Federal Housing Finance Agency
Office of Inspector General

DBR Provided Sufficient Oversight of the Federal Home Loan Banks' Mortgage Programs

Audit Report • AUD-2024-011 • September 25, 2024

EXECUTIVE SUMMARY

PURPOSE

To provide mortgage market liquidity, a Federal Home Loan Bank (FHLBank) may acquire conforming mortgage loans and loans guaranteed or insured by a department or agency of the U.S. government from their members and housing associates. As part of our ongoing oversight of the Federal Housing Finance Agency's (FHFA) supervision of the Federal Home Loan Bank System (FHLBank System), we performed an audit to assess whether the Division of Federal Home Loan Bank Regulation (DBR) provided sufficient oversight of the FHLBanks' management of risks in their mortgage programs.

RESULTS

We determined that DBR provided sufficient oversight of the FHLBanks' management of risks in their mortgage programs. Specifically, we found that DBR's examination guidance provided examiners with worksteps needed to review and evaluate the FHLBanks' mortgage programs. DBR's supervisory activities during the audit scope met minimum frequency requirements and provided coverage of the FHLBanks' mortgage program risk management processes. DBR's supervisory conclusions regarding the FHLBanks' mortgage programs were supported by the results of examination work documented in examination workpapers that had been subjected to DBR quality control processes. Furthermore, DBR assessed the remediation of Matters Requiring Attention (MRA) related to the FHLBanks' mortgage programs in accordance with DBR adverse findings guidance. Our review of certain DBR mortgage program monitoring reports found no indications of supervisory concerns.

We made no recommendations in this report.

This report was prepared by Jim Lisle, Audit Director; April Ellison, Audit Manager; Marco Uribe, Auditor-in-Charge; and Kobe Wilson, Auditor; with assistance from Abdil Salah, Assistant Inspector General for Audits. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report. This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, www.fhfaoig.gov, and www.oversight.gov.

James Hodge
Deputy Inspector General for Audits /s/

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ABBREVIATIONS

AB	Advisory Bulletin
AMA	Acquired Member Assets
DBR	Division of Federal Home Loan Bank Regulation
FHFA	Federal Housing Finance Agency
FHLBank	Federal Home Loan Bank
FHLBank System	Federal Home Loan Bank System
MRA	Matter Requiring Attention
OIG	FHFA Office of Inspector General
OPB	Operating Procedures Bulletin
PFI	Participating Financial Institution
ROE	Report of Examination
QCB	Quality Control Branch

BACKGROUND

The FHLBank System was created by the Federal Home Loan Bank Act of 1932 (FHLBank Act) as a government sponsored enterprise to support mortgage lending and related community investment. FHLBanks connect domestic financial institutions, many of which are small, community-focused lenders, to the global capital markets. Those connections make it possible for lenders to provide more consistent and sustained support for housing finance and community development. The FHLBank System consists of 11 regional FHLBanks and the FHLBanks' fiscal agent, the Office of Finance. Each FHLBank is a separate, government-chartered, member-owned corporation.[1]

FHLBanks provide liquidity to members, primarily through low-cost loans (advances) to member financial institutions secured by eligible collateral such as portfolios of residential mortgage loans, commercial real estate loans, and Fannie Mae or Freddie Mac mortgage-backed securities. These advances allow FHLBank members to provide lower-cost loans to consumers and small businesses. As another source of liquidity for members, FHLBanks purchase conforming mortgage loans[2] and loans guaranteed or insured by a department or agency of the U.S. government from approved members, known as participating financial institutions (PFIs).[3] FHFA's Acquired Member Assets (AMA) Regulation (12 C.F.R. Part 1268) governs these purchases. FHLBanks hold mortgage loans acquired from PFIs on their balance sheets. However, PFIs retain much of the default risks by providing the FHLBanks with credit-loss protection known as credit enhancement.

