



FHFA Compliance Plan for OMB Memorandum M-24-10

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PURPOSE

The [AI in Government Act of 2020](#) and [OMB Memorandum M-24-10, Advancing Governance, Innovation, and Risk Management for Agency Use of Artificial Intelligence](#), direct each Federal agency to submit to the Office of Management and Budget (OMB), and post publicly on its website, either a plan to achieve consistency with M-24-10 or a written determination that the agency does not use and does not anticipate using covered Artificial Intelligence (AI).

This AI Compliance Plan outlines how the Federal Housing Finance Agency (FHFA) will achieve consistency with and comply with M-24-10 to ensure the responsible and ethical use of AI within the Agency while advancing and remaining in alignment with our mission to ensure that Fannie Mae and Freddie Mac (the "Enterprises") and the FHLBanks (together, "the regulated entities") fulfill their own missions by operating in a safe and sound manner to serve as a reliable source of liquidity and funding for housing finance and community investment. It contains the minimum information required to satisfy Section 3(a)(iii) of M-24-10 and Section 104(c) of the AI in Government Act.

1. STRENGTHENING AI GOVERNANCE

Establishing governance structures to provide a clear and structured approach to managing AI activities within FHFA is essential to ensuring that all aspects of AI are used responsibly through oversight and effective implementation.

FHFA has taken several steps to ensure consistency with OMB Memorandum M-24-10.

Designating a Chief AI Officer

Section 3(a)(i) of the OMB Memorandum M-24-10 requires, within 60 days of issuance of the memorandum, heads of each agency to designate Chief AI Officers to coordinate the use of AI across their agencies.

On April 9, 2024, FHFA appointed its Chief AI Officer (CAIO), Tracy Stephan. The appointment of FHFA's CAIO satisfies the requirements in Section 3(b) of OMB Memorandum M-24-10. FHFA identified its officer to OMB through OMB's Integrated Data Collection process, consistent with Section 3(a)(i) of OMB Memorandum M-24-10.

Governance Bodies

FHFA proactively chartered an AI Steering Committee on March 27, 2024, to coordinate and organize responsible use of AI across the agency. The AI Steering Committee is chaired by the CAIO and has representation from the following Divisions and Offices:

- Office of the Director

- Office of Congressional Affairs and Communications
- Division of Federal Home Loan Bank Regulation
- Division of Enterprise Regulation
- Division of Housing Mission and Goals
- Division of Public Interest Examinations
- Division of Research and Statistics
 - Office of the Chief Data Officer
- Division of Conservatorship Oversight and Readiness
- Division of Accounting and Financial Standards
- Division of Inclusivity, Culture, and Equity
- Office of General Counsel
- Office of the Chief Operating Officer
 - Office of Technology and Information Management
 - Office of Planning, Performance, and Risk
 - Office of Budget and Financial Management
 - Office of Human Resources Management

The purpose of the AI Steering Committee is to ensure FHFA makes strategic decisions (e.g., policies, strategic plans, investments) and tactical decisions (e.g., procedures, standards, controls) concerning AI in a coordinated, collaborative, and informed manner in furtherance of FHFA’s mission and goals. The AI Steering Committee accomplishes this purpose by serving as a forum for discussion and review, and by making recommendations to the Director and other senior Agency officials with respect to AI matters.

There are several expected outcomes of the AI Steering Committee. They include helping FHFA responsibly use AI to achieve its goals across supervisory, regulatory, housing mission oversight, research, policy, and support areas, while also mitigating risks to FHFA’s data, computer systems, reputation, and mission. The Committee also ensures that the exploration and use of AI internally to FHFA occurs in accordance with Executive Order 14110, OMB Memorandum M-24-10, and other applicable laws, regulations, and good practices.

The AI Steering Committee is non-decision making. The AI Steering Committee supports the CAIO’s role in coordinating use of AI, promoting responsible innovation, and managing risks from AI.

AI Steering Committee meetings occur at least quarterly, and more frequently as determined necessary by the Chair. Topics vary, but are aligned to AI governance, risk management, and responsible innovation.

