FEDERAL HOUSING FINANCE AGENCY

FY 2024 Performance and Accountability Report


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FAIRNESS • ACCOUNTABILITY • INTEGRITY • RESPECT
VALUES
FEDERAL HOUSING FINANCE AGENCY
FHFA

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Message from the Director

The Federal Housing Finance Agency is committed to ensuring our nation's housing finance system is stable and strong and promotes access, equity, sustainability, and affordability for homeowners and renters. I am pleased to present this Fiscal Year (FY) 2024 Performance and Accountability Report that demonstrates how we ensure the financial strength of our regulated entities, and describes steps we have taken to promote equitable access to housing opportunities.

To execute our mission, over the past year we have refined our risk-based supervision of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) — together, the Enterprises — and the Federal Home Loan Bank (FHLBank) System; taken steps to improve how they serve the public interest; and developed processes and reforms to enable the housing finance system to keep pace with shifts in the mortgage and financial markets.

The attached financial statements, analysis, and other findings assess how well FHFA is performing as the regulator and conservator of the Enterprises and as the regulator of the FHLBank System. This report, complying with the Government Performance and Results Modernization Act, evaluates FHFA's progress toward meeting the goals in FHFA's **FY 2022 – 2026 Strategic Plan**. The Agency's financial and performance data contained in this report are reliable and complete in accordance with Office of Management and Budget Circulars A-123 and A-136.

The goals outlined in the strategic plan are:

1) Secure the safety and soundness of FHFA's regulated entities;
2) Foster housing finance markets that promote equitable access to affordable and sustainable housing; and
3) Responsibly build and maintain FHFA's infrastructure.

A secure housing finance system supporting fair and equitable housing is pivotal amid persistent affordability challenges. Home prices have remained elevated due to robust demand coupled with limited availability of homes for sale. In addition, interest rates remain well above the historic lows observed during the COVID-19 pandemic. Despite these pressures, the secondary mortgage market remains healthy and strong. Our accomplishments include enhancing risk-based capital requirements; taking steps to modernize the FHLBanks; finalizing a rule to address housing barriers in underserved communities; creating a new division focused on public interest examinations; revising loan modification programs for borrowers with hardships to ensure meaningful payment reductions; and hosting a second TechSprint event exploring the benefits and risks of artificial intelligence in supporting the housing finance system.

Risk-Based Supervision

Ensuring our regulated entities are safe and sound requires a continuous effort to identify, assess, and address risks. FHFA's comprehensive oversight framework includes targeted and annual risk-based examinations of the regulated entities' operations and financial condition, homing in on how they manage credit, financial model, technology, counterparty, cybersecurity, and other risks. During the fiscal year, our regulated entities served as vital sources of stable liquidity for borrowers and financial institutions navigating a challenging housing market. The FHLBanks remain profitable. Reflecting our work to ensure their financial strength, the Enterprises now have a combined net worth of approximately $140 billion, while their books of business reflect historically low delinquency rates and high levels of borrower equity. The Enterprises also have effective programs to transfer a portion of their credit risk to private investors.

To bolster our risk-based oversight framework, in FY 2024 we issued an advisory bulletin on how the Enterprises report operational loss events, a final rule enhancing the Enterprise Regulatory Capital Framework, guidance to the Enterprises on high-level climate risk management expectations, guidance to the FHLBanks on considering climate risk in decision-making, and guidance regarding how the FHLBanks evaluate members' creditworthiness and provide advances to troubled institutions in a safe and sound manner.

FHLBank System at 100

FHFA began implementing recommendations from the *FHLBank System at 100: Focusing on the Future* report, a road map for ensuring the FHLBank System provides stable and reliable liquidity for housing and community development in a safe and sound manner. The Agency's report — derived from the first comprehensive review of the FHLBank System in decades — sets forth a multi-pronged agenda for FHLBank reforms leading up to the System's 2032 centennial. The goal is to ensure the FHLBanks remain well-positioned to meet the needs of their members and the communities they serve for years to come.

Among initial steps to act on the recommendations, FHFA issued a Request for Input in May to inform a future rulemaking clarifying the System's mission. FHFA also hosted a symposium in June that identified opportunities and challenges associated with improving access to the FHLBank System for non-depository Community Development Financial

Institutions. In September, FHFA issued a proposed rule to allow flexibility in the FHLBanks' intraday liquidity management and an advisory bulletin on FHLBank member credit risk management. Earlier, in March 2024, the Agency released guidance on how cooperativas — credit unions chartered in Puerto Rico — should be classified when determining eligibility for FHLBank membership.

Fair and Equitable Housing Finance

A fair, healthy, and sustainable housing finance system is one in which all creditworthy borrowers across market segments — including the underserved — can participate. To address barriers to sustainable housing opportunities for underserved communities, the Enterprises must each publish an Equitable Housing Finance Plan with actions and goals to benefit those who have been shut out of the system. In April, FHFA finalized a rule that, among other things, strengthened accountability and transparency in these Plans. The rule also codified FHFA practices dealing with fair lending and fair housing oversight and established procedures for enforcing the legal ban on unfair or deceptive acts or practices.

Division of Public Interest Examinations

In addition to promoting the safety and soundness of the regulated entities, FHFA is also obligated by statute to ensure they operate in the public interest. To maintain a sustained and direct focus on this obligation, the Agency centralized its public interest-related examination activities. The new Division of Public Interest Examinations, announced in April, enhances the synergy between preexisting examination programs by consolidating supervisory functions that address affordable housing, community development, diversity and inclusion, consumer protection, and fair lending.

Foreclosure Prevention

FHFA also worked with the Enterprises to enhance their Flex Modification programs, which provide eligible homeowners experiencing a long-term hardship with a targeted 20 percent payment reduction. These programs have supported sustainable homeownership for struggling borrowers — with the Enterprises having completed over half a million modifications — since 2017. Under the Flex Modification changes announced in May, more borrowers facing financial hardships will be eligible for meaningful payment reductions.

Generative Artificial Intelligence (AI) TechSprint

A primary priority of the Agency over the past several years has been to explore the potential for technology to address long-standing and emerging challenges in housing finance. Central to this effort, we have launched annual TechSprints which bring together experts with diverse skillsets to propose and advance technology-based solutions to industry challenges. Following the success of the 2023 TechSprint focused on how best to utilize data digitization, the July 2024 TechSprint explored the potential of leveraging generative AI. The goal was to advance the responsible exploration and use of this emerging technology in the housing finance industry while identifying, understanding, and mitigating the associated risks.

New Data Resources

FHFA remains committed to transparency and continuing to serve as a reliable information resource on housing and mortgage lending. During FY 2024, the Agency released new datasets, including appraisal-level data that allows stakeholders to analyze home valuation, housing market disparities, and other trends. In October 2024, FHFA released a new quarterly House Price Index for manufactured homes. We also developed and released public online dashboards — utilizing the Tableau data visualization software — to present information from resources such as FHFA's Public Use Databases, National Mortgage Database, and Uniform Appraisal Dataset in a more accessible way, assisting users in better analyzing and understanding key trends. This includes a dashboard estimating physical risks from natural disasters along with other housing and mortgage data. A separate data visualization dashboard offers users a more accessible way to view and understand data on multifamily units, properties, and mortgages.

Conclusion

At FHFA, we are proud of our accomplishments over the past year and look forward to continuing our work to address our nation's housing challenges. The housing and mortgage markets continue to evolve in meaningful ways in response to changing risks and economic pressures. Our regulated entities will continue to work with stakeholders to develop solutions and explore new technological approaches to address affordability challenges. We will continue our work to ensure the housing finance system remains strong, stable, and fair, providing equitable access to housing opportunities in a safe and sound manner.

Sincerely,

SANDRA L. THOMPSON
Director, Federal Housing Finance Agency
November 8, 2024

Photo courtesy of Fannie Mae

FHFA's MISSION, VISION, AND VALUES[1]

MISSION

Ensure the regulated entities fulfill their mission by operating in a safe and sound manner to serve as a reliable source of liquidity for equitable and sustainable housing finance and community investment throughout the economic cycle.

VISION

For FHFA's supervisory, regulatory, and mission-related activities to support a reliable, stable, equitable, and liquid U.S. housing finance system.

VALUES

FHFA's culture is built on a foundation of competence, diversity, equity, and inclusion. Accordingly, FHFA employees emulate the following values:

FAIRNESS We value varied perspectives and thoughts and treat others with impartiality.

ACCOUNTABILITY We are responsible for carrying out our work with transparency and professional excellence.

INTEGRITY We are committed to the highest ethical and professional standards to inspire trust and confidence in our work and in one another.

RESPECT We treat others with dignity, share information and resources, and collaborate.

[1] https://www.fhfa.gov/sites/default/files/documents/FHFA_StrategicPlan_2022-2026_Final.pdf.

