



# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

## SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2023, through March 31, 2024



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## Message from the Inspector General

I am pleased to present this Semiannual Report to Congress, which covers significant achievements of the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) for the semiannual reporting period from October 1, 2023, through March 31, 2024.

We published 12 products during this semiannual period. These included audits, evaluations, compliance reviews, inspections, and an infographic. Inspections and infographics are new products for OIG, which will expand options for analyzing and presenting meaningful information to the Agency, Congress, and the public. Products are available on our website and [Oversight.gov](https://www.oversight.gov).

As in prior reporting periods, we focused our resources on the Agency programs and operations that pose the greatest financial, governance, or reputational risk to FHFA; the Enterprises; Common Securitization Solutions, LLC; and the Federal Home Loan Banks. For example, during this semiannual period we issued reports related to nonbanks, appraisals, business resiliency, third-party providers, and fraud risk management. Our reports offered the Agency nine actionable recommendations to remedy the identified findings, and FHFA agreed to implement all of them.

In addition to these oversight efforts, our special agents, attorneys, and analysts, working both independently and in collaboration with our partner law enforcement agencies, continued to enforce the law to protect the American public's interests. One successful action this period involved a real estate investor who pleaded guilty to a \$165 million mortgage fraud conspiracy in the District of New Jersey. During this multi-year scheme, the defendant conspired with others to deceive lenders into issuing multifamily and commercial mortgage loans by providing them with fictitious purchase and sale contracts with inflated purchase prices. The defendant also pleaded guilty to conspiracy to commit wire fraud affecting a financial institution.



Brian M. Tomney  
Inspector General

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Additionally, OIG continued to investigate and hold accountable individuals who fraudulently obtained pandemic relief funds. For example, in the Southern District of Texas, seventeen conspirators were sentenced to prison time and supervised release, and ordered to pay millions of dollars in restitution, forfeiture, and money judgments for their roles in fraudulently obtaining and laundering millions of dollars in forgivable Paycheck Protection Program loans. These and other investigative accomplishments are described further in this report’s Significant Cases section.

OIG remains committed to our mission through excellence in oversight and enforcement activities. Our many accomplishments this semiannual period would not be possible without the hard work of our dedicated team of talented professionals. I am honored to lead them, and I thank them for their commitment to public service.

Brian M. Tomney  
Inspector General  
March 31, 2024

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# Snapshot of OIG Accomplishments

## Semiannual Reporting Period October 1, 2023–March 31, 2024

Reports Issued Includes audits, evaluations, compliance reviews, inspections, and an infographic	12
Recommendations Made	9
Investigative Activities:	
Indictments / Charges	45
Convictions / Pleas	33
Sentencings	52
Suspended Counterparty Referrals to FHFA	15
Investigative Monetary Results:	
Criminal Restitution	\$43,689,624
Criminal Fines / Special Assessments / Forfeitures	\$21,805,787
Investigations Total Monetary Results*	\$65,495,411

\* Includes court-ordered results from individual FHFA-OIG investigations and joint investigations with other law enforcement organizations.

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# OIG’s Oversight

## Overview

The Housing and Economic Recovery Act of 2008 established the Federal Housing Finance Agency (FHFA or Agency) in July 2008. FHFA serves as regulator and supervisor of several entities: Fannie Mae and Freddie Mac (the Enterprises); Common Securitization Solutions, LLC, an affiliate of each Enterprise (CSS); the Federal Home Loan Banks (FHLBanks) (collectively, the Enterprises, CSS, and the FHLBanks are the regulated entities); and the FHLBanks’ fiscal agent, the Office of Finance. FHFA is responsible for ensuring the regulated entities’ safety and soundness so that they serve as reliable sources of liquidity and funding for housing finance and community investment. As of December 31, 2023, the Enterprises collectively reported more than \$7.6 trillion in assets and the FHLBanks reported almost \$1.3 trillion.

Since September 2008, FHFA also has served as the Enterprises’ conservator. Initially, the conservatorships were intended to be a temporary measure during a period of extreme stress to stabilize the mortgage markets and promote financial stability. They are now in their sixteenth year.

## OIG’s Risk-Based Oversight Strategy

FHFA’s dual roles as the regulated entities’ supervisor and the Enterprises’ conservator present unique challenges for OIG. These dual responsibilities put FHFA in a position different from other financial regulators, and OIG structures its oversight program to rigorously examine the Agency’s exercise of both responsibilities. As part of that oversight, OIG makes informed and targeted choices about what we audit, evaluate, review for compliance, inspect, and investigate. OIG focuses our resources on the areas of greatest risk to FHFA and its regulated entities by monitoring, analyzing, and disseminating information on both existing and emerging risks.

## Management and Performance Challenges

An integral part of OIG’s oversight is to identify and assess FHFA’s top management and performance challenges and align our work with these challenges. On an annual basis, we assess and report to the FHFA Director our view of the Agency’s most significant management and performance challenges that, if not addressed, could adversely affect FHFA’s accomplishment of its mission. Our memorandum identifying FHFA’s most significant management and performance challenges for Fiscal Year (FY) 2024 is available on our [website](#). A summary of the planned oversight activities during FY 2024 is discussed in our [Annual Plan](#).

FHFA’s most significant management and performance challenges for FY 2024 are:

- Continue strengthening supervision of the regulated entities

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- Continue stewardship of the Enterprise conservatorships
- Respond to market volatility and change
- Enhance oversight of cybersecurity at the regulated entities and ensure an effective information security program at FHFA
- Ensure oversight of counterparty risk, third-party risk, and fourth-party risk at the regulated entities
- Strengthen oversight of the regulated entities’ model risk
- Oversee people risk at the regulated entities and enhance FHFA’s human capital management
- Ensure resiliency at the regulated entities and at FHFA

Many of these challenges reiterate themes we identified in prior years.

OIG focuses much of its oversight activities on identifying vulnerabilities in these areas and recommending positive, meaningful actions that the Agency could take to mitigate these risks and remediate identified deficiencies.

## **OIG’s Oversight of FHFA’s Programs and Operations Through Audit, Evaluation, and Compliance Activities During This Reporting Period**

OIG fulfills its oversight mission through four operational offices. This section discusses the oversight activities performed by three of those offices: the Office of Audits, the Office of Evaluations, and the Office of Compliance. Our Office of Investigations’ work is discussed below in the Investigative Activity section.

### **Office of Audits**

The Office of Audits conducts independent performance audits with respect to the Agency’s programs and operations. It also undertakes projects to address statutory requirements and stakeholder requests. As required by the Inspector General Act of 1978, as amended (IG Act), the Office of Audits performs its audits in accordance with standards established by the Comptroller General of the United States, commonly referred to as generally accepted government auditing standards, or the Yellow Book. The Office of Audits also oversees independent public accounting firms that perform certain audits of FHFA programs and operations.



## Office of Evaluations

The Office of Evaluations conducts independent and objective reviews, assessments, studies, and analyses of FHFA’s programs and operations. Under the IG Act, Inspectors General must adhere to the professional standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Office of Evaluations performs its work in accordance with the standards CIGIE established for inspections and evaluations, which are known as the *Quality Standards for Inspection and Evaluation*, commonly referred to as the Blue Book.

## Office of Compliance

The Office of Compliance has multiple responsibilities. First and foremost, it conducts validation testing to determine whether FHFA effectively implemented agreed-upon corrective actions to remedy deficiencies identified by OIG. The Office also performs inspections to assess whether FHFA is following rules, policies, or procedures it adopted of its own accord, rather than in response to OIG recommendations. These activities are conducted pursuant to the CIGIE Blue Book. Additionally, the Office administers OIG’s Recommendation Tracking System, which monitors each OIG recommendation’s status, and advises the divisions to ensure that OIG applies consistent standards for closing recommendations. Further, the Office oversees the annual assessment of OIG’s internal controls program per the Federal Managers’ Financial Integrity Act of 1982 (31 U.S.C. § 3512) as implemented by the Office of Management and Budget’s Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control, and the Government Accountability Office’s Standards for Internal Control in the Federal Government (also known as the Green Book). In connection with its internal control duties, the Office also oversees OIG’s annual inventory process.

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# Reports and Recommendations

## Significant Reports

OIG issued 12 products during the semiannual reporting period from October 1, 2023, through March 31, 2024:

[DBR Conducted Effective Oversight of the FHLBanks’ Management of Third-Party Provider Risks But Did Not Fully Document Sampling in Examination Workpapers](#) (AUD-2024-004, March 28, 2024)

[DER Provided Effective Oversight of the Enterprises’ Nonbank Seller/Service Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities](#) (AUD-2024-003, March 28, 2024)

[FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record](#) (EVL-2024-002, March 28, 2024)

[Inspection: FHFA’s Oversight of Enterprise Fraud Risk Management](#) (COM-2024-005, March 28, 2024)

[FHFA Took Actions to Ensure That Fannie Mae Adequately Addressed Deficiencies in Its Business Resiliency Program](#) (EVL-2024-001, March 25, 2024)

[FHFA Regularly Analyzed Agency Workforce Data and Assessed Trends in Hiring, Awards, And Promotions](#) (COM-2024-004, March 14, 2024)

[FHFA Incorporated the FAR’s Whistleblower Protection Language for Contractor Employees in Selected Open Market Solicitations and Awards](#) (COM-2024-003, February 8, 2024)

[FHFA Completed All Planned Ongoing Monitoring Activities for Fannie Mae and CSS During the 2022 Examination Cycle](#) (COM-2024-002, January 10, 2024)

[FHFA Has Acted to Strengthen Its Oversight of Federal Home Loan Bank Members’ Compliance with Community Support Requirements](#) (COM-2024-001, January 10, 2024)

[Temporary Interest Rate Buydowns](#) (November 15, 2023)

[DER Effectively Followed Its Risk-Based Approach in Its Oversight of Fannie Mae’s IT Investment Management](#) (AUD-2024-002, November 7, 2023)

[FHFA Did Not Document Reviews of Desktop Appraisal Reports](#) (AUD-2024-001, October 25, 2023)

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Detailed information on each report is available at the links above. Taken together, this body of work provides important insights across FHFA’s programs and operations, including the entities under the Agency’s purview.

## Enterprises and CSS

FHFA’s Division of Enterprise Regulation (DER) serves as regulator and supervisor for the Enterprises and their affiliate, CSS. During this semiannual period we assessed the effectiveness of that function in a number of key risk areas.

[EVL-2024-001](#) verified that DER completed several examination activities focused on Fannie Mae’s business resiliency practices during the 2021 and 2022 examination cycles. We also confirmed that DER examiners assessed the Enterprise’s practices against criteria from FHFA’s advisory bulletin on business resiliency management. Similarly, we found in [COM-2024-002](#) that DER completed all planned ongoing monitoring activities reflected in the 2022 examination plans for Fannie Mae and CSS as scheduled. No activities were canceled, amended, delayed, or deferred. Additionally, [AUD-2024-003](#) found that DER’s examination teams conducted effective oversight to ensure that the Enterprises managed nonbank seller/servicers’ risks. We also found that DER has not developed policies and procedures for reviews of nonbank seller/servicers or policies and procedures that govern the monitoring and analysis work of DER’s Nonbank Seller Servicer Risk Monitoring Branch. FHFA agreed to our two recommendations to address these findings. In [COM-2024-005](#), we concluded that the Agency conducted active oversight of both Enterprises’ fraud risk management programs, including examination activity pertaining to selected fraud management expectations. We also assessed that DER effectively followed its risk-based approach in its oversight of Fannie Mae’s IT investment management in [AUD-2024-002](#).

In light of its roles as regulator and supervisor, as well as conservator, FHFA’s actions relative to the Enterprises can have broad effects on the housing finance industry. According to FHFA, modernizing the appraisal process can create a more streamlined and accurate property valuation process. In [AUD-2024-001](#), we explained that the Enterprises incorporated desktop appraisals into their Selling and Seller/Servicer Guides and submitted the required quarterly reports to FHFA containing key performance metrics. We found that FHFA did not document reviews of desktop appraisal reports in accordance with internal control standards. While we acknowledge the current *de minimis* volume of desktop appraisals, FHFA management may nevertheless be challenged in assessing the effectiveness of desktop appraisals without documenting its reviews. FHFA accepted our two related recommendations.

We assessed FHFA’s implementation of the requirements in the 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act that apply to the validation and approval of credit score models used by the Enterprises in [EVL-2024-002](#). We concluded that FHFA performed the independent analysis required by the Agency’s Regulation on Validation and Approval of Credit Score Models in general accord with the Act. We offered four recommendations to improve

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FHFA’s review process through instructional guidance and to enhance the level of detail and clarity in its documentation. FHFA agreed to implement them.

