found that FHFA published its *Fiscal Year 2015 Performance and Accountability Report* and included relevant information pertaining to improper payments. To test the accuracy of

FHFA's assertion about internal controls, we reviewed relevant invoice and payment desktop procedures implemented by FHFA to mitigate the risks of fraud, misuse, and payment delinquency. We found no design flaws within the policies and procedures.

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 OI. OI is comprised of 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 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.

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 75 individuals, the conviction of 45 individuals, and 46 sentencings, as well as court-ordered fines and restitution awards.

Figure 2 (see below) summarizes the results obtained during this reporting period from our investigative efforts.

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

Figure 2. Prosecutions and Recoveries from April 1, 2016, Through September 30, 2016

	Criminal Investigations	Civil Investigations
Fines[a]	$4,500,908	$-
Settlements	$-	$5,060,000,000
Restitutions	$34,139,854	$-
Total	**$38,640,762**	**$5,060,000,000**
Charges	75	
Convictions	45	
Sentencings	46	
Trials	2	

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

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 $39 billion. During this semiannual reporting period, a civil settlement was reached with Goldman Sachs.

Goldman Sachs Settles RMBS Claims by Agreeing to Pay More than $5 Billion

Goldman Sachs agreed to pay $5.06 billion to resolve claims related to its conduct in the marketing, sale, and issuance of RMBS. The settlement included a $2.385 billion civil penalty under the Financial Institutions Reform, Recovery, and Enforcement Act, of which $1.8 billion is to be paid in relief to **underwater** homeowners, distressed borrowers, and affected communities and $875 million to settle claims brought by other federal and state agencies.

In a detailed statement of facts that is part of the settlement, Goldman Sachs acknowledged that it failed to disclose critical information to investors about the quality of the mortgages underlying its RMBS. Among other things, the bank also acknowledged that prior to offering the RMBS to investors, it "received information indicating that, for certain loan pools, significant percentages of the loans reviewed did not conform to the representations made to investors about the pools of loans about to be **securitized**."

Investors, including federally insured financial institutions, suffered billions of dollars in losses from investing in RMBS issued by the bank from 2005 through 2007.

Investigations: Criminal Cases

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 judgments.

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 four OI investigations in this category that resulted in criminal charges, a plea, and sentencings during this semiannual reporting period. (See Appendix E for a summary of publicly reportable investigative outcomes in this category.)

Three Charged in Bank and Wire Fraud Scheme, Texas

On April 14, 2016, James Wright, Daniel Bomar, and Brett Immel were indicted in Texas and charged with conspiracy to commit bank fraud and conspiracy to commit money laundering. According to the indictment, the trio allegedly conspired to fraudulently obtain money from mortgage lenders.

Wright, a title attorney, handled real estate closing transactions while Bomar worked for Wright as an escrow officer. Immel, a partner in a business called Hanover Companies, located investors to purchase homes from builders in exchange for a fee. In this instance Immel's fee was funded by inflating the purchase price of the properties without disclosing to the lenders the kickback payment. Bomar and Wright created and submitted the relevant misleading loan documentation. Out of approximately $11 million in loan proceeds, approximately $3.4 million were undisclosed payments to Hanover. The Enterprises secured mortgages on 64 of the 66 properties identified in this investigation.

Sentencings and Guilty Plea in Builder Bailout Scheme, Florida

Real estate agent Joseph Pasquale, real estate agent Gary Blankenship, loan officer Jason Martin, and CFO Eli Riesel were given sentences ranging from 8 to 57 months in prison for their role in a massive fraud scheme. Each defendant was also ordered to pay restitution and forfeiture. In addition, Gary Hughes pled guilty for his role in the scheme.

The scheme involved soliciting potential buyers of units at Arbors at Carrollwood with promises to provide various seller-provided incentives. The incentives included cash-to-close private loans, rental guarantee agreements, and money to defray maintenance costs. The schemers created and submitted loan application documents that concealed these incentives and misrepresented other material information to lenders. Relying on these fraudulent documents, lenders provided mortgages to otherwise unqualified borrowers. Eventually, the buyers were unable to make mortgage payments, causing many of the condominium units to go into foreclosure and leading to loss exposure of $18.3 million to the lenders and the Enterprises. Both Freddie Mac and Fannie Mae had loan exposure.

Former President of Tribute Residential, LLC Indicted for Bank Fraud

On September 7, 2016, Rebecca Gheiler was indicted on charges of conspiracy to commit bank fraud and bank fraud.

Gheiler and co-conspirators allegedly bought or facilitated the sale of condominiums to **straw buyers** at inflated prices. Proceeds from these fraudulently inflated sales were used to pay undisclosed incentives and bonuses to buyers, brokers, realtors, and others participating in this scheme. The co-conspirators were allegedly aware the HUD-1 Settlement Statements and other documents submitted to financial institutions contained materially false information and that incentives provided to straw buyers were not disclosed. For example, the "cash to close" incentive provided to straw buyers for use as down payments were supplied by the title company, broker, or other third party. After closing, the seller would reimburse the down payment funds through kickback payments funneled through an account at a shell company controlled by a co-conspirator. The use of this account was intended to further conceal the existence of incentive payments from the lender and other entities. This scheme resulted in approximately $4.2 million in losses to financial institutions, including the Enterprises.

Seven Charged in Condominium Bank Fraud Scheme, Florida

On September 26, 2016, seven individuals were charged by information for conspiracy to commit bank and wire fraud affecting a financial institution.

According to the information, the defendants and other co-conspirators personally enriched themselves by using straw buyers and unqualified buyers to purchase and finance residential properties. The co-conspirators prepared and submitted fraudulent loan applications, closings, and related documents to lenders to induce the lenders to fund mortgage loans for the purchase of condominium units. The loan applications and related documents submitted to lenders contained false and fraudulent statements, representations, and omissions relating to the borrower's occupation, occupancy intent, income and assets/liabilities, earnest money deposit, cash to close, marketing fee paid to the marketing company, the seller's payment of a kickback to the borrower by using the marketing company, and other information that was material to the borrower's qualifications to borrow money from the lenders.

Four of the defendants, in their capacity as title settlement agents, disbursed mortgage loan proceeds for the purchase of condominium units even though the borrowers would not pay earnest money deposits and/or cash to close required by their loan applications and HUD-1 Settlement Statements. As part of this scheme, distributions through the settlement transactions were made to a marketing company used to disguise the kickback payments to the buyers. The losses to the Enterprises are currently estimated at over $1.3 million.

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 indictments, convictions, sentencings, and court-ordered restitution in this category during this semiannual reporting period. (See Appendix F for a summary of publicly reportable investigative outcomes in this category.)

Guilty Pleas, Sentencings, and Trial Verdict of Family Members Working at Worldwide Investments, Colorado

Pedro and Pablo Sarabia-Martinez and Ricardo Sarabia-Salcido collaborated with others to fraudulently acquire loans on behalf of victim straw buyers. Eventually the borrowers **defaulted**, resulting in foreclosure of their homes and the destruction of their credit.

All three defendants pled guilty and were sentenced for their roles in this scheme. The Sarabia-Martinezes were sentenced to one year of probation. Sarabia-Salcido was sentenced to 5 years of probation, ordered to pay $459,917 in restitution, joint and several, and was ordered to surrender himself to the custody of the Immigration and Customs Enforcement (ICE) and ordered to not enter the United States illegally.

In June, a jury found co-defendant Jose Ricardo Sarabia-Martinez guilty of conspiracy, pattern of racketeering, forgery, attempt to influence a public servant, and theft of $20,000 or more.

There were 12 properties identified in this scheme and $4.6 million in fraudulent loans acquired for securitization by the Enterprises and others.

Indictment of Former Vice President of Operations for American Mortgage Field Services, LLC, Florida

On April 12, 2016, John Coleman was indicted on charges of conspiracy to commit bank fraud and false **bankruptcy** declaration.

According to the indictment, Coleman, former vice president of operations at American Mortgage Field Services, LLC (AMFS), and others directed employees to submit thousands of fraudulent property inspection reports to loan servicers who paid AMFS for services that did not occur. Under the terms of its servicing agreements with Fannie Mae, servicers contracted with AMFS for property preservation services to conduct inspections of properties in various states of the foreclosure process to ensure that the value of these assets was preserved and that there were no unaddressed safety issues related to properties. The servicers then submitted claims for reimbursement to Fannie Mae for these costs.

The investigation also revealed that while employed at AMFS, Coleman made false statements on his bankruptcy petition by intentionally concealing the full amount of his income at AMFS.

Losses to Fannie Mae and servicers associated with the fraudulent inspection claims submitted by AMFS were in excess of $12 million.

Developer and Recruiter Plead Guilty, Illinois

On June 17, 2016, Warren Barr, a real estate developer, and Leonardo Sanders pled guilty to making a false statement to a financial institution and bank fraud, respectively, for their roles in a loan origination fraud scheme. Barr, Sanders, and others conspired to defraud mortgage lenders and financial institutions by obtaining over $22 million in fraudulent mortgages for the purchase of dozens of condominium units in Illinois.

Barr coordinated undisclosed payments, which included wire transfers to Sanders and other recruiters. These payments were then used as the buyers' down payments. To cover the costs of paying the straw buyers' down payments and other incentives, Barr and Sanders inflated the sales prices of the properties. Additionally, they facilitated the production of false loan documents that did not disclose the true source of the buyers' down payments. Sanders recruited straw buyers and coordinated their receipt of down payment funds and other buyer incentives, including cash back.