List of Abbreviations

Abbreviation	Description
AB	Advisory Bulletin
AHP	Affordable Housing Program
AI	Artificial Intelligence
APP	Annual Performance Plan
ARCC	Audit, Risk, and Control Committee
AVM	Automated Valuation Models
Bank Act	Federal Home Loan Bank Act
CAMELSO	Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk
CDFI	Community Development Financial Institution
CFPB	Consumer Financial Protection Bureau
CRT	Credit Risk Transfer
CSP	Common Securitization Platform
CSS	Common Securitization Solutions, LLC
CY	Calendar Year
D&I	Diversity and Inclusion
DAFS	Division of Accounting and Financial Standards
DBR	Division of Federal Home Loan Bank Regulation
DCOR	Division of Conservatorship Oversight and Readiness
DEIA	Diversity, Equity, Inclusion, and Accessibility
DER	Division of Enterprise Regulation
DHMG	Division of Housing Mission and Goals
DICE	Division of Inclusivity, Culture, and Equity
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DPIE	Division of Public Interest Examinations
DRS	Division of Research and Statistics
DTS	Duty to Serve
ECIC	Executive Committee on Internal Controls
ERCF	Enterprise Regulatory Capital Framework
FAIR	Fairness, Accountability, Integrity, and Respect
Fannie Mae	Federal National Mortgage Association
FASAB	Federal Accounting Standards Advisory Board
FEVS	Office of Personnel Management's Federal Employee Viewpoint Survey
FHFA	Federal Housing Finance Agency
FHFA HPI®	FHFA House Price Index®
FHLBank	Federal Home Loan Bank
Fintech	Financial Technology
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management System
Fiscal Service	Bureau of the Fiscal Service
Freddie Mac	Federal Home Loan Mortgage Corporation
FY	Fiscal Year
GAO	U.S. Government Accountability Office

Abbreviation	Description
GAO Green Book	GAO Standards for Internal Control in the Federal Government
HFA	Housing Finance Agency
HERA	Housing and Economic Recovery Act of 2008
HUD	U.S. Department of Housing and Urban Development
IRM	Information Resources Management
IT	Information Technology
LIHTC	Low-Income Housing Tax Credit
MBS	Mortgage-Backed Security
MRA	Matter Requiring Attention
MVE	Market Value of Equity
MWOB	Minority- and Women-Owned Business
N/A	Not Available
NMDB®	National Mortgage Database
NSMO	National Survey of Mortgage Originations
OCAC	Office of Congressional Affairs and Communications
OCOO	Office of the Chief Operating Officer
OD	Office of the Director
OF	Office of Finance (of the Federal Home Loan Bank System)
OGC	Office of General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPPR	Office of Planning, Performance, and Risk
PAR	Performance and Accountability Report
PIIA	Payment Integrity Information Act of 2019
PSPA	Preferred Stock Purchase Agreement
PUDB	Public Use Database
PVCS	Par Value of Capital Stock
Q	Quarter
RCV	Replacement Cost Value
RFI	Request For Input
ROE	Report of Examination
ROV	Reconsideration of Value
Safety and Soundness Act	Federal Housing Enterprises Financial Safety and Soundness Act of 1992
SAT	Senior Assessment Team
SDQ	Seriously Delinquent
SEC	U.S. Securities and Exchange Commission
T2H	Time-to-Hire
Treasury	U.S. Department of the Treasury
UAD	Uniform Appraisal Dataset
UDAP	Unfair and Deceptive Acts or Practices
U.S.C.	United States Code
U.S. GAAP	U.S. Generally Accepted Accounting Principles

MANAGEMENT'S DISCUSSION AND ANALYSIS

Photo courtesy of Fannie Mae

About the Federal Housing Finance Agency

Background on FHFA's Statutory Obligations

The Federal Housing Finance Agency (FHFA) was established by the Housing and Economic Recovery Act of 2008 (HERA), which amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act). The Agency is responsible for the effective supervision, regulation, and mission oversight of the Federal National Mortgage Association (Fannie Mae); the Federal Home Loan Mortgage Corporation (Freddie Mac); Common Securitization Solutions, LLC (CSS), a platform handling mortgage-backed securities for Fannie Mae and Freddie Mac; and the Federal Home Loan Bank System, which includes 11 Federal Home Loan Banks (FHLBanks) and the FHLBanks' joint Office of Finance (OF). FHFA's mission is to ensure that Fannie Mae, Freddie Mac, and the FHLBanks (together, the regulated entities[1]) fulfill their mission by operating in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance and community investment throughout the economic cycle. Since September 6, 2008, FHFA has also served as the conservator of Fannie Mae and of Freddie Mac (together, the Enterprises).

Regulator

The Safety and Soundness Act, as amended by HERA, assigns to FHFA regulatory oversight of the Enterprises and the FHLBank System.[2] The statute vests FHFA with the authorities, similar to those of other prudential financial regulators, to maintain the financial health of the regulated entities. FHFA is responsible for supervising the business and operations of the regulated entities to ensure that they are safe and sound and aligned with the missions set forth in their authorizing statutes. FHFA exercises these regulatory and supervisory authorities by issuing rules, policy guidance documents, and regulatory orders.

Specifically, the statute requires FHFA, among other things, to ensure that each regulated entity operates in a safe and sound manner with adequate capital and internal controls; conducts activities in the public interest; complies with and engages only in activities allowed by their authorizing statutes; and fosters liquid, efficient, competitive, and resilient housing markets that include mortgages — with a reasonable return that may fall short of the return on other activities — intended for low- and moderate-income families.[3]

Conservator

FHFA's authority as both conservator and regulator of the Enterprises is based upon statutory mandates, which include the following conservatorship authorities granted by HERA:

> (D) …take such action as may be—
>
> i. necessary to put the regulated entity in a sound and solvent condition; and
>
> ii. appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity.[4]

Continuing the business of the Enterprises in conservatorships also incorporates the above-referenced responsibilities that are enumerated in 12 U.S.C. § 4513(a)(1).

Additionally, under the Emergency Economic Stabilization Act of 2008, FHFA has a statutory responsibility in its capacity as conservator to "implement a plan that seeks to maximize assistance for homeowners and use its authority to encourage the servicers of the underlying mortgages, and considering net present value to the taxpayer, to take advantage of … available programs to minimize foreclosures."[5]

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1 OF and CSS are not separate "regulated entities" as the term is defined by statute (see 12 U.S.C. § 4502(20)). Rather, OF is part of the FHLBank System, and CSS is an affiliate of the Enterprises. However, for convenience, references to the "regulated entities" in this Report should be read to also apply to the OF and CSS, unless otherwise noted.

2 12 U.S.C. § 4513(a)(1).

3 12 U.S.C. § 4513(a)(1).

4 12 U.S.C. § 4617(b)(2)(D).

5 12 U.S.C. § 5220(b)(1).