As we explained in an infographic [product](#), temporary interest rate buydowns have increased in the higher interest rate environment. Although not a new product, the limited history on loans with temporary interest rate buydowns reduces available performance and risk data, making a full risk analysis by FHFA and the Enterprises more challenging.

## FHLBank System

FHFA also serves as supervisor and regulator of the FHLBank System. Specifically, the Agency’s Division of Federal Home Loan Bank Regulation (DBR) is responsible for ensuring the FHLBanks’ safe and sound operation. In [AUD-2024-004](#), we concluded that DBR conducted effective oversight of the FHLBanks’ management of third-party provider risks. While we found that DBR did not fully document sampling in the examination workpapers as required by FHFA’s examination practice guidance, the samples with documentation concerns were a small part of DBR’s overall exam work and, therefore, did not affect our overall conclusion on the effectiveness of DBR’s oversight. Another report, [COM-2024-001](#), concluded that FHFA has taken steps to strengthen its oversight of the FHLBanks’ community support requirements and to address the deficiencies we identified in a 2015 report, including the failure to adhere to its examination schedule and to review all FHLBank members. During this semiannual period, we offered one recommendation related to FHFA’s oversight of the FHLBanks, and the Agency agreed to implement it.

## Agency Operations

Our body of work encompasses not only FHFA’s oversight of the regulated entities but also the Agency’s internal operations. Like many organizations, FHFA relies on both employees and contractors to accomplish its mission. We conducted a review to follow up on our 2015 report analyzing FHFA workforce and diversity data. In [COM-2024-004](#), we concluded that FHFA regularly performed analysis of workforce data and assessed trends in hiring, awards, and promotions. We also found in [COM-2024-003](#) that FHFA complied with our previous recommendation to include in all open market solicitations and awards above a specified threshold certain regulatory language implementing statutory protections for contractor employees who engage in whistleblowing.

## IG Act Information Concerning Reports

OIG’s reports during this reporting period did not include recommendations with questioned costs, unsupported costs, or funds to be put to better use by management.

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We do not have reportable information for this period regarding management decisions related to an audit, inspection, or evaluation issued in a previous reporting period.

During this reporting period, OIG did not close any inspection, compliance review, evaluation, or audit without disclosing the report’s existence to the public.<sup>1</sup>

## Recommendations

### Open Recommendations

The following table contains all open recommendations from the reporting period ending March 31, 2024, and previous semiannual reporting periods. For a regularly updated list of all open recommendations, see OIG’s monthly [Compendium of Unimplemented Recommendations](#). We do not currently have any open recommendations with questioned costs, unsupported costs, or funds to be put to better use by management from prior reporting periods.

Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should reiterate the requirements for documenting conservatorship decisions to all responsible offices. Further, the Division of Conservatorship Oversight and Readiness should evaluate FHFA’s conservatorship decision document management practices and assess the feasibility of improvements such as implementing a pre-issuance quality control review of responsible offices’ conservatorship decision documentation and implementing a centralized conservatorship decision documentation management system.</p>	<p><a href="#">FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures</a> (AUD-2023-003, March 29, 2023)</p>

<sup>1</sup> We issued reports that contained information identified by OIG as non-public, privileged, or otherwise protected from disclosure under applicable law; accordingly, OIG has not publicly disclosed such contents. We have provided unredacted reports to FHFA and made them available to our Congressional oversight committees.

Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should update FHFA’s conservatorship decision policy and procedures to align with current practice and:</p> <ul style="list-style-type: none"> <li>• Provide clarity on approval authorities for issuing conservatorship directives and Common Securitization Solutions, LLC decisions.</li> <li>• Provide guidance on performing and documenting monitoring and surveillance activities.</li> <li>• Establish procedures for issuing guidance decisions.</li> <li>• Establish procedures describing FHFA’s practice to de-escalate Letter of Instruction decision requests.</li> </ul>	<p><a href="#">FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures</a> (AUD-2023-003, March 29, 2023)</p>
<p>Conservatorship: FHFA should complete the process of updating its Enterprise executive compensation review procedures to reflect the roles and responsibilities of the individuals and entities involved in the review process.</p>	<p><a href="#">FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures</a> (EVL-2022-003, September 27, 2022)</p>
<p>Conservatorship: FHFA should determine whether, and ensure that, the Agency has sufficient human capital resources to efficiently execute its statutory responsibility for oversight of Enterprise executive compensation.</p>	<p><a href="#">FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures</a> (EVL-2022-003, September 27, 2022)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should re-enforce Examination Practices Bulletin 2014-01 requirements to the examination staff through reminders, training, or other forms of communication that conveys requirements for documenting sampling approaches, supervisory review of these approaches, and testing results.</p>	<p><a href="#">DBR Conducted Effective Oversight of the FHLBanks’ Management of Third-Party Provider Risks But Did Not Fully Document Sampling in Examination Workpapers</a> (AUD-2024-004, March 28, 2024)</p>
<p>Supervision: FHFA’s DER Deputy Director should ensure that DER develops and implements written policies and procedures for conducting reviews of nonbank seller/servicers, to include but not limited to, procedures, internal controls, and documentation requirements.</p>	<p><a href="#">DER Provided Effective Oversight of the Enterprises’ Nonbank Seller/Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities</a> (AUD-2024-003, March 28, 2024)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA’s DER Deputy Director should ensure that DER’s Nonbank Seller Servicer Risk Monitoring Branch develops and implements written policies and procedures to guide the risk monitoring and analysis process, to include but not limited to, procedures and internal controls.</p>	<p><a href="#">DER Provided Effective Oversight of the Enterprises’ Nonbank Seller/ Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities</a> (AUD-2024-003, March 28, 2024)</p>
<p>Supervision: FHFA should define the role and responsibilities of FHFA personnel involved in the review of the proposed determinations submitted by the Enterprises, including personnel from the Division of Enterprise Regulation, with respect to performing and documenting the evaluation of the impact of a change in credit score models required by section 1254.8(d) of the Regulation and the review and Agency decision required by section 1254.9(a).</p>	<p><a href="#">FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</a> (EVL-2024-002, March 28, 2024)</p>
<p>Supervision: FHFA should clearly document in the decision record FHFA’s conclusion that any credit score model the Agency approves is consistent with the safe and sound operation of the Enterprises. Such a step would better demonstrate FHFA’s fulfillment of its responsibility under the Economic Growth Act and the Regulation.</p>	<p><a href="#">FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</a> (EVL-2024-002, March 28, 2024)</p>
<p>Supervision: FHFA should clarify the extent to which FHFA expects the Enterprise Business Assessments to discuss the impact of a new credit score model or models on the Enterprises’ operations and risk management in terms of FHFA’s prudential management and operations standards and relevant governance regulations. To ensure that the Enterprises evaluate the impact of a new credit score model relative to the Agency’s prudential standards and risk management requirements, FHFA should explain what it means by “in accordance with” in this context.</p>	<p><a href="#">FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</a> (EVL-2024-002, March 28, 2024)</p>
<p>Supervision: FHFA should require the Enterprises to include in their proposed determinations: (a) explicit statements that a credit score model did or did not pass the Enterprise Business Assessment, (b) the specific criteria in section 1254.8(b) that the model did not pass, and (c) the reasons for disapproval of the application. This step would ensure that FHFA has the benefit of relevant and meaningful details when it conducts its independent analysis under section 1254.8(d).</p>	<p><a href="#">FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record</a> (EVL-2024-002, March 28, 2024)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA’s Office of Housing and Regulatory Policy Senior Associate Director should require Office of Housing and Regulatory Policy staff to document reviews of quarterly desktop appraisal reports in accordance with internal control standards and Office of Housing and Regulatory Policy internal guidance.</p>	<p><a href="#">FHFA Did Not Document Reviews of Desktop Appraisal Reports</a> (AUD-2024-001, October 25, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement guidance documenting examination procedures for evaluating Federal Home Loan Banks’ employee expense reimbursement processes. Guidance should include: (a) documenting examination analysis and results; and (b) following up on implementation of recommendations, including reviewing corrective actions.</p>	<p><a href="#">DBR Conducted Effective Oversight of FHLBanks’ Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance</a> (AUD-2023-009, September 28, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should obtain and review Federal Home Loan Banks’ internal audit results on employee expense reimbursements for the years that the Division of Federal Home Loan Bank Regulation does not include these expenses in its examinations to ensure that the Division of Federal Home Loan Bank Regulation is aware of any findings related to wasteful or fraudulent spending.</p>	<p><a href="#">DBR Conducted Effective Oversight of FHLBanks’ Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance</a> (AUD-2023-009, September 28, 2023)</p>
<p>Supervision: In accordance with the Division of Enterprise Regulation priorities and policies, FHFA should update and refine the 2016 Common Securitization Solutions, LLC Module and other examination modules, as appropriate, in order to provide accurate examination guidance applicable to Common Securitization Solutions, LLC examination activities.</p>	<p><a href="#">FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance</a> (EVL-2023-002, March 20, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should perform an Affordable Housing Program workforce planning analysis using the minimum examination frequencies for Affordable Housing Program risk areas established in response to Recommendation 1 to determine current and future examination needs and address any staffing gaps identified.</p>	<p><a href="#">The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement</a> (AUD-2023-001, February 9, 2023)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should, in a timely manner, ensure that complaints are filed with the relevant state appraiser licensing authorities for each appraisal from its December 2021 review in which FHFA found overt references to race, color, and other prohibited bases.</p>	<p><a href="#">FHFA Could Further Combat Appraisal Bias by Ensuring That Complaints Are Filed with State Authorities and Ensuring the Enterprises Use Appraisals That Comply with Federal Law</a> (EVL-2023-001, December 20, 2022)</p>
<p>Supervision: FHFA should revise the Division of Federal Home Loan Bank Regulation’s quality control procedures to specifically require that all examination workpapers supporting examination findings, conclusions, and ratings directly prepared by the examiner-in-charge be reviewed by an individual who did not participate in the examination. [Closed in October 2019; reopened upon results of compliance testing.]</p>	<p><a href="#">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</a> (AUD-2019-008, July 10, 2019) and <a href="#">Compliance Review of DBR’s Quality Control for Examination Work Performed by Examiners-in-Charge</a> (COM-2021-007, August 25, 2021)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should define the process for monitoring, scanning, and remediating vulnerabilities on its public websites in Office of Technology and Information Management Vulnerability Management Process document, including utilizing Office of Technology and Information Management’s existing vulnerability scanning tool to scan its public websites.</p>	<p><a href="#">FHFA Effectively Blocked Phishing Emails, But Requires Improvement in Managing Vulnerabilities on Its Public Websites</a> (AUD-2023-008, September 27, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should update FHFA’s Supply Chain Risk Management Strategy to include past due OMB M-22-18 requirements including:</p> <ul style="list-style-type: none"> <li>• Obtaining a self-attestation from the software producer before using the software;</li> <li>• Obtaining from software producers artifacts that demonstrate conformance to secure software development practices, as needed;</li> <li>• Establishing a system to store self-attestation letters from the software producer that are not publicly available in a central location; and</li> <li>• Assessing and developing training for reviewing and validating self-attestation letters.</li> </ul>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>

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<p>Information Risk: If FHFA is unable to meet the requirements in OMB M-22-18 and/or OMB M-23-16 in a timely manner, FHFA should consider [a] request for an extension or waiver in accordance with OMB M-22-18 and/or OMB M-23-16. If FHFA requests a waiver, FHFA should consider documenting a risk-based decision, and document any compensating controls.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should remediate past due exploitable vulnerabilities in accordance with Cybersecurity and Infrastructure Security Agency Binding Operating Directive 22-01 and the Office of Technology and Information Management Vulnerability Management Process.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should develop plan of actions and milestones to track the remediation of past due Cybersecurity and Infrastructure Security Agency known exploitable vulnerabilities that cannot be remediated in a timely manner (within 14 days) in accordance with Cybersecurity and Infrastructure Security Agency’s Binding Operating Directive 22-01 and Office of Technology and Information Management Vulnerability Management Process. FHFA’s Acting Chief Information Officer should consider implementing compensating controls (i.e., isolating systems with un-remediated vulnerabilities) to mitigate the risk of the vulnerabilities.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should implement requirements across all Event Logging maturity tiers to ensure events are logged and tracked in accordance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>

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<p>Information Risk: FHFA’s Acting Chief Information Officer should identify and implement solutions, in coordination with vendors, where a solution does not exist for systems to natively forward event logs to the Security Information and Event Management tool. If there are no viable solutions, perform a risk assessment and cost benefit analysis. Based on the risk assessment, document any risk-based decisions, including compensating controls, for systems not in compliance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA-OIG’s Chief Information Officer should implement requirements across all Event Logging maturity tiers to ensure events are logged and tracked in accordance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA-OIG’s Chief Information Officer should identify and implement solutions, in coordination with vendors and [the] engineering team, to encrypt logs in transit between the source system and the Security Information and Event Management tool. If there are no viable solutions, perform a risk assessment and cost benefit analysis. Based on the risk assessment, document any risk-based decisions, including compensating controls, for systems not in compliance with OMB M-21-31.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should review and update the Cyber Incident Reporting Procedures, and the FHFA Common Control Plan to ensure they include FHFA’s three-year review cycle outlined in the Incident Response Standard.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should update the Disaster Recovery Procedures for FHFA Production Systems to include Job Performance Plan and its servers, and ensure they are included in the annual contingency testing.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Programs and Practices Fiscal Year 2023</a> (AUD-2023-004, July 26, 2023)</p>