There are three AMA mortgage programs in which an FHLBank may choose to participate. The Mortgage Partnership Finance Program is administered by FHLBank Chicago; the Mortgage Purchase Program is administered by FHLBanks Cincinnati and Indianapolis; and the Mortgage Asset Program is administered by FHLBank New York. These programs differ primarily in the structure of required credit enhancements. For example, in the Mortgage Purchase Program and Mortgage Asset Program, the FHLBank holds PFI funds for a portion of the loan term to protect against credit losses. In the Mortgage Partnership Finance Program, the credit enhancement

[1] The FHLBank System includes approximately 6,800 member financial institutions, each of which joins the FHLBank for the district in which the institution's home office is located. Pursuant to Section 4 of the FHLBank Act, any building and loan association, savings and loan association, cooperative bank, homestead association, insurance company, savings bank, community development financial institution, or any insured depository institution satisfying the requirements of that section may become a member of an FHLBank.

[2] A conforming loan is a mortgage that complies with the conforming loan limits set by FHFA and is eligible to be purchased by Fannie Mae and Freddie Mac.

[3] A PFI is a member or housing associate of an FHLBank that is authorized to sell, service, or offer credit loss protections (credit enhancement) of mortgage loans to or for its FHLBank or another FHLBank through an AMA mortgage program. Approximately 10 percent of FHLBank members are PFIs.

amount (i.e., the maximum of realized losses for which the PFI can be required to reimburse the FHLBank) is defined in a master commitment and secured by a PFI pledge of collateral.[4]

FHLBanks do not service the mortgage loans that they hold on their balance sheets. Servicing is often performed by the PFI selling the mortgage loans but an FHLBank may also contract with another third-party servicer.[5]

Nine of the 11 FHLBanks are active AMA mortgage program participants. The remaining two FHLBanks do not participate in an AMA mortgage program, but both have legacy mortgage loan portfolios from prior participation.[6] The FHLBanks held approximately $62.7 billion of mortgage loans on their balance sheets as of March 31, 2024.

FHFA regulates and supervises the FHLBank System. The FHFA Director delegated supervision of the FHLBank System to the Deputy Director, DBR.

DBR's Supervisory Expectations for the FHLBanks' Management of Risks in FHLBank Mortgage Programs

FHFA has communicated its supervisory expectations for an FHLBank's mortgage program risk management in the following advisory bulletins (ABs):

- AB 2015-05, *FHLBank Core Mission Achievement*, sets forth FHFA's expectation that each FHLBank's board of directors will establish a prudential limit on its maximum holding of mortgages, which should be governed by the FHLBank's ability to manage the risks inherent in holding mortgages.

- AB 2017-03, *Acquired Member Asset Price Risk Governance*, sets forth guidance to evaluate and manage mortgage price risk, including establishing minimum expected spread for mortgage pricing.[7]

- AB 2018-02, *Federal Home Loan Bank Use of Models And Methodologies For Internal Assessments Of Mortgage Asset Credit Risk*, provides guidance for an FHLBank's use of

[4] A master commitment is an agreement between the PFI and the FHLBank that defines the terms under which the FHLBank will purchase a pool of mortgage loans delivered by the PFI.

[5] Servicing refers to the administrative and financial tasks associated with the daily management of a loan or loan portfolio throughout its life. Typical servicing functions include file transfer and setup, cashiering, investor accounting, escrow administration, customer service, collections and loss mitigation, and foreclosure. DBR's supervision of mortgage servicing was excluded from the scope of this audit.

[6] One of the non-participating FHLBanks stopped offering on-balance sheet mortgage products in 2018. The other FHLBank withdrew from the Mortgage Partnership Finance Program in 2021.

[7] AMA price risk is the risk that the price the FHLBank pays for an AMA mortgage loan is too high relative to its intrinsic value, based on prevailing and forecasted market conditions at the time of acquisition.

models and methodologies to assess credit risk associated with mortgage assets, including mortgage pools, mortgage-backed securities, and collateralized mortgage obligations.

- AB 2020-01, *Acquired Member Asset Risk Management*, provides guidance regarding an FHLBank's risk management of mortgages, including FHFA's expectations that the FHLBank board of directors establish certain limits on its mortgage portfolios within the context of its risk appetite and the unique characteristics of its membership and district.