Background on the Regulated Entities

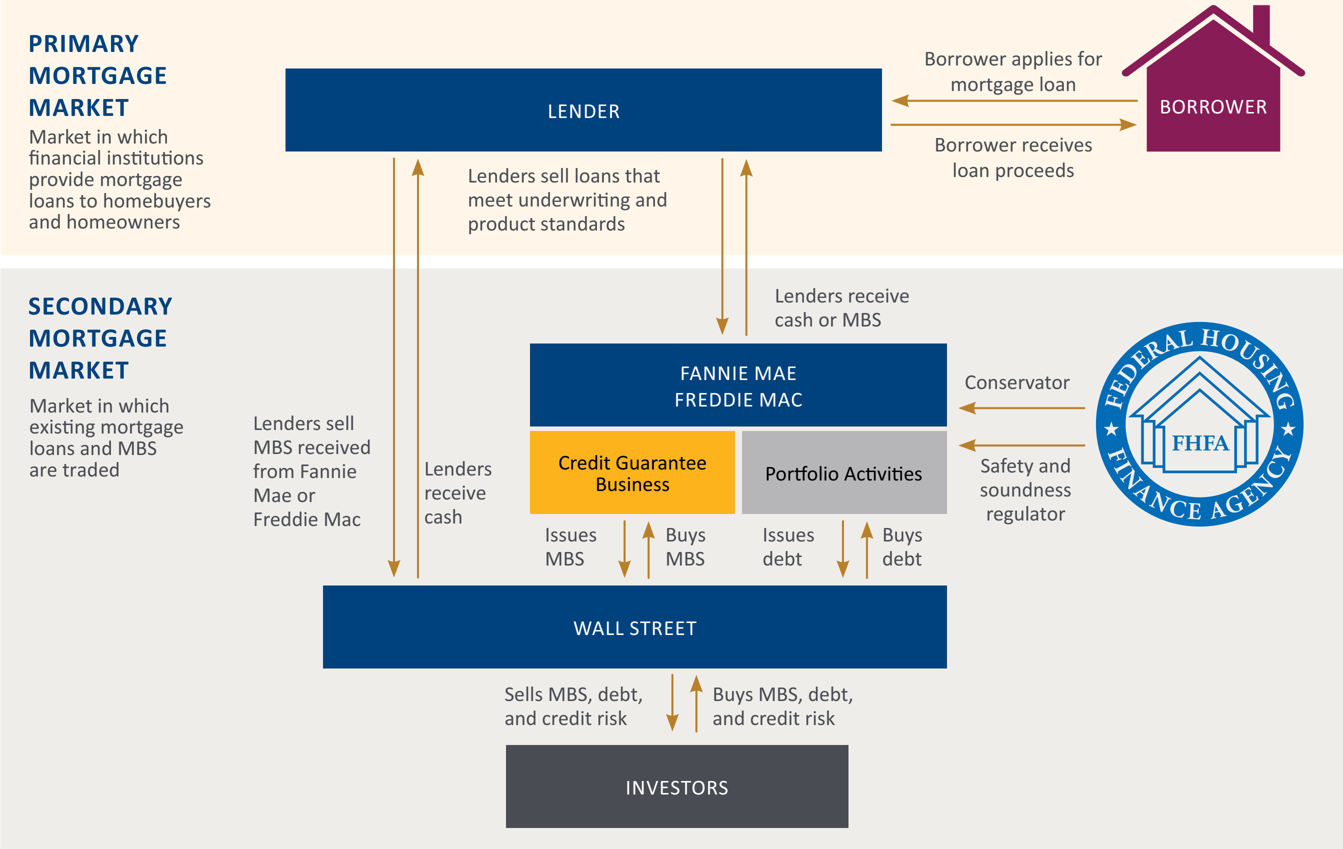
The Enterprises

Fannie Mae and Freddie Mac were established in 1938 and 1970, respectively, to provide stability and liquidity in the secondary market for residential mortgages. The Enterprises acquire mortgages that lenders have already made to borrowers. The Enterprises guarantee the timely payment of principal and interest on the underlying mortgages and charge lenders a guarantee fee for assuming the credit risk associated with the acquired mortgages. Since September 6, 2008, the Enterprises have operated in conservatorships.

To reduce their credit risk exposure on guaranteed mortgages, the Enterprises routinely sell a portion of the credit risk on newly acquired, single-family mortgages in targeted categories to the private sector. The Enterprises also purchase multifamily mortgages, with each Enterprise using a different model of credit risk sharing for multifamily mortgage purchases. CSS, jointly owned by the Enterprises, uses the Common Securitization Platform (CSP) to administer the Enterprises' portfolios of Mortgage-Backed Securities (MBS) and to facilitate issuance of the Uniform Mortgage-Backed Security. With CSS operating as an agent for the Enterprises, the CSP supports back-office functions associated with single-family securitization, including storing, processing, and transmitting large volumes of data, as well as issuing related disclosures. Specifically, CSS records securities with registrars (e.g., the Federal Reserve Bank of New York), supports and facilitates security settlement activities, validates settlements, and provides confirmation back to the requestor.

As shown in Figure 1, most single-family mortgage loans are pooled into MBS, which are guaranteed by the Enterprises and then sold to investors.

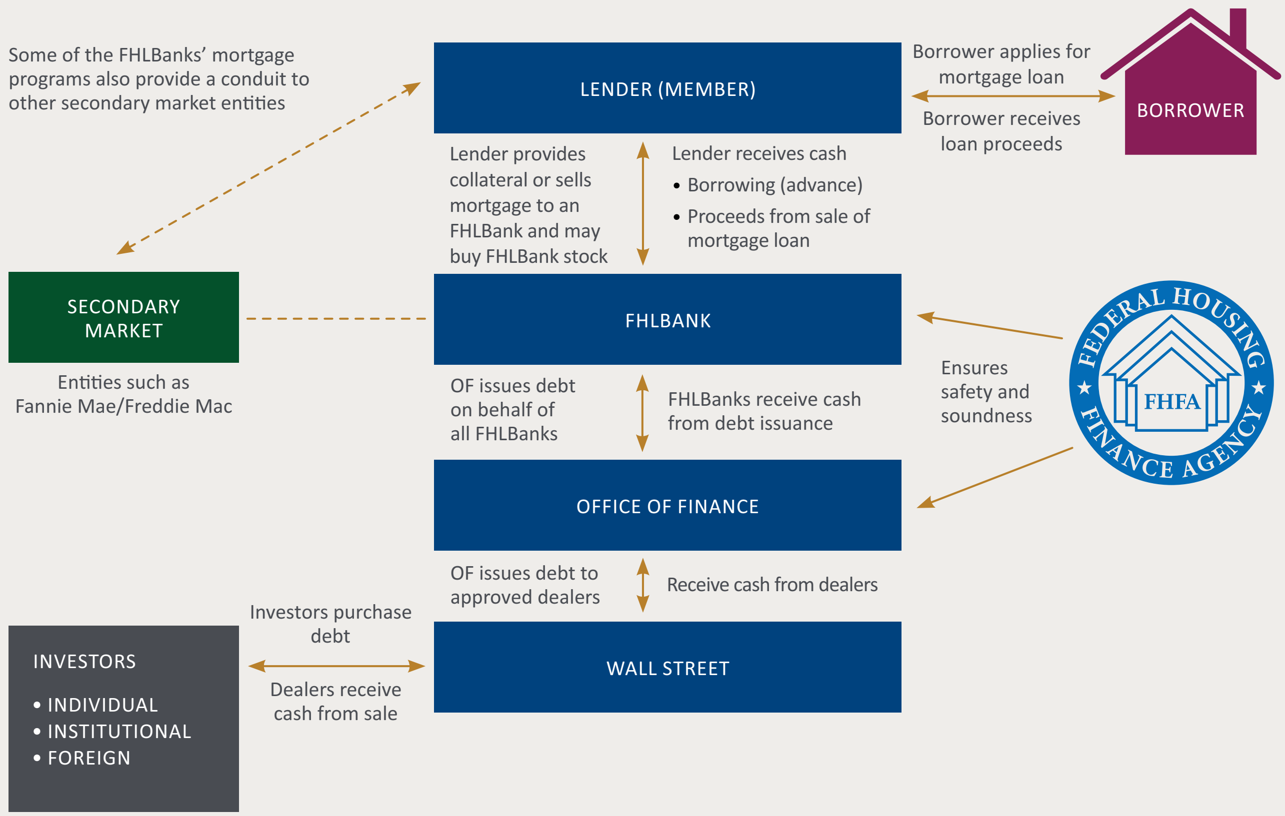
Figure 1: FHFA's Oversight Role – Fannie Mae and Freddie Mac



The Federal Home Loan Banks

Congress passed the Federal Home Loan Bank Act (Bank Act) in 1932 to establish the FHLBank System and reinvigorate a housing market devastated by the Great Depression. The FHLBank System includes 11 district FHLBanks, each serving a designated geographic area of the United States and its territories. The FHLBank System also includes the OF, which issues consolidated obligations[6] to fund the FHLBanks' operations. Each FHLBank is a member-owned cooperative that provides a reliable source of liquidity by making loans, known as advances, to member financial institutions and housing associates[7] to increase their available funding for residential mortgages (see Figure 2). FHLBank advances are secured with eligible collateral, such as single-family mortgages, multifamily mortgages, government and agency securities, and commercial real estate loans. Some FHLBanks also purchase mortgage loans directly from their members through on-balance sheet Acquired Member Assets programs.

Figure 2: FHFA's Oversight Role – Federal Home Loan Banks and Office of Finance



As of September 30, 2024, there were 6,497 FHLBank members consisting of banks, credit unions, thrifts, insurance companies, and community development financial institutions (CDFIs).

[6] Consolidated obligations are debt obligations on which the 11 FHLBanks are jointly and severally liable, see 12 U.S.C. § 1431, and which are sold to the public through OF. By statute, FHLBank consolidated obligations must plainly state that they are not obligations of the United States and are not guaranteed by the United States. See 12 U.S.C. § 1435.

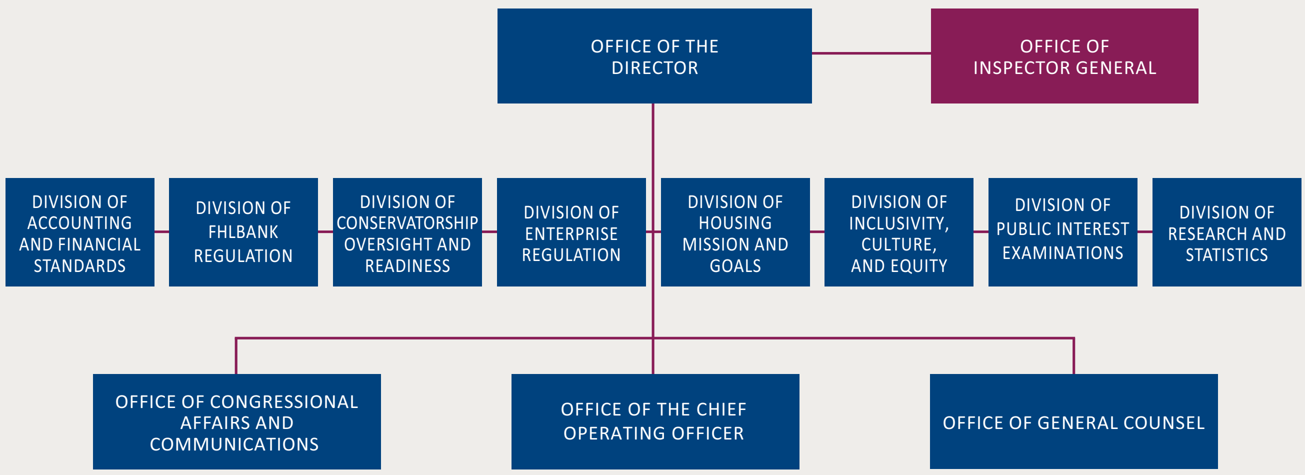
[7] Housing associates are not FHLBank members, but they have limited access to products and services offered by the FHLBanks. See 12 U.S.C. § 1430b; 12 CFR part 1264. Most housing associates are state or local housing finance agencies.

