



Written Testimony of Laura S. Wertheimer
Inspector General, Federal Housing Finance Agency
before the
U.S. House Committee on Financial Services
concerning
Oversight of the Federal Housing Finance Agency's
Role as Conservator and Regulator of the Government Sponsored Enterprises

September 27, 2018

This testimony contains redactions of information that is protected under the Privacy Act of 1974 (Pub.L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).



Chairman Hensarling, Ranking Member Waters, and Members of the Committee, thank you for inviting me to testify regarding the work of the Office of Inspector General (OIG) for the Federal Housing Finance Agency (FHFA).

FHFA was established by the Housing and Economic Recovery Act of 2008 (HERA), which authorizes FHFA to conduct examinations, develop regulations, and issue enforcement orders for Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Banks (FHLBanks) (collectively, the regulated entities), and the FHLBanks' fiscal agent, the Office of Finance.

HERA also authorized the FHFA Director to appoint FHFA as conservator or receiver of the regulated entities. In September 2008, FHFA used its statutory authorities to place the Enterprises into conservatorship, after it determined that a substantial deterioration in the housing markets severely damaged their financial condition and left them unable to continue without government intervention. Now in their 11th year, FHFA's conservatorships of the Enterprises are of unprecedented scope, scale, and complexity. The Enterprises, by asset size, are among the largest financial institutions in the U.S. and dominate the secondary mortgage market and the mortgage securitization sector of the U.S. housing finance industry.

As a result of FHFA's dual responsibilities as regulator of the Enterprises and the FHLBanks and as conservator of the Enterprises, FHFA-OIG's responsibilities are broader than those of OIGs for other prudential federal financial regulators. Not only do we examine the Agency's programs and operations but we also examine the Enterprises' execution of revocable delegated responsibilities because FHFA, as conservator, is ultimately responsible for all decisions made and actions taken by the Enterprises.

The Value of Independent Oversight in Improving Government Operations

Effective oversight makes government better and fosters positive change. Healthy skepticism through independent reviews of programs and operations, both by inspectors general and by Congress, acts as the "disinfectant of sunlight" and is critical to positive and constructive change and to identifying problems, abuses, and deficiencies.

When I joined FHFA-OIG in October 2014, I explained my guiding principles for the independent oversight work of an OIG to staff: to follow the facts—wherever they may lead, without fear or favor; report findings that are supported by sufficient evidence in accordance with professional standards; and recommend practical solutions tied to our findings. While the independent oversight authority in the Inspector General Act of 1978, as amended, (IG Act) is



substantial, it is not self-executing. It requires the career professionals in FHFA-OIG (and every OIG) to have the dedication and courage to exercise independence of mind, objectivity, and professional skepticism, and to ensure they are not injecting personal opinions or beliefs into their fact-finding. We are a trusted change agent because of our demonstrated independence and objectivity: we ask difficult questions and are not persuaded by rote answers; we critically assess the evidence we obtain during our fieldwork; and we challenge FHFA to improve its oversight over its conserved entities, enhance its supervision, put more rigorous internal controls into place, and look for and eliminate fraud, waste, and abuse.

Like all OIGs, we have had to develop a thick skin. When we are critical of the Agency, which we often are, or identify misconduct, it is not unusual to hear one or more of the following refrains: we are too hard on FHFA for its supervision of the Enterprises; we seek to substitute our judgment for that of the Agency; or we are out “to get” particular people. On the other hand, when our fact-finding does not provide cause to be critical, some wonder if we are being too soft on the Agency, or if we have glossed over an issue because we have grown too close to the Agency.

As demonstrated by the 103 reports issued during my tenure, neither is true. My senior staff and I understand that both varieties of criticism come with the job. My guiding principle has always been, and continues to be, that we follow the facts, wherever they lead, thoroughly, aggressively, and objectively, and that we base our findings on the facts, not on feelings or personal opinions.

Again, our work demonstrates that FHFA-OIG has followed this guiding principle. Read the reports issued during my tenure as Inspector General, all of which are on our website: each report evidences our independence and objectivity. Because we follow the facts wherever they lead, we report the good and the bad, sometimes in the same report. For example, in our recent audit on quality control reviews conducted by FHFA’s Division of Federal Home Loan Bank Regulation (DBR), we found that safety and soundness quality control reviews were conducted in compliance with FHFA’s standards during the 2017 examination cycle but its community investment quality control reviews were not.¹

When our fact-finding identifies deficiencies in FHFA’s programs or operations, shortcomings in FHFA’s implementation of policies and guidance, inadequate internal controls, or wrongdoing by FHFA employees or by senior executives of the conserved entities, we report the evidence

¹ *DBR’s Safety and Soundness Quality Control Reviews Were Conducted in Compliance with FHFA’s Standard During the 2017 Examination Cycle but DBR’s Community Investment Quality Control Reviews Were Not* (August 17, 2018) (AUD-2018-010).



that demonstrates the deficiencies, shortcomings, or wrongdoing. We make the hard judgments about actions or inactions of FHFA and do not sugar-coat our findings.

We propose common-sense, practical, and actionable recommendations to correct the deficiencies we identify, with the goal of helping to improve FHFA's efficiency and effectiveness. Take, for instance, a recent evaluation in which we reviewed whether FHFA examiners independently assessed the adequacy of Enterprise remediation of significant deficiencies, as FHFA's guidance requires.² While examiners reported to us that FHFA required them to independently analyze the sufficiency of the remedial actions, we found, from our review of workpapers, that examiners generally relied on the assessments by an Enterprise's internal audit function of remediation sufficiency. We recommended, and FHFA agreed, that FHFA should remedy this failure by adopting clear guidance for examiners to follow when assessing the sufficiency of remediation of significant deficiencies by the Enterprises – guidance that identifies the work steps that should be included in examiners' independent assessments of internal audit's work and specifies the conditions under which independent examiner testing is expected.

We fulfill our obligations, under Section 4 of the IG Act and applicable professional standards, to keep the FHFA Director "fully and currently informed" through regularly scheduled meetings with the Director and his senior staff and through issued reports, which contain our assessments of the Agency's effectiveness as conservator and regulator and on their internal operations. We seek to keep the lines of communication open with the FHFA Director and senior Agency officials, informing them of the audits, evaluations, compliance reviews, and, when appropriate, investigations that are being conducted.

