

Federal Housing Finance Agency
Office of Inspector General



Inspection: Whether FHFA Adhered to Its Consumer Communications Procedures

Inspection • COM-2025-002 • December 9, 2024

..... EXECUTIVE SUMMARY

PURPOSE

In 2018, FHFA adopted the Consumer Communications Procedures (Procedures) for processing and responding to incoming consumer communications. This inspection’s objective was to assess whether and to what extent FHFA adhered to selected requirements in the Procedures from August 1, 2020, through August 1, 2023 (review period).

RESULTS

We determined that FHFA did not follow its Procedures from August 1, 2020, through August 1, 2023. Based on our review of a random sample of 70 consumer communications, FHFA:

1. Did not respond to nearly one in five of the consumer communications we tested and was late responding to more than half of the remainder;
2. Did not provide adequate instructions to consumers, did not timely log information into its Correspondence Tracking System (CTS), and did not maintain documentation in CTS for the review period; and
3. Did not adhere to several other requirements, such as timeliness, for processing and responding to consumer communications.

RECOMMENDATIONS

We made three recommendations to address our findings. In a written management response, FHFA agreed with the recommendations and committed to implement certain corrective actions by May 30, 2025, and the remainder by August 31, 2025.

This report was prepared by Karen Van Horn, Senior Investigative Counsel, and Patrice Wilson, Senior Investigative Evaluator, with assistance from Omolola Anderson, Senior Statistician. 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.

Brian W. Baker
Deputy Inspector General
Office of Compliance

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ABBREVIATIONS

Acting Director	Acting Director, Congressional Affairs Branch, FHFA Office of Congressional Affairs and Communications
Agency or FHFA	Federal Housing Finance Agency
CTS	Correspondence Tracking System
Enterprises	Fannie Mae and Freddie Mac, collectively
OCAC	FHFA Office of Congressional Affairs and Communications
OIG	FHFA Office of Inspector General
PII	Personally Identifiable Information
Policy 405	Consumer Communications Policy 405
Procedures	Consumer Communications Procedures
Review Period	August 1, 2020, through August 1, 2023
SRT	Standard Response Template

BACKGROUND

FHFA's Consumer Communications Policy and Procedures

According to the Federal Housing Finance Agency (Agency or FHFA), “[c]onsumers often contact FHFA when they have a general housing issue or a complaint, inquiry, or request related to an FHFA-regulated entity’s business including, but not limited to, its practices, programs, mortgages, and properties.” FHFA’s Office of Congressional Affairs and Communications (OCAC) is responsible for handling consumer communications on the Agency’s behalf.¹

In 2018, FHFA adopted both a policy and procedures to guide its communications with consumers. Consumer Communications Policy 405 (Policy 405) sets forth the Agency’s expectations for the transparent, effective, and efficient handling of consumer communications and applies to all consumer communications received by FHFA. Policy 405 requires FHFA to retain sufficient information on communications in its computerized Correspondence Tracking System (CTS) to allow FHFA personnel to “[d]ocument the receipt, processing and disposition of communications and allegations of fraud or other violations of law.”

The Consumer Communications Procedures (Procedures) were adopted by OCAC to establish a process to ensure both the consistent management of consumer communications and FHFA’s compliance with Policy 405. The Procedures contain an Appendix that details the steps OCAC must follow when handling an incoming consumer communication.²

Among other tasks, OCAC is required to do the following:

- Provide “clear directions to consumers on how to submit written communication to FHFA” and request consumers’ personally identifiable information (PII), as necessary.
- Limit its collection of PII from consumers and dissuade them from submitting excess PII.
- Log incoming communications into CTS within 10 business days of receipt.

¹ FHFA defines a consumer communication as “an inquiry, request, observation, suggestion, or complaint submitted to FHFA through any medium by or on behalf of a consumer.”

² Additionally, in October 2022, OCAC issued a standard operating procedure entitled “Consumer Inbox Intake and Response Procedures,” which contains detailed information regarding how to use CTS.

After FHFA receives a consumer communication, the Procedures require OCAC to take certain steps to process and respond to it.³ These include, but are not limited to, the following:

- Within 30 calendar days of receiving a communication:
 - Respond to those communications that are directed to FHFA or FHFA employees; and
 - Refer allegations of fraud or illegal activity involving an FHFA-regulated entity to OIG and inform the consumer that the allegations are under review.
- Conduct a quarterly review of the Standard Response Template (SRT)⁴ and circulate it among FHFA offices;
- Run a monthly report of referrals to the Enterprises and reconcile the report with weekly reports provided by the Enterprises.