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<p>Information Risk: FHFA’s Chief Information Officer should develop and maintain a complete and accurate cloud system component inventory, as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should develop and implement a solution to encrypt all data-at-rest on the cloud system as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p><a href="#">FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines</a> (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA should update the General Support System contingency plan to include the Correspondence Tracking System and its servers, and ensure the Correspondence Tracking System and its servers are included in the annual General Support System contingency plan testing.</p>	<p><a href="#">FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDb) or its Correspondence Tracking System (CTS)</a> (AUD-2022-003, December 13, 2021)</p>
<p>Information Risk: FHFA should assess whether the Office of Technology and Information Management has sufficient, qualified staff to complete required updates and testing of its contingency plans in accordance with FHFA’s standard and National Institute of Standards and Technology requirements, and address any resource constraints that have adversely affected the Office of Technology and Information Management’s ability to carry out its contingency planning requirements.</p>	<p><a href="#">FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDb) or its Correspondence Tracking System (CTS)</a> (AUD-2022-003, December 13, 2021)</p>
<p>Information Risk: Because information in this report could be used to circumvent FHFA’s internal controls, it has not been released publicly, and the recommendation text is therefore non-public.</p>	<p><a href="#">Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2020</a> (AUD-2021-001, October 20, 2020)</p>
<p>Internal Control over Agency Operations: FHFA management should reinforce FHFA’s Travel Policy and Federal Travel Regulation requirements to employees and approving officials through ongoing training and periodic reminders of responsibilities.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>

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<p>Internal Control over Agency Operations: FHFA management should ensure that employees submit travel vouchers within five working days after completing their travel.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA management should ensure that employees are aware and periodically reminded that the travel cards must be used for all official travel expenses.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA management should ensure that approving officials approve travel reimbursements within five calendar days of receipt of the voucher in the Agency’s electronic travel system.</p>	<p><a href="#">Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023</a> (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA should develop and implement procedures to ensure:</p> <ul style="list-style-type: none"> <li>• FHFA employees and contractor employees complete required annual records management training;</li> <li>• Contractor employees complete required records management training at time of onboarding; and</li> <li>• FHFA senior officials (political appointees, senior agency officials, and senior executives) complete required targeted records management training at time of offboarding.</li> </ul> <p>[Closed in February 2021; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Needs to Strengthen Controls Over its Records Management Program to Comply with OMB and NARA Requirements</a> (AUD-2020-008, March 26, 2020) and <a href="#">FHFA Did Not Effectively Implement Records Management Training Controls for Onboarding and Offboarding Personnel</a> (COM-2023-006, August 23, 2023)</p>

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<p>Internal Control over Agency Operations: FHFA should develop, document, and implement control activities to ensure that (a) only current FHFA employees are receiving transportation benefits, (b) no employee is improperly participating in both transportation benefit programs, (c) the Transit Benefits System has a record/certification for each employee who receives a transportation benefit, and (d) SmarTrip® cards are physically controlled. Such control activities include periodic reconciliation of approved transit subsidy recipients in the Transit Benefits System to FHFA transit subsidy recipients listed on the Washington Metropolitan Area Transit Authority Monthly Activity Reports, periodic reconciliation of approved transit subsidy recipients to active parking permit recipients, and periodic inventory counts of SmarTrip® cards registered to FHFA and undistributed parking permits. [Closed in June 2019; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs</a> (AUD-2018-013, September 25, 2018) and <a href="#">FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program</a> (COM-2023-005, June 21, 2023)</p>
<p>Internal Control over Agency Operations: FHFA should ensure that the Transit Benefits System has accurate and up-to-date records of, and current certifications for, each FHFA employee who receives a transportation benefit. [Closed in June 2019; reopened upon results of compliance testing.]</p>	<p><a href="#">FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs</a> (AUD-2018-013, September 25, 2018) and <a href="#">FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program</a> (COM-2023-005, June 21, 2023)</p>
<p>Internal Control over Agency Operations: The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve the Agency’s existing internal controls over its employee financial disclosure process by performing and documenting technical reviews and conflict of interest analysis within 60 days of receiving employee financial disclosure reports as required by Office of Government Ethics regulations and FHFA policy.</p>	<p><a href="#">FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</a> (AUD-2022-011, September 8, 2022)</p>

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Significant, Open Recommendation	Report Title and Date
<p>Internal Control over Agency Operations: The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve FHFA’s existing internal controls over its employee financial disclosure process by ensuring that employees file their financial disclosure reports timely as required by Office of Government Ethics regulations and FHFA policy.</p>	<p><a href="#">FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021</a> (AUD-2022-011, September 8, 2022)</p>

### Closed, Rejected Recommendations and Potential Cost Savings

The following table contains 43 recommendations rejected by Agency management that are closed. OIG had identified a total potential cost savings of \$893,525,860.<sup>2</sup> See OIG’s [Compendium of Unimplemented Recommendations](#) for a comprehensive list, updated monthly, of all recommendations closed as rejected.

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.6 million to the Fannie Mae President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Fannie Mae’s continued conservatorship status and the burdens imposed on the taxpayers from that status; and the 10-year practice at Fannie Mae where one individual executed the responsibilities of both the Chief Executive Officer and President positions, with annual compensation capped at \$600,000 since 2015.</p>	<p><a href="#">FHFA’s Approval of Senior Executive Succession Planning at Fannie Mae Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</a> (EVL-2019-001, March 26, 2019)</p>

<sup>2</sup> This figure includes potential aggregate cost savings to the Agency or the Enterprises from specific recommendations, i.e., recommendations of potential funds to be put to better use by management and questioned costs, and other monetary calculations in all OIG oversight reports supporting OIG recommendations and conclusions.

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<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.25 million to the Freddie Mac President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Freddie Mac’s continued conservatorship status and the burdens imposed on the taxpayers from that status; the 10-year practice at Freddie Mac where one individual executed the Chief Executive Officer responsibilities with annual compensation capped at \$600,000 since 2015; and the temporary nature of the position of President, in light of FHFA’s representation that Candidate A will leave Freddie Mac if he is not selected for the Chief Executive Officer position.</p>	<p><a href="#">FHFA’s Approval of Senior Executive Succession Planning at Freddie Mac Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation</a> (EVL-2019-002, March 26, 2019)</p>
<p>Conservatorship: To reduce the waste from Option C (the option Fannie Mae selected for its future operations in Northern Virginia), FHFA, consistent with its duties as conservator, should cause Fannie Mae to calculate the net present value for a Status Quo Option, and calculate the costs associated with terminating the lease with Boston Properties.</p>	<p><a href="#">Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce</a> (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: To reduce the waste from Option C, FHFA, consistent with its duties as conservator, should direct Fannie Mae to terminate the lease, cancel the sale of the three owned buildings, and implement the Status Quo Option, should the net present value for a Status Quo Option and the termination costs be lower than the adjusted net present value for Option C.</p>	<p><a href="#">Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce</a> (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub. L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p><a href="#">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</a> (OIG-2017-004, March 23, 2017)</p>

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Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub. L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p><a href="#"><u>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</u></a> (OIG-2017-004, March 23, 2017)</p>
<p>Conservatorship: FHFA should ensure that it has adequate internal staff, outside contractors, or both, who have the professional expertise and experience in commercial construction to oversee the build-out plans and associated budget(s), as Fannie Mae continues to revise and refine them.</p>	<p><a href="#"><u>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</u></a> (COM-2016-004, June 16, 2016)</p>
<p>Conservatorship: FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to the Division of Conservatorship (now known as the Division of Conservatorship Oversight and Readiness) for its review and for FHFA approval through the design and construction of Fannie Mae’s leased space in Midtown Center.</p>	<p><a href="#"><u>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</u></a> (COM-2016-004, June 16, 2016)</p>
<p>Conservatorship: FHFA should develop a strategy to enhance the Executive Compensation Branch’s capacity to review the reasonableness and justification of the Enterprises’ annual proposals to compensate their executives based on Corporate Scorecard performance. To this end, FHFA should ensure that: the Enterprises submit proposals containing information sufficient to facilitate a comprehensive review by the Executive Compensation Branch; the Executive Compensation Branch tests and verifies the information in the Enterprises’ proposals, perhaps on a randomized basis; and the Executive Compensation Branch follows up with the Enterprises to resolve any proposals that do not appear to be reasonable and justified.</p>	<p><a href="#"><u>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u></a> (COM-2016-002, March 17, 2016)</p>
<p>Conservatorship: FHFA should develop a policy under which it is required to notify OIG within 10 days of its decision not to fully implement, substantially alter, or abandon a corrective action that served as the basis for OIG’s decision to close a recommendation.</p>	<p><a href="#"><u>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</u></a> (COM-2016-002, March 17, 2016)</p>

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<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should establish an ongoing process to evaluate servicers’ Servicing Alignment Initiative compliance and the effectiveness of the Enterprises’ remediation efforts.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should direct the Enterprises to provide routinely their internal reports and reviews for the Division of Housing Mission and Goals’ assessment.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should regularly review Servicing Alignment Initiative-related guidelines for enhancements or revisions, as necessary, based on servicers’ actual versus expected performance.</p>	<p><a href="#">FHFA’s Oversight of the Servicing Alignment Initiative</a> (EVL-2014-003, February 12, 2014)</p>
<p>Supervision: FHFA should issue a formal position on the use of non-binding supervisory guidance as criteria for supervisory activities.</p>	<p><a href="#">FHFA’s Failure to Use its Prudential Management and Operations Standards as Criteria for Supervision of the Enterprises Is Inconsistent with the FHFA Director’s Statutory Duty to Ensure the Enterprises Comply with FHFA’s Guidelines</a> (OIG-2021-004, September 20, 2021)</p>
<p>Supervision: FHFA should enhance guidance and House Price Index production processes to include written requirements that FHFA’s Division of Research and Statistics document its performance of validation procedures and when necessary, follow-up on exceptions or anomalies identified through those procedures.</p>	<p><a href="#">FHFA Lacked Documentation of its Validation of Data Used to Produce the Third Quarter 2020 Seasonally Adjusted, Expanded-Data FHFA HPI and Failed to Timely Review its Information Quality Guidelines</a> (AUD-2021-010, July 22, 2021)</p>
<p>Supervision: In the current examination cycle, FHFA should assess Fannie Mae’s business resiliency practices and capabilities and formally determine whether they meet or fail to meet Prudential Management and Operations Standard 8, Principle 11.</p>	<p><a href="#">For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency</a> (EVL-2021-002, March 22, 2021)</p>

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<p>Supervision: FHFA should establish measurable objectives and risk tolerances for the Enterprises’ 97% loan-to-value mortgage programs, such as those for acquisition volume and delinquency rates, so that management can better identify, analyze, and respond to risks related to achieving the programs’ objectives.</p>	<p><a href="#"><u>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</u></a> (AUD-2020-014, September 29, 2020)</p>
<p>Supervision: FHFA should establish and communicate clear expectations for use of revised and new examination modules by DER examiners.</p>	<p><a href="#"><u>Five Years After Issuance, Many Examination Modules Remain in Field Test; FHFA Should Establish Timelines and Processes to Ensure Timely Revision of Examiner Guidance</u></a> (EVL-2019-003, September 10, 2019)</p>
<p>Supervision: FHFA should periodically conclude, based upon sufficient examination work, on the overall effectiveness of the Internal Audit functions at Fannie Mae and Freddie Mac.</p>	<p><a href="#"><u>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</u></a> (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct that examiners can use Internal Audit work to assess the adequacy of MRA remediation only if FHFA has concluded that the Internal Audit function is effective overall.</p>	<p><a href="#"><u>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</u></a> (EVL-2018-002, March 28, 2018)</p>

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<p>Supervision: FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise’s board of directors that explains:</p> <ul style="list-style-type: none"> <li>• The purpose for DER’s annual presentation to each Enterprise board of directors on the report of examination (ROE) results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and</li> <li>• The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response.</li> </ul>	<p><a href="#"><u>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</u></a> (EVL-2016-009, July 14, 2016)</p>
<p>Supervision: FHFA should direct the Enterprises’ boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.</p>	<p><a href="#"><u>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</u></a> (EVL-2016-009, July 14, 2016)</p>
<p>Supervision: FHFA should ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER’s MRA tracking system(s).</p>	<p><a href="#"><u>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</u></a> (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.</p>	<p><a href="#"><u>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</u></a> (EVL-2016-007, July 14, 2016)</p>