Losses to the Enterprises associated with this scheme are greater than $2 million; overall scheme losses are in excess of $13 million.

Sentencing in $6 Million Fraudulent Loan Scheme, Loan Origination Scheme, New Jersey

Miguel LaRosa and Paul Chemidlin Jr. were sentenced for their roles in a multimillion-dollar mortgage fraud scheme.

LaRosa, acting as a recruiter, Chemidlin, acting as an unlicensed real estate appraiser, and others fraudulently obtained mortgages using straw buyers and falsified loan documents. The schemers created fictitious bank statements, prepared false appraisal reports and backdated deeds, and used unlicensed title agents to close transactions and disburse the mortgage proceeds.

Chemidlin was sentenced to 60 months in prison, 36 months of supervised release, and ordered to pay $1,518,499 in restitution, jointly and severally. LaRosa was sentenced to 6 months in prison, 36 months of supervised release with 6 months of electronic monitoring, and ordered to pay $1,327,222 in restitution, jointly and severally. The conspiracy resulted in more than $6 million in fraudulent loans.

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

Licensed Real Estate Agent Charged, Florida

On September 20, 2016, Rafael Sanchez, a licensed real estate agent, was charged by information with bankruptcy fraud.

Sanchez allegedly filed false bankruptcy petitions on behalf of struggling homeowners to delay the foreclosure process and "buy time" for short sales on their homes to be approved and completed. According to the information, Sanchez prepared and filed bankruptcy documents, which included false statements on certificates claiming his clients attended mandatory credit counseling and that they would pay filing fees in installments. Allegedly, Sanchez filed several petitions for the same individuals who never intended to continue in the bankruptcy process. Some of the loans involved in this foreclosure-delay bankruptcy scheme were purchased by Fannie Mae and Freddie Mac.

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 indictments, plea agreements, and sentencings in this category during this semiannual reporting period. (See Appendix H for a summary of publicly reportable investigative outcomes in this category.)

Loan Modification Scheme Owner Charged, California

On August 18, 2016, Kevin Rasher (also known as Kevin Carter, also known as Kevin Fox) was indicted on charges of mail and wire fraud, false statements, and impersonating a government official. For approximately five years, Rasher allegedly used several business entities, including one entitled HUD-Making Home Affordable and another entitled Modify Law Center, to target homeowners across the country by the use of deceptive letters, flyers, websites, and YouTube videos. Rasher allegedly represented that he was a senior mitigation attorney representing the federal government and that he was approved by the government to renegotiate loans with mortgage lenders for distressed borrowers. Victims believed the funds they provided Rasher were being applied toward their delinquent mortgage; instead, Rasher was allegedly pocketing the money for his personal use.

To date, of the approximately 234 victim properties linked to the loan modification scheme, 31 properties have been identified with Fannie Mae loans and 45 properties have been identified with Freddie Mac. Total losses associated with this scheme are still being calculated.

Three Plead and Four Sentenced in Mortgage Modification Scheme, California

A group of co-conspirators operated a series of California-based companies that falsely claimed to provide home mortgage loan modifications and other consumer debt relief services. The co-conspirators cold-called struggling homeowners, claimed they had successfully negotiated favorable loan modifications with the victims' lenders, and offered to provide services in exchange for fees ranging from $2,500 to $4,300. Few homeowners received any type of mortgage loan modification through the defendants' companies, and few homeowners received refunds of their fees.

Between July and September 2016, defendants Cuong King, Kowit Yuktanon, and Michelle Lefaoseu pled guilty for their roles in this scheme, and defendants Aria Maleki, Daniel Shiau, Serj Geutssoyan, and Mehdi Moarefian were sentenced, receiving prison terms ranging from 52 to 112 months. In addition, restitution of $3,064,182 was ordered, jointly and severally amongst several defendants.

Over 50 loans associated with this scheme belong to the Enterprises. Loss calculations are ongoing.

Sentencings in Loan Modification Scheme, California

Roscoe Umali, Jefferson Maniscan, Isaac Perez, and Raymund Dacanay 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. Through mass mailings, phone calls, faxes, and emails, the defendants convinced homeowners to send them "reinstatement fees" and to make several monthly "trial mortgage payments" to the conspirators, rather than to the homeowners' lenders. The co-conspirators used the payments for their own personal benefits and to further the fraud scheme. The scheme victimized over 400 individuals and families nationwide and resulted in an estimated $3.8 million in losses and approximately $1.1 million in potential losses to the Enterprises.

Between July and September 2016, defendants Umali, Maniscan, Perez, and Dacanay were sentenced for their roles in this scheme. The four defendants received prison sentences ranging from 60 to 220 months. In addition, the defendants were ordered to pay over $1.2 million in restitution and $3.8 million in forfeiture, both jointly and severally.

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 charges filed and plea agreements in this category during this semiannual reporting period. (See Appendix I for a summary of publicly reportable investigative outcomes in this category.)

Multiple Pleas in Phoenix, Arizona, REO Scheme

Between August 25 and 26, 2016, Daphne Iatridis, Arthur Telles, Brendyn Iatridis, and Spenser Iatridis were charged and pled guilty to conspiracy to commit mail and wire fraud. Dahphne Iatridis and Telles additionally pled guilty to tax evasion for their roles in a fraud scheme involving the sale of foreclosed properties.

Daphne Iatridis, a licensed real estate agent, was approved by Fannie Mae to list real estate properties it owned as a result of foreclosure. Iatridis, her husband Telles, and her sons Brendyn and Spenser Iatridis (also real estate agents), used trusts and the stolen identities of family members and others to purchase Fannie Mae properties listed by Daphne Iatridis, which is in violation of Fannie Mae rules. The co-conspirators allegedly profited from the scheme in a number of ways, including purchasing the REO properties at a discounted price, earning commissions on the purchase and sale of the properties, overcharging Fannie Mae for maintenance and expenses, and renting the properties. The co-conspirators spent over $1.3 million to purchase 28 Fannie Mae REO properties.

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 plea agreements in this category during this semiannual reporting period. (See Appendix J for a summary of publicly reportable investigative outcomes in this category.)

Guilty Pleas in Sovereign Citizen Mortgage Fraud Case, Pennsylvania

On June 29, 2016, Steven Hameed and Darnell Young pled guilty to charges of conspiracy to commit offenses against the United States, bank fraud, corrupt interference with Internal Revenue laws, conversion of government property, and creating fictitious obligations.

According to the indictment, the defendants filed false land deeds in an attempt to claim ownership of homes owned by the government or by banks. The defendants then occupied the homes themselves or rented or sold the homes to unsuspecting victims for their own financial gain. The indictment further charges that the defendants filed hundreds of false tax forms against police officers, judges, and other government employees to try and harass and intimidate them in the course of their duties. Hameed and Young created false and fraudulent deeds purporting to convey ownership of approximately 54 properties, three of which were owned by the Enterprises.

Guilty Plea in Bankruptcy Foreclosure Scheme, California

On August 23, 2016, pastor and business owner Karl Robinson pled guilty to bankruptcy fraud for his role in a long-running mortgage rescue scheme.

Robinson operated "Stay in Your Home Today," which provided illegal foreclosure and eviction-delay services to homeowners who had defaulted on their mortgages. In exchange for fees, Robinson obstructed lawful foreclosure and eviction actions against property owners who had defaulted on their mortgages. For example, Robinson filed fraudulent grant deeds in county records offices and other fake documents in formal eviction proceedings to make it appear that fictional people held interests in distressed properties. He then fraudulently filed bankruptcy petitions in the names of the fictional people to trigger an "automatic stay" in the bankruptcy cases.

Robinson arranged for the filing of at least 200 fraudulent bankruptcy petitions and collected approximately $2.98 million in proceeds from his foreclosure and eviction-delay scheme. Losses to the Enterprises as a result of this scheme are still being determined.

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 in this category that resulted in indictments, plea agreements, and a sentencing during this semiannual reporting period. (See Appendix K for a summary of publicly reportable investigative outcomes in this category.)

Guilty Plea for Impersonating a U.S. Senator, Florida

On September 6, 2016, Sidney C. Hines pled guilty to false personation of a federal officer or employee of the United States for impersonating a U.S. senator.

Hines fell behind on his mortgage payments and subsequently received a loan through Fannie Mae's HomeSaver Advance (HSA) loan program. The HSA program is designed to help delinquent borrowers who are able to make future scheduled mortgage payments but are unable to pay past due amounts immediately. An HSA loan cures the delinquency by entering into an unsecured loan for the amount in arrears.

Hines failed to make the required payments on his HSA loan and the loan was turned over to a debt collection agency. In an attempt to void his debt and defraud Fannie Mae, Hines impersonated United States senator Richard Durbin on multiple occasions in telephone calls that he made to the debt collection agency. During those calls, acting as Senator Durbin, he stated that Hines's HSA loan was paid in full and that the loan should be removed from his credit report.

Plea and Charge in Bank Fraud Scheme, South Carolina

On September 1, 2016, Erick Bradshaw Sr., former executive director of Fresh Start Community Development Corporation (Fresh Start), pled guilty to conspiracy. On May 10, 2016, Bradshaw and Augustina Cabral-Rice were charged with conspiracy and engaging in monetary transactions in connection with their roles in a scheme to defraud the Affordable Housing Program (AHP) through the FHLBank of Atlanta and its member banks.