The Procedures also require OCAC to retain consumer communications documentation in CTS for seven years.⁵

OBJECTIVE AND SCOPE

Our inspection’s objective was to assess whether and to what extent FHFA adhered to the selected requirements from the Procedures listed above.⁶ The assessment focused on consumer

³ FHFA is required to respond in writing to consumer communications addressed to FHFA or an FHFA employee. FHFA does not respond to consumer communications when it is not the primary addressee. The consumer communications referred to in this report are those that fall into the former category.

⁴ We understand the SRT to consist of text OCAC uses in its responses to consumer communications. The Procedures describe the SRT as a “document ... which [is] reviewed for updates every 90 days and is periodically circulated among other FHFA offices ... for input to ensure that OCAC is sending appropriate and up to date consumer responses.”

⁵ Further, under both the Federal Records Act and FHFA’s Records and Information Management Policy, the Agency is required to “make and preserve records containing adequate and proper documentation of the ... decisions, procedures, and essential transactions of the agency and designed to furnish the information necessary to protect the legal and financial rights of the Government and of persons directly affected by the agency’s activities.” See 44 U.S.C. § 3101 and FHFA Records and Information Management Policy, §§ IV and V(A).

⁶ We tested whether FHFA documented the following: (1) the date on which FHFA received each consumer communication; (2) the date on which each consumer communication was logged into CTS; (3) whether OCAC responded to each consumer communication; (4) the date on which OCAC responded to the consumer communication; and (5) for consumer communications containing allegations of fraud or illegal activity, whether those communications were referred to OIG. At our entrance conference, the Agency informed us that it had not met the Procedures’ records retention requirement. Accordingly, we included that issue, as well, within this inspection’s scope.

communications received from August 1, 2020, through August 1, 2023 (the review period). OCAC received at least 464 consumer communications during the review period, from which we selected and tested a random sample of 70 communications.⁷

RESULTS

We determined that FHFA did not satisfy certain selected requirements from the Procedures during the review period. We are reporting seven findings and make three recommendations.

Finding 1: OCAC Retained Very Little Consumer Communications Documentation for a Significant Portion of the Review Period

As noted above, the Procedures require OCAC to retain consumer communications for seven years. We learned that the Agency has not adhered to this requirement.

At our entrance conference, we informed FHFA officials that we would be reviewing the consumer communications that FHFA received during the review period. An FHFA official said that there had been employee turnover in OCAC and there might be some limitations in producing information for the entire review period. The OCAC Congressional Affairs Specialist responsible for responding to consumer communications said he could not say how many consumer communications OCAC had received prior to his arrival in 2022.⁸

The Agency provided a population of 464 consumer communications received between 2021 and 2023, a period spanning 22 months, or 61 percent of the review period. FHFA’s documentation did not reflect any consumer communications received in 2020 and only two received in 2021, a period spanning 14 months, or 39 percent of the review period.

OCAC’s lack of retention of this documentation is inconsistent with the Procedures, as well as applicable Agency and government-wide requirements on records management. Without such documentation, the Agency cannot demonstrate that it has appropriately received, processed, and closed consumer communications and allegations of fraud or other violations of law.

⁷ See Appendix I for a description of our inspection methodology.

⁸ FHFA officials told us that “due to changes in staffing prior to FY21, consumer inquiries were no longer entered into CTS.”

Finding 2: OCAC Did Not Instruct Consumers on How to Submit Written Communications to FHFA

As noted above, the Procedures require OCAC to “provide clear directions to consumers on how to submit written communications to FHFA.”

We asked OCAC officials how they implement this requirement. The acting Director of the Congressional Affairs Branch (acting Director) said that FHFA’s website provides email addresses for the public to use when submitting information, but, notwithstanding the requirement in the Procedures, there are no instructions provided to the public about what information to submit. Additionally, FHFA officials told us they had no documentation reflecting any instructions to consumers on the matter.

The lack of instructions on how to submit written communications makes it more challenging for consumers to know what information the Agency may need to address their concerns.

Finding 3: OCAC Did Not Limit Its PII Collection

As noted above, the Procedures require OCAC to “collect ...[PII] only when necessary to respond to the consumer or identify the FHFA-regulated entity. Otherwise, OCAC will dissuade consumers from submitting communication or supporting documents that include PII[.]”

We asked OCAC officials if they collect PII from consumers. OCAC officials said consumers typically provide their names, email addresses, property addresses, loan numbers, and the names of the servicers or loan originators. We also asked if OCAC limits its collection of PII from consumers. The acting Director said that it does not, but that consumers often provide PII as part of their initial communications with the Agency.

FHFA was unable to produce any documentation reflecting attempts to dissuade consumers from submitting communications or supporting documents that include PII, as the Procedures require. We conclude that OCAC does not follow this requirement.