To date, the 103 reports issued during my tenure included 131 recommendations to address identified shortcomings. Of those 131 recommendations, FHFA fully agreed to 105, or 80%.

In those 103 reports, we questioned costs of more than \$111 million and identified \$776.3 million in funds that could be put to better use.³ Additionally, our civil investigations during this

² *FHFA's Adoption of Clear Guidance on the Review of the Enterprises' Internal Audit Work When Assessing the Sufficiency of Remediation of Serious Deficiencies Would Assist FHFA Examiners* (March 28, 2018) (EVL-2018-003).

³ In our recent management alert on Fannie Mae's relocation of its Northern Virginia workforce, we explained that \$776.3 million (amounting to Fannie Mae's \$727 million net present value estimate of its cost to consolidate and move its Northern Virginia operations, increased by \$49.3 million for the smaller than projected amount from the sale of its three owned buildings), less the net present value of the cost to maintain the status quo, which Fannie Mae



period resulted in more than \$29 billion in settlements and other monetary results, and our criminal investigations resulted in more than \$858 million in forfeitures, restitution, and other monetary results.

Every month, we publish, on our website, a compendium of open recommendations from all of our reports that FHFA has agreed to implement. In our view, this monthly compendium keeps FHFA focused on implementing open recommendations and provides timely and accurate information so that the public and the Congress may assess and understand, among other things, what American taxpayers are getting for their investments in the Enterprises.

As I explained when I testified before the Subcommittee on Oversight and Investigations earlier this year, my experience leading internal investigations as a lawyer in private practice taught me that recommendations to address identified deficiencies require diligent follow-up and oversight. To provide that follow-up and oversight, we created, in 2014, the Office of Compliance and Special Projects (Office of Compliance), which has conducted validation testing of 15 closed recommendations. For example, we found in a 2016 evaluation that FHFA informed only Enterprise management of the most serious safety and soundness deficiencies and left management to decide whether or not to communicate those deficiencies to the board of directors (board), even though the board is charged by FHFA with oversight of remediation of those deficiencies. We recommended, and FHFA agreed, to provide notice of such deficiencies both to the affected Enterprise management *and* to the chair of the board's Audit Committee. We closed the recommendation after FHFA issued supervisory guidance requiring all supervisory correspondence containing such deficiencies to be addressed to the responsible Enterprise management official(s) and to the affected Audit Committee chairs.

Subsequent validation testing by the Office of Compliance found that the written notices of the 29 deficiencies issued during our 17-month review period were addressed to affected Enterprise management and to the Audit Committee Chair of the affected Enterprise, but the notice was sent only to the Enterprise management and no notices were actually provided by FHFA to the Audit Committee chair of the affected Enterprise. Because this supervisory guidance, as implemented, failed to carry out the agreed-upon recommendation, we re-opened that recommendation.⁴ That

did not calculate, were funds that could be put to better use. *Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce* (September 6, 2018) (OIG-2018-004).

⁴ *Compliance Review of FHFA's Communication of Serious Deficiencies to the Enterprises' Boards of Directors* (September 5, 2018) (COM-2018-005).



re-opened recommendation will now appear in our monthly compendium of open recommendations until FHFA takes action to effectively implement it.

Overall, our validation testing conducted since January 2015 has found that FHFA has fully implemented 8 of the 15 recommendations (53%) and has not fully implemented the remaining 7 (47%).

As you know, the authority vested in all OIGs under the IG Act is to recommend corrective actions, not to direct and implement such actions. While FHFA must respond to our recommendations and state whether or not it agrees and will implement corrective action, it is not required to adopt those recommendations. Therefore, our monthly compendium also identifies the recommendations that FHFA has rejected, which we closed as “unimplemented.” Transparency in the form of this monthly public reporting can lead to positive change, especially when a congressional oversight committee focuses attention on the deficiencies we have identified that the Agency has not agreed to fix.

Recent Work

The remainder of my written testimony will focus on two of the critical challenges facing FHFA: its conservatorship of the Enterprises and its supervision of the regulated entities.

FHFA’s Conservatorship of Fannie Mae and Freddie Mac

The Enterprises are among the largest financial institutions in this country and have been under the conservatorship of FHFA since September 2008. Putting the Enterprises into conservatorships has proven to be far easier than ending them, and the conservatorships have now entered their 11th year. FHFA’s stakeholders—including the Congress and the American taxpayers—expect FHFA, as conservator, to ensure that both Enterprises are effectively governed and employ sound risk management practices.

As conservator of the Enterprises, FHFA owes duties to the U.S. taxpayers, the largest shareholders in the Enterprises who, through Treasury, have invested more than \$191 billion in them and must ensure that the Enterprises achieve their statutory purpose. FHFA has delegated authority for many matters, both large and small, to the Enterprises and can revoke delegated authority at any time (and retains authority for certain significant decisions).

Given that FHFA has delegated to the Enterprises a significant portion of day-to-day management, I have made FHFA’s conservatorship of Fannie Mae and Freddie Mac one of



the principal risk areas of focus for FHFA-OIG. Because FHFA, as conservator, is ultimately responsible for all decisions made and actions taken by the Enterprises, pursuant to FHFA's revocable grant of delegated authority, our work during my tenure has looked at corporate governance for delegated matters at the Enterprises and FHFA's oversight of those delegated matters. During my tenure, FHFA-OIG has issued 37 reports that address FHFA's conservatorships of the Enterprises. See Appendix A.

Read together, the facts found in these reports reflect that FHFA has limited its oversight of delegated matters largely to sending FHFA employees to observe Enterprise internal management and board meetings, and to discussing matters with Enterprise executives and directors. **Our findings show that FHFA, as conservator, has not assessed the reasonableness of Enterprise actions taken pursuant to delegated authority nor has it assessed the adequacy of director oversight of management actions. Our reports show that FHFA also has not clearly defined the Agency's expectations of the Enterprises for delegated matters and has not established the accountability standard that it expects the Enterprises to meet for such matters.**

In addition, our work has identified **internal control systems at the Enterprises that fail to provide directors with accurate, timely, and sufficient information to enable them to exercise their oversight duties. Likewise, we have found a lack of rigor by some Enterprise directors in seeking information from management about the matters for which they are responsible. We have also identified instances in which corporate governance decisions typically reserved to a board of directors have been delegated to Enterprise management.**

Two of our recent reports, issued after my testimony in April of this year, are illustrative of these issues.