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<p>Supervision: FHFA should require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management’s remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system.</p>	<p><a href="#"><u>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</u></a> (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should direct DER to revise its guidance to require ROEs to focus the boards’ attention of the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.</p>	<p><a href="#"><u>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</u></a> (EVL-2016-008, July 14, 2016)</p>
<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each plan submitted by Enterprise management to remediate an MRA with associated timetables and the response by DER.</p>	<p><a href="#"><u>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</u></a> (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each conclusion letter setting forth an MRA.</p>	<p><a href="#"><u>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</u></a> (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should review FHFA’s existing requirements, guidance, and processes regarding MRAs against the requirements, guidance, and processes adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and other federal financial regulators including, but not limited to, content of an MRA; standards for proposed remediation plans; approval authority for proposed remediation plans; real-time assessments at regular intervals of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; final assessment of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; and required documentation for examiner oversight of MRA remediation.</p>	<p><a href="#"><u>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</u></a> (EVL-2016-004, March 29, 2016)</p>

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Supervision: Based on the results of the review in recommendation 1, FHFA should assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.	<a href="#"><u>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</u></a> (EVL-2016-004, March 29, 2016)
Supervision: DER should adopt a comprehensive examination workpaper index and standardize electronic workpaper folder structures and naming conventions between the two Core Teams. In addition, FHFA and DER should upgrade recordkeeping practices as necessary to enhance the identification and retrieval of critical workpapers.	<a href="#"><u>Evaluation of the Division of Enterprise Regulation’s 2013 Examination Records: Successes and Opportunities</u></a> (EVL-2015-001, October 6, 2014)
Counterparties, Third Parties, and Fourth Parties: FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.	<a href="#"><u>FHFA Should Improve its Administration of the Suspended Counterparty Program</u></a> (COM-2017-005, July 31, 2017)
Counterparties, Third Parties, and Fourth Parties: FHFA should direct Fannie Mae and Freddie Mac to assess the cost/benefit of a risk-based approach to requiring their sellers and servicers to provide independent, third-party attestation reports on compliance with Enterprise origination and servicing guidance.	<a href="#"><u>FHFA’s Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines</u></a> (AUD-2014-018, September 26, 2014)
Counterparties, Third Parties, and Fourth Parties: FHFA should perform a comprehensive analysis to assess whether financial risks associated with the new representation and warranty framework, including with regard to sunset periods, are appropriately balanced between the Enterprises and sellers. This analysis should be based on consistent transactional data across both Enterprises, identify potential costs and benefits to the Enterprises, and document consideration of the Agency’s objectives.	<a href="#"><u>FHFA’s Representation and Warranty Framework</u></a> (AUD-2014-016, September 17, 2014)
Counterparties, Third Parties, and Fourth Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.	<a href="#"><u>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections</u></a> (AUD-2014-012, March 25, 2014)

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<p>Counterparties, Third Parties, and Fourth Parties: FHFA should promptly quantify the potential benefit of implementing a repurchase late fee program at Fannie Mae, and then determine whether the potential cost of from \$500,000 to \$5.4 million still outweighs the potential benefit.</p>	<p><a href="#">FHFA Oversight of Enterprise Handling of Aged Repurchase Demands</a> (AUD-2014-009, February 12, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should direct Fannie Mae to obtain a refund from servicers for improperly reimbursed property inspection claims, resulting in estimated funds put to better use of \$5,015,505.</p>	<p><a href="#">FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections</a> (AUD-2014-005, January 15, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should publish Fannie Mae’s reduction targets and overpayment findings.</p>	<p><a href="#">Evaluation of Fannie Mae’s Servicer Reimbursement Operations for Delinquency Expenses</a> (EVL-2013-012, September 18, 2013)</p>
<p>Model Risk: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented. That process should include:</p> <ul style="list-style-type: none"> <li>Identifying the appropriate number of Enterprise high-risk models to be examined each year through targeted examinations;</li> <li>Identifying the current examination skills and competencies of examiners engaged in supervisory activities of high-risk models;</li> <li>Forecasting the optimal staffing levels and competencies of examiners necessary to complete the identified number of targeted examinations of high-risk models planned for each examination cycle;</li> <li>Evaluating whether a gap exists between skills required to conduct supervision of high-risk models that its examiners currently need but do not possess; and addressing that gap.</li> </ul>	<p><a href="#">Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</a> (EVL-2020-001, March 25, 2020)</p>

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<p>Model Risk: Based on the results of its workforce analysis, FHFA should conduct a written assessment of whether DER’s current budget for its supervision of high-risk models is sufficient.</p>	<p><a href="#"><u>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely</u></a> (EVL-2020-001, March 25, 2020)</p>
<p>Information Risk: FHFA should develop and implement written procedures that define: (a) the pertinent information that needs to be recorded, tracked, and reported for all security incidents and (b) the controls to ensure the accuracy and completeness of the security incident records.</p>	<p><a href="#"><u>FHFA Did Not Record, Track, or Report All Security Incidents to US-CERT; 38% of Sampled FHFA Users Did Not Report a Suspicious Phone Call Made to Test User Awareness of its Rules of Behavior</u></a> (AUD-2021-009, June 25, 2021)</p>
<p>Internal Control over Agency Operations: FHFA should assess the \$80,985 in costs that we questioned in this report, as well as any additional costs related to disincentives that may have been triggered after our review period. FHFA should take action to recover these costs, as appropriate, and enforce disincentive clauses going forward.</p>	<p><a href="#"><u>Management Advisory: FHFA Failed to Enforce a Provision of an IT Services Contract, Resulting in More than \$80,000 in Questioned Costs</u></a> (OIG-2020-001, March 3, 2020)</p>
<p>Internal Control over Agency Operations: FHFA should determine and pay the vendor the interest penalties owed under the Prompt Payment Act regulations for the late payments of the leased seasonal decorations received by FHFA for the 2015, 2016, and 2017 holiday seasons.</p>	<p><a href="#"><u>Audit of FHFA’s Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements</u></a> (AUD-2018-011, September 6, 2018)</p>

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## Investigative Activity

OIG’s investigative mission is to prevent and detect fraud, waste, and abuse in the programs and operations of FHFA and its regulated entities. OIG’s Office of Investigations executes its mission by investigating allegations of significant criminal and civil wrongdoing that affect the Agency and its regulated entities. The Office’s investigations are conducted in strict accordance with professional guidelines established by the Attorney General of the United States and also with CIGIE’s Quality Standards for Investigations.

The Office of Investigations is comprised of highly trained law enforcement officers, investigative counsels, analysts, and attorney advisors. We maximize the impact of our criminal and civil law enforcement efforts by working closely with federal, state, and local law enforcement agencies nationwide.

The Office of Investigations is the primary federal law enforcement organization that specializes in deterring and detecting fraud perpetrated against the Enterprises, which collectively held more than \$7.6 trillion worth of assets as of December 31, 2023. Each year, the Enterprises acquire millions of mortgages worth hundreds of billions of dollars. The Office of Investigations also investigates cases involving the 11 regional FHLBanks, which had almost \$1.3 trillion in assets as of December 31, 2023, and, in some instances, cases involving banks that are members of the FHLBanks.

During the reporting period, OIG investigations and joint investigations with other law enforcement organizations resulted in orders of criminal restitution, fines, special assessments, and forfeitures of over \$65 million.

Fraud schemes that can fall within the Office’s investigative purview include:

- **Loan/Mortgage Origination** – This fraud scheme typically involves the falsifying of borrowers’ income, assets, employment histories, and credit profiles to make them more attractive to lenders. Offenders often employ fictitious Social Security numbers and fabricated or altered documents, such as W-2s and bank statements, to cause lenders to make loans they would not otherwise make.
- **Short Sales** – Short sales occur when a lender allows a borrower to sell his/her property for less than the debt owed. This usually involves a borrower who intentionally misrepresents or fails to disclose material facts to induce a lender to agree to a short sale.
- **Loan Modification/Property Disposition** – In loan modification/property disposition fraud, fraudulent actors advertise that they can secure loan modifications, preying on vulnerable homeowners, if the homeowners pay significant upfront fees or take other action that enriches the defendant. Typically, these fraudulent actors deliver little or no action, leaving homeowners in a worse position. These schemes can involve hundreds of victims.

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- Real Estate Owned (REO) Homes – These homes represent collateral seized to satisfy unpaid mortgage loans. REO inventory has sparked a number of different schemes to either defraud the Enterprises, using contractors to secure, maintain and repair, price, and ultimately sell their properties, or defraud individuals seeking to purchase REO properties from the Enterprises.
- Adverse Possession/Distressed Property – These fraud schemes use illegal adverse possession (also known as “home squatting”) or fraudulent documentation to control distressed homes, foreclosed homes, and REO properties. In distressed property schemes, perpetrators falsely purport to assist struggling homeowners seeking to delay or avoid foreclosure. Violators use fraudulent tactics, such as filing false bankruptcy petitions, while collecting significant fees from the homeowners.
- Condo Conversion and Builder Bailout – Sellers or developers in these fraud schemes wrongfully conceal from prospective lenders the incentives they have offered to investors and the true value of the properties. The lenders, acting on this misinformation, make loans that are far riskier than they have been led to believe. Such loans often default and go into foreclosure.
- Residential Mortgage-Backed Securities (RMBS) – In this type of fraud scheme, traders fraudulently manipulate the buying and selling prices of RMBS bonds, causing customers to pay more to purchase the RMBS securities and to receive less when they sell RMBS securities.
- Multifamily Loans – Multifamily loan fraud relates to loans purchased by the Enterprises to finance multifamily properties.
- Victim-Specific Schemes – These fraud schemes include those where Fannie Mae, Freddie Mac, the FHLBanks, or members of FHLBanks are victims.
- Coronavirus Disease 2019 (COVID) Paycheck Protection Program (PPP) Loans under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) – Fraud perpetrated against these programs includes schemes where FHLBank member banks are victimized by the submission of PPP applications with false and misleading statements about a company’s business operations and payroll expenses. These applications often include supporting documentation that is fabricated or altered, such as false federal tax filings and employee payroll records, to cause loan approval.

A summary of publicly reportable investigative outcomes can be found in the Criminal Investigative Results section.

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## Significant Cases

Below we summarize some of the most significant cases from the semiannual reporting period October 1, 2023, through March 31, 2024. Investigations often span multiple years; in the first section we highlight results from significant cases completed and closed this period, and the sections that follow detail significant new criminal prosecutions or material updates to previously reported investigations.

### Closed Case Summaries

The Office of Investigations closed 12 significant criminal investigations and one civil investigation during this reporting period.

The criminal investigations resulted in 17 convictions, over 37 years in prison, more than \$11.5 million in restitution and forfeiture, and a \$3 billion negotiated monetary settlement with a financial institution. The civil investigation also resulted in a \$1.435 billion negotiated monetary settlement with another financial institution.

The schemes perpetrated in these cases included: a bank executive obstructing a government examination; loan origination fraud; multifamily loan fraud; a check kiting scheme victimizing an FHLBank member bank; multimillion-dollar COVID relief fraud schemes that targeted FHLBank member banks; a real estate fraud scheme devised by a county employee through a governmental entity promoting the redevelopment and reuse of vacant, foreclosed, abandoned, and tax delinquent real estate involving properties owned by the Enterprises; and a civil settlement related to misconduct in the underwriting and issuance of residential mortgage-backed securities. Select summaries are provided below:

Wells Fargo’s former senior executive vice president of community banking and the head of the Community Bank obstructed the Office of the Comptroller of the Currency (OCC) in its examination of sales practice problems at Wells Fargo. Wells Fargo, a member bank of multiple FHLBanks, previously admitted that, from 2002 to 2016, excessive sales goals led Community Bank employees to open millions of unauthorized or fraudulent accounts. Many of these practices were referred to within Wells Fargo as “gaming.” Gaming included using existing customers’ identities, without their consent, to open accounts, then forging customer signatures and creating PINs to activate unauthorized debit cards. To minimize the scope of misconduct within Community Bank, in a memorandum to the OCC regarding its examination of sales practice issues at Wells Fargo, the senior executive vice president failed to disclose statistics for employee termination or resignation, nor did she disclose the internal investigation of employees who were flagged for potential sales practices misconduct. In 2020, Wells Fargo acknowledged the widespread sales practices misconduct within Community Bank and paid a \$3 billion penalty.