Compliance Plans

Section 3(a)(iii) of the OMB Memorandum M-24-10 requires, within 180 days of issuance of the memorandum and every two years thereafter until 2036, that each agency submit to OMB and

post publicly on the agency’s website either a plan to achieve consistency with this memorandum, or a written determination that the agency does not use and does not anticipate using covered AI.

The submission of this document and its publication to FHFA.gov/ai serves to satisfy this required action.

AI Use Case Inventories

Section 3(a)(iv) of the OMB Memorandum M-24-10 requires that each agency must individually inventory each of its AI use cases at least annually, submit the inventory to OMB, and post a public version on the agency’s website.

The creation and maintenance of [FHFA's AI Use Case Inventory](#) is essential to ensuring that FHFA comprehensively understands where and how AI technologies are utilized across the agency. For the purposes of this inventory, OMB Memorandum M-24-10 defines an AI use case as the specific scenario in which AI is designed, developed, procured, or used to advance the execution of agencies' missions and their delivery of programs and services, enhance decision making, or provide the public with a particular benefit. This inventory process allows us to manage AI deployments effectively, ensuring alignment with ethical standards and regulatory requirements.

In accordance with the [2023 National Defense Authorization Act](#) (NDAA) and [Executive Order 13960, “Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government,”](#) which requires agencies to prepare an inventory of non-classified and non-sensitive current and planned AI use cases, FHFA released its initial AI Use Case Inventory on August 24, 2023.

Process for Soliciting and Collecting AI Use Cases

FHFA is currently developing a process for soliciting and collecting current AI use cases across all Divisions and Offices, consistent with Section 3(a)(iv) and Section 3(a)(v) of OMB Memorandum M-24-10. This process will rely on the AI Steering Committee, which has representation from across FHFA. Committee members are to be provided with the definitions of AI, rights-impacting AI, and safety-impacting AI. They will be responsible for surveying their respective Divisions and Offices for AI use cases, collecting the required information, and identifying AI use cases that are safety-impacting or rights-impacting. FHFA’s Office of Financial Technology (OFT) will collate the use case information and review for accuracy, completeness, and consistency with OMB requirements.

Process for Annual Review and Validation

FHFA is committed to revisiting and validating the AI use cases in our inventory annually to ensure accuracy and relevance. This process includes:

- **Annual Reviews:** Conducting annual reviews of the AI use case inventory to identify any changes or updates needed.
- **Validation Criteria:** Establishing predefined criteria to reassess use cases and determine whether previously excluded cases should be included or whether any new cases meet the exclusion criteria.

Ensuring Comprehensive and Complete Inventory

To ensure that our AI use case inventory is comprehensive and complete, FHFA employs several strategies including:

- **AI Steering Committee:** As described above, FHFA leverages the AI Steering Committee, which has representation from across the agency, to collect AI use cases.
- **Documentation and Tracking:** Maintain documentation and track all AI use cases to ensure they are accurately represented in the inventory.

Criteria for Excluding Use Cases from Inventory

Working as needed with the AI Steering Committee and the AI use case owners, the CAIO and OFT will review all AI use cases collected from across FHFA and determine which AI use cases meet the criteria for exclusion as outlined in Section 1(c) and 1(d) of the [Guidance for 2024 Agency Artificial Intelligence Reporting per Executive Order 14110](#).

2. ADVANCING RESPONSIBLE AI INNOVATION

At FHFA, we are committed to fostering an environment where AI technologies can be developed and deployed responsibly. Leveraging AI's potential to enhance our operations and ensuring that such advancements align with ethical standards and regulatory requirements is one way of advancing responsible AI innovation.

Removing Barriers to the Responsible Use of AI

FHFA relies heavily on information technology (IT) and data. IT enables us to process and understand the massive amounts of data and complex economic models vital to developing insights about the regulated entities' impact on the mortgage market and the effects of the mortgage market on families, communities, and the broader economy. IT also helps us create safer, faster, and more efficient agency operations and share our data and information with other government agencies and research organizations.