- *Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce* (September 6, 2018) (OIG-2018-004)

We received information from an anonymous source alleging excessive spending in connection with Fannie Mae's consolidation and relocation of its offices in the metro Washington, D.C., and in the metro Dallas, Texas, areas. In two management alerts issued in June and December 2016, we found a lack of oversight by FHFA as to the reasonableness of the budgeted build-out costs in the newly leased Class A office space by Fannie Mae in each area. As Fannie Mae's conservator, FHFA had a statutory duty to determine whether the efficiencies of the upgrades specified by Fannie Mae justified their estimated costs, and whether such upgrades were cost-effective or appropriate for an



entity in a federal conservatorship with an uncertain future to install in leased commercial space. We found no evidence that FHFA performed either assessment. With respect to the build-out costs for its newly leased office space in Washington, D.C., our June 2016 Management Alert made two specific recommendations to assist FHFA in performing those assessments, which FHFA accepted and committed to “implement them to the extent that [it was] not already doing so.”

In September 2017, we issued a special report that set forth our assessment of FHFA’s oversight of the costs of the build-out of this leased space over the previous year. We reported that FHFA advised us that Fannie Mae management was better able to select appropriate features and finishes for the build-out, and that it relied on Fannie Mae management to make those selections and keep FHFA informed. FHFA retained an expert that reviewed the reasonableness of certain individual upgrades when compared to the upgrades in the headquarters of major financial institutions and large public-sector agencies, including FHFA. **We found that FHFA, as conservator, never determined whether any, or all, of the individual upgrades “over and above” Class A space were appropriate expenditures for an entity in conservatorship with an uncertain future to install in leased commercial space.**

Most recently, on September 6, 2018, we issued a Management Alert in which we reviewed FHFA’s oversight of Fannie Mae’s decision to consolidate and relocate its workforce in Northern Virginia from three owned and one leased office buildings into leased space built out to Fannie Mae’s specifications in a new building to be constructed at the Reston Town Center. In its prior decisions to consolidate and relocate into rented space in Washington, D.C., and in Plano, Texas, Fannie Mae faced “action-forcing” events (such as lease terminations and significant downsizing of its regional workforce) and undertook a reasoned analysis of its options in order to make its decision. Because Fannie Mae documented those “action-forcing” events and its analysis of options for these two locations, we did not take issue with its decision to consolidate and relocate. We confined our analysis to FHFA’s failure to oversee the reasonableness of the build-out costs for leased space in both locations by a conserved entity.

With respect to Fannie Mae’s Northern Virginia offices, four FHFA officials responsible for oversight of Fannie Mae’s consolidation and relocation of its offices separately reported to us that the driver for the consolidation and relocation of the Northern Virginia



offices was implementation of a workplace strategy adopted by management.⁵ All four FHFA officials acknowledged that Fannie Mae could continue to operate out of its current Northern Virginia offices for the indefinite future without substantial additional costs and without a negative impact on operations, an option that would avoid the significant costs associated with the office relocation plan.

All Fannie Mae directors should have been aware of our prior reports challenging the build-out costs for newly leased office space in Washington, D.C., and Plano, Texas. And yet, **we found no evidence that any director questioned management about whether it was feasible for Fannie Mae to continue to operate out of its three owned buildings in Northern Virginia for the indefinite future, and whether the cost of such an alternative would be lower than the cost of management’s proposed plan to consolidate and relocate into newly leased space. We also found that FHFA approved management’s plan, with a projected cost of more than \$750 million, although that plan lacked any analysis whether Fannie Mae could continue operations in its existing, owned buildings at a significantly lower cost.**

As conservator of Fannie Mae, FHFA has a statutory duty to “preserve and conserve” Fannie Mae’s assets while operating it in a manner consonant with the public interest. Based on the information learned during our inquiry, we concluded that Fannie Mae failed to demonstrate that consolidation and relocation of its Northern Virginia offices into newly leased space, built out to its specifications, would be in the best interests of the taxpayers. As Fannie Mae documents showed and FHFA officials acknowledged, the sole driver of the consolidation and relocation of these offices was the desire by Fannie Mae management to implement its workplace strategy, even though Fannie Mae did not demonstrate the reasons why this strategy should be implemented for these offices or

⁵ Management explained to the Board its goals for its workplace strategy:

- A standard template for an open collaborative office environment with less rentable square feet/person;
- Robust technology that permits working from anywhere and fosters safety, soundness, and resiliency;
- Move from owned to leased facilities in one consolidated location per region;
- Locate in dynamic areas that attract and retain employees and provide features that Fannie Mae can use but does not have to build (e.g., auditorium, fitness center, food services); and
- Floor plans that produce organizational efficiency and are flexible to grow or contract based on business requirements and staffing demands.



quantify any associated cost savings in light of the actual condition of the owned buildings.

We stressed, as we did in our 2016 Management Alert regarding Fannie Mae’s proposed build-out of its new headquarters, that Fannie Mae “arguably has little incentive to cabin its costs” because “any positive net worth it does not spend on itself will be swept into the Treasury as a dividend.” We reported that the cost to consolidate and move Fannie Mae’s Northern Virginia operations, with a net present value in excess of \$750 million, less the cost of continuing to operate in its owned buildings (which Fannie Mae did not calculate), are funds that could, and should, be put to better use.

In its response, FHFA objected to our findings and recommendations, claiming that we sought to substitute our judgment for that of FHFA. We have long recognized that FHFA, as conservator for the Enterprises, has delegated responsibility for a significant portion of day-to-day management to each Enterprise, which it can revoke at any time. FHFA, as conservator, must do more than monitor management’s execution of delegated authority because FHFA itself is ultimately responsible for such actions. Unfortunately, FHFA simply deferred to the decision by Fannie Mae management to consolidate and relocate, rather than to determine whether management’s decision was the most cost-effective option that would be in the best interest of the U.S. taxpayers, who have invested \$119.8 billion in Fannie Mae.