According to the indictment, Bradshaw created Fresh Start as a nonprofit organization that worked on repairing homes through grants received from the South Carolina State Housing Finance and Development Authority (SC Housing) and the FHLBank of Atlanta. While acting as Fresh Start, Bradshaw and Cabral-Rice used mail and wire communications to present false invoices to banks affiliated with the AHP through the FHLBank of Atlanta.

According to the indictment, Bradshaw and Cabral-Rice sought grant monies from the FHLBank of Atlanta and SC Housing for the rehabilitation of low-income homes and then forged the signature of contractors on FHLBank of Atlanta Funding Certifications and SC Housing Certifications of Payment. It is further alleged that the co-conspirators submitted these certificates and draw requests with inflated costs as compared to the invoices submitted by the contractors who performed the work. They then allegedly "split the profits" received from these fraudulent statements submitted to the banks, many of which were for work described as completed on the statement yet never actually built, such as handicap ramps on front porches. There are 106 properties identified in this scheme.

Banker and Real Estate Developer Indicted for Bank Fraud, Missouri

On April 13, 2016, Shaun Hayes and Michael Litz were indicted on charges of bank fraud and theft, embezzlement, or misapplication by a bank officer; Hayes was additionally charged with false entries related to Excel Bank. In 2009, Hayes was the majority shareholder of Excel Bank's holding company. Litz was an owner of two major real estate businesses, Eighteen Investments and Bellington Realty. Hayes and Litz were co-owners of McKnight Man I LLC (McKnight Man), through which they were attempting to develop property. Both Eighteen Investments and McKnight Man were delinquent on loans at Centrue Bank, which, in June 2009, sued Eighteen Investments and Litz, and threatened to sue Hayes and Litz as guarantors on the delinquent McKnight Man loan. The delinquent loans totaled over $4 million. Around that time, through Hayes' efforts, Excel Bank opened up a loan production office, which Hayes controlled. The indictment alleges that Hayes used his status as an insider at Excel Bank to cause Excel Bank to buy the pool of delinquent Eighteen Investments loans from Centrue Bank at a discount. The indictment further alleges that Hayes and Litz caused Excel Bank to loan $3.3 million to a straw borrower, the proceeds of which were used to pay off the Eighteen Investments' pool of loans purchased by Excel Bank and the remaining McKnight Man loan at Centrue Bank. These actions were hidden from the bank's board of directors and officials as well as federal and state bank regulators.

Excel Bank, an FHLBank member bank, failed in 2012 and was taken over by the FDIC and ultimately acquired by Simmons First National Bank, an FHLBank member bank. At the time of failure, Excel Bank had outstanding debt to the FHLBank of Des Moines, some of which was loans pledged as collateral in this scheme. This debt was passed on to the acquiring institution.

Former Bank CEO Sentenced for Obstructing a Financial Examination

Former CEO and Chairman of Voyager Bank and president and CEO of Voyager Financial Services Corporation Timothy Owens obstructed an examination by the Federal Reserve Board. Owens secretly prepared a false and misleading response to questions concerning multiple direct loans to himself that were raised during an examination by the Federal Reserve Board. He submitted a false policy statement that had not been approved by the bank's board. In addition, he submitted documents that inaccurately portrayed his financial circumstances and his ability to repay the loans by exaggerating his wealth and concealing his liabilities. Owens abused his position with Voyager Bank to circumvent the bank's lending procedures to obtain letters of credit, which included a $7.5 million letter of credit from the FHLBank of Des Moines.

On May 25, 2016, Owens was sentenced to 18 months in prison and 2 years of supervised release.

Outreach

OIG develops public-private partnerships where appropriate. We delivered 37 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, Orange County California District Attorney's Office, Colorado Attorney General's Office, Colorado Bureau of Investigation, Chicago Police Department, Anderson County South Carolina Sheriff's Office, Hudson County New Jersey District Attorney's Office, Florida Office of Financial Regulation, Michigan Attorney General's Office, Tampa Police Department, San Bernardino California County District Attorney's Office, and the Cook County Illinois State's Attorney'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 31 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."[6]

During this reporting period, OIG made 23 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 3 (see below).

Figure 3. Administrative Actions from April 1, 2016, Through September 30, 2016

Administrative Actions	
Suspension/Debarment Referrals	31
Referral to FHFA Suspended Counterparty Program	23

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. OIG is currently assessing proposed, interim final, and final rules published by FHFA in the *Federal Register*. Any recommendations or comments upon those rules will be made after these assessments conclude.

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.

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 1,118 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," page 33.)
- ***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 multiagency 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 PII, trade secrets, and financial data.
- ***CIGIE.*** OIG actively participates in several CIGIE committees and working groups:
    - The Inspection and Evaluation Committee
    - The Investigation Committee
    - The Audit Committee
- ***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 the Financial Stability Oversight Council (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 Securities and Exchange Commission (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 with officials at the FHLBanks and the Enterprises to benefit from their insights and make presentations to industry groups. Recent presentations include: the Indiana Land Title Association, the Indiana Mortgage Bankers Association, the West San Gabriel Valley Elder Abuse Council, National Association of Hispanic Real Estate Professionals – New Jersey, Texas Appraiser Licensing and Certification Board, the Better Business Bureau, and Illinois Mortgage Bankers Association.

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.

CAMELSO: FHFA's examiners use a uniform rating system called CAMELSO, under which each regulated entity and the Office of Finance is assigned a common composite rating based on an evaluation of various aspects of its operations. Specifically, the composite rating of an FHLBank, Fannie Mae, or Freddie Mac is based on an evaluation and rating of seven components: Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk.

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
AHP	Affordable Housing Program
AMFS	American Mortgage Field Services, LLC
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
DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
DOC	Division of Conservatorship
DOJ	Department of Justice
EIC	Examiner-in-Charge
Enterprises	Fannie Mae and Freddie Mac
EO	Executive Office
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FHFA	Federal Housing Finance Agency
FHLBanks	Federal Home Loan Banks
FISMA	Federal Information Security Modernization Act of 2014
FSOC	Financial Stability Oversight Council
FY16	Fiscal Year 2016
GAO	Government Accountability Office
GAGAS	Generally Accepted Government Auditing Standards
Green Book	*Standards for Internal Control in the Federal Government*
GSEs	Government-Sponsored Enterprises
HERA	Housing and Economic Recovery Act of 2008
HSA	HomeSaver Advance
HUD-OIG	Department of Housing and Urban Development Office of Inspector General
IC	Investigative Counsel
ICE	Immigration and Customs Enforcement
IG	Inspector General
IMS	Information Management System
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPIA	Improper Payments Information Act of 2002
IRS-CI	IRS-Criminal Investigation
IT	Information Technology
MRA	Matter Requiring Attention
NIST Framework	National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity
NIST SP	National Institute of Standards and Technology Special Publication
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
OICF	Office of Internal Controls and Facilities
OIG	Federal Housing Finance Agency Office of Inspector General
OMB	Office of Management and Budget
PII	Personally Identifiable Information
PSPAs	Senior Preferred Stock Purchase Agreements
REO	Real Estate Owned
RMBS	Residential Mortgage-Backed Securities
ROE	Report of Examination
SA	Special Agent
SEC	Securities and Exchange Commission
SIGTARP	Office of the Special Inspector General for the Troubled Asset Relief Program
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 4 (see page 55) 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 4 until all recommendations have been closed. Figure 5 (see page 79) lists OIG's audit, evaluation, and compliance review reports for which all of the public recommendations contained within have been closed.

Figure 4. Summary of OIG Public Recommendations

No.	Recommendation	Report	Status
AUD-2016-007-1 **AUD-2016-006-1** **AUD-2016-005-5**	FHFA should revise existing guidance to require examiners to prepare complete documentation of supervisory activities and maintain such documentation in the official system of record, and train DER examiners on this guidance.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007);* *FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006);* *FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed (AUD-2016-005)*	Closed—Recommendation rejected.

No.	Recommendation	Report	Status
AUD-2016-007-2 **AUD-2016-006-2**	FHFA should assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER's ability to carry out its risk-based supervisory plans.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007);* *FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006)*	Recommendation partially agreed to by FHFA; implementation of recommendation pending.
AUD-2016-007-3 **AUD-2016-006-3**	FHFA should develop and implement guidance that clearly requires supervisory plans to identify and prioritize the planned targeted examinations that are to be completed for each supervisory cycle, in order to fully inform the ROE and CAMELSO ratings for that cycle.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007);* *FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006)*	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation. FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017. Recommendation remains open and will be monitored.

No.	Recommendation	Report	Status
AUD-2016-007-4 **AUD-2016-006-4**	FHFA should develop and implement a control that provides for the tracking and documentation of planned targeted examinations, through disposition, in DER's official system of record.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007);* *FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006)*	Recommendation agreed to by FHFA; implementation of recommendation pending.
AUD-2016-007-5 **AUD-2016-006-5**	FHFA should reinforce and hold EICs accountable to follow DER's requirement to fully document the risk-based justifications for changes to the supervisory plan, and that changes to supervisory plans are documented and approved by the EIC. Ensure that examiners follow DER Operating Procedures Bulletin 2013-DER-OPB-03.1 to fully document the risk-based justifications for changes to the supervisory plan, and that changes to supervisory plans are documented and approved by the EIC.	*FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007);* *FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006)*	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation. FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017. Recommendation remains open and will be monitored.