Collecting excess PII places a burden on the Agency to protect and manage this sensitive information. Moreover, the loss or compromise of this excess PII could result in harm, embarrassment, inconvenience, or unfairness to individuals when information is maintained.

Finding 4: OCAC Did Not Timely Log 90 Percent of the Sampled Consumer Communications into CTS

As noted above, the Procedures require OCAC to enter the initial consumer communication into CTS within 10 business days of receipt.

We tested whether FHFA implemented this requirement. To do so, we reviewed FHFA-provided source documentation for each sampled consumer communication, including the date that OCAC received it and the date that it was logged into CTS. FHFA's data shows that OCAC did not meet this timeliness requirement for 63 of the 70 sampled consumer communications, or 90 percent.⁹

Not timely logging consumer communications into CTS hampers OCAC's ability to track, review, and respond promptly to those communications, as well as its ability to track the communications, which could undermine OCAC's efficiency and effectiveness.

Finding 5: OCAC's Responses to Sampled Consumer Communications Were Untimely 58 Percent of the Time, and Sometimes They Did Not Respond at All

The Procedures require FHFA to respond to consumer communications within 30 calendar days. To test OCAC's adherence to this requirement, we asked the Agency to provide OCAC's responses to each of the sampled consumer communications. We then compared the date that OCAC received each of the 70 sampled consumer communications to the date that OCAC responded to that communication, to determine whether the response had been timely.

OCAC issued a response to 57 of 70 consumer communications (82 percent). However, 33 of OCAC's 57 responses (58 percent) were untimely.¹⁰ Only 24 of the 57 responses (42 percent) were issued timely. OCAC did not provide documentation demonstrating that it responded to 13 of 70 consumer communications (approximately 18 percent, or nearly one in five consumer communications).

FHFA states their intent is to respond to consumer communications "as quickly as possible but without sacrificing quality and completeness for speed." We understand that some responses may take longer than others, but the number of untimely responses, and the number of communications that received no response, indicate that FHFA lacks assurance regarding its responsiveness to consumers. If the Agency is viewed as non-responsive, it could dissuade

⁹ We are including among the 63 consumer communications for which data was untimely logged into CTS, 8 consumer communications for which OIG could not calculate the date that the data was logged due to incomplete documentation provided by FHFA.

¹⁰ These 33 responses included one consumer communication for which OIG could not calculate the date that OCAC received it due to incomplete documentation provided by FHFA. Of the 33 untimely responses, 6 were within ten days after the 30-day requirement in the Procedures. One of these untimely responses involves an OCAC referral to OIG. As noted above, the Procedures require OCAC to refer to OIG all consumer communications alleging fraud or illegal activity involving an FHFA-regulated entity, and then to respond to the consumer that the allegations are under review. We determined that, for 69 of 70 sampled consumer communications (99 percent), no such referral was required. OCAC determined that the remaining consumer communication included an allegation of fraud and made a timely referral to OIG as required. However, OCAC's attempt to notify the consumer of the referral to OIG was untimely.

consumers from communicating with it at all, potentially depriving the Agency of important information.

Finding 6: OCAC Cannot Demonstrate that It Conducted Quarterly SRT Reviews or that the SRT was Circulated Periodically to Other FHFA Offices for Review

The Procedures require OCAC to review the SRT on a quarterly basis to maintain its accuracy. Additionally, the SRT must also be periodically circulated among other FHFA offices for input to ensure that OCAC is sending appropriate and updated information to consumers from whom communications have been received.

We asked OCAC officials whether the SRT had been reviewed quarterly during the review period as the Procedures require. The acting Director stated that OCAC looks at the SRT regularly but said he was not familiar with any formal documentation of review, and FHFA was unable to produce any such documentation. Additionally, FHFA was unable to produce any documentation demonstrating that the SRT had been circulated periodically to other FHFA offices as the Procedures require.

Without appropriate documentation, OCAC cannot demonstrate that it is complying with the SRT review requirements. Additionally, if other FHFA offices are not reviewing the SRT as required, FHFA lacks assurance that the responses sent to consumers are accurate and up to date.

Finding 7: OCAC Did Not Run a Monthly Report of Referrals or Reconcile It with Weekly Reports Provided by the Enterprises

We asked OCAC officials if they generated a monthly report of referrals to the Enterprises and then reconciled the monthly report with the weekly reports provided by the Enterprises, as the Procedures require. The acting Director said there is no evidence that OCAC ran monthly reports or performed reconciliations. He also said that there are no current weekly reports generated by the Enterprises.

Generating monthly reports of referrals to the Enterprises and reconciling them with the Enterprises' own information ensures that potentially important issues raised by consumers are properly addressed by OCAC and the Enterprises. Because it did not generate these reports, OCAC was unable to determine whether referrals were made and received. As a result, FHFA lacks assurance that OCAC is adequately monitoring the Enterprises' handling of consumer communications.