FHFA Organization

FHFA's workforce includes highly skilled examiners, economists, financial analysts, policy analysts, attorneys, accountants, and subject-matter experts in banking, housing, insurance, technology, and legal matters. The Director sets the course for the Agency to achieve its mission, and the Agency's divisions and offices work together to meet the Agency's strategic goals.

FHFA's principal organizational structure is shown in Figure 3.

Figure 3: FHFA Principal Organization Structure



The Agency operated with an approved operating budget of $318.8 million in Fiscal Year (FY) 2024 and ended the year with 728 employees on board. For FY 2025, the Agency's operating budget increased to $350.0 million and supports 869 positions. FHFA's Office of Inspector General (OIG) operated with a FY 2024 budget of $57.0 million and ended the year with 122 employees on board. For FY 2025, OIG's budget increased to $58.5 million, which will support 155 positions. See Table 1 for staff distribution by major FHFA divisions and offices.

Table 1: FHFA Staffing Summary

	FY 2024 (Actual[a])	% by Functional Area	FY 2025 (Budget)	% by Functional Area
Mission Division/Offices[b]	504	70%	587	68%
Mission Support Division/Offices[c]	224	30%	282	32%
Number of FHFA Employees	728	100%	869	100%
Number of OIG Employees	122	100%	155	100%

[a] *Actual Employees on board as of September 30, 2024.*

[b] *Mission Divisions and Offices include: Division of Accounting and Financial Standards, Division of FHLBank Regulation, Division of Conservatorship Oversight and Readiness, Division of Enterprise Regulation, Division of Housing Mission and Goals, Division of Public Interest Examinations, and Division of Research and Statistics*

[c] *Mission Support Divisions and Offices include: Office of the Director, Office of the Chief Operating Officer, Office of Congressional Affairs and Communications, Office of General Counsel, and Division of Inclusivity, Culture, and Equity.*

Photo courtesy of FHLBank of Des Moines

The Office of the Director (OD) provides overall leadership and strategic direction for the Agency.

The Office of the Chief Operating Officer (OCOO) ensures the Agency has the necessary assets (people, technology, information, and facilities) and governance (policy, procedures, and processes) to achieve FHFA's regulatory mission. OCOO oversees the Agency's day-to-day operations, including facilities management; continuity of operations; financial planning, accounting, and reporting; contracting; human resource management; information technology (IT); and audit follow-up functions. OCOO also leads the Agency's strategic planning, performance management reporting, and enterprise risk management efforts. In addition, OCOO ensures the Agency uses systematic, structured, and coordinated approaches to manage its resources optimally.

The Division of Enterprise Regulation (DER) supervises the Enterprises and CSS and evaluates the safety and soundness of their financial condition and operations. DER contributes to the execution of FHFA's strategic goals and strategic objectives through planning and conducting risk-based examinations of the Enterprises and CSS, developing and preparing the annual reports of examination (ROEs), issuing supervision policy and examiner guidance, and providing risk analysis. Through annual ROEs, the Agency communicates the principal examination conclusions and findings for the supervisory cycle to the Enterprises and assigns composite and component ratings.

The Division of Federal Home Loan Bank Regulation (DBR) supervises the FHLBanks and OF to ensure their safe and sound condition and operation. DBR conducts FHLBank examinations related to safety and soundness, makes examination findings, and issues ROEs. In addition to annual examinations, DBR monitors the financial condition and performance of the FHLBanks and OF, assesses their risks, and tests their compliance with certain laws and regulations through periodic visits and offsite analysis. DBR also develops supervisory policy and regulations for the FHLBanks and conducts FHLBank-focused research.

The Division of Housing Mission and Goals (DHMG) is responsible for oversight of the Enterprises' single-family and multifamily housing programs, along with various other requirements for both the Enterprises and the FHLBanks. These include FHLBank affordable housing and community development programs, Enterprise and FHLBank affordable housing goals, Enterprise Duty to Serve requirements, and fair lending policy. DHMG also develops regulatory capital policy for the Enterprises while overseeing their Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) Stress Tests, credit risk transfer programs, and counterparty financial eligibility standards. DHMG oversees and coordinates FHFA activities affecting housing finance and financial markets in support of FHFA's mission and the Director's responsibilities as a member of the Federal Housing Finance Oversight Board, the Financial Stability Oversight Board, the Financial Stability Oversight Council, and the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

The Division of Conservatorship Oversight and Readiness (DCOR) assists the FHFA Director in carrying out the Agency's duties as conservator of the Enterprises. DCOR monitors the business and board of director activities of the Enterprises and facilitates their communication with the Agency to ensure the timely identification and resolution of emerging issues. DCOR also works with the Enterprises' boards and senior management to establish priorities and milestones for accomplishing the goals of the conservatorships. DCOR is responsible for ensuring that FHFA can take appropriate action with a troubled entity in a safe, efficient, and stabilizing manner, particularly in an economic downturn. This includes developing contingency plans for resolving FHFA-regulated entities in the event of their distress and failure.

The Office of General Counsel (OGC) advises and supports the Director and FHFA staff on legal matters related to the functions, activities, and operations of the Agency and the regulated entities. It supports supervision functions, development of new regulatory policy, housing mission policies, and enforcement actions. OGC manages the Agency's Harassment Prevention Program, issues related to executive compensation, and FHFA-related litigation, among other matters. The Senior Agency Official for Privacy manages the Freedom of Information Act and Privacy Act programs. The Designated Agency Ethics Official manages the Agency's ethics program; advises, counsels, and trains FHFA employees on ethical standards and conflicts of interest; and manages the Agency's financial disclosure program.

The Division of Accounting and Financial Standards (DAFS) promotes the safety and soundness of the regulated entities. The Office of the Chief Accountant performs oversight of the regulated entities' accounting policies, internal controls over financial reporting, financial and sustainability disclosures, internal and external audit functions, and financial crimes compliance and risk management. DAFS provides supervisory guidance in these areas; monitors and analyzes developments in accounting, auditing, financial crime, and cybersecurity risk management; and engages with standard-setters and external stakeholders on emerging issues. DAFS supports the transparency and accountability of FHFA's supervision and regulation through the Office of the Ombudsman, which provides independent, neutral consideration of complaints and appeals on matters relating to FHFA's regulation and supervision of the regulated entities.

The Division of Inclusivity, Culture, and Equity (DICE) is responsible for fostering a culture of diversity, equity, inclusion, accessibility, and equal opportunities in the Agency's workforce, business activities, and regulated entities. DICE leads the implementation of FHFA's FAIR values (Fairness, Accountability, Integrity, and Respect). The division cultivates inclusivity through special programs, education, and employee resource groups. DICE manages supplier diversity by supporting minority- and women-owned businesses and processes complaints of discrimination for FHFA employees, contractors, and applicants. DICE works to ensure equal employment opportunities for FHFA personnel and job applicants, and oversees affirmative employment reports and plans, ensuring the removal of barriers for diverse populations and individuals with disabilities. DICE provides Alternative Dispute Resolution services, executes the Agency's values-based culture initiative, and educates staff on anti-discrimination laws.

The Division of Public Interest Examinations (DPIE) oversees FHFA's public interest-oriented supervision functions. DPIE was created in 2024 to highlight the Agency's focus on public interest examinations and increase synergy and collaboration among existing public interest examination programs. DPIE centralizes the examiner corps for specialized public interest-oriented examination functions and provides supervisory oversight of the affordable housing, community development, diversity and inclusion, consumer protection, and fair lending activities of the Agency's regulated entities.

The Division of Research and Statistics (DRS) leads Agency efforts to produce and disseminate high-quality data, research, statistics, and analysis to internal and external stakeholders. Key data products that DRS is responsible for releasing and updating include FHFA's House Price Index (FHFA HPI®), the Enterprise Public Use Database (PUDB), Uniform Appraisal Dataset (UAD) data and aggregate statistics, the National Mortgage Database (NMDB®) aggregate statistics, and the National Survey of Mortgage Originations (NSMO) data. DRS also leads the Agency's efforts to manage and leverage data as a strategic asset by improving the Agency's data governance, lifecycle data management, analytics capabilities, and public data dissemination. DRS provides the coordination and leadership (along with DHMG) needed to achieve the Agency's climate-related objectives. DRS staff also works with other government researchers and data experts and participates in academic and industry conferences and meetings.