No.	Recommendation	Report	Status
AUD-2016-005-1	FHFA should ensure that risk assessments support the supervisory plans in terms of the targeted examinations included in those supervisory plans and the priority assigned to those targeted examinations.	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed*	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation. FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017. Recommendation remains open and will be monitored.
AUD-2016-005-2	FHFA should reinforce and hold the EICs accountable to meet FHFA's requirement for risk assessments to be updated semiannually, and as additional information is learned that causes significant changes to the risk profile, such information, from whatever sources, should be factored into the risk assessment during the next update.	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed*	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation. FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017. Recommendation remains open and will be monitored.
AUD-2016-005-3	FHFA should direct DER to develop and implement controls to ensure that high-priority planned targeted examinations are completed before lower priority targeted examinations, unless the reason(s) for performing a lower priority targeted examination in lieu of a higher priority planned targeted examination is documented and risk based (e.g., change in process, delay in implementation).	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed*	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation. FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017. Recommendation remains open and will be monitored.

No.	Recommendation	Report	Status
AUD-2016-005-4	FHFA should enhance DER guidance to provide a common definition for the priority assigned to targeted examinations and require examiners to document the basis of the priority assigned to targeted examinations.	*FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed*	FHFA issued internal guidance in May 2016 that FHFA believes confirms its general agreement with the recommendation. FHFA plans to assess the effectiveness of that guidance in the first quarter of 2017. Recommendation remains open and will be monitored.
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.
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.

No.	Recommendation	Report	Status
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.
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.

No.	Recommendation	Report	Status
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.[a]
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.

[a]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-2014-008-3	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.[b]
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.

[b]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 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.

No.	Recommendation	Report	Status
EVL-2016-009-1	FHFA should revise its *Examination Manual* to: • Require that each final ROE be addressed and delivered to the board of directors of an Enterprise by DER examiners to eliminate any confusion over the meaning of the term "issue;" • Establish a timetable for submission of the final ROE to each Enterprise's board of directors and for DER's presentation of the ROE results, conclusions, and supervisory concerns to each Enterprise board; • Require each Enterprise board to reflect its review of each annual ROE in meeting minutes; and • Require each Enterprise board to reflect its review and approval of its written response to the ROE in its meeting minutes.	*FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports*	Recommendation partially agreed to by FHFA; implementation of recommendation pending.
EVL-2016-009-2	FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise's board of directors that explains: • The purpose for DER's annual presentation to each Enterprise board of directors on the ROE results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and • The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response.	*FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports*	Recommendation partially agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2016-009-3	FHFA should direct the Enterprises' boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.	*FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports*	Recommendation not accepted by FHFA.
EVL-2016-008-1	FHFA should direct DER to develop and adopt a standard template for Enterprise ROEs, issue instructions for completing that template, and promulgate guidance that establishes baseline elements that must be included in each ROE, such as: clear communication of deficient, unsafe, or unsound practices; explanation of how those practices gave rise to supervisory concerns and deficiencies; and prioritization of remediation of supervisory concerns and deficiencies.	*FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns*	Recommendation partially agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2016-008-2	FHFA should direct DER to revise its guidance to require ROEs to focus the boards' attention on the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.	*FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns*	Recommendation not accepted by FHFA.
EVL-2016-008-3	FHFA should develop written procedures for the "fatal flaw" review of the ROE by Enterprise management that establish the purpose of the review, its duration, and a standard message for conveying this information to Enterprise management.	*FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-007-1	FHFA should require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management's remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system.	*FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises*	Recommendation partially agreed to by FHFA; implementation of recommendation pending.

No.	Recommendation	Report	Status
EVL-2016-007-2	FHFA should require DER, upon acceptance of an Enterprise's remediation plan, to estimate the date by which it expects to confirm internal audit's validation, and to enter that date into a dedicated field in the MRA tracking system.	*FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises*	Recommendation partially agreed to by FHFA; implementation of recommendation pending.
EVL-2016-007-3	FHFA should ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER's MRA tracking system(s).	*FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises*	Recommendation not accepted by FHFA.
EVL-2016-007-4	FHFA should require DER to conduct and document, in an Analysis Memorandum or other work paper, an independent assessment of the adequacy of each Enterprise MRA remediation plan and the basis upon which such plan is either accepted or rejected, and to maintain that document in DER's supervisory record-keeping system.	*FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises*	Recommendation agreed to by FHFA; implementation of recommendation pending.
EVL-2016-007-5	FHFA should require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.	*FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises*	Recommendation not accepted by FHFA.

No.	Recommendation	Report	Status
EVL-2016-007-6	FHFA should require DER, when evaluating whether to close an MRA, to conduct and document (in an Analysis Memorandum or other work paper) an independent analysis of the adequacy and sustainability of the Enterprise's remediation activity, or where appropriate, the adequacy of the Enterprise's internal audit validation work, and maintain that document in DER's supervisory record-keeping system.	*FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises*	Recommendation agreed to by FHFA; implementation of recommendation pending.
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.
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.

No.	Recommendation	Report	Status
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.
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*	Closed—Final action taken by FHFA.
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*	Closed—Final action taken by FHFA.

No.	Recommendation	Report	Status
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.
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.

No.	Recommendation	Report	Status
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.
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.

No.	Recommendation	Report	Status
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.
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.

No.	Recommendation	Report	Status
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-2015-004-1	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.
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.

No.	Recommendation	Report	Status
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.
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.

No.	Recommendation	Report	Status
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*	Closed—Final action taken by FHFA.
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.
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.

No.	Recommendation	Report	Status
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.
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.

No.	Recommendation	Report	Status
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-2016-004-1	FHFA should ensure that it has adequate internal staff, outside contractors, or both, who have the professional expertise and experience in commercial construction to oversee the build-out plans and associated budget(s), as Fannie Mae continues to revise and refine them.	*Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae's Headquarters Consolidation and Relocation Project*	Recommendation agreed to by FHFA; implementation of recommendation pending.
COM-2016-004-2	FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to DOC for its review and for FHFA approval through the design and construction of Fannie Mae's leased space in Midtown Center.	*Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae's Headquarters Consolidation and Relocation Project*	Recommendation agreed to by FHFA; implementation of recommendation pending.
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 5. Summary of OIG Reports Where All Public Recommendations Are Closed

Report	No. of Recommendations
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)	3
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
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)	4

Report	No. of Recommendations
Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities (EVL-2015-001)	1
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
Status of the Development of the Common Securitization Platform (EVL-2014-008)	2
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 the Servicing Alignment Initiative (EVL-2014-003)	3
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

Report	No. of Recommendations
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
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
Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (COM-2016-002)	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.	16-31
Section 5(a)(2)- A description of the recommendations for corrective action made by OIG with respect to significant problems, abuses, or deficiencies.	16-31 55-78
Section 5(a)(3)- An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.	59-64 69-78
Section 5(a)(4)- A summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	32-42 88-111
Section 5(a)(5)- A summary of each report made to the Director of FHFA.	16-31
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.	16-31 84
Section 5(a)(7)- A summary of each particularly significant report.	16-31
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.	16-31 84
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.	16-31 84
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.	84
Section 5(a)(11)- A description and explanation of the reasons for any significant revised management decision made during the reporting period.	84
Section 5(a)(12)- Information concerning any significant management decision with which the Inspector General is in disagreement.	84-85
Section 5(a)(13)- The information described under section [804](b) of the Federal Financial Management Improvement Act of 1996.	85-86
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.	86
Section 5(a)(15)- A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	86
Section 5(a)(16)- A list of any peer reviews of another IG during the reporting period.	86

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 6 (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 April 1, 2016, 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 September 30, 2016, there were no significantly revised management decisions.

Significant Management Decisions 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 September 30, 2016, there are four management decisions with which the Inspector General disagreed.

OIG disagrees with FHFA's decision in response to the evaluation titled *FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious*

Figure 6. Funds to Be Put to Better Use by Management, Questioned Costs, and Unsupported Costs for the Period April 1, 2016, Through September 30, 2016

Report Issued	Recommendation No.	Date	Potential Monetary Benefits		
			Questioned Costs	Unsupported Costs	Funds Put to Better Use
COM-2016-004		June 16, 2016	$48,229,370	$-	$-
Total			**$48,229,370**	**$-**	**$-**

Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007). FHFA did not agree with OIG's recommendations to: (1) ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER's MRA tracking system(s); and (2) require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.

OIG disagrees with FHFA's decision in response to the evaluation titled *FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns* (EVL-2016-008). FHFA did not agree with OIG's recommendation to: direct DER to revise its guidance to require ROEs to focus the boards' attention on the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.

OIG disagrees with FHFA's decision in response to the evaluation titled *FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports* (EVL-2016-009). FHFA did not agree with OIG's recommendation to: direct the Enterprises' boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.

OIG also disagrees with FHFA's decision in response to the audit reports titled *FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed* (AUD-2016-005), *FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued* (AUD-2016-006), and *FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed* (AUD-2016-007). FHFA did not agree with OIG's recommendation to: revise existing guidance to require examiners to prepare complete documentation of supervisory activities and maintain such documentation in the official system of record, and train DER examiners on this guidance.

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, the Government Accountability Office (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, the Pension Benefit Guaranty Corporation OIG initiated a peer review of our audit organization in July 2016, and that peer review is in progress as of September 30, 2016. The most recent completed 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.