DBR's Annual Examinations of the FHLBanks

DBR conducts risk-based supervisory activities pertaining to the FHLBanks, including annual examinations, periodic visitations, special reviews, and offsite monitoring of each FHLBank. DBR relies on these supervisory activities to reach conclusions on each FHLBank's overall condition and the adequacy of its risk management practices. At the conclusion of an examination, DBR issues a report of examination (ROE) to each FHLBank's board of directors. The ROE communicates substantive examination conclusions, principal findings—including all MRAs,[8] and the composite and component CAMELSO ratings.[9]

DBR typically includes an assessment of an FHLBank's mortgage program condition and risk management practices in the scope of its annual examination. In addition, DBR's Mortgage Programs Policy and Analysis Branch prepares monitoring reports such as mortgage portfolio performance (e.g., delinquency rates and mortgage production credit quality indicators) reports and mortgage market pricing surveillance reports for use by the examination team. Personnel from DBR's Market Risk Modeling Branch and Office of Risk Analysis and Modeling may also provide resources to assist examiners in assessing FHLBanks' mortgage programs.

DBR's Guidance for Oversight of the FHLBanks' Mortgage Programs

FHFA's Examination Manual, FHLBank Mortgage Programs module, provides direction to examiners for developing the examination scope and selecting examination procedures to assess an FHLBank's mortgage program condition and risk management practices. This module provides examination guidance on (1) significant risks associated with mortgage programs, including price, interest rate, model, credit, operational, and liquidity risks; (2) typical mortgage

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[8] The DBR OPB, Federal Home Loan Bank Adverse Examination Finding Processes, identifies three broad classifications of findings: MRAs, which are the most serious; recommendations; and violations. This OPB also communicates various processes and provides examiners with guidelines to follow when issuing, following up, and closing adverse examination findings.

[9] CAMELSO is a risk-focused rating system under which each FHLBank and the Office of Finance is assigned a composite rating based on an evaluation of various aspects of its operations. For the FHLBanks, the components evaluated are Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk.

program governance practices, such as board limits[10] and reporting, mortgage loan policies, and internal audits; and (3) issues specific to FHLBank mortgage programs, such as the PFI approval process, loan limits, credit risk sharing structures, and mortgage loan pricing.

Examiners use suggested worksteps from the FHLBank Mortgage Programs module to develop the scope and examination procedures for the FHLBank Mortgage Programs workprogram[11] and related sub-workprograms.[12] Examiners may also include mortgage program related examination procedures in other workprograms completed during the annual examination of an FHLBank. For example, DBR's assessment of an FHLBank's overall interest rate risk management practices, documented in the Interest Rate Risk Management workprogram, may address FHLBank mortgage programs. Similarly, examination work documented in the examination's Credit Risk Management, Derivatives, or Risk Modeling workprograms may address aspects of an FHLBank's mortgage program.

DBR's Operating Procedures Bulletins (OPBs) set forth expectations for FHLBank System examinations as follows:

- 2012-DBR-OPB-03, Workprogram Minimum Frequency Guidelines, establishes minimum frequency guidelines for the various workprograms performed in FHLBank System examinations. The FHLBank Mortgage Programs workprogram has been assigned an annual minimum frequency.[13]

- 2016-DBR-OPB-01, Federal Home Loan Bank Examination Workpaper Standards, sets guidelines regarding the standards and quality of DBR examination workpapers.

- 2017-DBR-OPB-01, Federal Home Loan Bank Adverse Examination Findings Processes, establishes processes for issuing adverse findings, conducting remediation follow-up, and assessing FHLBank corrective actions. It complements Advisory Bulletin 2017-01, Classifications of Adverse Examination Findings.

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[10] Each FHLBank board sets limits as to the exposure it is willing to accept, such as concentration risk (e.g., how much of a lending portfolio is concentrated on a single borrower, group of borrowers, or in a sector of the economy) and portfolio size, among other things.

[11] A workprogram contains the examination procedures that an examiner performs to meet the examination scope objectives and to document the basis for conclusions on the level of risk and quality of risk management pertaining to the area examined.

[12] Sub-workprograms may include AMA Credit Risk Modeling, AMA Pricing, and Credit and Collateral Risk Modeling.

[13] Workprograms can be assigned a minimum frequency of annual, biennial, triennial, or quadrennial. Exceptions to the minimum frequency requirements may be granted with documented justification and Examiner-in-Charge and Associate Director concurrence.

- 2018-DBR-OPB-03, Quality Control Program, sets forth DBR's guidance for implementing its quality control program for examination workpapers.