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A private school business manager carried out an origination fraud scheme against a financial institution for two properties and two loans ultimately owned by Fannie Mae. The business manager deceived the mortgage lender into believing he was a qualified borrower by using the personal identification information of another person on loan applications and preparing and submitting false and fraudulent Internal Revenue Service income tax returns, fictitious mortgage satisfaction documents falsely representing that his properties had equity, and lease agreements falsely showing he received substantial rental income.

In another case, a business owner fraudulently obtained just under \$9 million in COVID relief funds, including PPP loans, from financial institutions, including multiple FHLBank member banks, for purported corporations he controlled. The fraudulent applications made numerous false and misleading statements about the companies' business operations and payroll expenses. Millions of dollars from the fraudulently obtained loan proceeds were transferred to his brokerage accounts to make risky stock market bets and he spent hundreds of thousands of dollars of those proceeds at various gambling establishments. The business owner forfeited Rolex watches, multiple laptop computers and tablets, a Range Rover automobile, a Ducati motorcycle, and hundreds of thousands of dollars in cash. The government also seized more than \$1.5 million from various accounts.

In a different case, an asset manager for the Cook County Land Bank Authority (CCLBA) used straw buyers to fraudulently purchase and resell properties from the agency on his behalf, including CCLBA-obtained Enterprise REO properties seen through an enhanced first look program. This gave the land bank authority the opportunity to select and purchase Enterprise REO properties prior to their being offered for sale to the public. CCLBA is a governmental entity that promotes the redevelopment and reuse of vacant, foreclosed, abandoned, and tax delinquent real estate by acquiring and transferring the property to private ownership. CCLBA sells the real estate at below-market rates and prohibits buyers from selling or renting the property until it is satisfied that the buyer has made adequate improvements. CCLBA employees are prohibited from purchasing a property from the agency unless it would be used for the employee's primary residence.

In the civil investigation, UBS AG and several of its U.S. based affiliates (UBS) agreed to pay \$1.435 billion in penalties to settle a civil action filed in November 2018. The complaint alleged misconduct related to UBS' underwriting and issuance of residential mortgage-backed securities (RMBS) issued in 2006 and 2007 with some of the securitized loan packages, including loans insured by the Enterprises. It additionally alleged that, in the sale of 40 RMBS, UBS knowingly made false and misleading statements to buyers of these securities relating to the characteristics of the mortgage loans underlying the RMBS, which is in violation of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

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## Multifamily

### **Real Estate Investor Pleads Guilty in Connection With \$165 Million Mortgage Fraud Conspiracy, New Jersey**

On December 13, 2023, in the District of New Jersey, Boruch Drillman was charged by information and pleaded guilty to conspiracy to commit wire fraud affecting a financial institution. He engaged in an extensive multi-year conspiracy to fraudulently obtain over \$165 million in loans as well as multifamily and commercial properties.

According to court documents, Drillman allegedly conspired with at least four others to deceive lenders into issuing multifamily and commercial mortgage loans. He and his conspirators provided lenders with fictitious purchase and sale contracts with inflated purchase prices.

Drillman managed BRC Williamsburg Holdings LLC, which purchased a multifamily property in Ohio for \$70 million. He and his conspirators from Rhodium Capital Advisors then used a stolen identity to present fraudulent documents for a purchase and sale contract of \$95.8 million to a lender and Fannie Mae. Subsequently, the Madison Title Agency performed two closings, one for the true \$70 million sales price and another for the fraudulent \$95.8 million.

The same scheme also worked when Drillman and his conspirators from Troy Technology Holdings, LLC, purchased a commercial property in Michigan for \$42.7 million then purportedly presented the lender with a fraudulent purchase and sale contract for \$70 million. To support the inflated purchase price, they submitted a fraudulent letter of intent to purchase the property from another party for \$68.8 million. To conceal their misdeeds, the conspirators allegedly arranged for a short-term \$30 million loan, which made it appear as if they had the funds needed to close on the loan. Riverside Abstract then performed two closings, one for the true \$42.7 million sales price and another for the fraudulent \$70 million.

### **Real Estate Company Owner Pleads Guilty in Mortgage Fraud Scheme, Maryland**

On January 8, 2024, in the District of Maryland, Alexander Schultz pleaded guilty to conspiracy to commit bank fraud for his role in a mortgage fraud scheme involving multifamily and single-family properties.

According to court records, Schultz, co-owner of Limitless Management, LLC, a company that bought, sold, and managed real estate, and others allegedly conspired to submit false and fictitious information on loan applications to obtain mortgages on multifamily and single-family properties.

Schultz and others also controlled Coventry Realty, LLC, which owned a multifamily property named Coventry Manor. In 2021, Coventry Realty obtained a loan for \$6.2 million for Coventry Manor. As part of the scheme, Schultz and others agreed to sell Coventry Manor to a buyer who would assume the loan on the property instead of seeking new financing. Schultz, others, and the

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buyer presented a \$7.8 million sales contract to the lender but purportedly entered into another agreement, not disclosed to the lender, with a true purchase price of approximately \$6.9 million. The \$7.8 million sales contract allegedly contained false and inflated fees and seller credits to account for the difference in price, with a significant portion of the seller’s credit being paid to the buyer outside of the settlement process. Freddie Mac ultimately acquired the fraudulent loan.

Additionally, in December 2021, Limitless Management purchased 42 residential properties for \$3.6 million then inflated the sales price and sold the same properties for \$6.9 million. The complicit buyer received two loans from the victim lender for \$5.2 million with a downpayment of over \$1.9 million that was purportedly funneled back to the complicit buyer’s acquaintances.

### **Two Sentenced for Roles in Multifamily Fraud Scheme, Connecticut**

On January 8, 2024, in the District of Connecticut, two conspirators were sentenced for their roles in a multifamily fraud scheme involving 24 mortgage loans on numerous multifamily properties totaling nearly \$50 million.

Jacob Deutsch was sentenced to 62 months in prison, four years supervised release, and ordered to pay a \$10,000 fine. Aron Deutsch was sentenced to five years of probation and ordered to pay a \$1 million fine.

An earlier semiannual report highlighted the Deutschs’ guilty pleas to conspiracy to commit wire and mail fraud affecting a financial institution. Their scheme used false information to overstate the value of multifamily housing properties managed by BH Property Management, LLC in connection with loans secured by those properties and inducing Freddie Mac and Fannie Mae to purchase the resulting loans from the financial institutions.

## **Loan Origination**

### **Former Real Estate Broker Sentenced in Origination Fraud Scheme, North Carolina**

On December 14, 2023, in the Western District of North Carolina, Shawn Johnson was sentenced to 92 months in prison, three years supervised release, and ordered to pay over \$2.7 million in forfeiture in connection with a loan origination scheme and the illegal possession of a firearm.

According to court records, Johnson executed a scheme involving the purchase of properties to be used as short-term rentals, including Enterprise owned properties. He and his conspirators closed on at least 16 loans from financial institutions totaling over \$3.5 million. Johnson acquired these loans by submitting applications with false and fraudulent information related to his income and employment and omitted information about pending lawsuits and the source of funds used as downpayments. He also used straw buyers to secure loans that falsely claimed the homes would be used as primary residences. Once purchased, the properties were used as short-term rentals and listed on online platforms such as Airbnb, Homeaway, and VRBO, which knowingly violated local ordinances banning short-term rentals.

Additionally, in November 2021, Johnson traveled from North Carolina to Utah. While there, he visited a gun club, rented a firearm, and shot several boxes of ammunition that he purchased from the club’s store. Johnson is prohibited from possessing a firearm or ammunition due to a prior felony conviction. In order to rent the gun, Johnson falsely certified on the gun club’s rental agreement that he was not prohibited from possessing a firearm.

### **Former Bank Vice President Sentenced in Origination Fraud Scheme, Illinois**

During this reporting period, in the Southern District of Illinois, Richard Pigg was sentenced to 144 months in prison, three years supervised release, and ordered to pay \$505,834 in restitution for his role in a loan origination fraud scheme at the Community First Bank of the Heartland, an FHLBank of Chicago member bank where Pigg served as a former loan officer and vice president.

The preceding semiannual report highlighted Pigg’s guilty plea to bank fraud and arson of real property along with his scheme using his position to fraudulently obtain over \$600,000 from the bank to purchase investment properties and to pay credit card bills and real estate taxes.

### **Real Estate Broker Pleads Guilty in Origination Fraud Scheme, Florida**

On January 4, 2024, in the Middle District of Florida, Maria Del Carmen Montes pleaded guilty to bank fraud for her role in a loan origination scheme targeting financial institutions that included loans owned by the Enterprises.

According to court records, Montes referred potential homebuyers to a mortgage company. She then created, or caused to be created, fictitious paystubs, false verifications of employment, falsified income information, and other fabricated documents using the buyers’ means of identification to induce the mortgage company to approve loans for unqualified clients. Montes also recruited another to facilitate false verifications of employment.

Montes received real estate commission payments from the deceptive mortgage loan transactions and collected cash payments from buyers.

## **GSE/FHLBank**

### **Disbarred Real Estate Attorney Sentenced in Embezzlement Scheme, Georgia**

On March 5, 2024, in the Northern District of Georgia, Matthew Dickason was sentenced to 27 months in prison, three years supervised release, and ordered to pay over \$3 million in restitution in connection with the misappropriation of millions of dollars of client funds, which included loan funds from the Enterprises.

Dickason, owner of a law firm, specialized in real estate law and oversaw hundreds of real estate sales transactions totaling tens of millions of dollars. According to court records, Dickason knowingly devised and conducted a scheme to defraud and obtain money from clients under false pretenses. He misappropriated millions of dollars belonging to clients who trusted him to handle

their real estate transactions. To conceal his scheme, Dickason took one client’s money and used it to pay his own or another client’s expenses. He hid his fraud by causing false and misleading information to be entered into his law firm’s accounting system to make it appear that the firm had paid a client’s mortgage when he had used the money for fraudulent purposes.

### **Former CEO Charged in Multimillion-Dollar Embezzlement Scheme Resulting in a Bank Failure, Kansas**

On February 2, 2024, in the District of Kansas, former Chief Executive Officer (CEO) of Heartland Tri-State Bank Shan Hanes was charged by information with embezzlement by a bank officer for his role in a multimillion-dollar embezzlement scheme that caused the failure of Heartland Tri-State, a member bank of the FHLBank of Topeka.

According to the information, Hanes embezzled funds from Heartland Tri-State by causing at least 11 unauthorized wire transfer financial transactions from the bank to purchase cryptocurrency. The total funds transferred from Heartland Tri-State were approximately \$47.1 million. The \$47.1 million loss caused the failure of Heartland Tri-State.

### **Five Charged in Loan Fraud Scheme with Ringleader Being Charged as a Financial Crime Kingpin, Maryland**

On November 2, 2023, in the District of Maryland, five individuals were charged by indictment for a fraud scheme intended to obtain over \$35 million from financial institutions, including FHLBank member banks, by providing false documentation in support of Small Business Administration (SBA) loan applications for the purchase of hotels.

Mehul Khatiwala was charged with a continuing financial crimes enterprise, conspiracy to commit bank fraud, attempted bank fraud, bank fraud, conspiracy to make a false statement to a financial institution, false statements to a financial institution, conspiracy to commit money laundering, and money laundering. The continuing financial crimes enterprise charge, also known as the financial crime kingpin statute, was the first time this statute has ever been charged in Maryland.

Additionally, Rajendra Parikh, Jennifer Watkins, and Rebecca Cohn were charged with conspiracy to commit bank fraud, bank fraud, conspiracy to make a false statement to a financial institution, false statements to a financial institution, conspiracy to commit money laundering, and money laundering. Parikh and Watkins were also charged with attempted bank fraud. Rajnikant Patel was charged with conspiracy to commit bank fraud, bank fraud, and conspiracy to make a false statement to a financial institution.

According to the indictment, Khatiwala controlled multiple hotel management and loan brokerage companies. Parikh owned a company operated by Khatiwala. Watkins was a project coordinator and managing member of a hotel consulting and loan brokerage company. Cohn was a settlement and title processor for a title and escrow company in Maryland that offered loan settlement services. Patel worked as the manager of a convenience store owned by Parikh.

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The participants allegedly conspired to obtain loans to buy and sell hotels in a hotel flipping scheme by making material misrepresentations and omissions to financial institutions during the loan application process. These misrepresentations included the identity of the sellers, the familial relationships between the parties, and the nature and amount of the equity injected by the borrowers, under the SBA’s Section 7(a) Program. SBA’s Section 7(a) Program guarantees and insures 75 to 90 percent of qualified loans made and administered by participating lending institutions and requires that the small business owner-borrower invest a certain amount of their own money into the business to qualify for the loan.

As a result of another FHFA-OIG investigation, Khatiwala was previously sentenced to 63 months in prison, four years supervised release, and was ordered to pay over \$3.5 million in restitution and forfeiture in connection with schemes to fraudulently obtain approximately \$15 million in bank loans to purchase a multifamily residential property and hotels.