During this semiannual reporting period, OIG conducted a peer review of the Peace Corps Office of Inspector General's Investigation Unit. The on-site review took place from April 18-20, 2016. The review focused on the Peace Corps OIG's efforts to establish appropriate programs and procedures to meet the standards that accompanied its receipt of Statutory Law Enforcement Authority in July 2010. The review team found the examined areas to be fully *compliant* with CIGIE standards and the relevant Attorney General Guidelines.

Appendix D: OIG Reports

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

Evaluation Reports

FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports (EVL-2016-009, July 14, 2016).

FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns (EVL-2016-008, July 14, 2016).

FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007, July 14, 2016).

Audit Reports

FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007, September 30, 2016).

FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006, September 30, 2016).

FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed (AUD-2016-005, September 30, 2016).

Kearney & Company, P.C.'s Results of the Federal Housing Finance Agency's Cybersecurity Act Audit (AUD-2016-004, August 11, 2016).

FHFA Complied with Applicable Improper Payment Requirements During Fiscal Year 2015 (AUD-2016-003, May 05, 2016).

Other Reports

DBR's Unwritten Procedures and Practices for Oversight of Efforts by Federal Home Loan Banks to Correct Deficiencies Underlying the Most Serious Supervisory Matters Are Inconsistent with the Written Oversight Requirements Promulgated by FHFA (COM-2016-006, September 30, 2016).

Shale Oil Boom and Bust: Implications for the Mortgage Market (WPR-2016-003, September 07, 2016).

Compliance Review of FHFA's Implementation of its Consumer Communications Procedures (COM-2016-005, July 14, 2016).

Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae's Headquarters Consolidation and Relocation Project (COM-2016-004, June 16, 2016).

FHFA's Implementation of Its Automated System to Track Deficiencies Identified in Federal Home Loan Bank Examinations (COM-2016-003, May 26, 2016).

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
Seven Charged in Condominium Bank Fraud Scheme, Florida			
Co-conspirators allegedly personally enriched themselves by using straw buyers and unqualified buyers to purchase and finance residential properties. To do this, the co-conspirators allegedly submitted loan applications and other documents to lenders containing materially false statements.			
Rafael Amador	Director/Vice President/Secretary of Title Company	Filed an information on charges of conspiracy to commit bank and wire fraud affecting a financial institution.	September 26, 2016
Osvaldo Sanchez	Director/President/ Treasurer of Title Company	Filed an information on charges of conspiracy to commit bank and wire fraud affecting a financial institution.	September 26, 2016
Luis Tur	Straw Buyer	Filed an information on charges of conspiracy to commit bank and wire fraud affecting a financial institution.	September 26, 2016
Orlando Ortiz	Straw Buyer	Filed an information on charges of conspiracy to commit bank and wire fraud affecting a financial institution.	September 26, 2016
Jeffrey Canfield	Straw Buyer	Filed an information on charges of conspiracy to commit bank and wire fraud affecting a financial institution.	September 26, 2016
Mirna Pena	Director/President of Title Company	Filed an information on charges of conspiracy to commit bank and wire fraud affecting a financial institution.	September 26, 2016
Pedro Allende	Vice President of Title Company	Filed an information on charges of conspiracy to commit bank and wire fraud affecting a financial institution.	September 26, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Developers and Mortgage Broker Charged, Florida			
Co-conspirators allegedly sold condominium units to unqualified buyers by offering undisclosed incentives, and prepared and submitted false and fictitious loan documents to financial institutions.			
Marek Harrison	Owner/Developer	Indicted on charges of conspiracy to commit bank fraud and bank fraud.	September 21, 2016
Brian Allard	Owner/Developer	Indicted on charges of conspiracy to commit bank fraud and bank fraud.	September 21, 2016
Scot Rounds	Mortgage Broker	Indicted on charges of conspiracy to commit bank fraud and bank fraud.	September 21, 2016
Sentencings and Pleas in Bank Fraud Scheme, Florida			
Individuals were involved in marketing and selling condominiums at a development in the Tampa, Florida, area. The scheme 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.			
Jason Martin	Loan Officer	Sentenced to 5 years of supervised release, 500 hours of community service, and ordered to pay $273,300 in restitution and forfeiture of $9,927; both ordered joint and several.	September 21, 2016
Eli Riesel	CFO	Sentenced to 36 months in prison, 5 years of supervised release (to run concurrently with judgment rendered in a related case), and ordered to pay $13,623,102 in restitution and forfeiture of $18,394,134; both ordered joint and several.	June 28, 2016
Gary Hughes	Loan Officer	Pled guilty to conspiracy to commit bank fraud.	April 19, 2016
Gary Blankenship	Real Estate Agent/Co-Conspirator	Sentenced to 8 months in prison, 5 years of supervised release, and ordered to pay $1,282,961 in restitution and forfeiture of $55,000; both ordered joint and several.	April 14, 2016
Joseph L. Pasquale	Real Estate Agent/ Straw Buyer Recruiter	Sentenced to 57 months in prison, 5 years of supervised release, and ordered to pay $901,715 in restitution and forfeiture of $901,741; both ordered joint and several.	April 8, 2016
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

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
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.	January 29, 2016
Brendan Bolger	Marketer	Sentenced to 24 months in prison, 60 months of supervised release, ordered to pay $13,641,197 in restitution and $18,394,134 in forfeiture; both ordered joint and several.	September 18, 2015

Charge in $39 Million Builder Bailout Fraud

A scheme allegedly involving numerous mortgage brokers, real estate agents, and settlement agents across southern and central Florida involved the sale of multiple condo conversion properties. The investigation has documented 165 transactions involving Sanchez and his co-conspirators and over $39 million in mortgage loans. Of the 165 transactions, 131 have been foreclosed, resulting in a $34 million loss to the various lenders, and another 26 are in the foreclosure process. Freddie Mac's exposure is 36 units totaling $8.5 million in loans.

Dagoberto Rodriquez	Real Estate Agent	Information filed charging conspiracy to commit bank fraud.	September 20, 2016
Maria del Carmen Rodriguez	Straw Buyer	Information filed charging conspiracy to commit bank fraud.	August 29, 2016
Alexander Gonzalez-Perez	Straw Buyer	Pled guilty to conspiracy to commit wire and mail fraud.	September 9, 2016
Jaime Sanchez	Scheme Leader	Sentenced to 14 years in prison and 5 years of supervised release.	January 9, 2015
Marina Superlano	Co-Conspirator	Sentenced to 366 days in prison, 3 years of supervised release, and ordered to pay $278,878 in restitution.	June 25, 2014
Quelyory Rigal	Scheme Leader	Sentenced to 16 years, 8 months in prison and 3 years of supervised release.	October 16, 2013
Marisa Perez	Co-Conspirator	Sentenced to 9 months' home confinement, 4 years of supervised release, and 300 hours of community service.	July 11, 2013
Osbelia Lazardi	Co-Conspirator	Sentenced to 2 years, 1 month in prison and 3 years of supervised release.	May 3, 2013
Sandra Campo	Co-Conspirator	Sentenced to 5 years, 10 months in prison and 5 years of supervised release.	April 29, 2013
Dayanara Montero	Co-Conspirator	Sentenced to 1 year, 10 months in prison and 3 years of supervised release.	April 9, 2013
Edward Mena	Straw Buyer	Sentenced to 4 years, 6 months in prison and 60 months of supervised release.	January 11, 2013

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Juan Carlos Sanchez	Scheme Leader	Sentenced to 15 years in prison and 3 years of supervised release.	January 3, 2013
David Arboleda	Co-Conspirator	Sentenced to 3 months in prison and ordered to pay $390,000 in restitution.	December 12, 2012
Celeste Mota	Co-Conspirator	Sentenced to 4 years of probation.	November 28, 2012

Bank Fraud Charges Filed on Attorney-Escrow Agent, Florida

Granitur and others allegedly conspired in a scheme to sell condominium units at inflated prices by providing buyers with cash and other incentives. These incentives were not disclosed on loan applications and caused lenders to fund loans based on materially false information.

Eric Granitur	Attorney/Escrow Agent	Indicted on charges of conspiracy to commit bank fraud and bank fraud.	September 20, 2016

Real Estate Agent Charged in Property Flipping Scheme, Tennessee

Co-conspirators allegedly engaged in a property flipping scheme wherein straw buyers were paid undisclosed incentives to purchase houses.

Thomas Boyd	Real Estate Agent	Indicted on charges of bank fraud, mail fraud, and money laundering.	September 15, 2016

Former President of Tribute Residential, LLC Indicted for Bank Fraud

Gheiler and others allegedly 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.