The Office of Congressional Affairs and Communications (OCAC) is responsible for public affairs and congressional relations functions and is the primary point of contact for the external and internal communications of the Agency. OCAC prepares and disseminates pertinent public information and responds to inquiries from Congress, the media, the industry, and the public at large.

The Office of Inspector General (OIG) conducts independent audits, evaluations, compliance reviews, and investigations to help FHFA achieve its mission and goals, and guard against waste, fraud, and abuse. OIG informs the Director, Congress, and the public of any issues or deficiencies relating to programs and operations. Through its activities, OIG assists FHFA staff and program participants by ensuring the effectiveness, efficiency, and integrity of FHFA's programs and operations.

Photo courtesy of NeighborWorks Boise

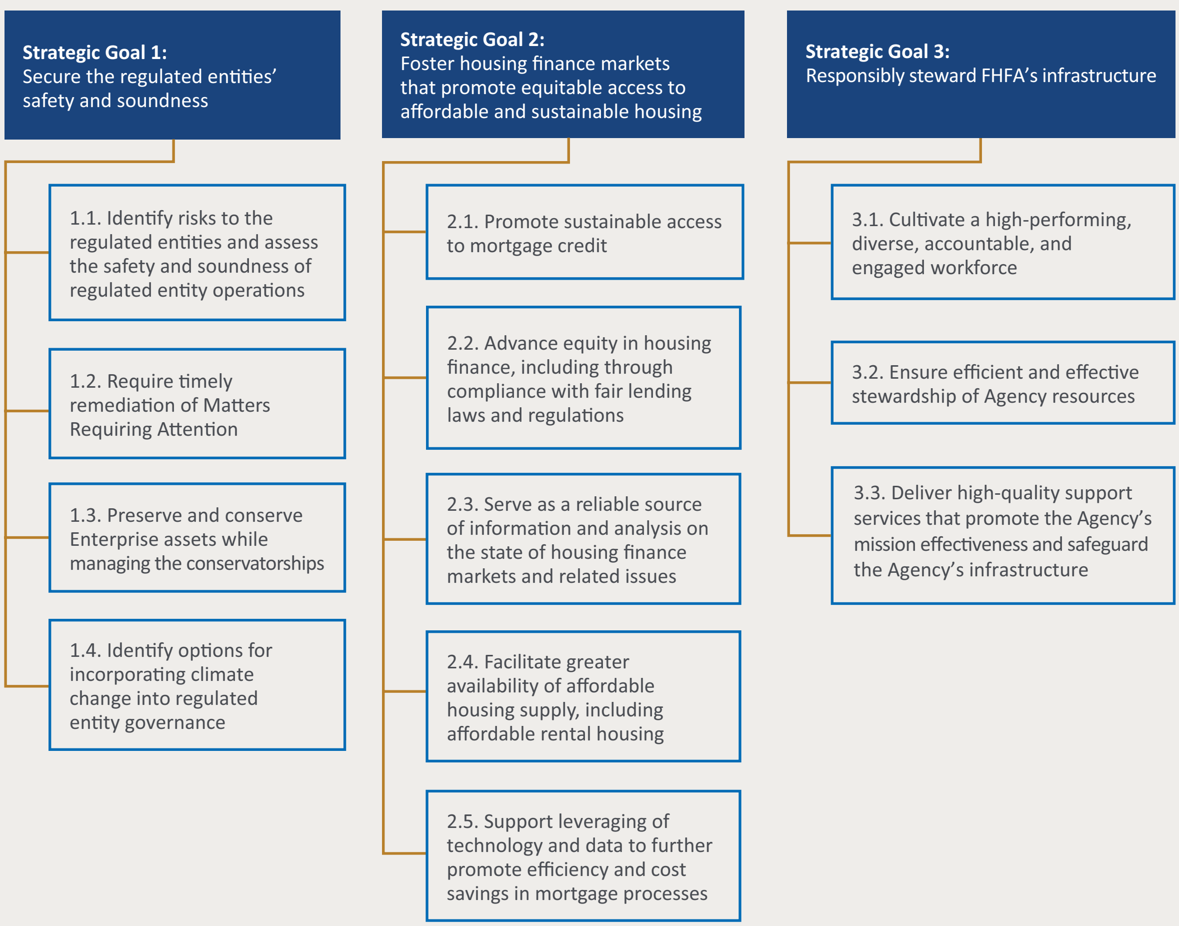
Performance Summary

Strategic Goals and Objectives

FHFA's Strategic Plan provides the foundation for Agency planning, budgeting, operations, and reporting. It establishes long-term goals and objectives to achieve FHFA's mission.

The Strategic Plan also identifies planned means and strategies to achieve the strategic objectives. Key elements from FHFA's FY 2024 Annual Performance Plan (APP), which establishes measures and targets to support the strategic goals, are presented in Figure 4, including the three strategic goals and their corresponding strategic objectives that were in effect during FY 2024, the period covered by this report. The performance measures associated with the strategic objectives are presented in the Performance Section. Validation and verification activities, conducted to confirm that performance results are reported accurately, are described on page 30, and a template that FHFA uses to validate and verify its measures and data can be found in the Appendices on page 122.

Figure 4: FHFA's FY 2022-2026 Strategic Plan: Goals and Objectives



Summary of Performance Measures and Results

For FY 2024, FHFA identified a total of 40 performance measures and associated targets to monitor progress toward achieving the Agency's strategic goals and strategic objectives. FHFA met the targets for 33 of these measures at an 83 percent success rate. The overall results indicate progress toward achieving FHFA's goals and mission.

Table 2 presents a summary of FY 2024 performance measures and results. More information on FHFA's performance organized by strategic goal can be found in the Performance Section, starting on page 27.

Table 2: Summary of Performance Measures and Results

Performance Measure	FY 2024 Target	FY 2024 Result
STRATEGIC GOAL 1: SECURE THE REGULATED ENTITIES' SAFETY AND SOUNDNESS		
Strategic Objective 1.1: Identify risks to the regulated entities and assess the safety and soundness of regulated entity operations		
1.1.1a: Conduct risk-focused supervision and examinations of the Enterprises and CSS by having a risk-based supervision plan approved by January 31	100 percent of the time	MET
1.1.1b: Conduct risk-focused supervision and examinations of the FHLBanks by having written risk-based examination plans in place prior to the commencement of examinations for each of the FHLBanks	100 percent of the time	MET
1.1.2a: Approve reports of examination by April 15[8] for the Enterprises and CSS	100 percent of the time	MET
1.1.2b: Approve reports of examination within 90 days after completing examination work for each of the FHLBanks	100 percent of the time	MET
1.1.3: Ensure a quarterly Market Value of Equity to par value of capital stock ratio greater than or equal to one for each FHLBank	100 percent of the time	MET
1.1.4: Ensure each FHLBank is adequately capitalized on a quarterly basis	100 percent of the time	MET
1.1.5: Conduct quarterly reviews of regulated entity public filings	100 percent of the time	MET
1.1.6a: Approve Diversity and Inclusion reports of examination by April 15 for the Enterprises and CSS	100 percent of the time	MET
1.1.6b: Approve Diversity and Inclusion reports of examination for at least four of the FHLBank System regulated entities	100 percent of the time	MET
1.1.7: Issue guidance to the FHLBanks on member credit	Q4 FY 2024	MET
Strategic Objective 1.2: Require timely remediation of Matters Requiring Attention		
1.2.1a: Determine that the Enterprises have satisfactorily addressed safety and soundness Matters Requiring Attention in accordance with agreed-upon remediation plans and timeframes	90 percent of the time	MET
1.2.1b: Determine that the FHLBanks and Office of Finance have satisfactorily addressed safety and soundness Matters Requiring Attention in accordance with agreed-upon remediation plans and timeframes	90 percent of the time	MET
1.2.2: Determine regulated entities have satisfactorily addressed Matters Requiring Attention relating to their Diversity and Inclusion programs, in accordance with agreed-upon remediation plans and timeframes	90 percent of the time	MET
Strategic Objective 1.3: Preserve and conserve Enterprise assets while managing the conservatorships		

[8] Or the first business day after if the date falls on a weekend.