- *Administrative Review of a Potential Conflict of Interest Matter Involving a Senior Executive Officer at an Enterprise* (July 26, 2018) (OIG-2018-001)

We received information from an anonymous source alleging that Fannie Mae’s [REDACTED] failed to make timely and complete disclosures about a potential conflict of interest involving [REDACTED] who was employed as the [REDACTED] of a Fannie Mae counterparty. In March 2017, we issued a Management Alert in which **we found repeated failures by [REDACTED] regarding the timeliness and completeness of [REDACTED] conflicts disclosures. We found that [REDACTED] failures to disclose were consequential, both because they demonstrated repeated breaches of duty and because they deprived the board committee of the ability to exercise its essential oversight responsibilities to address [REDACTED] actual or apparent conflict of interest arising from [REDACTED].** We made two recommendations to the FHFA Director to address the repeated failures, including a recommendation for appropriate disciplinary action.



The FHFA Director reported to us that he did not need to decide whether [REDACTED] breached [REDACTED] duties as a [REDACTED]. Instead, he advised that he [REDACTED] and that [REDACTED] would [REDACTED].

[REDACTED]

[REDACTED] We closed our recommendations as rejected.

Less than two years later, [REDACTED] made conflict of interest disclosures in [REDACTED] regarding the employment of [REDACTED] as the [REDACTED] of [REDACTED]. In a Management Alert issued on July 26, 2018, we found that [REDACTED] **did not disclose critical information about [REDACTED] that was known, or should have been known, by [REDACTED] that was significant to any conflicts of interest analysis and controls to mitigate the conflict.**

At the time of [REDACTED] disclosures, [REDACTED] knew, or should have known, that [REDACTED], one of the credit score models then under active consideration for adoption by FHFA. FHFA, in a public request for information issued in December 2017, stated that Vantage Score was “equally co-owned” by the three largest credit reporting agencies, [REDACTED]. The FHFA Director characterized the decision whether to update the Enterprises’ credit score requirement as the “most difficult issue that I have had to deal with” during his tenure.

While [REDACTED] disclosed the potential and actual employment of [REDACTED] as the [REDACTED] of [REDACTED] and characterized [REDACTED] as an “interested party,” we found that [REDACTED] failed to disclose the nature of [REDACTED] interest or how its interest could give rise to a potential, apparent, or actual conflict of interest. In [REDACTED] interests were understood – erroneously – by Fannie Mae’s ethics function and the board committee to be solely that of a potential vendor on a matter unrelated to [REDACTED]. The draft recusal agreement, prepared by Fannie Mae’s ethics function, reflected the limited scope of Fannie Mae’s relationship with [REDACTED]. When [REDACTED] reviewed the draft recusal agreement in [REDACTED] knew, or should have known from the scope of the agreement, that neither Fannie Mae’s ethics function nor the responsible committee of the Fannie Mae board was aware of [REDACTED].



In [REDACTED], when [REDACTED] updated [REDACTED] disclosure to report that [REDACTED] had accepted the [REDACTED] position with [REDACTED], [REDACTED] did not identify [REDACTED]. After receipt of [REDACTED] updated disclosure, the ethics function identified [REDACTED] solely as a current vendor of services unrelated to [REDACTED]; again, [REDACTED] to [REDACTED], which would have required recusal with respect to [REDACTED], was not identified. **We found no evidence that the ethics function or the board committee was aware of [REDACTED], which stood to reap significant financial benefits if selected by the FHFA Director as an alternative credit score model.**

After review of our draft Management Alert, FHFA recognized that the existing recusal may not have been understood within Fannie Mae to reach [REDACTED] participation in the assessment whether [REDACTED] should be adopted as an alternative credit model and any discussion between [REDACTED] and FHFA on this issue. It reported, in its Management Response, that it “conducted a preliminary review to determine the extent, if any, to which [REDACTED] has been involved in any business decisions related to [REDACTED] and/or [REDACTED] since the date of the recusal” and its “preliminary review has not found any involvement by [REDACTED]” It further reported that the board committee, which was informed of [REDACTED] by our draft alert, would consider at an upcoming board meeting “revisions to the recusal.”

Fannie Mae announced that [REDACTED] decided to step down [REDACTED]; that announcement was on [REDACTED] FHFA provided a management response to our draft alert, which we issued in final form [REDACTED]. The board committee responsible for conducting a comprehensive review of the matter reported to FHFA on [REDACTED], that [REDACTED] disclosures to Fannie Mae’s ethics function regarding [REDACTED] potential and actual employment at [REDACTED] were timely, complete, and consistent with applicable Fannie Mae policies. The committee reached this conclusion, notwithstanding (1) [REDACTED] failure to disclose [REDACTED] and (2) its understanding that the Fannie Mae ethics function, and the employees with whom the ethics function spoke, were unaware of [REDACTED] or of the potential financial benefit from Enterprise adoption of [REDACTED] as an alternative credit score model. Our recommendations, with which FHFA agreed, remain open.



FHFA's Supervision of its Regulated Entities

FHFA has long recognized that effective supervision of the entities it regulates is fundamental to ensuring their safety and soundness. During my tenure, FHFA-OIG has issued 46 reports involving FHFA's supervision of its regulated entities. See Appendix B.

As FHFA Director Watt has observed in prior Congressional testimony, Fannie Mae and Freddie Mac would be Systemically Important Financial Institutions (SIFIs), but for the conservatorships, and are subject to the heightened supervision requirements for SIFIs, except that they are supervised by FHFA, not the Federal Reserve. Because the asset size of the FHLBanks and Office of Finance, together, is a fraction of the asset size of the Enterprises and because the Enterprises are in conservatorship, we determined that the magnitude of risk is significantly greater for the Enterprises and, accordingly, during my tenure at FHFA-OIG, the majority of our work on supervision issues has focused on FHFA's supervision of the Enterprises. Many of those reports identified shortcomings, which I discussed in my testimony earlier this year before the Subcommittee on Oversight and Investigations, U.S. House Committee on Financial Services, and incorporate by reference here.

One of our recent reports, on the status of FHFA's commissioned examiner program, *FHFA's Housing Finance Examiner Commissioning Program: \$7.7 Million and Four Years into the Program, the Agency has Fewer Commissioned Examiners* (September 6, 2018) (COM-2018-006), highlights shortcomings in FHFA's supervision of its regulated entities.