## Loan Modification

### Former Mortgage Company President Sentenced in \$7 Million Mortgage Fraud Scheme, California

During this reporting period, in Sacramento Superior Court, Robert Sedlar was sentenced to 25 years and four months in prison and ordered to pay \$158,155 in restitution for his role in a \$7 million mortgage fraud scheme throughout California that victimized elderly people in financial distress who sought mortgage relief services from Grand View Financial, LLC (Grand View). Several of the affected mortgage loans were owned or guaranteed by the Enterprises.

The scheme perpetrated through Grand View resulted in every single victim losing their home. The account was published in the previous semiannual report along with Steven Rogers’ 10-year prison sentence, one of Sedlar’s conspirators.

### Two Conspirators Sentenced to a Combined 34 Years in Debt Elimination Fraud Scheme, Maryland

In February 2024, in the District of Maryland, two conspirators were sentenced to a combined 34 years in prison for their roles in a debt elimination fraud scheme. Willie Hicks was sentenced to 22 years in prison, three years supervised release, and ordered to pay over \$3.2 million in restitution, jointly and severally, and over \$1.6 million in a forfeiture money judgment. Mary Ann Mendoza was sentenced to 12 years in prison, three years supervised release, and ordered to pay over \$3.2 million in restitution, jointly and severally, and \$981,293 in a forfeiture money judgment.

In October 2023, after a seven-day trial, a federal jury convicted Hicks and Mendoza of conspiracy to commit wire and mail fraud and wire fraud.

Hicks and Mendoza, who represented themselves as partners and as husband and wife, held inperson trainings purporting to educate victim-debtors on how to discharge consumer debt,

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including mortgage debt. Trial testimony revealed that during the debt elimination classes, Hicks, who claimed to be an attorney, and Mendoza told victims that on the backs of their social security cards and birth certificates was a number that unlocked access to a special bank account with funds owed to the victims by the U.S. government.

Hicks, Mendoza, and their associates offered to assist in settling the victim-debtors' debt for a fee equal to a percentage of their outstanding debt. Payment was accepted in the form of cash, wire transfers, personal and cashier's checks, and the use of the victim-debtors' credit. Victim-debtors also paid the defendants by liquidating their retirement savings, leasing apartments, and purchasing vehicles and office equipment and supplies. One victim transferred almost \$100,000 from their bank account to fraudulent corporate entities controlled by Hicks and Mendoza. Testimony showed that victim-debtors were induced into providing the conspirators with over a million dollars in cash and other forms of payment during the scheme.

Several victim-debtors sought to have their mortgages extinguished with their lenders through this scheme.

## PPP Loan Fraud

### Seventeen Sentenced in Multimillion-Dollar COVID Relief Fraud Scheme, Texas

From October 2023 through February 2024, in the Southern District of Texas, 17 conspirators were sentenced for their roles in fraudulently obtaining and laundering millions of dollars in forgivable Paycheck Protection Program loans.

The sentences and the scheme participants were:

- Amir Aqeel—180 months in prison, three years supervised release, and ordered to pay over \$17.2 million in restitution, jointly and severally, and over \$5.5 million in a money judgment;
- Hamza Abbas—44 months in prison, three years supervised release, and ordered to pay over \$2.5 million in restitution, jointly and severally, and \$373,067 in a money judgment;
- Pardeep Basra—41 months in prison, three years supervised release, and ordered to pay over \$2.3 million in restitution, jointly and severally, and \$422,395 in forfeiture;
- Rifat Bajwa—36 months in prison, three years supervised release, and ordered to pay over \$3.8 million in restitution, jointly and severally, and \$95,000 in a money judgment;
- Abdul Fatani—36 months in prison, three years supervised release, and ordered to pay \$511,520 in restitution, jointly and severally;
- Khalid Abbas—30 months in prison, three years supervised release, and ordered to pay over \$2 million in restitution, jointly and severally, and \$373,067 in a money judgment;

- Richard Reuth—30 months in prison, three years supervised release, and ordered to pay over \$1.3 million in restitution, jointly and severally, and \$135,196 in a money judgment;
- Siddiq Azeemuddin—24 months in prison, three years supervised release, and ordered to pay over \$3.1 million in restitution, jointly and severally;
- Nishant Patel—24 months in prison, three years supervised release, and ordered to pay \$474,993 in restitution, jointly and severally, and \$292,133 in forfeiture;
- Syed Ali—24 months in prison, three years supervised release, and ordered to pay \$937,499 in restitution, jointly and severally, and \$178,328 in a money judgment;
- Muhammad Anis—21 months in prison, three years supervised release, and ordered to pay \$483,333 in restitution, jointly and severally, and \$279,044 in a money judgment;
- Ammas Uddin—18 months in prison, three years supervised release, and ordered to pay \$498,415 in restitution, jointly and severally, and \$92,095 in a money judgment;
- Arham Uddin—18 months in prison, three years supervised release, and ordered to pay \$491,664 in restitution, jointly and severally, and \$103,881 in a money judgment;
- Raheel Malik—18 months in prison, three years supervised release, and ordered to pay over \$3.1 million in restitution, jointly and severally;
- Bijan Rajabi—13 months in prison, three years supervised release, and ordered to pay \$634,232 in restitution, jointly and severally;
- Jesus Acosta Perez—12 months and one day in prison, three years supervised release, and ordered to pay \$391,300 in restitution, jointly and severally, and \$171,290 in a money judgment; and
- Harjeet Singh—five years of probation and ordered to pay \$486,083 in restitution, jointly and severally.

Trial convictions, guilty pleas, and facets of the overall scheme that victimized multiple FHLBank member banks and sought \$35 million in PPP loan funds and obtained approximately \$18 million in PPP proceeds were published in earlier semiannual reports.

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## Criminal Investigative Results

Below are individuals sentenced, convicted, or charged during the reporting period, grouped by fraud category.

### Multifamily Schemes

#### Two Sentenced for Roles in Multifamily Fraud Scheme

Defendant	Role	Most Recent Action	District
Jacob Deutsch	Participant	Sentenced to: 62 months in prison; four years supervised release; ordered to pay a \$10,000 fine	District of Connecticut
Aron Deutsch	Participant	Sentenced to: five years of probation; ordered to pay a \$1 million fine	District of Connecticut

#### Real Estate Investor Pleaded Guilty in Connection With \$165 Million Mortgage Fraud Conspiracy

Defendant	Role	Most Recent Action	District
Boruch Drillman	Real Estate Investor	Charged by information and pleaded guilty to: conspiracy to commit wire fraud affecting a financial institution	District of New Jersey

#### Real Estate Company Owner Pleaded Guilty in Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Alexander Schultz	Real Estate Company Owner	Pleaded guilty to: conspiracy to commit bank fraud	District of Maryland

#### Former Insurance Broker Pleaded Guilty in Multifamily Insurance Fraud Scheme

Defendant	Role	Most Recent Action	District
Robert Wells	Insurance Broker	Pleaded guilty to: aggravated identity theft	Eastern District of California

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## Loan Origination Schemes

### Former Bank Vice President Sentenced in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Richard Pigg	Former Bank Vice President	Sentenced to: 144 months in prison; three years supervised release; ordered to pay \$505,834 in restitution	Southern District of Illinois

### Former Real Estate Broker Sentenced in Origination Fraud Scheme

Defendant	Role	Most Recent Action	District
Shawn Johnson	Former Real Estate Broker	Sentenced to: 92 months in prison; three years supervised release; ordered to pay \$2,778,237 in forfeiture	Western District of North Carolina

### Four Sentenced for Multimillion-Dollar Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Victor Santos	Real Estate Developer	Sentenced to: time served; two years supervised release including 12 months of home confinement; ordered to pay a \$25,000 fine, \$3,729,628 in restitution, joint and several, and \$492,173 in forfeiture	District of New Jersey
Sidnei Chimanski	Business Owner	Sentenced to: time served; two years supervised release including 10 months of home confinement; ordered to pay a \$20,000 fine, \$3,301,164 in restitution, joint and several, and \$407,152 in forfeiture	District of New Jersey
Arsenio Santos	Real Estate Developer	Sentenced to: time served; two years supervised release; ordered to pay a \$5,500 fine, \$470,581 in restitution, joint and several, and \$20,000 in forfeiture	District of New Jersey
Fausto Simoes	Attorney	Sentenced to: time served; two years supervised release including 6 months of home confinement; ordered to pay a \$20,000 fine, \$3,527,801 in restitution, joint and several, and \$39,217 in forfeiture	District of New Jersey

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Former Settlement Agent Sentenced in Embezzlement Scheme			
Defendant	Role	Most Recent Action	District
Jamie Lynn Alford	Former Settlement Agent	Sentenced to: time served; 18 months supervised release; ordered to pay \$622,490 in restitution and forfeiture	District of Maryland

Four Guilty Pleas and a Sentencing in Multi-Layered Fraud Scheme			
Defendant	Role	Most Recent Action	District
Scott Kaveny	Participant	Pleaded guilty to: conspiracy to make false statements to a mortgage lending business and false writings to a U.S. government agency	Southern District of Texas
Jesus Adame	Participant	Pleaded guilty to: conspiracy to make false statements to mortgage lending businesses and financial institutions	Southern District of Texas
Stephen Crabtree	Participant	Sentenced to: time served	Southern District of Texas
David Best Jr.	Participant	Pleaded guilty to: conspiracy to make false statements to mortgage lending businesses and financial institutions; false statements to mortgage lending businesses and federally insured institutions	Southern District of Texas
Elvina Buckley	Real Estate Agent	Pleaded guilty to: making a false statement to a government agent	Southern District of Texas

Real Estate Broker Pleaded Guilty in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Maria Del Carmen Montes	Real Estate Broker	Pleaded guilty to: bank fraud	Middle District of Florida

Title Company Owner Pleaded Guilty in Mortgage Fraud Scheme			
Defendant	Role	Most Recent Action	District
Dora Ameneiro Martinez	Title Company Owner	Pleaded guilty to: bank fraud	Southern District of Florida

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Real Estate Agent Pleaded Guilty in Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Marko Lopez	Real Estate Agent	Pleaded guilty to: bank fraud	Eastern District of California

Four Charged in Years-Long Origination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Tjoman Buditaslim	Real Estate Broker	Charged by indictment with: conspiracy to commit wire fraud; wire fraud; aggravated identity theft	Northern District of California
Travis Holasek	Participant	Charged by indictment with: conspiracy to commit wire fraud; wire fraud; aggravated identity theft	Northern District of California
Jose Martinez	Real Estate Agent	Charged by indictment with: conspiracy to commit wire fraud; wire fraud; aggravated identity theft	Northern District of California
Jose Tellez	Loan Officer	Charged by indictment with: conspiracy to commit wire fraud; wire fraud	Northern District of California

### Fraud Affecting the Enterprises, FHLBanks, or FHLBank Member Institutions

Disbarred Real Estate Attorney Sentenced in Embezzlement Scheme			
Defendant	Role	Most Recent Action	District
Matthew Dickason	Real Estate Attorney	Sentenced to: 27 months in prison; three years supervised release; ordered to pay \$3,005,159 in restitution	Northern District of Georgia

Former Bank Board of Directors Member Sentenced in Multimillion-Dollar Embezzlement Conspiracy Resulting in a Bank Failure			
Defendant	Role	Most Recent Action	District
William Mahon	Former Board of Directors Member	Sentenced to: 18 months in prison; one year of supervised release; ordered to pay a \$75,000 fine	Northern District of Illinois

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<b>Business Owner Pleaded Guilty in Loan Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Brandon Zanotti	Business Owner	Charged by information and pleaded guilty to: a false entry in bank records	Southern District of Illinois

<b>Appraisal Company Owner Sentenced in Appraisal Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Drew Baker	Business Owner	Sentenced to: 12 months of probation; ordered to pay \$56,245 in restitution	King County, WA, Prosecuting Attorney’s Office

<b>Conspirators Pleaded Guilty in Loan Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Kotto Paul	Participant	Pleaded guilty to: money laundering; conspiracy to commit wire and bank fraud	Western District of North Carolina
Love Norman	Participant	Pleaded guilty to: conspiracy to commit wire and bank fraud	Western District of North Carolina

<b>Financial Advisor Pleaded Guilty in Bank Fraud Scheme</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Eddy Blizzard	Financial Advisor	Pleaded guilty to: bank fraud	District of Maryland

<b>Five Charged in Loan Fraud Scheme with Ringleader Being Charged as a Financial Crime Kingpin</b>			
<b>Defendant</b>	<b>Role</b>	<b>Most Recent Action</b>	<b>District</b>
Mehul Khatiwala	Business Owner	Charged by indictment with: a continuing financial crimes enterprise; conspiracy to commit bank fraud; attempted bank fraud; bank fraud; conspiracy to make a false statement to a financial institution; false statements to a financial institution; conspiracy to commit money laundering; money laundering	District of Maryland

