

Federal Housing Finance Agency  
Office of Inspector General



# **FHFA's Office of the Ombudsman Did Not Meet Two Deadlines When Processing Incoming Submissions**

..... **EXECUTIVE SUMMARY** .....

**PURPOSE**

The Federal Housing Finance Agency’s (FHFA or Agency) Office of the Ombudsman (Office) is required by law to consider complaints and appeals regarding the Agency’s supervisory activities that are submitted either by the entities that the Agency regulates or by their counterparties. In 2021, FHFA issued internal procedures to process and track complaints, appeals, and other submissions it receives. This compliance review is to assess the Office’s adherence to the procedures from November 1, 2021, through March 31, 2024.

**RESULTS**

We found that the Office met some of the procedures’ requirements but not others.

The Office maintained a log as required for the 266 email and other submissions it received during the review period. The Office determined that none of these submissions qualified as a matter that it would be authorized to handle; rather, the submissions were largely from consumers with concerns about their mortgages, among other issues, which the Office forwarded to other Agency units for appropriate disposition. The Office met the procedures’ requirements to maintain records and to prepare annual reports for the FHFA Director on the number of submissions.

The Office did not meet the procedures’ requirements to review the log’s accuracy every quarter, nor did the Office track or document whether it determined within 21 days of receipt if submissions qualify as complaints or appeals. The Office cited inadequate staffing resources for this non-compliance.

**RECOMMENDATIONS**

We made two recommendations to address our findings. In a written management response, FHFA agreed with the recommendations and committed to implement corrective actions by April 4, 2025.

This report was prepared by Wesley Phillips, Senior Policy Advisor, and Kristopher Brash Dixon, Program Analyst. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to this report’s preparation. This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, [www.fhfaig.gov](http://www.fhfaig.gov), and [www.oversight.gov](http://www.oversight.gov).

Brian W. Baker  
Deputy Inspector General,  
Office of Compliance

# TABLE OF CONTENTS .....

EXECUTIVE SUMMARY .....	2
ABBREVIATIONS .....	4
BACKGROUND .....	5
In 2011, FHFA Established an Office of the Ombudsman to Handle Certain Submissions .....	5
Our 2019 Audit Found that the Office Lacked Written Procedures and Its Tracking Log was Incomplete.....	5
The Office Issued Procedures for Submissions in 2021 .....	6
OBJECTIVE AND SCOPE .....	7
RESULTS .....	7
The Office Met the Procedures’ Requirements Pertaining to Maintaining the Logs, Storing Documents, and Preparing Annual Reports.....	7
The Office Used the Required Log Template.....	7
The Office Met the Procedures’ Document Maintenance Requirements .....	8
The Office Issued Annual Reports as Required.....	8
Finding: The Office Did Not Meet Two Deadlines.....	8
Recommendations.....	9
FHFA COMMENTS AND OIG EVALUATION.....	9
APPENDIX I: METHODOLOGY .....	11
APPENDIX II: FHFA MANAGEMENT RESPONSE.....	12

## ABBREVIATIONS .....

Agency or FHFA	Federal Housing Finance Agency
HERA	Housing and Economic Recovery Act of 2008
Log	Ombudsman Tracking Log
Office	FHFA Office of the Ombudsman
OIG	FHFA Office of Inspector General
Procedures	Ombudsman Submission Handling and Tracking Procedures
Regulated entities	Fannie Mae, Freddie Mac, and the Federal Home Loan Banks
Review Period	November 1, 2021 – March 31, 2024

## BACKGROUND .....

The Housing and Economic Recovery Act of 2008 (HERA) tasks FHFA with overseeing Fannie Mae, Freddie Mac (the Enterprises), the Federal Home Loan Banks (collectively the regulated entities), and the Federal Home Loan Banks’ fiscal agent, the Office of Finance. Since 2008, FHFA has also served as the Enterprises’ conservator.

### **In 2011, FHFA Established an Office of the Ombudsman to Handle Certain Submissions**

HERA requires FHFA to establish an Office of the Ombudsman.<sup>1</sup> Pursuant to this mandate, on February 10, 2011, FHFA adopted a regulation establishing the Office and specifying its authorities and duties.<sup>2</sup> The regulation states that the Office is to be headed by an Ombudsman who will consider complaints and appeals<sup>3</sup> from the regulated entities and the Office of Finance, and also from any person that has a business relationship with a regulated entity, regarding any matter relating to the regulated entity’s regulation and supervision.<sup>4</sup> The Office does not consider inquiries from consumers about problems with their mortgage lenders, nor any matters unrelated to FHFA’s supervision of the regulated entities.<sup>5</sup>

The regulation requires the Office to: (1) establish procedures for carrying out its functions, (2) establish and publish procedures for receiving and considering complaints and appeals, and (3) report to the FHFA Director on the Office’s activities at least annually.