A September 2011 evaluation report on the Agency's capacity to examine the Enterprises found that only about one-third of FHFA's examiners were commissioned, and the Agency lacked a commission program. Agency officials reported to us at that time that the efficiency and effectiveness of the Agency's examination program was impeded by an insufficient number of commissioned examiners. When the 2011 report was issued, FHFA was in the early stages of developing an examiner commission program, patterned after programs at other federal financial regulatory agencies. We recommended that FHFA management "[m]onitor the development and implementation of the examiner [commission] program, and take needed actions to address any shortfalls."

FHFA agreed with our recommendation; in October 2012, we closed that recommendation based upon the Agency's development of the program as of that date.

FHFA completed the development of its Housing Finance Examiner (HFE) Program in 2013 and opened enrollment to Agency employees in August of that year. According to FHFA, the goal of



the HFE Program is to produce examiners with “broad-based knowledge to conduct successful risk-based examinations” and “the skills and technical knowledge necessary to evaluate the condition and practices of the entities that FHFA supervises” in “approximately four years.” Examiners could also receive HFE commissions based on having been commissioned previously by other financial regulators. During the first half of 2014, FHFA awarded the first HFE commissions to 59 examiners, based on commissions issued from other financial regulators. The Agency’s acknowledgement of the importance of commissioned examiners is further underscored by its requirement that all non-commissioned examiners hired after July 17, 2013, are required to enroll in the program and to obtain their commissions.

Between July 2015 and March 2017, we issued two reports in which we assessed whether the HFE Program was on track to produce commissioned examiners; on both occasions we found it was not. Almost seven years after the 2011 evaluation issued, we launched a third study to assess whether the HFE Program has increased the number of commissioned examiners on the FHFA staff and to determine how FHFA uses its commissioned examiners. We found that, **during that almost seven-year period, the Agency invested approximately \$7.7 million in developing, implementing, and staffing its HFE Program but, since the Agency began awarding HFE commissions in 2014, the total number of its commissioned examiners has decreased from 59 (as of June 2014) to 58 (as of June 2018).**

The evidence obtained during our work reflects that the Agency’s HFE Program suffers from a high non-completion rate. Of the 66 examiners who enrolled in 2013, only 6 completed the HFE Program and passed its final examination. By June 2018, more than half (36) were no longer enrolled in the HFE Program. The remaining 24 continued to be enrolled as of June 1, 2018, almost five years into the approximately four-year program, and one-third (8) had completed less than 75% of the Program’s requirements after five years. (Three additional examiners who enrolled in the HFE Program after 2013 completed it and passed the final examination.)

Our study also sought to assess the Agency’s deployment of its commissioned examiners. FHFA acknowledges that “Congress virtually duplicated the examination regime applicable to banks when it designed the examination regime” for the Enterprises and FHLBanks. We learned that the Office of the Comptroller of the Currency, which is responsible for the supervision of all national banks, requires a commissioned examiner to lead examinations, and the Federal Reserve, which is responsible for the supervision of bank holding companies, states that “[a]s a general policy, a commissioned examiner” should lead all “examinations and inspections.” However, we found that **of FHFA’s 53 targeted examinations of the Enterprises for the last two supervisory cycles – examinations defined by the Agency as a “deep or comprehensive**



assessment” of areas of high importance or risk, *not one* was led by commissioned examiners. By comparison, we found that roughly 75% of the examinations of the FHLBanks have been led by commissioned examiners.

We also learned that most of the HFE Program has been suspended or is under internal review. It remains to be seen whether the ongoing internal review will produce substantive changes to the HFE Program that will increase its effectiveness and produce HFE commissioned examiners within a four-year window. To date, the Agency’s investment of approximately \$7.7 million in developing, implementing, and staffing the HFE Program has not yielded the anticipated results.

Conclusion

Currently, FHFA serves in a unique role: it is both conservator of and regulator for the Enterprises and regulator for the FHLBanks. Its duties as conservator of the Enterprises, which together own or guarantee more than \$5 trillion in mortgages, are fundamentally different from its responsibilities as their supervisor. FHFA’s stakeholders, including the Congress, American taxpayers, and others, expect FHFA, as conservator, to ensure that both Enterprises are effectively governed and employ sound risk management practices; they also expect FHFA, as regulator, to exercise vigilant supervision of its regulated entities to ensure that they operate in a safe and sound manner. As our work demonstrates, FHFA has been challenged by numerous shortcomings in carrying out its dual roles. While accepting many of our recommendations to address the identified shortcomings, FHFA has rejected others, and, as our compliance testing shows, has not fully implemented 47% of the promised corrective actions that we tested.

I thank this Committee for the opportunity to testify today. I am happy to answer any questions that you may have.



APPENDIX A: FHFA-OIG REPORTS ISSUED FROM OCTOBER 28, 2014, THROUGH SEPTEMBER 25, 2018, ON FHFA'S CONSERVATORSHIPS OF THE ENTERPRISES

Audit of FHFA's Oversight of the Enterprises' Affordable Housing Set-Asides and Allocations (September 24, 2018) (AUD-2018-012) (online at www.fhfaoig.gov/Content/Files/AUD-2018-012%20FHFA%20Oversight%20of%20Affordable%20Housing.pdf)

An Overview of Enterprise Appraisal Waivers (September 14, 2018) (WPR-2018-006) (online at www.fhfaoig.gov/Content/Files/WPR-2018-006.pdf)

Freddie Mac's IMAGIN Pilot (September 12, 2018) (WPR-2018-005) (online at www.fhfaoig.gov/Content/Files/WPR-2018-005.pdf)

Management Advisory: Freddie Mac's Reimbursement of Certain Employees' Commuting Expenses (September 6, 2018) (OIG-2018-003) (online at www.fhfaoig.gov/Content/Files/OIG-2018-003%20Management%20Advisory%20on%20Freddie%20Mac%20Reimbursement%20of%20Commuting%20Expenses.pdf)

Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce (September 6, 2018) (OIG-2018-004) (online at www.fhfaoig.gov/Content/Files/Management%20Alert%20OIG-2018-004.pdf)

Administrative Review of a Potential Conflict of Interest Matter Involving a Senior Executive Officer at an Enterprise (July 26, 2018) (OIG-2018-001) (online at www.fhfaoig.gov/Content/Files/Management%20Alerts_OIG-2018-001_Redacted%20%28with%20Redaction%20Codes%29.pdf)