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Rajendra Parikh	Business Owner	Charged by indictment with: conspiracy to commit bank fraud; attempted bank fraud; bank fraud; conspiracy to make a false statement to a financial institution; false statements to a financial institution; conspiracy to commit money laundering; money laundering	District of Maryland
Jennifer Watkins	Project Coordinator	Charged by indictment with: conspiracy to commit bank fraud; attempted bank fraud; bank fraud; conspiracy to make a false statement to a financial institution; false statements to a financial institution; conspiracy to commit money laundering; money laundering	District of Maryland
Rebecca Cohn	Settlement Agent	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; conspiracy to make a false statement to a financial institution; false statements to a financial institution; conspiracy to commit money laundering; money laundering	District of Maryland
Rajnikant Patel	Participant	Charged by indictment with: conspiracy to commit bank fraud; bank fraud; conspiracy to make a false statement to a financial institution	District of Maryland

Former CEO Charged in Multimillion-Dollar Embezzlement Scheme Resulting in a Bank Failure			
Defendant	Role	Most Recent Action	District
Shan Hanes	Chief Executive Officer	Charged by information with: embezzlement by a bank employee	District of Kansas

Company Owner Charged in Construction Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Bryce Nolde	Business Owner	Charged by indictment with: wire fraud	District of Nebraska

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Conspirators Charged in Multi-State Short-Term Rental Fraud Scheme			
Defendant	Role	Most Recent Action	District
Shray Goel	Participant	Charged by superseding indictment with: conspiracy to commit wire fraud; wire fraud; aggravated identity theft	Central District of California
Shaunik Raheja	Participant	Charged by superseding indictment with: conspiracy to commit wire fraud; wire fraud	Central District of California

Conspirators Charged in Bank Account Takeover Scheme			
Defendant	Role	Most Recent Action	District
Brittany Eubanks	Participant	Charged by indictment with: bank fraud; aggravated identity theft	Middle District of Florida
Glenwood Harrison	Participant	Charged by indictment with: conspiracy to commit bank fraud	Middle District of Florida
Shalik Scott	Participant	Charged by indictment with: bank fraud; aggravated identity theft	Middle District of Florida

### Loan Modification Schemes

Former Mortgage Company President Sentenced in \$7 Million Mortgage Fraud Scheme			
Defendant	Role	Most Recent Action	District
Robert Sedlar	Former Mortgage Company President	Sentenced to: 304 months in prison; ordered to pay \$158,155 in restitution	California Attorney General’s Office

Two Conspirators Sentenced in Multimillion-Dollar Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Arshak Bartoubian	Participant	Sentenced to: 48 months in jail with 30 months suspended; 30 months of probation; ordered to pay \$136,559 in restitution	California Attorney General’s Office
Tamara Dadyan	Participant	Sentenced to: 12 years in prison	California Attorney General’s Office

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Two Conspirators Sentenced in Debt Elimination Fraud Scheme			
Defendant	Role	Most Recent Action	District
Willie Hicks	Participant	Sentenced to: 22 years in prison; three years supervised release; ordered to pay \$3,281,109 in restitution, joint and several, and \$1,649,897 in a forfeiture money judgment	District of Maryland
Mary Ann Mendoza	Participant	Sentenced to: 12 years in prison; three years supervised release; ordered to pay \$3,281,109 in restitution, joint and several, and \$981,293 in a forfeiture money judgment	District of Maryland

Investment Company President Sentenced in Equity Skimming Fraud Scheme			
Defendant	Role	Most Recent Action	District
Matthew Mule	Company President	Sentenced to: five years of probation; ordered to pay \$15,590 in restitution	Hillsborough County, FL, State Attorney’s Office

### Property Management and REO Schemes

Sentencing in Multi-State Deed Fraud Scheme			
Defendant	Role	Most Recent Action	District
Ira Davis	Business Owner	Sentenced to: 119 months in prison; three years supervised release; ordered to pay \$2,990,189 in restitution, joint and several, and \$34,327 in forfeiture	Eastern District of Texas

Former County Land Bank Authority Employee Sentenced in Scheme to Fraudulently Purchase and Resell Properties			
Defendant	Role	Most Recent Action	District
Mustafaa Saleh	Former Local Government Employee	Sentenced to: one year and one day in prison; three years supervised release; ordered to pay \$172,706 in forfeiture	Northern District of Illinois

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## Adverse Possession, Distressed Property, and Bankruptcy Fraud Schemes

Five Sentenced for National Foreclosure Rescue Scheme			
Defendant	Role	Most Recent Action	District
Lorin Buckner	Owner	Sentenced to: 120 months in prison; three years supervised release; ordered to pay \$46,725 in restitution	Southern District of Ohio
Dessalines Sealy	National Sales Director/Manager	Sentenced to: 60 months in prison; three years supervised release; ordered to pay \$2,295 in restitution	Southern District of Ohio
Garrett Stevenson	Owner	Sentenced to: 36 months in prison; three years supervised release; ordered to pay \$101,318 in restitution	Southern District of Ohio
Marcus Mullings Jr.	CEO/Acquisitions Director	Sentenced to: 30 months in prison; three years supervised release; ordered to pay \$164,164 in restitution	Southern District of Ohio
Stanley Heekin	Business Owner	Sentenced to: one day in prison; five years supervised release	Southern District of Ohio

Business Owner Pleaded Guilty in Deed Fraud Scheme			
Defendant	Role	Most Recent Action	District
Janie Burns	Business Owner	Sentenced to: two days in jail; two years of probation; ordered to pay \$8,742 in restitution	Los Angeles County, CA, District Attorney’s Office

Real Estate Investor Charged in Deed Fraud Scheme			
Defendant	Role	Most Recent Action	District
Norberto Ornelas	Real Estate Investor	Charged by indictment with: theft of property for \$300,000 or more	Dallas County, TX, District Attorney’s Office

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## Short Sale Schemes

### Two Real Estate Brokers Sentenced in Short Sale Fraud Scheme

Defendant	Role	Most Recent Action	District
Steve Kang	Real Estate Broker	Sentenced to: time served; three years supervised release; ordered to pay \$2,383,284 in restitution and \$835,248 in forfeiture	District of New Jersey
Young Jin Son	Real Estate Broker	Sentenced to: two years of probation; ordered to pay \$2,543,158 in restitution, joint and several, and \$191,210 in a forfeiture money judgment	District of New Jersey

### Restitution Ordered in Short Sale Fraud Scheme

Defendant	Role	Most Recent Action	District
Mehdi Kassai	Participant	Ordered to: pay \$7,942,646 in restitution, joint and several, and \$3,735,501 in forfeiture	District of New Jersey

### Restitution Ordered for Multi-Year Mortgage Fraud Scheme

Defendant	Role	Most Recent Action	District
Christopher Goodson	Real Estate Attorney	Ordered to: pay \$499,750 in restitution, joint and several	District of New Jersey
Anthony Garvin	Real Estate Agent/Investor	Ordered to: pay \$441,344 in restitution, joint and several	District of New Jersey

### Conspirator Sentenced for Role in Defrauding Mortgage Lending Institutions

Defendant	Role	Most Recent Action	District
George Alderdice	Attorney	Sentenced to: time served; one year of supervised release; ordered to pay \$31,500 in forfeiture	Eastern District of New York

## Condo Conversion and Builder Bailout Schemes

### Former CFO Sentenced in Condo Conversion Fraud Scheme

Defendant	Role	Most Recent Action	District
David Schwarz	Former CFO	Sentenced to: 210 months in prison; five years supervised release; ordered to pay \$40,724,579 in restitution, joint and several	Southern District of Florida

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## Fraud Affecting the FHLBanks or FHLBank Member Institutions as a Result of (or Related to) the CARES Act PPP

Seventeen Sentenced and One Charged in Multimillion-Dollar COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Amir Aqeel	Participant	Sentenced to: 180 months in prison; three years supervised release; ordered to pay \$17,224,286 in restitution, joint and several, and \$5,583,111 in a money judgment	Southern District of Texas
Hamza Abbas	Participant	Sentenced to: 44 months in prison; three years supervised release; ordered to pay \$2,527,029 in restitution, joint and several, and \$373,067 in a money judgment	Southern District of Texas
Syed Ali	Participant	Sentenced to: 24 months in prison; three years supervised release; ordered to pay \$937,499 in restitution, joint and several, and \$178,328 in a money judgment	Southern District of Texas
Nishant Patel	Participant	Sentenced to: 24 months in prison; three years supervised release; ordered to pay \$474,993 in restitution, joint and several, and \$292,133 in forfeiture	Southern District of Texas
Muhammad Anis	Participant	Sentenced to: 21 months in prison; three years supervised release; ordered to pay \$483,333 in restitution, joint and several, and \$279,044 in a money judgment	Southern District of Texas
Raheel Malik	Participant	Sentenced to: 18 months in prison; three years supervised release; ordered to pay \$3,147,007 in restitution, joint and several	Southern District of Texas
Ammas Uddin	Participant	Sentenced to 18 months in prison; three years supervised release; ordered to pay \$498,415 in restitution, joint and several, and \$92,095 in a money judgment	Southern District of Texas
Harjeet Singh	Participant	Sentenced to: five years of probation; ordered to pay \$486,083 in restitution, joint and several	Southern District of Texas
Bijan Rajabi	Participant	Sentenced to: 13 months in prison; three years supervised release; ordered to pay \$634,232 in restitution, joint and several	Southern District of Texas
Pardeep Basra	Participant	Sentenced to: 41 months in prison; three years supervised release; ordered to pay \$2,380,160 in restitution, joint and several and \$422,395 in forfeiture	Southern District of Texas

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Rifat Bajwa	Participant	Sentenced to: 36 months in prison; three years supervised release; ordered to pay \$3,827,178 in restitution, joint and several, and \$95,000 in a money judgment	Southern District of Texas
Abdul Fatani	Participant	Sentenced to: 36 months in prison; three years supervised release; ordered to pay \$511,520 in restitution, joint and several	Southern District of Texas
Richard Reuth	Participant	Sentenced to: 30 months in prison; three years supervised release; ordered to pay \$1,390,814 in restitution, joint and several, and \$135,196 in a money judgment	Southern District of Texas
Khalid Abbas	Participant	Sentenced to: 30 months in prison; three years supervised release; ordered to pay \$2,015,779 in restitution, joint and several, and \$373,067 in a money judgment	Southern District of Texas
Siddiq Azeemuddin	Participant	Sentenced to: 24 months in prison; three years supervised release; ordered to pay \$3,147,007 in restitution, joint and several	Southern District of Texas
Arham Uddin	Participant	Sentenced to: 18 months in prison; three years supervised release; ordered to pay \$491,664 in restitution, joint and several, and \$103,881 in a money judgment	Southern District of Texas
Jesus Acosta Perez	Participant	Sentenced to: 12 months and one day in prison; three years supervised release; ordered to pay \$391,300 in restitution, joint and several, and \$171,290 in a money judgment	Southern District of Texas
Muhammad Owais Khan	Participant	Charged by information with: conspiracy	Southern District of Texas

**Business Owner Charged for Defrauding COVID Relief Programs**

Defendant	Role	Most Recent Action	District
James Bergeron	Business Owner	Charged by indictment with: wire fraud; false statements in a loan application; money laundering; money laundering concealment	Western District of Texas

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Three Sentenced in COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Arlen Encarnacion	Participant	Sentenced to: 33 months in prison; three years supervised release; ordered to pay \$2,176,017 in restitution, joint and several, and \$1,683,883 in forfeiture	District of New Jersey
Kent Encarnacion	Participant	Sentenced to: three years of probation; ordered to pay \$156,442 in restitution, joint and several, and forfeiture	District of New Jersey
Jacquelyn Pena	Participant	Sentenced to: three years of probation including six months home confinement; ordered to pay \$169,280 in restitution, joint and several, and forfeiture	District of New Jersey

Business Owner Pleaded Guilty in \$1.7 Million PPP Loan Fraud Scheme			
Defendant	Role	Most Recent Action	District
Darryl Isom-Young	Business Owner	Charged by information and pleaded guilty to: conspiracy to commit bank fraud; money laundering	District of New Jersey

Four Pleaded Guilty and Six Charged in COVID Relief Fraud Scheme			
Defendant	Role	Most Recent Action	District
Frederick Smith	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee
Brian Mays	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee
Mary Payne	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee
Krystal Sherrod	Participant	Pleaded guilty to: wire fraud	Western District of Tennessee
Rodrick Flowers	Participant	Charged by indictment with: wire fraud	Western District of Tennessee
Stephen Brown	Participant	Charged by indictment with: wire fraud	Western District of Tennessee
LaTonya Herman	Participant	Charged by indictment with: wire fraud	Western District of Tennessee
Jarvys Jones	Participant	Charged by indictment with: wire fraud	Western District of Tennessee

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Diane Moss	Participant	Charged by indictment with: wire fraud	Western District of Tennessee
Cleveland Wells	Participant	Charged by indictment with: wire fraud	Western District of Tennessee

**Conspirator Pleaded Guilty to Fraudulently Obtaining Over \$1.5 Million in COVID Relief Funds**

Defendant	Role	Most Recent Action	District
Joao Mendes	Participant	Pleaded guilty to: wire fraud	District of Massachusetts

**Restitution Ordered Against Business Owner for COVID Relief Fraud Scheme**

Defendant	Role	Most Recent Action	District
Andrew Marnell	Business Owner	Ordered to: pay \$5,627,076 in restitution	Central District of California

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## OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities, for the Period October 1, 2023, through March 31, 2024

### Reports; Referrals to Federal, State, and Local Prosecuting Authorities; Prosecutions; and Convictions: October 1, 2023 – March 31, 2024\*

Investigative Reports**	21
Criminal Referrals to the Department of Justice	61
Criminal Referrals to State and Local Prosecuting Authorities	4
Indictments and Informations during the Reporting Period that Resulted from Referrals to Prosecutors during Prior Reporting Periods	36
Total Indictments and Informations during the Reporting Period Resulting from OIG Referrals	45
Trials	1
Defendants Tried	2
Convictions / Pleas	33
Sentencings	52

\* All criminal charges and successive actions (pleas/convictions/sentencings) are supported with documents filed with the corresponding federal or state court, including non-public (sealed) documents. All referrals made to the Department of Justice and to state prosecutors are captured within each investigative file; these actions are tabulated via a statistical report run in OIG’s case management system. Criminal referrals on this chart include both individuals and entities.