Rebecca Gheiler	Former President	Indicted on conspiracy to commit bank fraud and bank fraud.	September 7, 2016
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

Restitution Ordered in 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	Ordered to pay $179,079,941 in restitution, joint and several. Previously 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.	June 6, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Barry J. Graham	Director of Sales for Cay Clubs	Ordered to pay $163,530,377 in restitution, joint and several. Previously sentenced to 60 months in prison and 36 months of supervised release.	October 27, 2015
Ricky L. Stokes	Director of Investor Relations/Sales Agent	Ordered to pay $163,530,377 in restitution, 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
Guilty Plea by Developer, Florida			
Davis, a developer, allegedly provided incentives, such as a "no cash down leaseback agreement" and down payment assistance to condominium buyers, that were not revealed to the lenders who financed the loans.			
Clifford Davis	Developer	Pled guilty to perjury.	May 31, 2016
Three Charged in Bank and Wire Fraud Scheme, Texas			
Co-conspirators allegedly conspired to defraud and obtain money from mortgage lenders Prime Lending and Federal Savings Bank. The Enterprises secured mortgages on 64 of the 66 properties identified in this scheme.			
Daniel Bomar	Escrow Officer	Indicted on charges of conspiracy to commit bank fraud and conspiracy to commit money laundering.	April 14, 2016
James Wright	Title Attorney	Indicted on charges of conspiracy to commit bank fraud and conspiracy to commit money laundering.	April 14, 2016
Brett Immel	Partner (Hanover Companies)/Recruiter	Indicted on charges of conspiracy to commit bank fraud and conspiracy to commit money laundering.	April 14, 2016

Appendix F: 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
Loan Processor Pled Guilty in 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.			
Mayory Calvo	Loan Processor	Pled guilty to loan and credit application fraud.	September 30, 2016
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/Straw Buyer	Sentenced to time served, 36 months of supervised release, and ordered to pay $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
Loan Broker Charged, California			
Maina, a licensed real estate agent, prepared and submitted to mortgage lenders a number of false documents, including fraudulent loan applications and falsified letters to explain away problems with credit histories and fabricated credit reports. At least five loans associated with Maina's scheme were owned by Freddie Mac, and they have incurred losses of approximately $1 million.			
Lynn Maina	Real Estate Agent	Pled guilty to conspiracy.	September 29, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Former Loan Officer Pleas to Bank Fraud			
From 2003 to 2008, Bruce obtained five cash-out mortgages for a property located in Massachusetts. Bruce submitted false information to the banks regarding employment history, income, assets, and debt. Bruce also filed fraudulent discharges of mortgages to create the appearance that the earlier loans had been paid in full.			
Denise Bruce	Former Loan Officer	Sentenced to 24 months in prison, 5 years of supervised release, and ordered to pay $2,081,497 in restitution.	September 15, 2016
Charges Filed in Fraudulent Real Estate Scheme, Texas			
Osuagwu and Mitchell allegedly engaged in a series of fraudulent real estate transactions in Texas. There are at least nine mortgages involved in the scheme, two of which were secured by Fannie Mae. Losses to financial institutions are in excess of $1.2 million, including a loss of approximately $185,000 to Fannie Mae.			
James Mitchell	Buyer	Charged via superseding information with conspiracy to commit bank fraud and indicted on charges of bank fraud and conspiracy to commit bank fraud.	September 1, 2016 & August 2, 2016
Chukwuma Osuagwu	Buyer/Seller	Indicted on charges of bank fraud, conspiracy to commit bank fraud, subscribing to a false and fraudulent individual U.S. income tax return, and corruptly endeavoring to obstruct and impede the due administration of the Internal Revenue laws.	August 2, 2016
Three Charged in Mortgage Fraud and Identity Theft Scheme, New Jersey			
Co-conspirators allegedly used stolen identities to steal more than $930,000 from lenders through fraudulent loan and mortgage transactions, two of which were owned by Fannie Mae.			
Artis Hunter	Scheme Leader	Charged with money laundering, conspiracy, identity theft, and theft by deception.	August 30, 2016
Melissa Phillip	Scheme Participant	Charged with money laundering, conspiracy, identity theft, and theft by deception.	August 30, 2016
Laquan Jones	Scheme Participant	Charged with money laundering, conspiracy, identity theft, and theft by deception.	August 30, 2016
Plea in Builder Loan Origination Fraud Scheme, Maryland			
A 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 Steeley	Employee	Pled guilty to conspiracy.	August 29, 2016
John Davis	Real Estate Agent	Sentenced to 6 months in prison, 3 years of supervised release, and ordered to pay $1,385,444 in restitution, joint and several.	March 31, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
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 and 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

Sentencings and Restitution Ordered for Four Former Employees of SunTrust Mortgage

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 containing 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. Their actions resulted in a total loss of $2,093,270 to SunTrust Mortgage, including a loss of $139,726 to Fannie Mae.

Moshin Raza	Loan Officer/Branch Manager	Ordered to pay $1,923,324 in restitution and $694,667 in forfeiture; both ordered joint and several. Previously sentenced to 24 months in prison and 2 years of supervised release.	August 12, 2016 & April 29, 2016
Farukh Iqbal	Loan Officer	Ordered to pay $1,923,324 in restitution and $694,667 in forfeiture; both ordered joint and several. Previously sentenced to 12 months and 1 day in prison and 2 years of supervised release.	August 12, 2016 & April 29, 2016
Humaira Iqbal	Loan Officer Assistant	Ordered to pay $1,923,324 in restitution and $694,667 in forfeiture; both ordered joint and several. Previously sentenced to 15 months in prison and 2 years of supervised release.	August 12, 2016 & April 29, 2016
Mohammed Haider	Loan Officer	Ordered to pay $1,923,324 in restitution and $694,667 in forfeiture; both ordered joint and several. Previously sentenced to 12 months and 1 day in prison and 2 years of supervised release.	August 12, 2016 & April 29, 2016

Sentencing of National Property Investments Owner, Maryland

Williams and others conspired to obtain real estate loans from financial institutions based on materially false and fraudulent information, including misrepresenting the source of funds used for real estate closings and submitting false and fraudulent bank statements and other documents for the purpose of defrauding the financial institutions.

Jamel Williams	Business Owner	Sentenced to 12 months and 1 day in prison, 2 years of supervised release, 200 hours of community service, and ordered to pay $700,622 in restitution.	July 11, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Pleas, Sentencings, and Trial Verdict of Family Members Working at Worldwide Investments, Colorado			
Family members allegedly used their status in the real estate industry to perpetrate a fraud-for-profit mortgage scheme by manipulating straw buyers to buy and sell properties going into foreclosure. Twelve properties were named in the indictment in relation to $4.6 million in fraudulently obtained loans.			
Jose Ricardo Sarabia-Martinez	Owner	Found guilty at trial of conspiracy, pattern of racketeering, forgery, attempt to influence a public servant, and theft of $20,000 or more.	June 23, 2016
Ricardo Sarabia-Salcido	Telemarketer and Loan Processor	Sentenced to 5 years of probation, ordered to pay $459,917 in restitution, joint and several, and ordered to surrender himself to the custody of ICE and ordered to not enter the U.S. illegally.	May 9, 2016
Pedro Sarabia-Martinez	Telemarketer and Real Estate Agent	Pled guilty to bait advertising and sentenced to 1 year of probation.	April 22, 2016
Pablo Sarabia-Martinez	Telemarketer, Processor, and Loan Officer with Mortgage License	Pled guilty to bait advertising and sentenced to 1 year of probation.	April 22, 2016
Teresa Martinez de Sarabia	Office Assistant	Pled guilty to criminal mischief and sentenced to 5 years of probation, ordered to pay $597,340 in restitution, joint and several, and $3,427 in assessments and fees.	March 24, 2016
Lauren Sarabia-Martinez	Real Estate Agent and Loan Processor	Ordered to pay $646,125 in restitution, joint and several, and $2,052 in assessments and fees.	July 23, 2015
Guilty Pleas in Builder Bailout Scheme, Illinois			
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 others allegedly created 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.			
Warren Barr	Developer	Pled guilty to making a false statement to a financial institution.	June 17, 2016
Leonardo Sanders	Recruiter	Pled guilty to bank fraud.	June 17, 2016
Robert Lattas	Attorney	Pled guilty to bank fraud.	February 5, 2016
James Carrell	Chief Financial Officer	Pled guilty to bank fraud.	February 3, 2016
Jeffrey Budzik	Attorney	Pled guilty to bank fraud.	September 29, 2015
Asif Aslam	Recruiter	Indicted on charges of making a false statement to a financial institution and bank fraud.	May 15, 2014

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Identity Theft Charge, California			
Venegas allegedly purchased a residence in California using the Social Security number of another individual. The mortgage on the residence was liquidated in March 2012, resulting in a loss to Fannie Mae of $98,853.			
Micaela Venegas	Borrower	Charged with identity theft, theft by false pretenses, and false statements.	May 24, 2016
Sentencings in Mortgage Fraud 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.			
Miguel LaRosa	Recruiter of Straw Buyers	Sentenced to 6 months in prison, 3 years of supervised release with 6 months of electronic monitoring, and ordered to pay $1,327,222 in restitution, joint and several.	May 5, 2016
Paul Chemidlin Jr.	Unlicensed Appraiser	Sentenced to 60 months in prison, 3 years of supervised release, and ordered to pay $1,518,499 in restitution, joint and several.	April 26, 2016
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
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
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	Ordered to pay $1,464,848 in restitution, joint and several.	April 25, 2016
Christopher Hopper	Employee	Ordered to pay $1,464,848 in restitution, joint and several.	April 25, 2016
Robert Rendino	Employee	Ordered to pay $1,078,280 in restitution, joint and several.	April 25, 2016
Susan Rendino	Co-Conspirator	Sentenced to 3 years of probation and ordered to pay $2,504 in restitution and a $2,000 fine.	May 19, 2015
Former Vice President of Inspection Company Indicted, Florida			
Coleman, former VP of operations and other managers of American Mortgage Field Services, LLC (AMFS), a property inspection company, allegedly directed employees to submit thousands of fraudulent inspection reports to servicers who paid AMFS for services that did not occur. Fannie Mae contracted with servicing lenders to oversee periodic inspections on properties in various stages of the foreclosure process. Losses to Fannie Mae and servicers are in excess of $12 million.			
John Coleman	Formerly Vice President of Operations	Indicted on charges of conspiracy to commit bank fraud and false bankruptcy declaration.	April 12, 2016
Tammy Roaderick	Manager	Sentenced to 33 months in prison, 36 months of supervised release, and ordered to pay $2,396,498 in restitution, joint and several.	May 29, 2014
Dean Counce	Owner and President	Sentenced to 97 months in prison, 3 years of supervised release, and ordered to pay $12,774,102 in restitution.	February 20, 2013