FHFA Letters of Instruction to the Enterprises (July 23, 2018) (WPR-2018-004) (online at www.fhfaoig.gov/Content/Files/WPR-2018-004.pdf)

Compliance Review of FHFA's Process for Making Changes to Conservatorship Scorecard Targets (June 20, 2018) (COM-2018-004) (online at www.fhfaoig.gov/Content/Files/Conservatorship%20Scorecard%20%28COM-2018-004%29.pdf)



Update on FHFA's Implementation of its Revised Standards for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances (March 27, 2018) (COM-2018-003) (online at www.fhfaig.gov/Content/Files/Update%20on%20FHFA%20Procedures%20for%20Overseeing%20Enterprises%20Single-Family%20Mortgage%20Underwriting%20Standards%20%28COM-2018-003%29.pdf)

Enterprise Counterparties: Custodial Depository Institutions (March 27, 2018) (WPR-2018-003) (online at www.fhfaig.gov/Content/Files/WPR-2018-003.pdf)

Audit of FHFA's Oversight of Freddie Mac's Compliance with the Required Risk Mitigants of Automated Underwriting, Mortgage Insurance, and Homeownership Education for its Purchases of Mortgages with a 97% LTV (March 8, 2018) (AUD-2018-004) (online at www.fhfaig.gov/Content/Files/AUD-2018-004%20FHFA%27s%20Oversight%20of%20Freddie%20Mac%27s%2097%20LTV%20Program%20%28public%29.pdf)

Audit of FHFA's Oversight of Fannie Mae's Compliance with the Required Risk Mitigants of Automated Underwriting, Mortgage Insurance, and Homeownership Education for its Purchases of Mortgages with a 97% LTV (March 8, 2018) (AUD-2018-003) (online at www.fhfaig.gov/Content/Files/AUD-2018-003%20FHFA%27s%20Oversight%20of%20Fannie%20Mae%27s%2097%20LTV%20Programs%20%28Public%29.pdf)

Enterprise Counterparties: Mortgage Insurers (February 16, 2018) (WPR-2018-002) (online at www.fhfaig.gov/Content/Files/WPR-2018-002.pdf)

Compliance Review of FHFA's Review Process for Transfers of Enterprise Mortgage Servicing Rights (February 6, 2018) (COM-2018-001) (online at www.fhfaig.gov/Content/Files/MSR%20Transfers%20-%20COM-2018-001.pdf)

Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA (January 31, 2018) (EVL-2018-001) (online at www.fhfaig.gov/Content/Files/EVL-2018-001%20%28Redacted%29.pdf)



Fannie Mae and Freddie Mac Purchases of Adjustable-Rate Mortgages (January 4, 2018) (WPR-2018-001) (online at www.fhfaog.gov/Content/Files/WPR-2018-001.pdf)

Special Report: Update on FHFA's Oversight of Fannie Mae's Build-Out of its Newly Leased Class A Office Space in Midtown Center (September 28, 2017) (COM-2017-007) (online at www.fhfaog.gov/Content/Files/pw%20DC%20Lease%20Update%209_%2028_2017.pdf)

Management Alert: Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac's Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors (September 27, 2017) (OIG-2017-005) (online at www.fhfaog.gov/Content/Files/OIG-2017-005%20%28Redacted%29.pdf)

Compliance Review of FHFA's Revised Process for Reviewing the Enterprises' Annual Operating Budgets (September 19, 2017) (COM-2017-006) (online at www.fhfaog.gov/Content/Files/COM-2017-006_Redacted.pdf)

Fannie Mae and Freddie Mac in the Multifamily Market (September 7, 2017) (WPR-2017-002) (online at www.fhfaog.gov/Content/Files/WPR-2017-002.pdf)

Existing Statutory Capital Requirements for Fannie Mae and Freddie Mac (August 17, 2017) (WPR-2017-001) (online at www.fhfaog.gov/Content/Files/WPR-2017-001.pdf)

NPL Sales: Additional Controls Would Increase Compliance with FHFA's Sales Requirements (July 24, 2017) (AUD-2017-006) (online at www.fhfaog.gov/Content/Files/AUD-2017-006%20NPL%20Sales%20Additional%20Controls%20Would%20Increase%20Compliance%20with%20FHFA%27s%20Sales%20Requirements.pdf)

Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise (March 23, 2017) (OIG-2017-004) (online at www.fhfaog.gov/Content/Files/Administrative%20Investigation%20into%20Anonymous%20Hotline%20Complaints%20Concerning%20Timeliness%20and%20Completeness%20of%20Disclosures%20Regarding%20a%20Potential%20Conflict%20of%20Interest%20by%20a%20Senior%20Executive%20Officer%20of%20an%20Enterprise_0.pdf)



Fannie Mae's Dallas Regional Headquarters Project (December 15, 2016) (OIG-2017-002) (online at www.fhfaoig.gov/Content/Files/OIG-2017-002.pdf)

Update on the Status of the Development of the Common Securitization Platform (December 9, 2016) (COM-2017-001) (online at www.fhfaoig.gov/Content/Files/COM-2017-001_0.pdf)

Shale Oil Boom and Bust: Implications for the Mortgage Market (September 7, 2016) (WPR-2016-003) (online at www.fhfaoig.gov/Content/Files/WPR-2016-003.pdf)

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 (June 16, 2016) (COM-2016-004) (online at www.fhfaoig.gov/Content/Files/COM-2016-004_Revised%209_22_16.pdf)

Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues (March 31, 2016) (EVL-2016-006) (online at www.fhfaoig.gov/Content/Files/EVL-2016-006_0.pdf)

FHFA's Oversight of the Enterprises' Implementation of and Compliance with Conservatorship Directives during an 18-Month Period (March 28, 2016) (ESR-2016-002) (online at www.fhfaoig.gov/Content/Files/ESR-2016-002.pdf)

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 (March 28, 2016) (AUD-2016-002) (online at www.fhfaoig.gov/Content/Files/AUD-2016-002.pdf)

Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (March 17, 2016) (COM-2016-002) (online at www.fhfaoig.gov/Content/Files/COM-2016-002_0.pdf)

\$1.1 Billion Increase in Expenses for Fannie Mae and Freddie Mac from 2012 through 2015: Where the Money Went (March 9, 2016) (WPR-2016-001) (online at www.fhfaoig.gov/Content/Files/v2%20WPR-2016-001_0.pdf)