Table 2: Summary of Performance Measures and Results		
Performance Measure	**FY 2024 Target**	**FY 2024 Result**
1.3.1: Monitor and rate the Enterprises' performance against current Scorecard objectives	Complete quarterly assessment within 45 days of quarter end	NOT MET
1.3.2: Assess the resolution plan submissions against applicable regulatory standards and requirements	December 31, 2023	NOT MET
1.3.3: Issue a final rule enhancing the Enterprise Regulatory Capital Framework	December 31, 2023	MET
1.3.4: Conduct quarterly reviews of Enterprises' compliance with Enterprise Regulatory Capital Framework public disclosure requirements	100 percent of the time	MET
Strategic Objective 1.4: Identify options for incorporating climate change into regulated entity governance		
1.4.1: Continue to refine the Enterprises' and FHFA's climate research agendas	Q4 FY 2024	MET
1.4.2: Develop guidance for the Enterprises in addressing climate risk	Q4 FY 2024	MET
1.4.3: Develop guidance for the FHLBanks in addressing climate risk	Q4 FY 2024	MET
STRATEGIC GOAL 2: FOSTER HOUSING FINANCE MARKETS THAT PROMOTE EQUITABLE ACCESS TO AFFORDABLE AND SUSTAINABLE HOUSING		
Strategic Objective 2.1: Promote sustainable access to mortgage credit		
2.1.1: Issue annual ratings for each Enterprise's Duty to Serve performance in 2022	Q1 FY 2024	MET
2.1.2: Publish proposed Enterprise Single-family and Multifamily Housing Goals Rule	Q3 FY 2024	NOT MET
2.1.3: Issue progress report on implementation of updated Enterprise credit score requirements	Q4 FY 2024	NOT MET
Strategic Objective 2.2: Advance equity in housing finance, including through compliance with fair lending laws and regulations		
2.2.1: Publish final Fair Lending and Equitable Housing Finance Rule	Q3 FY 2024	MET
Strategic Objective 2.3: Serve as a reliable source of information and analysis on the state of housing finance markets and related issues		
2.3.1: Publish FHFA House Price Indexes	12 monthly and 4 quarterly	MET
2.3.2: Publish annual Public Use Database	Q4 FY 2024	MET
2.3.3: Publish annual Guarantee Fee Report	Q1 FY 2024	NOT MET
2.3.4: Publish aggregate statistics on mortgage profiles and delinquencies from National Mortgage Database	4 quarterly	MET
2.3.5: Publish Uniform Appraisal Dataset Aggregate Statistics	4 quarterly	MET

Table 2: Summary of Performance Measures and Results		
Performance Measure	**FY 2024 Target**	**FY 2024 Result**
Strategic Objective 2.4: Facilitate greater availability of affordable housing supply, including affordable rental housing		
2.4.1 Determine that the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard	By the end of the calendar year 2023, each Enterprise's mission-driven business meets or exceeds 50 percent of total multifamily business	MET
2.4.2: Evaluate the efficacy of FHFA supervision of FHLBank Affordable Housing Programs	Q4 FY 2024	NOT MET
Strategic Objective 2.5: Support leveraging of technology and data to further promote efficiency and cost savings in mortgage processes		
2.5.1: Publish summary of the Velocity TechSprint conducted in FY 2023	Q1 FY2024	MET
STRATEGIC GOAL 3: RESPONSIBLY STEWARD FHFA'S INFRASTRUCTURE		
Strategic Objective 3.1: Cultivate a high-performing, diverse, accountable, and engaged workforce		
3.1.1: Federal Employee Viewpoint Survey Performance Confidence Index	70 percent positive	MET
3.1.2: Federal Employee Viewpoint Survey Employee Engagement Index	70 percent positive	MET
3.1.3: Improve Time-to-Hire	80 calendar days	NOT MET
Strategic Objective 3.2: Ensure efficient and effective stewardship of Agency resources		
3.2.1: Ensure FHFA's financial statements audit receives an unmodified opinion with no material weaknesses	100 percent of the time	MET
3.2.2: Increase the obligated dollar amount of FHFA contracts awarded to minority- and women-owned businesses consistent with legal standards and best value assessments	Total dollar amount of contracts greater than the five-year average	MET
3.2.3: Management completes corrective actions to address FHFA Office of Inspector General recommendations in a timely manner	90 percent of the corrective actions to address Office of Inspector General recommendations are completed within one year of the resolution date or the approved timeframe	MET
Strategic Objective 3.3: Deliver high-quality support services that promote the Agency's mission effectiveness and safeguard the Agency's infrastructure		
3.3.1: Ensure FHFA's Federal Information Security Modernization Act audit identifies no significant deficiencies	100 percent of the time	MET
3.3.2: Develop FHFA Information Technology Strategic Plan	Q2 FY 2024	MET

Looking Forward

FHFA management has identified the following priorities and anticipated challenges for the Agency to focus on going forward as it works to fulfill its mission.

FHLBank System Reforms

In August 2022, FHFA announced that it would conduct a comprehensive review of the FHLBank System — the first such review in decades. The objective of this review was to ensure the FHLBanks remain well-positioned to meet the needs of their members and the communities they serve as the System approaches its centennial. Following extensive public and stakeholder engagement, in November 2023 the Agency published the report *FHLBank System at 100: Focusing on the Future*, which included over 40 recommendations to improve the FHLBanks' mission, operations, and structure. FHFA can implement some of the changes under existing statute through supervisory and rule-writing authority, and the Agency took steps in FY 2024 to solicit public input on certain actions, issue guidance, and propose formal rulemaking. In FY 2025, the Agency will continue advancing reforms, including to the FHLBank System's mission, to the FHLBank Affordable Housing Program (AHP), and to corporate governance. The Agency also plans to initiate rulemaking to harmonize FHLBank eligibility requirements across member categories. However, completion of all the actions described in the report is a longer-term undertaking, and some recommendations can be fully implemented only through Congressional action. These include doubling the FHLBanks' statutory minimum contribution for the AHP, expanding the range of collateral types that may be pledged by mission-oriented institutions such as credit unions and CDFIs, and eliminating certain restrictions on regulating FHLBank executive pay. In some instances, FHFA will make specific requests for Congressional action after conducting additional analyses.

Responsible Use of Artificial Intelligence

During FY 2025, FHFA will continue to explore responsible uses of Artificial Intelligence (AI) technology in Agency processes as well as in the housing finance sector. The development and implementation of AI within FHFA will depend heavily on the Agency's information technology and data infrastructure. FHFA will continue to conduct comprehensive reviews to identify barriers to AI adoption, including issues related to data access, technical infrastructure, and organizational readiness; develop and implement strategies to mitigate these barriers, such as enhancing data governance frameworks,

Photo courtesy of Fannie Mae

investing in AI infrastructure, and providing targeted staff training; and ensure that necessary resources — including software tools, open-source libraries, and deployment and monitoring capabilities — are allocated to support responsible AI use.

FHFA will also continue to bring together industry stakeholders to explore responsible uses of generative AI, including to promote a transparent, fair, equitable, and inclusive housing finance system, while fostering sustainable homeownership and rental opportunities. The Agency is undertaking an in-depth review of the generative AI use cases, risks, and controls that were presented at the 2024 TechSprint. It was the Agency's second TechSprint and the first such convening by a federal financial regulator on potential uses for generative AI. FHFA will summarize the results of the in-depth review in a public release in FY 2025.

Property Insurance Requirements

FHFA will join the Enterprises in engaging with industry stakeholders about property insurance requirements. In 2024, the Enterprises clarified their long-standing property insurance requirements, including the need for borrowers to have replacement cost value (RCV) coverage. Following the clarifications, industry feedback revealed differences between the Enterprises' stated requirements and seller/servicer practices related to RCV coverage. In response, in May the Enterprises announced a temporary pause on non-compliance citations for RCV issues. As the temporary pause continues, FHFA and the Enterprises will hold discussions with industry stakeholders to better understand the challenges with the RCV requirements to inform future considerations. Discussion areas may cover practical matters associated with obtaining RCV data from insurers, the availability and affordability of RCV coverage on certain property types, and related pricing challenges affecting sustainable homeownership and in some cases mortgage purchase eligibility, among other potential topics. Meanwhile, continued underlying instability in the property insurance market — including rapidly escalating premiums and lack of coverage in certain regions — affects efforts to improve broader housing affordability.

Building Energy Codes

In 2025, FHFA and the Enterprises will continue engaging with stakeholders on ways to improve energy efficiency in the housing industry. Additionally, FHFA plans to continue to facilitate meetings with the U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Energy to better understand modern building and energy codes and energy efficiency standards. These efforts are consistent with the Agency's goals of improving housing sustainability, lowering borrower costs, and mitigating climate risk for Enterprise-backed properties. The anticipated challenges to updating building energy codes include elevated construction and material costs for buildings to meet modern code requirements, and the lack of a national, standardized building code to guide construction projects.

Upgrade of Information Resources Management

Looking ahead, FHFA will continue executing the Agency's *Information Resources Management Strategic Plan: Fiscal Years 2024-2026* to modernize the Agency's Information Resources Management (IRM). In 2024, the Agency established a modern and stable cloud platform, and initiated the migration of critical data from aging onsite hardware to the new cloud-centric infrastructure. Over the next two years, FHFA will continue migrating its data management and analytics functions to this new cloud platform.

FHFA's Chief Information Officer and Chief Data Officer use the IRM Strategic Plan to advance FHFA information technology and data initiatives together. The cloud platform utilizes new data management standards to improve data storage, data discoverability, performance, and scalability. However, any infrastructure upgrade and data migration of this magnitude involve a range of potential risks, including data loss, periods when an IT system or network is unavailable to users, higher operational costs, increased cybersecurity risk, and the challenges that accompany a legacy system redesign.