Appendix G: 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
Licensed Real Estate Agent Charged, Florida			
Sanchez allegedly ran a scheme wherein he charged fees to file false bankruptcy petitions on behalf of struggling homeowners in an attempt to delay the foreclosure process.			
Rafael Sanchez	Real Estate Agent	Filed an information charging bankruptcy fraud.	September 20, 2016
Plea in Short Sale Fraud Scheme, New York			
Several individuals were allegedly involved in a pattern of short sale schemes that involved straw buyers, and in certain transactions the co-conspirators, alternately stepping in to carry out the eventual sale at inflated prices. The co-conspirators collectively caused the financial lending institutions to loan over $5.5 million, of which over $2.7 million was their profit from the scheme.			
Barthelemy "Bart" Adjavehoude	Straw Buyer	Pled guilty to conspiracy to commit bank fraud and wire fraud.	September 16, 2016
Samuel Terrell Bell	Co-Conspirator/Straw Buyer	Pled guilty to conspiracy to commit bank fraud and wire fraud.	January 8, 2015
Alexander Barrett	Co-Conspirator/ Mortgage Loan Officer at Link One Mortgage Bank LLC	Pled guilty to conspiracy to commit bank fraud and wire fraud.	December 17, 2014
Dirk Ameen Hall	Lead Defendant/Real Estate Buyer/Flipper	Indicted on charges of conspiracy to commit bank fraud and wire fraud and bank fraud.	June 20, 2014
Michelle Baker	Title Agent	Indicted on charges of conspiracy to commit bank fraud and wire fraud and bank fraud.	June 20, 2014
James Bayfield	Foreclosure/Straw Buyer Recruiter	Indicted on charges of conspiracy to commit bank fraud and wire fraud and bank fraud.	June 20, 2014

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Charges in Short Sale Fraud, California			
Hadayat and Singh allegedly conspired with others to participate in short sale transactions of properties to family members, concealing the relationships and violating the terms of the agreement. Of the 16 loans associated with this scheme, at least two belonged to the Enterprises.			
Shaima Hadayat	Real Estate Broker	Charged with conspiracy, grand theft, and perjury.	June 15, 2016
Harpreet Singh	Real Estate Agent	Charged with conspiracy, grand theft, and forgery.	June 15, 2016
Short Sale Fraud Sentencing, New York			
Conspirators attempted to engage in a short sale property flipping scheme with a property located in Brooklyn. Freddie Mac held the property and raised concerns after analysis of the submitted documentation.			
Fedlaire Aristede	Short Sale Facilitator	Sentenced to 3 years of probation and satisfied his ordered restitution of $20,500.	April 6, 2016

Appendix H: 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
Sentencing in Foreclosure Rescue Scam, Michigan			
Longordo and his company, Modify Loan Experts, LLC, engaged in fraud by collecting upfront payments for loan modifications never received by homeowners. Modify Loan Experts, LLC 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	Sentenced to serve 1 day in jail, 5 years of probation, 500 hours of community service, and ordered to pay $125,000 in restitution.	September 27, 2016
Modify Loan Experts, LLC	Business Entity	Ordered to pay restitution and fees; see judgment for related case, Longordo.	September 27, 2016
Guilty Plea in Bankruptcy Foreclosure Scheme, California			
Verbera and others allegedly conspired to commit bankruptcy fraud by operating a business that falsely purported to provide assistance to struggling homeowners seeking to delay or avoid foreclosure.			
Matilde Verbera	Business Owner	Pled guilty to bankruptcy fraud and aiding and abetting.	September 12, 2016
Pleas and Sentencings in Loan Modification Scheme			
The co-conspirators engaged in a mortgage loan modification fraud wherein using various company names, they claimed to negotiate with lenders to lower mortgage payments on behalf of victims. Co-conspirators made numerous false statements to induce payment of advance fees. Once the fees were paid, however, victims stated they were unable to contact anyone within the various business entities.			
Mehdi Moarefian	Closer	Sentenced to 52 months in prison, 3 years of supervised release, and ordered to pay $2,390,496 in restitution, joint and several.	September 6, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Daniel Shiau	Closer, Set Up Website and Email Accounts	Sentenced to 58 months in prison, 3 years of supervised release, and ordered to pay $2,390,496 in restitution, joint and several.	September 1, 2016
Serj Geutssoyan	Closer	Sentenced to 52 months in prison, 3 years of supervised release, and ordered to pay $2,390,496 in restitution, joint and several.	September 1, 2016
Aria Maleki	Scheme Leader	Sentenced to 112 months in prison, 3 years of supervised release, and ordered to pay $3,064,182 in restitution, joint and several.	July 18, 2016
Cuong King	Closer	Pled guilty to misprision of a felony.	July 11, 2016
Michelle Lefaoseu	Processing Team Leader	Pled guilty to misprision of a felony.	July 11, 2016
Kowit Yuktanon	Closer	Pled guilty to misprision of a felony.	July 11, 2016
Multiple Charges and Sentencings 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	Sentenced to 130 months in prison, 3 years of supervised release, and ordered to pay $1,255,179 in restitution and $3.8 million in forfeiture; both ordered joint and several.	September 1, 2016
Roscoe Umali	Scheme Leader	Sentenced to 220 months in prison, 3 years of supervised release, and ordered to pay $1,255,179 in restitution and $3.8 million in forfeiture; both ordered joint and several.	August 18, 2016
Jefferson Maniscan	Customer Service Representative	Sentenced to 120 months in prison, 3 years of supervised release, and ordered to pay $1,255,179 in restitution and $2.69 million in forfeiture; both ordered joint and several.	August 18, 2016
Raymund Dacanay	Facilitator, Opened Bank Accounts	Sentenced to 60 months in prison, 3 years of supervised release, and ordered to pay $1,255,179 in restitution and $1.2 million in forfeiture; both ordered joint and several.	July 21, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Joshua Johnson	Sub-Leader, Closer	Sentenced to 121 months in prison, 3 years of supervised release, and ordered to pay $1,255,179 in restitution and $3,156,960 in forfeiture; both ordered joint and several.	July 7, 2016
Hanh "Jennifer" Seko	Facilitator, Direct Marketer/Mailer	Charged via superseding indictment on charges of mail fraud, wire fraud, and conspiracy.	July 7, 2016
Michael Henderson	Customer Service Representative	Charged via superseding indictment on charges of mail fraud, wire fraud, and conspiracy.	July 7, 2016
Sammy Araya	Scheme Leader	Charged via superseding indictment on charges of mail fraud, wire fraud, and conspiracy.	July 7, 2016
Sabrina Rafo	Customer Service Representative	Charged via superseding indictment on charges of mail fraud, wire fraud, and conspiracy.	July 7, 2016
Nicholas Estilow	Sub-leader, Closer	Charged via superseding indictment on charges of mail fraud, wire fraud, and conspiracy.	July 7, 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
One Sentenced in Loan Modification Scheme			
Defendants operated a loan modification scheme and made a number of false statements to clients in an effort to induce them to pay upfront fees, with little or no services rendered.			
Charlie Rose	Trained Telemarketers	Sentenced to 8 months in prison and 3 years of supervised release.	August 29, 2016
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
Loan Modification Scheme			
Rasher allegedly operated businesses claiming he was a senior mitigation attorney representing the federal government and was approved by the federal government to renegotiate distressed homeowners' loans with their mortgage lenders. Rasher allegedly pocketed funds received from victims who believed the payments were being applied toward their delinquent mortgages.			
Kevin Rasher (as known as Kevin Carter, also known as Kevin Fox)	Scheme Owner	Indicted on charges of mail fraud, wire fraud, false statements, and impersonating a government official.	August 18, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Six Defendants Charged in Mortgage Modification Scheme, California			
Six defendants allegedly operated a foreclosure rescue scheme involving the filing of false bankruptcies, grant deeds, and other lawsuits. The scheme involved over 80 properties, and the defendants allegedly received over $1 million in payments from victims.			
Prakashkumar Bahkta	Notary/Bankruptcy Filing Preparer	Charged with grand theft, conspiracy, filing false documents, and identity theft.	June 30, 2016
David Boyd	Purported Attorney/ Document Preparer	Charged with grand theft, conspiracy, filing false documents, and identity theft.	June 30, 2016
John Contreras	Salesman/Document Preparer	Charged with grand theft, conspiracy, filing false documents, and identity theft.	June 30, 2016
Aide Orona	Received Payments	Charged with grand theft, conspiracy, filing false documents, and identity theft.	June 30, 2016
Jacob Orona	Scheme Promoter	Charged with grand theft, conspiracy, filing false documents, and identity theft.	June 30, 2016
Marcus Robinson	Salesman/Document Preparer	Charged with grand theft, conspiracy, filing false documents, and identity theft.	June 30, 2016