Compliance Review of FHFA's Implementation of its Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances (December 17, 2015) (COM-2016-001) (online at www.fhfaig.gov/Content/Files/COM-2016-001_1.pdf)

FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose (September 30, 2015) (EVL-2015-006) (online at www.fhfaig.gov/Content/Files/EVL-2015-006.pdf)

FHFA's Conservatorships of Fannie Mae and Freddie Mac: A Long and Complicated Journey (March 25, 2015) (WPR-2015-002) (online at www.fhfaig.gov/Content/Files/WPR-2015-002_0.pdf)

The Continued Profitability of Fannie Mae and Freddie Mac Is Not Assured (March 18, 2015) (WPR-2015-001) (online at www.fhfaig.gov/Content/Files/WPR-2015-001.pdf)

FHFA's Oversight of Governance Risks Associated with Fannie Mae's Selection and Appointment of a New Chief Audit Executive (March 11, 2015) (EVL-2015-004) (online at www.fhfaig.gov/Content/Files/EVL-2015-004_0.pdf)



APPENDIX B: FHFA-OIG REPORTS ISSUED FROM OCTOBER 28, 2014, THROUGH SEPTEMBER 25, 2018, ON FHFA'S SUPERVISION PROGRAM FOR ITS REGULATED ENTITIES

FHFA Should Re-evaluate and Revise Fraud Reporting by the Enterprises to Enhance its Utility (September 24, 2018) (EVL-2018-004) (online at www.fhfaig.gov/Content/Files/EVL-2018-004.pdf)

FHFA's Housing Finance Examiner Commission Program: \$7.7 Million and Four Years into the Program, the Agency has Fewer Commissioned Examiners (September 6, 2018) (COM-2018-006) (online at www.fhfaig.gov/Content/Files/Compliance%20Review%20COM-2018-006.pdf)

Compliance Review of FHFA's Communications of Serious Deficiencies to the Enterprises' Boards of Directors (September 5, 2018) (COM-2018-005) (online at www.fhfaig.gov/Content/Files/Compliance%20Review%20of%20FHFA's%20Communication%20of%20Serious%20Deficiencies.pdf)

DBR's Safety and Soundness Quality Control Reviews Were Conducted in Compliance with FHFA's Standard During the 2017 Examination Cycle but DBR's Community Investment Quality Control Reviews Were Not (August 17, 2018) (AUD-2018-010) (online at www.fhfaig.gov/Content/Files/AUD-2018-010%20DBR%20Quality%20Control%20Reviews%20During%20the%202017%20Examination%20Cycle.pdf)

FHFA Failed to Ensure Freddie Mac's Remedial Plans for a Cybersecurity MRA Addressed All Deficiencies; as Allowed by its Standard, FHFA Closed the MRA after Independently Determining the Enterprise Completed its Planned Remedial Actions (March 28, 2018) (AUD-2018-008) (online at www.fhfaig.gov/Content/Files/AUD-2018-008%20FRE%20Cyber%20MRA%20Closure%20%28public%29%20Redacted.pdf)

As Allowed by its Standard, FHFA Closed Three Fannie Mae Cybersecurity MRAs after Independently Determining the Enterprise Completed its Planned Remedial Actions (March 28, 2018) (AUD-2018-007) (online at www.fhfaig.gov/Content/Files/AUD-2018-007%20FNM%20Cyber%20MRAs%20%28public%29%20Redacted.pdf)



FHFA's Adoption of Clear Guidance on the Review of the Enterprises' Internal Audit Work When Assessing the Sufficiency of Remediation of Serious Deficiencies Would Assist FHFA Examiners (March 28, 2018) (EVL-2018-003) (online at www.fhfa.ig.gov/Content/Files/EVL-2018-003.pdf)

FHFA Requires the Enterprises' Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners' Use of that Validation Work (March 28, 2018) (EVL-2018-002) (online at www.fhfa.ig.gov/Content/Files/EVL-2018-002_Redacted.pdf)

FHFA Should Address the Potential Disparity Between the Statutory Requirement for Fraud Reporting and its Implementing Regulation and Advisory Bulletin (March 23, 2018) (COM-2018-002) (online at www.fhfa.ig.gov/Content/Files/2018_03_23%20Enterprise%20Fraud%20Reporting.FINAL_.pdf)

FHFA Completed its Planned Procedures for a 2016 Representation and Warranty Framework Targeted Examination at Freddie Mac, but the Supporting Workpapers Did Not Sufficiently Document the Examination Work (March 13, 2018) (AUD-2018-006) (online at www.fhfa.ig.gov/Content/Files/AUD-2018-006%20FRE%20RWF%202016%20Targeted%20Examination%20%28public%29_Redacted.pdf)

FHFA Completed its Planned Procedures for a 2015 Representation and Warranty Framework Targeted Examination at Fannie Mae, but Did Not Document a Change to Planned Testing (March 13, 2018) (AUD-2018-005) (online at www.fhfa.ig.gov/Content/Files/AUD-2018-005%20FNM%20RWF%202015%20Targeted%20Examination%20%28public%29_Redacted.pdf)

FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle (September 27, 2017) (AUD-2017-011) (online at www.fhfa.ig.gov/Content/Files/AUD-2017-011%20FRE%20Cyber%20Examinations%20%28redacted%29.pdf)

FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle (September 27, 2017) (AUD-2017-010) (online at www.fhfa.ig.gov/Content/Files/AUD-2017-010%20FNM%20Cyber%20Examinations%20Redacted_Redacted.pdf)



FHFA's 2015 and 2016 Supervisory Activities, as Planned, Addressed Identified Risks with Freddie Mac's New Representation and Warranty Framework (September 22, 2017) (AUD-2017-009) (online at www.fhfaoig.gov/Content/Files/AUD-2017-009%20FRE%20RWF%20Examinations%20%28redacted%29.pdf)

FHFA's 2015 Report of Examination to Fannie Mae Failed to Follow FHFA's Standards Because it Reported on an Incomplete Targeted Examination of the Enterprise's New Representation and Warranty Framework (September 22, 2017) (AUD-2017-008) (online at www.fhfaoig.gov/Content/Files/AUD-2017-008%20FNM%20RWF%20Examinations%20%28redacted%29.pdf)