### **Our 2019 Audit Found that the Office Lacked Written Procedures and Its Tracking Log was Incomplete**

We audited the Office in 2019.<sup>6</sup> Among other findings, we determined that the Office had not complied with FHFA’s regulatory requirement to establish written procedures for carrying out its

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<sup>1</sup> 12 U.S.C. § 4517(i).

<sup>2</sup> FHFA, Office of the Ombudsman, 76 Fed. Reg. 7479 (Feb. 10, 2011) (codified at 12 C.F.R. § 1213).

<sup>3</sup> The regulation defines the terms “complaints” and “appeals” to refer to submissions to the Office that are within its jurisdiction (i.e., matters pertaining to the Agency’s regulatory activities submitted by a regulated entity or one of its counterparties). *See* 12 C.F.R. §§ 1213.4, 1213.5.

<sup>4</sup> After the Ombudsman finishes reviewing a complaint or appeal, the Ombudsman may close it or submit findings of fact and recommendations, including recommended Agency actions, to the FHFA Director for resolution of that complaint or appeal by decision. Decisions may be issued by the Director, or the Director may delegate authority to the Ombudsman.

<sup>5</sup> The Office generally refers consumer inquiries to the Agency’s Office of Congressional Affairs and Communications or, when appropriate and following consultation with the Agency’s Office of General Counsel, to OIG.

<sup>6</sup> *FHFA Should Name an Ombudsman and Document the Office of the Ombudsman’s Procedures* (AUD-2019-011) (Sept. 16, 2019).

functions. We also found weaknesses in the Office’s tracking and documentation of submissions it received. Our review determined that the Ombudsman Tracking Log (Log) lacked information about some submissions,<sup>7</sup> such as the date on which each submission was received.<sup>8</sup>

Our recommendations included that FHFA develop written procedures for carrying out the Office’s functions, to include procedures for documenting that all incoming submissions are tracked, considered, and appropriately resolved. FHFA agreed with this recommendation and, in February 2020, it appointed the Deputy Director of the Division of Accounting and Financial Standards to also serve as the Ombudsman.

### **The Office Issued Procedures for Submissions in 2021**

On July 23, 2021, the Office issued the internal Ombudsman Submission Tracking and Handling Procedures (Procedures), which require it to:

- Use a template to prepare the Log. The template requires the Office to record the date on which FHFA receives each submission, a summary of the submission, and, if applicable, the date on which the submission is forwarded for consideration to other Agency units, such as FHFA’s Office of Congressional Affairs and Communications;
- Determine, within 21 days of each submission’s receipt, whether it constitutes a complaint or an appeal,<sup>9</sup> or whether it is ineligible for the Office’s consideration (e.g., a consumer inquiry about a lender);
- Review and document, within 45 days of the end of each quarter, that information maintained in the Log is consistent with the original submissions, and correct any disparities;

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<sup>7</sup> This report refers to anything received by the Office from a source external to FHFA as a “submission” because the Office follows this practice. However, the Office may determine that a particular submission does not meet the regulation’s definition of a complaint or appeal.

<sup>8</sup> For the period January 1, 2017, through March 31, 2019, the Log showed that the Office received 125 submissions. Five qualified as complaints or appeals under the FHFA regulation that the Office would be authorized to consider. The remaining 120 submissions did not qualify as complaints or appeals, either because they were indecipherable or because they constituted consumer issues (i.e., submissions that were not from regulated entities or from persons doing business with regulated entities, or which did not pertain to the Agency’s regulatory actions, all of which were therefore outside the Ombudsman’s jurisdiction). The Office transferred consumer related submissions to the Agency’s Office of Congressional Affairs and Communications.

<sup>9</sup> FHFA’s website provides procedures and timelines, pursuant to the Ombudsman regulation, for the disposition of those submissions that the Office determines qualify as complaints or appeals.

- Ensure that the Office’s documents, such as the Log, are maintained per applicable Agency records standards; and
- Prepare an annual report to the FHFA Director, by the end of each calendar year’s first quarter, documenting the number and disposition of submissions.<sup>10</sup>

In light of FHFA’s issuance of these Procedures, we closed the recommendation on October 25, 2021.

## OBJECTIVE AND SCOPE .....

We initiated this compliance review to determine whether the Office met the Procedures’ requirements set forth above during the period November 1, 2021, through March 31, 2024 (the review period).

## RESULTS .....

The Office complied with the Procedures’ requirements regarding the prescribed Log format, maintaining records, and issuing final reports. However, the Office did not track or document whether it determines if submissions qualify as complaints or appeals within 21 days of their receipt, nor did it review the Log’s accuracy within 45 days of each quarter’s end. The Ombudsman attributed the Office’s non-compliance with these two requirements to inadequate staffing.