OBJECTIVE AND SCOPE

The objective of our audit was to assess whether DBR provided sufficient oversight of the FHLBanks' management of risks in their mortgage programs. The scope of our work covered DBR's supervision of the FHLBanks' mortgage programs during the calendar years 2022 and 2023 examination cycles.

For details on methodology, see the Appendix.

RESULTS

We found that DBR provided sufficient oversight of the FHLBanks' management of risks in their FHLBank mortgage programs. Specifically, we determined that:

- FHFA's Examination Manual, FHLBank Mortgage Programs module, provided examiners with worksteps needed to review and evaluate aspects of the FHLBanks' mortgage programs consistent with the AMA Regulation (12 C.F.R. Part 1268) and mortgage program related advisory bulletins.

- DBR performed supervisory activities over the nine FHLBanks participating in the FHLBanks' mortgage programs in accordance with the annual minimum frequency guidelines. DBR examiners completed the FHLBank Mortgage Programs workprogram 17 times during the 22 annual FHLBank examinations completed in the audit scope. Specifically, the workprogram was completed twice at eight participating FHLBanks, once at one participating FHLBank, and not at all at two FHLBanks that were not active participants in the mortgage programs. DBR documented justifications for workprograms not performed. For the one participating FHLBank, DBR did not perform the workprogram a second time because of declining risk exposure due to minimal loan production, and there were no program changes or internal audit findings. The justifications showed evidence of the Examiner-in-Charge's and the Associate Director's concurrence in accordance with DBR's Workprogram Minimum Frequency Guidelines.

- DBR's supervisory activities documented in the FHLBank Mortgage Programs workprogram and other related workprograms included coverage of governance and risk management practices consistent with the AMA Regulation, mortgage program-related advisory bulletins, and DBR's mortgage programs examination guidance. Specifically, supervisory activities covered board limits and reporting, mortgage policies, and internal audits, as well as PFI approval processes; mortgage loan pricing; credit enhancement and credit risk modeling; market risk modeling and management; and portfolio stress testing. Supervisory activities resulted in DBR issuing 33 mortgage program-related MRAs, most of which addressed deficiencies in FHLBanks' mortgage related modeling practices.

- DBR's examination workpapers for three examinations in our sample supported supervisory conclusions that risk management for the FHLBanks' mortgage programs was generally satisfactory but that deficiencies existed. These results were documented in accordance with DBR's examination workpaper standards.

- DBR performed quality control reviews of the FHLBank Mortgage Programs workprogram and other related workprograms in accordance with DBR's quality control guidance. The quality control reviews identified 18 substantive documentation issues that included weak support for conclusions and ROE adjustments, among other things. Examiners addressed all quality control issues.

- DBR assessed the FHLBanks' remediation of nine closed mortgage program-related MRAs in our sample in accordance with DBR's adverse examination findings guidance.[14] Specifically, DBR examiners: monitored progress of corrective actions against each FHLBank's remediation plan; reviewed FHLBank's Internal Audit's validation of corrective actions; and assessed sufficiency of corrective actions.

- DBR prepared regular monitoring reports of mortgage portfolio delinquency rates and mortgage production credit quality indicators. DBR officials told us that they considered delinquency rates and credit quality metrics as key indicators of FHLBanks' mortgage program performance. We reviewed eight quarterly monitoring reports which found that FHLBanks mortgage delinquency rates fell over the course of the audit scope and the new mortgage acquisition average credit quality indicators (credit score, loan-to-value ratio, and debt-to-income ratio) were consistently acceptable across this same period. We determined that neither the decrease in delinquency rates nor the consistent average credit quality indicators represented supervisory concerns.

Based on our results, we made no recommendations in this report.

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[14] There were 40 mortgage program-related MRAs open during our audit scope. Seven MRAs were open at the start of our audit scope, 33 were issued, and 28 were closed during the audit scope.

FHFA COMMENTS AND OIG EVALUATION.................................

We provided FHFA an opportunity to comment on a draft of this audit report. FHFA management did not have any technical comments on the report and chose not to provide a formal written management response because there were no recommendations.

APPENDIX: METHODOLOGY ....

To accomplish our objective, we performed the following procedures:

- Reviewed Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO-14-704G; September 2014) and determined that the control activities component of internal control was significant to this objective. We focused on the underlying principles that management should: (1) design control activities to achieve objectives and respond to risks; and (2) implement control activities through policies.