The Gap in FHFA's Quality Control Review Program Increases the Risk of Inaccurate Conclusions in its Reports of Examination of Fannie Mae and Freddie Mac (August 17, 2017) (EVL-2017-006) (online at www.fhfaoig.gov/Content/Files/EVL-2017-006.pdf)

FHFA Should Improve its Administration of the Suspended Counterparty Program (July 31, 2017) (COM-2017-005) (online at www.fhfaoig.gov/Content/Files/SCP%20Final.pdf)

FHFA's Compliance with its Documentary Standards for Issuing Housing Finance Examiner Commissions (July 25, 2017) (COM-2017-004) (online at www.fhfaoig.gov/Content/Files/HFEreport%2007-10-17.pdf)

Closure of OIG Review of FHFA's Supervision of an Enterprise's Remediation of Matters Requiring Attention (June 12, 2017) (ESR-2017-005) (online at www.fhfaoig.gov/Content/Files/ESR-2017-005.pdf)

FHFA's Examination Program for the FHLBanks' Internal Audit Functions Was Adequately Designed and Executed (May 5, 2017) (AUD-2017-003) (online at www.fhfaoig.gov/Content/Files/2017%2005%2005%20AUD-2017-003.pdf)

FHFA's Practice for Rotation of its Examiners Is Inconsistent between its Two Supervisory Divisions (March 28, 2017) (EVL-2017-004) (online at www.fhfaoig.gov/Content/Files/EVL-2017-004.pdf)



Update on FHFA's Implementation of its Housing Finance Examiner Commission Program (March 22, 2017) (COM-2017-003) (online at www.fhfaig.gov/Content/Files/Update%20on%20HFE%20Program-final.pdf)

Directives from the Audit Committee of the Freddie Mac Board of Directors Caused Management to Improve its Reporting about Remediation of Serious Deficiencies from October 2015 through September 2016 (March 22, 2017) (ESR-2017-003) (online at www.fhfaig.gov/Content/Files/ESR-2017-003.pdf)

Compliance Review of Federal Home Loan Bank Fraud Reporting to FHFA (January 24, 2017) (COM-2017-002) (online at www.fhfaig.gov/Content/Files/COM-2017-002.pdf)

FHFA's Examinations Have Not Confirmed Compliance by One Enterprise with its Advisory Bulletins Regarding Risk Management of Nonbank Sellers and Servicers (December 21, 2016) (EVL-2017-002) (online at www.fhfaig.gov/Content/Files/EVL-2017-002.pdf)

Safe and Sound Operation of the Enterprises Cannot Be Assumed Because of Significant Shortcomings in FHFA's Supervision Program for the Enterprises (Roll-Up Report) (OIG-2017-003) (December 15, 2016) (online at www.fhfaig.gov/Content/Files/OIG-2017-003.pdf)

FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (September 30, 2016) (AUD-2016-007) (online at www.fhfaig.gov/Content/Files/AUD-2016-007.pdf)

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 (September 30, 2016) (AUD-2016-006) (online at www.fhfaig.gov/Content/Files/AUD-2016-006.pdf)

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 (September 30, 2016) (AUD-2016-005) (online at www.fhfaig.gov/Content/Files/AUD-2016-005.pdf)



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 (September 30, 2016) (COM-2016-006) (online at www.fhfaog.gov/Content/Files/COM-2016-006.pdf)

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 (July 14, 2016) (EVL-2016-009) (online at www.fhfaog.gov/Content/Files/EVL-2016-009.pdf)

Compliance Review of FHFA's Implementation of its Consumer Communications Procedures (July 14, 2016) (COM-2016-005) (online at www.fhfaog.gov/Content/Files/COM-2016-005.pdf)

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 (July 14, 2016) (EVL-2016-008) (online at www.fhfaog.gov/Content/Files/EVL-2016-008.pdf)

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 (July 14, 2016) (EVL-2016-007) (online at www.fhfaog.gov/Content/Files/EVL-2016-007.pdf)

FHFA's Implementation of Its Automated System to Track Deficiencies Identified in Federal Home Loan Bank Examinations (May 26, 2016) (COM-2016-003) (online at www.fhfaog.gov/Content/Files/COM-2016-003.pdf)

FHFA's Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management's Remediation Efforts are Inadequate (March 31, 2016) (EVL-2016-005) (online at www.fhfaog.gov/Content/Files/EVL-2016-005.pdf)

FHFA's Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise's Remediation of Serious Deficiencies (March 29, 2016) (EVL-2016-004) (online at www.fhfaog.gov/Content/Files/EVL-2016-004.pdf)



FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework (March 28, 2016) (EVL-2016-003) (online at www.fhfaig.gov/Content/Files/EVL-2016-003.pdf)

Merger of the Federal Home Loan Banks of Des Moines and Seattle: FHFA's Role and Approach for Overseeing the Continuing FHLBank (March 16, 2016) (WPR-2016-002) (online at www.fhfaig.gov/Content/Files/WPR-2016-002.pdf)

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 (February 29, 2016) (AUD-2016-001) (online at www.fhfaig.gov/Content/Files/AUD-2016-001.pdf)

Utility of FHFA's Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels (January 4, 2016) (EVL-2016-001) (online at www.fhfaig.gov/Content/Files/EVL-2016-001_0.pdf)

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 (September 30, 2015) (EVL-2015-007) (online at www.fhfaig.gov/Content/Files/EVL-2015-007.pdf)

OIG's Compliance Review of FHFA's Implementation of Its Housing Finance Examiner Commission Program (July 29, 2015) (COM-2015-001) (online at www.fhfaig.gov/Content/Files/COM-2015-001_1_0.pdf)

Letter to Congress: Real Estate Owned Maintenance Vendors (July 24, 2015) (online at www.fhfaig.gov/Content/Files/REO%20maintenance%20vendors.pdf)

Cyber Security: An Overview of FHFA's Oversight of and Attention to the Enterprises' Management of Their IT Infrastructures (March 31, 2015) (WPR-2015-003) (online at www.fhfaig.gov/Content/Files/WPR-2015-003.pdf)



FHFA's Oversight of Two Mission-Related Requirements for Federal Home Loan Bank Long-Term Advances (March 31, 2015) (ESR-2015-005) (online at www.fhfaog.gov/Content/Files/ESR-2015-005_0.pdf)