- **IT and Data Infrastructure**

As laid out in FHFA's FY2024-2026 [Information Resources Management Plan](#), FHFA is working to modernize its IT and data infrastructure to better accommodate and integrate AI technologies, reducing technical difficulties and fostering innovation. FHFA

is working to improve data management practices, implementing standardized protocols to ensure data quality and consistency, which are essential for effective AI deployment.

FHFA also values our workforce and will continue to invest in professional development as we modernize our architecture.

We foresee several actions to remove barriers to responsible innovation:

- **Barrier Identification:** Conduct comprehensive reviews to identify barriers to AI adoption, including issues related to data access, technical infrastructure, and organizational readiness.
- **Mitigation Strategies:** Develop and implement strategies to address these barriers, such as enhancing data governance frameworks, investing in AI infrastructure, and providing targeted staff training.
- **Resource Allocation:** Ensuring necessary resources, including software tools, open-source libraries, and deployment and monitoring capabilities, support responsible AI use.

AI Talent

FHFA plans to offer AI training to its internal staff through a blend of tailored educational programs and government-specific initiatives. The plan includes leveraging existing government-sponsored programs, such as the GSA's training resources and the Federal Learning Network, to provide targeted AI education. These programs include workshops and courses designed to address the unique needs and regulatory contexts of government agencies, ensuring that the training is both relevant and applicable. Additional FHFA specific training opportunities such as our internal speaker series, TechTalks, with external speakers and annual TechSprints are also offered through OFT.

Building and maintaining a skilled AI workforce is crucial for advancing responsible AI innovation. FHFA is currently working to identify resource needs as part of its multi-year workforce planning activities.

AI Sharing and Collaboration

FHFA does not currently share any code, models, or data produced by AI with the public. In the event that it is deemed appropriate to share code, models, or data produced by AI with the public, they would be shared consistent with Section 4(d) of M-24-10 and recommended through the AI Steering Committee.

Harmonization of Artificial Intelligence Requirements

FHFA actively promotes the dissemination and implementation of best practices in AI. To ensure a consistent and unified approach to AI governance, innovation, and risk management, we have taken steps to harmonize AI requirements across the agency:

- **Documentation of Best Practices:** Documenting and sharing best practices regarding AI governance, innovation, and risk management to ensure they are consistently applied.
 - Establishment of the AI Steering Committee to ensure coordination and collaboration across the agency.
 - FHFA's OFT publishes an internal biweekly newsletter which includes AI trends and developments.
 - OFT is also developing an internal site where detailed documentation, guidelines, and case studies on AI practices will be regularly updated and accessible to FHFA employees.
- **Interagency Coordination:** Engaging in interagency coordination efforts to align our AI strategies and policies with other federal agencies, promoting a coherent and collaborative approach to AI use.
 - FHFA's Chief AI Officer participates in the CAIO Council and related working groups.
 - FHFA's Chief AI Officer participates in monthly meetings with other Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) agencies, to exchange knowledge and foster collaborative approaches to AI integration and oversight.
 - To similar ends, FHFA's Presidential Innovation Fellow also engages with other AI cohort innovation fellows through the GSA.

3. MANAGING RISKS FROM THE USE OF ARTIFICIAL INTELLIGENCE

Currently, FHFA does not have any AI use cases that it deems safety-impacting or rights-impacting per definitions in Section 6 of OMB Memorandum M-24-10. As part of the use case inventory process development, we will be ensuring that each current and planned AI use case undergoes a thorough review to assess whether it matches the definitions of safety-impacting or rights-impacting AI defined in Section 6 of OMB Memorandum M-24-10.

FHFA's Office of Planning, Performance, and Risk (OPPR) is currently in the process of developing an AI Risk Profile for the agency. That work will include the identification of novel risks or increased risks due to the increased use of the technology. The AI Risk Profile will be vetted with the Agency's risk owners and the AI Steering Committee prior to presenting to the Agency's senior leadership for review and approval. Risk mitigation actions involving Agency policy recommendations would be reviewed by the AI Steering Committee and any recommendations would be taken to the senior Agency leadership.