- Assessed the DBR FHLBank Mortgage Programs examination module to determine the extent to which it was consistent with the AMA regulation (12 C.F.R. Part 1268) and risks identified in the following mortgage program related advisory bulletins:

    - AB 2015-05, FHLBank Core Mission Achievement (July 2015)
    - AB 2017-03, AMA Price Risk Governance (November 2017)
    - AB 2018-02, FHLBank Use of Models and Methodologies for Internal Assessments of Mortgage Asset Credit Risk (April 2018)
    - AB 2020-01, AMA Risk Management (January 2020)

- Reviewed the following FHFA and DBR guidance to identify requirements for DBR's supervision of the FHLBanks' mortgage programs:

    - FHFA, FHFA Examination Manual (December 2013)
    - 2012-DBR-OPB-03, Workprogram Minimum Frequency Guidelines (December 19, 2012; updated October 7, 2016; February 18, 2020; and October 1, 2020)
    - 2016-DBR-OPB-01, Federal Home Loan Bank Examination Workpaper Standards (July 29, 2016; updated August 14, 2020; and September 9, 2020)
    - 2017-DBR-OPB-01, Federal Home Loan Bank Adverse Examination Findings Processes (April 19, 2017; updated August 27, 2020; and January 31, 2022)
    - 2018-DBR-OPB-03, Quality Control Program (December 26, 2018; updated September 17, 2019; and December 21, 2021)

- Reviewed prior OIG reports to identify findings and recommendations related to the FHLBanks' mortgage programs and determined there was no impact on our audit:

- FHFA-OIG, *FHFA's Oversight of the MPF Xtra Program* (April 22, 2014) (ESR-2014-007)

- FHFA-OIG, *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)

- FHFA-OIG, *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)

- FHFA-OIG, *Weaknesses in FHFA's Monitoring of the Enterprises' 97% LTV Mortgage Programs May Hinder FHFA's Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs' Objectives* (September 29, 2020) (AUD-2020-014)

- FHFA-OIG, *DBR's Examinations during the 2017 through 2019 Examination Cycles Generally Complied with its Guidelines, but Some Exceptions to those Guidelines Were Not Documented and/or Approved, and DBR's Quality Control Branch Failed to Identify these Shortcomings* (September 3, 2020) (AUD-2020-010)

- FHFA-OIG, *DBR Generally Followed its Guidance to Assess the Remediation of Adverse Examination Findings Issued to the FHLBanks and the Office of Finance* (September 2, 2021) (AUD-2021-012)

- FHFA-OIG, *FHFA Conducted BSA/AML Program Examinations of 10 of 11 Federal Home Loan Banks During 2016-2018 in Accordance with its Guidelines, But Failed to Support a Conclusion in the Report of Examination for the Other Bank* (July 10, 2019) (AUD-2019-008)

- FHFA-OIG, *Compliance Review of DBR's Quality Control for Examination Work Performed by Examiners-in-Charge* (August 25, 2021) (COM-2021-007)

- FHFA-OIG, *An Overview of the Federal Home Loan Bank System* (March 31, 2023) (WPR-2023-002)

- Interviewed DBR personnel to gain an understanding of DBR's oversight of the FHLBanks' mortgage programs. Obtained written responses from DBR personnel to address questions and observations related to our audit testing procedures. DBR personnel included the Senior Associate Director, Associate Directors, Supervisory

Examiners, Principal Examiners, a Supervisory Financial Database Specialist, as well as a Supervisory Examination Specialist responsible for conducting independent quality control reviews of DBR examination workpapers.

- Reviewed the FHLBank Mortgage Programs examination scope memoranda prepared during the scope of our audit to determine: (a) the population of FHLBank Mortgage Programs workprograms completed by DBR and (b) whether DBR complied with 2012-DBR-OPB-03, Workprogram Minimum Frequency Guidelines for the FHLBank Mortgage Programs workprogram. We found that DBR completed the FHLBank Mortgage Programs workprogram 17 times during our audit scope (twice at eight FHLBanks, once at one FHLBank, and not at all at the two FHLBanks that are not active mortgage programs participants). We reviewed exception documentation for all five instances where the FHLBank Mortgage Programs workprogram was not performed to assess compliance with the minimum frequency guidelines.