\*\* For the purposes of this table, an investigative report is defined as the Report of Investigation finalized at the conclusion of an investigation, prior to case closure.

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## Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation<sup>3</sup>

Pursuant to the IG Act, Sections 5(a)(13), (14), (16)(B), and 5(g), OIG is required to report certain information regarding (1) investigations involving senior government employees and (2) government officials found to have engaged in whistleblower retaliation. In this section, OIG also reports on the results of Hotline complaints and administrative inquiries involving the above.

Sections 5(a)(13) and 5(g) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving a senior government employee when allegations of misconduct were substantiated. OIG does not have reportable information for this period.

Sections 5(a)(14) and 5(g) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on any instance of whistleblower retaliation, including information about an official found to have engaged in retaliation. OIG does not have reportable information for this period.

Sections 5(a)(16)(B) and 5(g) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving a senior government employee that is closed and was not disclosed to the public. OIG does not have reportable information for this period.

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<sup>3</sup> This portion of the Semiannual Report to Congress shows the IG Act Section 5 semiannual report requirements as amended by Pub. L. No. 117-263, §§ 5235(1), 5273(2) (Dec. 23, 2022).

# Peer Reviews

## OIG Peer Review Results

Peer Review Results	Date Reported
<p><b>Office of Audits:</b> The most recent peer review was conducted by the National Aeronautics and Space Administration OIG. OIG received an external peer review rating of pass, the highest rating an audit organization can receive.</p>	<p>September 21, 2022</p>
<p><b>Office of Evaluations and Office of Compliance:</b> The most recent peer review of the Office of Evaluations and the Office of Compliance was conducted by the Treasury Inspector General for Tax Administration (TIGTA), which issued a final report on September 8, 2022. TIGTA determined that Office of Evaluations and Office of Compliance policies were generally consistent with the applicable Blue Book standards addressed by the peer review team. This is the highest rating under applicable peer review standards. In addition, the peer review team found that all four of the reports it reviewed generally complied with Blue Book standards.</p>	<p>September 8, 2022</p>
<p><b>Office of Investigations:</b> The most recent peer review of our investigative function was conducted by the General Services Administration (GSA) OIG. GSA-OIG issued an Opinion Letter and a Letter of Observations detailing the results of its review. In the Opinion Letter, GSA-OIG reported that OIG’s system of internal safeguards and management procedures for our investigative function is in compliance with the quality standards established by CIGIE and the applicable Attorney General guidelines. In the Letter of Observations, GSA-OIG recognized OIG for employing three “best practices” in its investigative operations.</p>	<p>July 5, 2023</p>

## Outstanding Recommendations from Any Peer Review of OIG

OIG has no outstanding recommendations from any peer reviews.

## Peer Reviews Conducted by OIG and Outstanding Recommendations

OIG did not conduct any peer reviews during this period and there are no outstanding recommendations from peer reviews conducted by OIG.

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# Outreach

## Public and Private Partnerships, Outreach, and Communications

OIG prioritizes outreach and engagement to communicate its mission and work to members of Congress and to the public and to actively participate in government-wide oversight community activities. We continue to forge public and private partnerships to address fraud and coordinate oversight activities.

Highlights of our efforts during this reporting period include the following:

### Congress

To fulfill its mission, OIG works closely with Congress and is committed to keeping it fully apprised of our oversight of FHFA. During this semiannual reporting period, OIG provided information on OIG work to congressional staff.

### Hotline

The OIG Hotline serves as a vehicle through which employees of the Agency, the Enterprises, the FHLBanks, and members of the public can report suspected fraud, waste, abuse, mismanagement, or misconduct in Agency programs and operations. The Hotline is managed by OIG’s Office of Investigations, and potential criminal violations are investigated by that office. Potential civil or administrative matters are referred to the appropriate OIG operating division for review and appropriate follow-up. During this reporting period, 1,437 discrete contacts to the Hotline were made involving tips, complaints, and referrals. This included 268 separate complaints logged by the Hotline.

For more information about OIG’s Hotline, including OIG contact information, see <https://www.fhfaig.gov/ReportFraud>.

## Coordinated Oversight Activities and Professional Organizations

During the reporting period, OIG maintained active participation in coordinated oversight activities and professional organizations, including the following:

### Council of the Inspectors General on Integrity and Efficiency

OIG actively participates in various CIGIE committees and working groups, including the Audit Committee, the Inspection and Evaluation Committee, the Investigations Committee, and the Integrity Committee. OIG also actively supports CIGIE’s efforts to work collaboratively with

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international partners to counter fraud targeting the public sector through its participation in the International Public Sector Fraud Forum (IPSFF). The IPSFF consists of representatives from the governments of Australia, Canada, New Zealand, the United Kingdom, and the United States. The Forum aims to collectively share best and leading practices in fraud risk management, specifically relating to fraud schemes that target the public sector.

### **Council of Inspectors General on Financial Oversight**

The Council of Inspectors General on Financial Oversight (CIGFO) was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to oversee the Financial Stability Oversight Council (FSOC), which is charged with identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the U.S. financial system.

The FHFA IG is a statutory member of CIGFO, along with the IGs of the Department of the Treasury, Federal Deposit Insurance Corporation, Securities and Exchange Commission, and others. By statute, CIGFO may convene working groups to evaluate the effectiveness and internal operations of FSOC.

Additionally, in accordance with the Act, CIGFO issues an annual report to FSOC and to Congress that includes (1) a section by each member IG that highlights the concerns and recommendations of the IG based on ongoing and completed work, with a focus on issues that may apply to the broader financial sector; and (2) a summary of the general observations by the Council with a focus on measures that should be taken to improve financial oversight.

CIGFO’s annual report for 2023, issued in July 2023, is available on its [website](#) and [Oversight.gov](#).

Additionally, OIG leadership and staff serve in various significant public and private professional organizations supporting CIGIE, CIGFO, and the federal community.

## **Law Enforcement Outreach**

### **Federal Bureau of Investigation Cybercrimes Task Force**

The FBI’s Washington, D.C., field office spearheads a multiagency cybercrimes task force, and OIG assigns special agents to assist with task force law enforcement activities. OIG makes these assignments to help combat cybercrimes and to work in partnership with multiple federal agencies. This concerted effort helps prosecute cybercriminals and stop cyberattacks made against institutions maintaining personally identifiable information, trade secrets, and financial data.

### **Public Awareness of OIG’s Law Enforcement Mission**

During this reporting period, OIG delivered 21 fraud awareness briefings to diverse audiences to raise awareness of its law enforcement mission and fraud schemes targeting FHFA programs.

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### **Public-Private Partnerships**

Housing finance professionals are on the frontlines and often have a real-time understanding of emerging threats and misconduct. OIG speaks with officials at the Enterprises and the FHLBanks regularly to benefit from their insights. OIG also makes presentations to academic and industry groups.

### **Coordination Among Law Enforcement Agencies**

OIG has developed ongoing and close working relationships with other law enforcement agencies, including: Department of Justice and U.S. Attorneys’ offices; FBI; Department of Housing and Urban Development OIG; Federal Deposit Insurance Corporation OIG; Internal Revenue Service—Criminal Investigation; Small Business Administration OIG; the U.S. Trustee Program (nationwide); Financial Crimes Enforcement Network; state attorneys general; and other federal, state, and local law enforcement agencies nationwide.

## **Other Inspector General Act Reporting Requirements**

### **FHFA’s Refusal to Provide Information and Attempts to Interfere with OIG Independence**

OIG has no instances to report for this period, therefore, we also have no related reports to the Agency head.

### **Federal Financial Management Improvement Act of 1996**

For the semiannual reporting period ending March 31, 2024, Section 5(a)(7) of the IG Act did not apply to the Agency or OIG.<sup>4</sup>

## **Review of Legislation and Regulations**

OIG, through its Office of Counsel, stays up to date on all applicable proposed legislation that is publicly available or disseminated by the CIGIE Legislation Committee. When appropriate, OIG comments on enacted law or proposed legislative matters relating to FHFA’s programs and operations. OIG’s Office of Counsel also reviews all proposed regulations pertaining to FHFA and provides recommendations when appropriate.

<sup>4</sup> This paragraph reflects the IG Act Section 5 semiannual report requirement as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

# Index of Information Required by the Inspector General Act

The IG Act provides that OIG shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing our activities during the immediately preceding six-month periods ending March 31 and September 30.

Below is a table directing the reader to the pages of this report on which various information required by the IG Act is provided.

Source/Requirement <sup>5</sup>	Pages
Section 404(a)(2) – Review of legislation and regulations.	60
Section 5(a)(1) – A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA and associated reports and recommendations for corrective action made by OIG.	4-20
Section 5(a)(2) – An identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.	10-29
Section 5(a)(3) – A summary of significant investigations closed.	32-33
Section 5(a)(4) – An identification of the total number of convictions resulting from investigations.	3, 55
Section 5(a)(5) – Information regarding each audit, inspection, or evaluation report issued, including a listing of each audit, inspection, or evaluation, and if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made.	7-10
Section 5(a)(6) – Information regarding any management decision made this period with respect to any audit, inspection, or evaluation issued during a previous reporting period.	10
Section 5(a)(7) – The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	60

<sup>5</sup> This table shows the IG Act Section 5 semiannual report requirements as amended by Pub. L. No. 117-263, § 5273(2) (Dec. 23, 2022).

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Source/Requirement <sup>5</sup>	Pages
Section 5(a)(8) – An appendix containing the results of any peer review conducted by another IG; or the date of the last peer review if no peer review was conducted during the reporting period.	57
Section 5(a)(9) – A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	57
Section 5(a)(10) – A list of any peer reviews of another IG during the reporting period, including a list of any outstanding recommendations made from any previous peer review that remain outstanding or have not been fully implemented.	57
Section 5(a)(11) – Statistical tables showing, for the reporting period, the total number of: investigative reports issued; persons referred to the Department of Justice for criminal prosecution; persons referred to State and local prosecuting authorities for criminal prosecution; and indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	55
Section 5(a)(12) – A description of the metrics used for developing the data for the statistical tables under the prior paragraph.	55
Section 5(a)(13) – A report on each investigation conducted by OIG where allegations of misconduct were substantiated involving a senior Government employee or senior official, including the name of the senior Government employee, if already made public by OIG, a detailed description of the facts and circumstances of the investigation, and the status and disposition of the matter.	56
Section 5(a)(14) – A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences FHFA imposed to hold that official accountable.	56
Section 5(a)(15) – A detailed description of any attempt by FHFA to interfere with the independence of OIG, including with budget constraints designed to limit OIG’s capabilities, and incidents where FHFA has resisted or objected to OIG oversight activities or restricted or significantly delayed access to information; and a summary of each report made to the FHFA head under section 6(c)(2).	60
Section 5(a)(16) – Detailed descriptions of the particular circumstances of each inspection, evaluation, and audit conducted by OIG that is closed and was not disclosed to the public; and each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	10, 56

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# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

## SEMIANNUAL REPORT TO THE CONGRESS

October 31, 2023, through March 31, 2024

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