### **The Office Met the Procedures’ Requirements Pertaining to Maintaining the Logs, Storing Documents, and Preparing Annual Reports**

#### ***The Office Used the Required Log Template***

We determined that the Office used the required template for preparing the Logs for calendar years 2021, 2022, and 2023 as well as the first quarter of 2024. We also verified the accuracy of data included in those Logs.<sup>11</sup>

The Office received 266 submissions during our review period, and the Logs demonstrate that none of them were determined to qualify as complaints or appeals pursuant to the FHFA

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<sup>10</sup> FHFA’s regulation also requires the Office to prepare an annual report to the Director. 12 C.F.R. § 1213.3(b)(3).

<sup>11</sup> See this report’s “Methodology” section for details.

regulation.<sup>12</sup> The Ombudsman stated, and our review and analysis of the Logs confirmed, that most of the non-qualifying submissions received by the Office were consumer matters that the Office is not authorized to address. As appropriate, the Office forwarded the majority of these to the Office of Congressional Affairs and Communications.<sup>13</sup>

We asked the Ombudsman about the high number of non-qualifying submissions the Office received. The Ombudsman said that most submissions to the Office come through the Agency's website, which states the Office's purpose and includes a statement that it does not consider consumer matters.

### ***The Office Met the Procedures' Document Maintenance Requirements***

As noted above, the Procedures require that the Office maintain documents, such as the Logs, in accordance with applicable Agency records standards. We found that the Office maintains its documentation on the Agency's electronic storage system as required, and therefore satisfies the Procedures in this respect.

### ***The Office Issued Annual Reports as Required***

The Office issued final reports to the Director in 2021, 2022, and 2023, which documented the number of submissions received each year. As the Procedures require, the Office completed each of these reports within the first quarter of the subsequent calendar year.

### **Finding: The Office Did Not Meet Two Deadlines**

According to the Ombudsman, the Office does not track or document the dates of its determinations as to whether submissions qualify as complaints or appeals. Without such information, the Office cannot demonstrate that during the review period it complied with the Procedure's timeliness requirement to make such determinations within 21 days of each submission's receipt. The Ombudsman also said that the Office did not meet the Procedures' requirement to verify the reliability of the Logs' data within 45 days of the end of each quarter, and it did not perform this quarterly review.

The Ombudsman said that when the Procedures were issued in 2021, another Division of Accounting and Financial Standards staff member was available to assist in processing submissions. She said that staff support is no longer available, and therefore the Office does not comply with these two requirements due to limited resources. The Ombudsman also said that the

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<sup>12</sup> This is generally consistent with our 2019 audit finding in which the Office determined that only 5 of 125 submissions qualified as complaints or appeals.

<sup>13</sup> For example, the Office received approximately 30 submissions in 2023 pertaining to allegedly inadequate property maintenance at a mobile home park.



Office will revise the Procedures by September 30, 2024, to reflect its current operations, including eliminating the 21-day submission determination requirement and the quarterly Log review requirement.

If the Office proceeds with these promised revisions, it will have discarded two requirements that it previously determined were necessary to carry out its mission. We acknowledge that the Office did not receive any complaints or appeals within its jurisdiction during our review period. However, the submissions that the Ombudsman does receive, regardless of whether they prove to be within the Office’s jurisdiction, should be reviewed promptly, and timely referred to the appropriate authority as warranted. Moreover, any future increase in complaints and appeals creates the risk that the Office would be unable to process submissions in a timely manner and maintain the accuracy of the Log’s data.<sup>14</sup>

## Recommendations

We recommend that FHFA:

1. Ensure that the Office of the Ombudsman reviews all submissions in a timely manner and periodically reviews the Ombudsman Log to ensure it captures submission-related information accurately.
2. Implement procedures to permit the Office of the Ombudsman to temporarily borrow FHFA personnel from other Agency divisions or offices, on an as-needed basis, to ensure that the Office of the Ombudsman complies with the Ombudsman Procedures’ timeliness requirements.

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

We provided a draft of this report to FHFA for its review and comment. The Agency’s comments are included in the Appendix to this report. FHFA states that it agrees with the two recommendations above. Regarding the first recommendation, FHFA states that by April 4, 2025, it will finalize revised internal Office procedures that include a mechanism for documenting referrals of consumer-related submissions within 30-days of receipt and updating the Log no less frequently than quarterly. Regarding the second recommendation, FHFA states that by January 31, 2025, the Division of Accounting and Financial Standards will consult with FHFA’s Office of General Counsel regarding the availability of staff to assist the Office, on an ad hoc basis, while preserving the requisite independence of Ombudsman reviews. We will

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<sup>14</sup> The Ombudsman’s consideration and resolution of a complaint or appeal could be a potentially labor-intensive process involving, for example, the Ombudsman requesting additional information from either Agency staff, a complainant, or an appellant to resolve a matter at hand.

close the recommendations upon reviewing the documentation that FHFA committed to provide by April 4, 2025, and independently determining that FHFA has implemented the corrective actions.