Financial Summary

ANALYSIS OF FINANCIAL STATEMENTS

Overview

FHFA prepares annual financial statements for the Agency in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) as specified by the Federal Accounting Standards Advisory Board (FASAB) for federal government entities. The FHFA OIG, which is consolidated and combined in FHFA's financial statements, has maintained its own financial records since April 2011. In accordance with HERA, the U.S. Government Accountability Office (GAO) performs an independent audit of the consolidated and combined financial statements.

How is FHFA Financed?

HERA authorizes FHFA to collect annual assessments from the Enterprises and the FHLBanks to cover the costs of performing the Agency's statutory responsibilities related to supervision of the regulated entities, its conservatorships, and other responsibilities, and to maintain a working capital fund. FHFA is financed through revenue from assessments and is considered a non-appropriated entity. (FHFA does not receive any appropriated funds from Congress.) In addition to the collection of assessments, HERA authorizes FHFA to invest the idle portions of the assessments through the Treasury Federal Investment Program, which is available exclusively to federal government organizations. (See Financial Statement Note 1.I for further explanation of investments.)

Annually, FHFA determines the total expected costs associated with regulating the Enterprises and the FHLBanks. The expected costs are shared proportionally among the Enterprises and the FHLBanks in accordance with FHFA's assessment regulation, 12 CFR 1206.6.

FHFA issues assessment notices to the regulated entities semiannually, with the collections occurring October 1 and April 1. In FY 2024, FHFA assessed the regulated entities a total of $402.2 million, including $57.0 million to support OIG.

Under HERA, FHFA is authorized to retain a working capital fund for unforeseen or emergent requirements, which can be funded through a special assessment to the entities or through retention of unobligated balances at the end of the fiscal year. At the end of FY 2024, the FHFA working capital fund had a balance of $90.3 million.

What is an Unmodified Opinion?

FHFA received an unmodified opinion from GAO on its annual financial statements. This means the auditor, GAO, expressed an opinion that FHFA's financial statements were fairly presented in all material aspects in accordance with U.S. GAAP. FHFA also received an opinion that it maintained, in all material respects, effective internal controls over financial reporting. GAO found no instances of reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements it tested.

FHFA's Financial Statements

The principal financial statements present FHFA's financial position (Balance Sheets), Statements of Net Cost, Statements of Changes in Net Position, and Statements of Budgetary Resources for FY 2024 and FY 2023. GAO's audit report, along with complete financial statements and notes for FY 2024 and FY 2023, appear on pages 78-99.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position, financial condition, and results of operations of FHFA, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements have been prepared from the records of FHFA in accordance with U.S. GAAP and the formats prescribed by the Office of Management and Budget (OMB). Financial reports used to monitor and control budgetary resources are prepared from the same records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

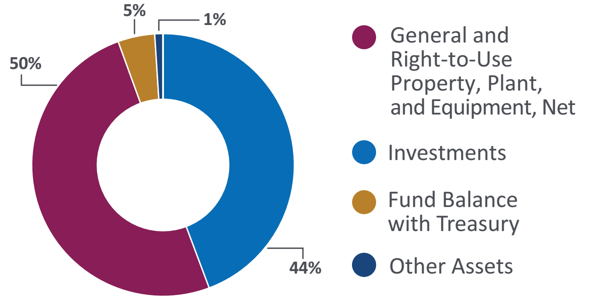
FHFA'S NET POSITION AND NET COSTS

Balance Sheet (Assets - Liabilities = Net Position) The Consolidated Balance Sheet presents, as of September 30, 2024, the recorded value of assets (including funding, property, and amounts owed to FHFA), and liabilities (including amounts that FHFA owed, retained, or managed). The difference between the assets and liabilities represents FHFA's net position. Effective October 1, 2023, FHFA implemented *Statement of Federal Financial Accounting Standards (SFFAS) 54: Leases,* which requires that federal lessees recognize a lease asset and lease liability on their balance sheets at the commencement of the lease term. The implementation resulted in the recognition of previously off-balance-sheet operating leases, increasing both our assets and liabilities. This change provides a more accurate representation of our financial obligation.

Assets

At year-end FY 2024, FHFA had $403.3 million in assets. The implementation of SFFAS 54 accounted for the increase in Assets, with 50 percent of the increase attributable to General and Right-to-Use Property, Plant, and Equipment, Net. The remaining 50 percent was allocated between Investments (44 percent); Fund Balance with Treasury (5 percent); and Other Assets, which included Advances and Prepayments, and Accounts Receivable (1 percent), as displayed in Figure 5. FHFA's investment portfolio included balances available from semiannual assessment payments of its regulated entities and the working capital fund. FHFA invests solely in market-based Government Account Series one-day certificates issued by Treasury to efficiently use idle funds with minimum risk in accordance with statutory authorities.

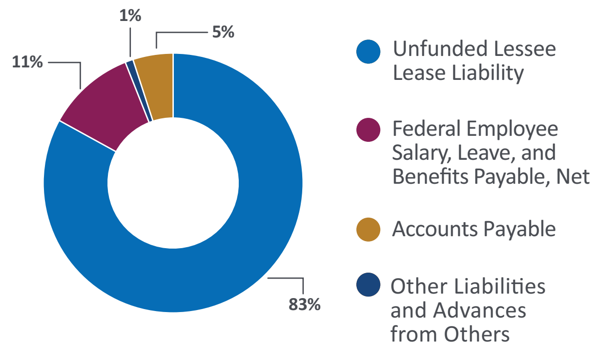
Figure 5: Distribution of Total Assets for FY 2024



Liabilities

At year-end FY 2024, FHFA had $246.9 million in liabilities. FHFA's major liabilities (amounts owed by FHFA to other entities) included Unfunded Lessee Lease Liability (83 percent) both resulting from the implementation of SFFAS 54; Federal Employee Salary, Leave, and Benefits Payable, Net (11 percent), Accounts Payable (5 percent), and Other Liabilities, and Advances from Others (1 percent), as displayed in Figure 6.

Figure 6: Distribution of Total Liabilities for FY 2024



The new category — Unfunded Lessee Lease Liability — represented FHFA's largest liability in accounting terms. It is associated with the financial obligation for the property at 400 7th Street SW, Constitution Center, Washington, D.C. The second largest category is Federal Employee Salary, Leave and Benefits Payable, of which the largest component is Unfunded Accrued Annual Leave consisting of amounts from accumulated, unused employee leave. The third largest liability is Accounts Payable. These are amounts owed to commercial vendors supporting FHFA legal services and mission support activities.

Net Position

FHFA's net position (Total Assets – Total Liabilities) increased by 35 percent, or $40.2 million, in FY 2024. This was the result of the increase in the Agency's Investments of $43.2 million, offset by the other changes in Total Assets and Total Liabilities decreasing the Net Position by approximately ($3.0 million). Total Assets increased by $231.6 million of which $191.7 million is reflected in the General and Right-to-Use Property, Plant, and Equipment, Net account and primarily attributable to the SFFAS 54 implementation. The remaining $39.9 million increase in Total Assets was primarily driven by funds invested for multi-year efforts to stabilize and modernize FHFA's infrastructure and data and ensure compliance with government-wide cyber security mandates.

Total Liabilities increased $191.4 million or 345 percent, of which $191.3 million was attributable to the recognition of lease lessee liability and elimination of the deferred lease liability related to the SFFAS 54 implementation. The remaining increase of $0.1 million was a combination of changes in Federal Employee Salary, Leave and Benefits Payable, Accounts Payable, and Other Liabilities and Advances from Others. A comparison between the condensed FY 2024 and FY 2023 Balance Sheets is displayed in Table 3. The complete Balance Sheets can be found on page 78.

Table 3: FHFA Condensed Balance Sheets
(dollars in thousands*)

	FY 2024	FY 2023	Percent change
Total Assets	$403,263	$171,617	135%
Total Liabilities	246,942	55,536	345%
Total Net Position	$156,321	$116,081	35%

**Amounts are rounded for presentation purposes.*

Net Costs

The Statements of Net Cost reflect gross cost of operating the Agency by strategic goal, less related revenues. The Statements of Net Costs represent the full cost of operating FHFA, consolidated with the costs of operating the FHFA OIG. Gross program costs for FY 2024 were $407.3 million, which was an increase of $21.3 million above the FY 2023 gross program costs of $386.0 million.

FHFA'S REVENUE SOURCES

In accordance with HERA, FHFA collected $402.2 million through the semiannual assessment process during FY 2024, which included a $57.0 million assessment for costs related to the operations of the FHFA OIG. Regulated-entity assessments accounted for approximately 96 percent of Agency revenues.

The other 4.0 percent of the revenue was generated from sources such as reimbursable agreements with other federal agencies, interest earned on overnight investments, and employee reimbursements. Revenue for FY 2024 was 5.2 percent more than FY 2023 due to higher total assessments for ongoing Agency operational costs, including staff for mission support programs, affordable housing oversight, legal and Agency operational support services, and investments in the Agency's information technology and infrastructure. FHFA is allowed to retain earned interest on unobligated balances as a component of revenue during the year. As interest rates continued to increase during FY 2024, FHFA's revenue from earned interest increased 33 percent, or by $3.3 million above interest earned in FY 2023. FHFA's summary costs and revenue are reflected in the Statements of Net Cost for FY 2024 and FY 2023 as presented in Table 4.