Recommendations

We recommend that OCAC:

1. Ensure proper staffing and train staff on existing consumer communications requirements as to: (a) timeliness of responses to consumers; and (b) completeness, accuracy, and timeliness in processing documentation.
2. As needed, update existing consumer communications procedures to include new controls, or improve existing controls, to ensure: (a) the timeliness of FHFA’s responses to consumers; and (b) the completeness, accuracy, and timeliness of the Agency’s processing of documentation.
3. As needed, train staff on the updated consumer communications procedures.

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 three recommendations above. Regarding the first recommendation, FHFA states that by May 30, 2025, it will designate a specific staff member to monitor incoming consumer communications who will also ensure accuracy and timeliness in processing documentation related to consumer communications. In addition, all Congressional Affairs staff will be trained on existing consumer communications requirements to ensure timeliness of responses.

Regarding the second recommendation, FHFA states that by May 30, 2025, it will conduct a review of the Agency’s consumer communications procedures and will develop new controls or improve existing controls, if needed, to ensure timely responses to consumers. Any updates and improvements also will ensure the accuracy, completeness, and timeliness of documentation processing. Regarding the third recommendation, FHFA states that by August 31, 2025, it will complete training of appropriate staff on any updates to consumer communications procedures.

We consider FHFA’s planned corrective actions responsive to our recommendations. We will close the recommendations when we confirm the corrective actions have been implemented.

APPENDIX I: METHODOLOGY.....

To accomplish our objective, we performed the following procedures:

- We reviewed FHFA policies, procedures, and other guidance for managing, processing, and responding to consumer communications applicable during the review period.
- We obtained from FHFA a population of 464 consumers who contacted the Agency for the first time between the period of August 1, 2020, through August 1, 2023. The data included specific information about the consumer communications in the population, such as FHFA’s receipt date and the date it responded. We selected a random sample of 70 consumer communications.
- We requested and reviewed the complete records for each item in our sample, including the original communications, and Agency communications with the consumers.
- We interviewed OCAC officials.
- We conducted our inspection from June 2024 through September 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 as appropriate.

APPENDIX II: FHFA MANAGEMENT RESPONSE.....

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Federal Housing Finance Agency

MEMORANDUM

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

FROM: Antonio White, Director,
Office of Congressional Affairs and Communications

SUBJECT: OIG Draft Report: *Inspection: Whether FHFA Adhered to Its Consumer Communications Procedures*

DATE: November 20, 2024

Thank you for the opportunity to review and respond to the above-referenced draft report (Report) by the Office of Inspector General (OIG). The inspection's purpose was to assess adherence by the Office of Congressional Affairs and Communications to selected requirements in its internal procedures from August 1, 2020, through August 1, 2023.

FHFA agrees with the three recommendations in the report and plans to take the following corrective actions:

Recommendation 1: *Ensure proper staffing and train staff on existing consumer communications requirements as to: (a) timeliness of responses to consumers; and (b) completeness, accuracy, and timeliness in processing documentation.*

Management Response: FHFA agrees with the recommendation and will designate a specific staff member to monitor incoming consumer communications. This staff member will also ensure accuracy and timeliness in processing documentation related to consumer communications. In addition, all Congressional Affairs staff will be trained on existing consumer communications requirements to ensure timeliness of responses. FHFA will implement these enhancements by May 30, 2025.

Recommendation 2: *As needed, update existing consumer communications procedures to include new controls, or improve existing controls, to ensure: (a) the timeliness of FHFA's responses to consumers; and (b) the completeness, accuracy, and timeliness of the Agency's processing of documentation.*

Management Response: FHFA agrees with the recommendation and will conduct a review of the Agency's consumer communications procedures and will develop new controls or improve existing controls, if needed, to ensure timely responses to consumers. Any updates and

improvements also will ensure the accuracy, completeness, and timeliness of documentation processing. FHFA will complete its review and implement any enhancements, if needed, by May 30, 2025.

Recommendation 3: *As needed, train staff on the updated consumer communications procedures.*

Management Response: FHFA agrees with the recommendation and will train appropriate staff on any updates to consumer communications procedures. FHFA will complete training of appropriate staff on any updated procedures by August 31, 2025.

I appreciate the OIG's recommendations to strengthen the Agency's controls over its consumer communications procedures. If you have any questions relating to this response, please contact Gina Screen, Deputy Director, Office of Congressional Affairs and Communications.

cc: Edom Aweke
John Major
Mark David
Ben Patterson
Gina Screen

Federal Housing Finance Agency Office of Inspector General

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