## APPENDIX I: METHODOLOGY.....

To conduct our work, we requested and reviewed Office Logs, submissions, and other documentation. We also interviewed the Ombudsman.

To test the Log’s reliability, we took a sample of 30 submissions and compared the submission documentation with the data input into the Log. We reviewed the Log data in the following fields: “date received,” “summary of submission,” and “date forwarded.” We identified only one exception in our testing for a compliance rate of 99 percent<sup>15</sup> (the one exception involved inconsistencies between the summary of a submission in a Log and the content of the submission itself).

We conducted this compliance review’s fieldwork from June 2024 through August 2024 under the authority of the Inspector General Act of 1978, as amended, and in accordance with the *Quality Standards for Inspection and Evaluation* (December 2020), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency.

We provided a draft of this report to FHFA for its review and comment. FHFA’s feedback was considered and addressed appropriately.

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<sup>15</sup> There was one exception out of 90 transactions tested (30 submissions x 3 data fields).

## APPENDIX II: FHFA MANAGEMENT RESPONSE.....

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## Federal Housing Finance Agency

### MEMORANDUM

TO: Brian Baker, Deputy Inspector General, Office of Compliance

FROM: Nina Nichols, Deputy Director, **NINA NICHOLS**  
Division of Accounting and Financial Standards

SUBJECT: *OIG Draft Report: FHFA's Office of the Ombudsman Did Not Meet Two Deadlines When Processing Incoming Submissions*

DATE: October 24, 2024

Digitally signed by NINA  
NICHOLS  
Date: 2024.10.24  
13:47:07 -04'00'

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Thank you for the opportunity to review and respond to the above-referenced draft compliance report (Report) by the Office of Inspector General (OIG). The compliance review's purpose was to assess the Office of the Ombudsman's adherence to its internal procedures from November 1, 2021 through March 31, 2024.

FHFA's Office of the Ombudsman is responsible for considering complaints and appeals from regulated entities or parties doing business with a regulated entity relating to the Agency's supervision and regulation. As noted in the Report, FHFA's Office of the Ombudsman did not receive any complaints or appeals during the time period covered by the Report; however, it received numerous submissions from homeowners, borrowers, renters, and other consumers seeking financial or other assistance. As these are outside the scope of the Ombudsman's authority, the Office of the Ombudsman referred virtually all of the inquiries to FHFA's consumer help staff.

While the Office of the Ombudsman documented receipt of submissions, timeliness of referrals was not documented, and the tracking log was reviewed on an irregular basis. Going forward, the Ombudsman will enhance the internal procedures for documenting review of referrals of consumer inquiries and inquiries that do not constitute complaints or appeals. Any complaint or appeal will be handled in accordance with the Ombudsman Procedures published on the Agency website.

FHFA agrees with the two recommendations in the Report and plans to take the following corrective actions:

**Recommendation 1:** *Ensure that the Office of the Ombudsman reviews all submissions in a timely manner and periodically reviews the Ombudsman Log to ensure it captures submission-related information accurately.*

**Management Response:** FHFA agrees with the recommendation addressing documentation of reviews and will, by April 4, 2025, finalize revised internal procedures for the Division of Accounting and Financial Standards (DAFS) that include a mechanism for documenting that (i) submissions are referred to consumer help or for internal consultation with 30 days of receipt; and (ii) the Ombudsman Log is updated no less frequently than quarterly.

**Recommendation 2:** *Implement procedures to permit the Office of the Ombudsman to temporarily borrow FHFA personnel from other Agency divisions and offices, on an as-needed basis, to ensure that the Office of the Ombudsman complies with the Ombudsman Procedures' timeliness requirements.*

**Management Response:** FHFA agrees with the recommendation and DAFS will, by January 31, 2025, consult with FHFA's Office of General Counsel (OGC) regarding the availability of staff to assist the Office of the Ombudsman, on an ad hoc basis, while preserving the requisite independence of Ombudsman reviews.

I appreciate the OIG's recommendations and would be glad to discuss further if you have any questions about this management response.

cc: Sean Dent  
Edom Aweke  
John Major  
Mark David  
Ben Patterson  
Suzanne Crump

## Federal Housing Finance Agency Office of Inspector General

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