- Analyzed the FHLBank Mortgage Programs workprogram and related workprograms completed during each of the annual FHLBank examinations conducted during our audit scope to determine whether DBR's examination procedures, taken as a whole, addressed risk areas identified in the AMA Regulation and related advisory bulletins (e.g., board limits and reporting, mortgage policies, and internal audits, as well as PFI approval processes; mortgage loan pricing; credit enhancement and credit risk modeling; market risk modeling and management; and portfolio stress testing).

- Selected 3 of 17 (17.6 percent) FHLBank examinations where the FHLBank Mortgage Programs workprogram was completed during our audit scope to assess whether DBR's examination workpapers for the FHLBank Mortgage Programs workprograms (and related workprograms) complied with 2016-DBR-OPB-01, Federal Home Loan Bank Examination Workpaper Standards, including whether examiners' supervisory conclusions were supported by the results of examination work documented in the examination workpapers. We judgmentally selected our sample to capture an examination of FHLBank Chicago, which administers the Mortgage Partnership Finance Program, and a selection from each of DBR's three examination teams. Accordingly, we do not project the results across the entire population of FHLBank examinations where the FHLBank Mortgage Programs workprogram was completed.

- Reviewed all 34 DBR quality control reviews related to FHLBanks' mortgage programs completed during the audit scope. The 34 quality control reviews consisted of (1) 22 Quality Control Branch (QCB) General Reviews (one for each of the FHLBank examinations completed during our audit scope); (2) three QCB Sectional Reviews; (3) two Examiner-in-Charge reviews; and (4) seven peer reviews performed on FHLBank Mortgage Programs workprograms or related workprograms. QCB General Reviews are independent quality control reviews of an entire examination focused on assessing the accuracy, consistency, and sufficiency of examination planning, summary results, and the ROE. A QCB Sectional Review is an independent review of compliance with workpaper standards focused on a specific workprogram within the examination. Examiner-in-Charge and peer reviews are similar in scope to a Sectional Review, i.e., they assess compliance with workpaper standards for a workprogram, but are performed by the Examiner-in-Charge or a member of the examination team who did not perform the examination work rather than QCB personnel. We assessed whether the reviews were performed in accordance with 2018-DBR-OPB-03, Quality Control Program (updated December 21, 2021) and whether all substantive issues identified in the quality control review were resolved prior to the issuance of the ROE.

- Assessed whether DBR examiners evaluated FHLBanks' remediation of mortgage program-related MRAs in accordance with 2017-DBR-OPB-01, Federal Home Loan Bank Adverse Examination Findings Processes. There were 40 open mortgage program-related MRAs of which 28 were closed during our audit scope. We selected a judgmental sample of nine closed FHLBank mortgage program-related MRAs (32 percent) to capture one MRA closed for each of the nine FHLBanks at which an MRA was closed during our audit scope. We tested our sample to assess whether DBR examiners: monitored progress of corrective actions against the FHLBank's remediation plan; assessed FHLBank's Internal Audit's validation of corrective actions; and assessed sufficiency of corrective actions in compliance with 2017-DBR-OPB-01. The results from the sample are not projectible to the entire population of closed FHLBank mortgage program MRAs.

- Determined that mortgage portfolio delinquency rates and mortgage production credit quality factors are two key performance measures for the FHLBanks' mortgage programs through discussion with DBR officials. We reviewed the portfolio delinquency rates. We also reviewed the current production average credit score, average loan-to-value ratio, and average debt-to-income ratio for each FHLBank reported in each of DBR's Quarterly AMA Summary Reports from the first quarter of 2021 to the second quarter of 2023 to determine whether they showed indications of supervisory concern. We made inquiries about the data sources, data reliability, and methods DBR used to prepare the Quarterly AMA Summary Report and found them to be reliable for our purposes. We found that DBR did not prepare the Quarterly AMA Summary Report in the third and fourth quarter of 2023 (the last two quarters of our audit scope) because they were in the process of revising the report. We determined that the available reports were sufficient for our purpose.

We conducted this performance audit from February 2024 to September 2024, at our headquarters in Washington, D.C., in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Federal Housing Finance Agency
Office of Inspector General

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