Appendix I: 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
Guilty Pleas of Four Real Estate Agent Family Members for REO Fraud			
The subjects, all real estate agents, conspired to use trusts and the identities of others to purchase Fannie Mae REO properties in violation of Fannie Mae rules.			
Spenser Iatridis	Real Estate Agent	Charged and pled guilty to conspiracy to commit mail and wire fraud.	August 26, 2016
Daphne Iatridis	Real Estate Agent	Charged and pled guilty to conspiracy to commit mail and wire fraud and tax evasion.	August 25, 2016
Arthur Telles	Real Estate Agent	Charged and pled guilty to conspiracy to commit mail and wire fraud and tax evasion.	August 25, 2016
Brendyn Iatridis	Real Estate Agent	Charged and pled guilty to conspiracy to commit mail and wire fraud.	August 25, 2016
Conviction and Sentencing in Flipping REO Scheme, 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.			
Thomas Munn	Recruiter	Pled guilty to conspiracy.	August 11, 2016
Nicholas Maxwell	Recruiter	Sentenced to 4 years of probation, 24 months of home detention, and ordered to pay $455,252 in restitution and $1,986,384 in forfeiture; both ordered joint and several.	June 23, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Charlie Paul	Mortgage Company President	Sentenced to time served, 12 months in a halfway house, 3 years of supervised release, and ordered to pay $463,372 in restitution and $455,252 in forfeiture; both ordered joint and several.	January 7, 2016
Cedric Scott	Mortgage Broker/Loan Officer	Sentenced to 15 months in prison, 2 years of supervised release, and ordered to pay $104,237 in restitution and $301,974 in forfeiture; both ordered joint and several.	October 16, 2015

Appendix J: 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 Found Guilty in REO Scheme, Illinois			
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 claims it 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.			
David Farr	Sovereign Citizen	Found guilty at trial to charges of theft, financial institution fraud, and continuing a financial crime enterprise.	September 30, 2016
Arshad Thomas	Sovereign Citizen	Pled guilty to three counts of burglary and sentenced to 45 months in prison, 24 months of supervised release, and ordered to pay $469 in fees.	March 15, 2016
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
Guilty Plea in Bankruptcy Foreclosure Scheme, California			
Robinson operated "Stay in Your Home Today," a business marketed to struggling homeowners as a way to delay the foreclosure of their homes. To accomplish this, Robinson arranged for the filing of fraudulent bankruptcy petitions, as well as fraudulent deeds of trust, for which he received approximately $2.98 million in fees from the victims of his scheme.			
Karl Robinson	Pastor/Business Owner	Pled guilty to bankruptcy fraud.	August 23, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Guilty Pleas in Adverse Possession Scheme Involving Enterprise Properties, Pennsylvania			
Subjects 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 occupied several of the properties or attempted to rent or sell the properties.			
Steven Hameed	Scheme Leader	Pled guilty to conspiracy to commit offenses against the United States, bank fraud, corrupt interference with Internal Revenue laws, conversion of government property, and creating fictitious obligations.	June 29, 2016
Darnell Young	Scheme Leader	Pled guilty to conspiracy to commit offenses against the United States, bank fraud, corrupt interference with Internal Revenue laws, conversion of government property, and creating fictitious obligations.	June 29, 2016
Washington State Sovereign Citizens Involved in Illegal Occupancy of Fannie Mae REO			
Yishmael allegedly marketed a fraudulent adverse possession scheme as a legitimate way for people to own abandoned houses facing foreclosure. According to the charging documents, Yishmael allegedly assisted others in filing false paperwork in an effort to legitimize the squatting of foreclosed homes. At least 11 homes were impacted.			
Naziyr Yishmael	Scheme Organizer	Charged with theft and conspiracy to commit theft.	April 25, 2016
Sentencing in 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	Sentenced to 22 days in prison and 5 years of probation.	April 20, 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

Appendix K: 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
Indictment of Title Company Employee, Maryland			
Franz, a title company employee, allegedly defrauded her employer, financial institutions, and homeowners by misapplying escrow fees received for real estate transactions.			
Margie Franz	Settlement Agent/ Office Manager	Indicted on charges of wire fraud.	September 28, 2016
Guilty Plea for Impersonating a U.S. Senator, Florida			
Hines was contacted by a debt collection agency when he allegedly failed to make payments on the unsecured loan he received through Fannie Mae's HomeSaver Advance program. Hines allegedly impersonated a sitting United States senator on multiple occasions in telephone calls to the debt collection agency where he, acting as the senator, stated that Hines' loan was paid in full and that the loan should be removed from his credit report.			
Sidney Hines	Homeowner	Pled guilty to false personation of an officer or employee of the United States.	September 6, 2016
Indictment and Plea in FHLBank Fraud Scheme, South Carolina			
The owner and employee of a nonprofit allegedly conspired to defraud an FHLBank and its member banks by submitting fraudulent invoices to banks with forged contractor signatures, inflated costs, and for work never performed.			
Erick Bradshaw Sr.	Executive Director	Pled guilty to conspiracy.	September 1, 2016
Augustina Cabral-Rice	Nonprofit Employee	Indicted on charges of conspiracy and engaging in monetary transactions.	May 10, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Three Sentenced in Fraud Scheme Against La Jolla Bank, California			
In February 2010, La Jolla Bank failed and was taken over by the FDIC. At the time of failure, La Jolla had outstanding advances of $700 million from the FHLBank of San Francisco. Beginning in 2004, Martinez and senior bank officers agreed to issue loans under favorable terms to high-volume borrowers they referred to as "Friends of the Bank," or "FOBs," several of whom made large cash kickbacks in return for the loans.			
Amalia Martinez	Loan Manager and VP	Sentenced to 12 months of home confinement, 36 months of supervised release, and ordered to pay $1,456,073 in restitution, joint and several.	August 22, 2016
Joceyln Brown	Loan Broker	Sentenced to 10 months of home confinement, 3 years of supervised release, and ordered to pay $82,185 in restitution.	August 15, 2016
Annand Sliuman	Small Business Owner/Bank Customer	Sentenced to 36 months of supervised release, 18 of which is home confinement, and ordered to pay $992,582 in restitution, joint and several.	July 18, 2016
Laura Ortuondo	Bank Customer Employee	Sentenced to 36 months of supervised release and ordered to pay $3,000 in fines.	September 12, 2014
Plea of Loan Officer, Missouri			
Cox, a loan officer at Focus Bank, an FHLBank member, 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	Pled guilty to theft, embezzlement, or misapplication by a bank officer or employee.	August 1, 2016
Plea of Bank Official Charged with Theft and Embezzlement, Florida			
Johnson, a former Special Assets Officer at Synovus Bank and Senior VP of Special Assets at American Momentum Bank, devised a scheme to defraud the banks during REO closing transactions. Both institutions are member banks of the FHLBank system.			
Michael Johnson	Bank Officer	Pled guilty to theft, embezzlement, or misapplication by a bank officer.	July 8, 2016
Bank CEO Sentenced for Bank Fraud Involving FHLBank Member			
Owens abused his position with Voyager Bank to circumvent the bank's lending procedures to obtain letters of credit, which included a $7.5 million irrevocable confirming letter of credit from the FHLBank of Des Moines. Owens obstructed a bank examination of Voyager Bank by providing false information to the Federal Reserve Board.			
Timothy Owens	Former CEO/Chairman of Voyager Bank and President/CEO of Voyager Financial Services Corporation	Sentenced to 18 months in prison and 2 years of supervised release.	May 25, 2016

DEFENDANT	ROLE	MOST RECENT ACTION	DATE
Sentencing in Identity Theft Scheme 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	Sentenced to 10 months in prison and 2 years of supervised release.	April 21, 2016
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) in prison, 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) in prison, 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) in prison, 2 years of supervised release, and ordered to pay $9,800 in restitution.	October 23, 2014
Spetial Collins	Runner	Sentenced to 1 day (time served) in prison, 2 years of supervised release, 80 hours of community service, and ordered to pay $1,000 in restitution.	June 17, 2014
Bank Official and Real Estate Investor Indicted for Bank Fraud, Missouri			
Hayes, prior owner of Excel Bank, along with Litz, prior owner of Bellington Realty and Eighteen Investments, allegedly engaged in a scheme in which straw borrowers were used to disguise insider loans totaling over $3 million. The loans were allegedly used to pay delinquent pool loans of two entities in which Hayes and Litz had ownership. This activity was concealed from Excel Bank and the FDIC.			
Shaun Hayes	Bank Owner	Indicted on charges of bank fraud, theft, embezzlement, or misapplication by a bank officer and false entries.	April 13, 2016
Michael Litz	Real Estate Investor	Indicted on charges of bank fraud and theft, embezzlement, or misapplication by a bank officer.	April 13, 2016

Appendix L: Endnotes

1 12 U.S.C. § 4617(b)(2)(A), (B), (D) (2011). Accessed: October 17, 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: October 17, 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: October 17, 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: October 17, 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: October 17, 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: October 17, 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: October 17, 2016, at www.fhfaoig.gov/Reports/AuditsAndEvaluations.

6 Suspended Counterparty Program, 80 Fed. Reg. 79,675 (final rule December 23, 2015) (to be codified at 12 C.F.R. pt. 1227). Accessed: October 17, 2016, at www.gpo.gov/fdsys/pkg/FR-2015-12-23/pdf/2015-32183.pdf.

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