Table 4: Summarized Costs and Revenue
(dollars in thousands*)

	FY 2024	FY 2023
Costs	$407,255	$386,002
Revenue	(418,000)	(397,513)
Net Cost from Operations	($10,745)	($11,511)

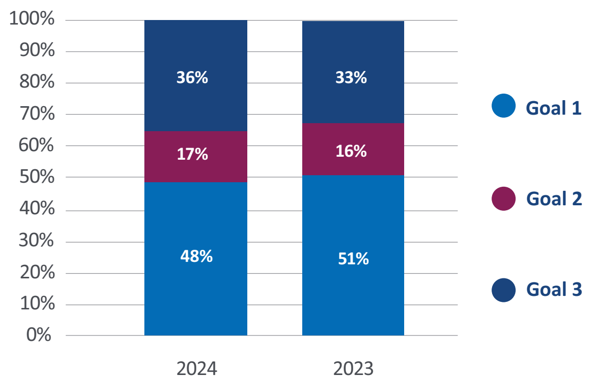
**Amounts are rounded for presentation purposes.*

HOW FHFA ALIGNS COSTS WITH STRATEGIC GOALS

For FY 2024, FHFA assigned costs to the three strategic goals established by FHFA's 2022-2026 Strategic Plan. These Strategic Goals are: (1) Secure the regulated entities' safety and soundness; (2) Foster housing finance markets that promote equitable access to affordable and sustainable housing; and (3) Responsibly steward FHFA's infrastructure.

Effective and efficient agency-wide services, management, and administrative systems are essential to achieve FHFA's mission and strategic goals. Indirect costs are distributed proportionately across the three strategic goals based on the percentage of direct program costs allocated to each goal. FHFA OIG costs are allocated as part of FHFA's indirect costs. The distribution of FHFA's gross costs by strategic goal for FY 2024 and 2023 are presented in Figure 7.

Figure 7: Gross Costs by Strategic Goal



In FY 2024, Goal 1 was FHFA's largest program area at $194.0 million or 48 percent of total gross costs. The next largest program area was Goal 3 at $144.9 million or 36 percent. Goal 2 was the smallest of the three program areas at $68.3 million or 17 percent. Gross costs increased from FY 2023 to FY 2024 due to a number of program initiatives including continued investments in critical technology modernization. The Agency centralized its public interest examinations in a new division and began development of an enforcement program. In addition, the Agency began implementing recommendations to modernize the FHLBank System and continued to explore the potential for technology to address longstanding and emerging challenges in the mortgage industry.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FHFA uses systems, controls, and legal compliance to determine Management Assurances. Internal controls are essential to effective agency management and provide reasonable assurance that the following objectives will be achieved: reliability of reporting, compliance with laws and regulations, and the effectiveness and efficiency of operations.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) establishes management's responsibility to assess and report on internal accounting and administrative controls. The assessment includes the mission, operations, and administrative areas such as accounting and financial management. FMFIA requires federal agencies to establish controls that reasonably ensure that obligations and costs comply with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable reports and to maintain accountability over the assets.

During FY 2024, FHFA adhered to the internal control requirements of FMFIA and the guidance provided by OMB Circular A-123: Management's Responsibility for Enterprise Risk Management and Internal Control and FHFA's Audit, Risk, and Control Committee (ARCC). To meet the requirements, the following activities were undertaken during FY 2024:

FHFA OIG

To ensure compliance with the internal control requirements of FMFIA, and in accordance with A-123, the FHFA OIG has maintained an Executive Committee on Internal Controls (ECIC), which is chaired by the Assistant Inspector General for Compliance. The ECIC is tasked with assessing internal controls at OIG. Membership on the ECIC includes the Principal Deputy Inspector General, the Chief Counsel, the Chief of Staff, the Chief Information Officer, the Chief Information Security Officer, the Budget and Finance Director, the Deputy Inspector General for Audits, the Deputy Inspector General for Administration, the Deputy Inspector General for Investigations, the Deputy Inspector General for Evaluations, and the EEO Program Manager. Based on the risk profiles and internal control assessments completed by each FHFA OIG office, which identified no significant issues, the FHFA OIG ECIC recommended that the Inspector General sign an assurance statement to the FHFA Director recommending unmodified statements of assurance relative to the three areas assessed by the FHFA OIG: internal control over financial reporting, effectiveness and efficiency of operations, and compliance.

Reliability of Financial Reporting

The Office of Planning, Performance, and Risk (OPPR) conducted an independent assessment of the Agency's controls over financial reporting using a risk-based approach. OPPR consolidated the assessment results and reported the results to the Agency's Senior Assessment Team (SAT) and the ARCC. The assessment determined that there were no material weaknesses that adversely affect internal controls over financial reporting.

Reliability of Non-Financial Reporting

Assessment teams from FHFA divisions and offices assessed controls over a sample of non-financial reports using guidance from the GAO Standards for Internal Control in the Federal Government, GAO 14-704G (GAO Green Book).[9] Division management officials reviewed the completed assessments. OPPR reviewed the completed assessments and consolidated the results from across the Agency and reported the results to the SAT and the ARCC. The assessment determined that there were no material weaknesses that adversely affected the controls over non-financial reporting.

Compliance with Laws and Regulations

Assessment teams from FHFA divisions and offices identified the significant laws and regulations that relate to their respective operations. Assessment teams documented the actions that demonstrated compliance, the Agency's Office of General Counsel reviewed the submissions, and OPPR reported the results to the SAT and the ARCC. The assessment determined that there were no instances of material non-compliance with laws or regulations.

Effectiveness and Efficiency of Operations

Assessment teams from FHFA divisions and offices assessed controls over their operations using guidance from the GAO Green Book. Division management officials reviewed the completed assessments. OPPR reviewed the completed assessments and consolidated the results from across the Agency and reported the results to the SAT and the ARCC. The assessment determined that there were no material weaknesses that adversely affected the effectiveness and efficiency of operations.

Assessment Reporting

The ARCC reviewed the assessment and recommended unmodified statements of assurance. In compliance with FMFIA and HERA, 12 U.S.C. § 4516(g), the FHFA Director provided reasonable assurance on the basis of ARCC's recommendation that internal controls over the effectiveness and efficiency of operations, compliance with applicable laws and regulations, and non-financial and financial reporting as of September 30, 2024, were operating effectively and that no material weaknesses were found in the design or operation of the internal controls.

Federal Management Information Systems Strategy

Section 1316(g)(3) of the Safety and Soundness Act requires FHFA to implement and maintain financial management systems that comply substantially with federal financial management systems requirements, such as the Federal Financial Management Improvement Act of 1996, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. FHFA, including the FHFA OIG, uses the Bureau of the Fiscal Service (Fiscal Service) for its accounting services and its financial management system (FMS), which includes: 1) a core accounting system — Oracle Federal Financials; 2) four feeder systems — Procurement Request Information System Management, Concur (travel), Invoice Processing Platform (payments), and CitiDirect (charge card); 3) a reporting system — Oracle Business Intelligence; and 4) an inventory tracking system. FHFA began using the new G-Invoicing platform for interagency agreements as mandated by Treasury for all federal agencies in FY 2023, and expanded its use in FY 2024 as new agencies began their implementation. FHFA is responsible for overseeing Fiscal Service performance of accounting services for the Agency based on the terms and assignment of activities outlined in the Interagency Agreement.

[9] **https://www.gao.gov/products/GAO-14-704G**.

FHFA's oversight of Fiscal Service is documented in the Agency's Accounting Manual and procedures. A financial oversight document outlines the assignment of activities between FHFA and Fiscal Service. FMS includes manual and automated procedures and processes from the initiation of a transaction to the issuance of financial reports. FMS meets the requirements of section 1316 (g)(3) of the Safety and Soundness Act. FHFA and the FHFA OIG also use the Interior Business Center (a service provider within the U.S. Department of Interior) and the National Finance Center (a service provider within the U.S. Department of Agriculture) for payroll and personnel processing. FHFA has streamlined accounting processes by electronically integrating data from charge cards, investments, the Concur travel system, the procurement system, interagency agreements, the Invoice Processing Platform payments system, the Interior Business Center payroll system, and the National Finance Center payroll system with FMS.

Federal Information Security Modernization Act (FISMA)

FISMA requires all federal agencies to develop and implement an agency-wide Information Security Program to protect information and systems, including those provided or managed by anotther agency, contractor, or other source. In addition, FISMA mandates that agencies undergo an annual independent evaluation of their Information Security Program and practices, as well as an assessment of compliance with FISMA requirements.

The FHFA OIG contracted with an independent external audit firm to conduct a performance audit of FHFA's and FHFA OIG's Information Security Programs and practices as per U.S. Generally Accepted Government Auditing Standards. The objectives of the audit were to evaluate the effectiveness of FHFA's and FHFA OIG's Information Security Programs and practices for the combined Agency and respond to the Department of Homeland Security's FY 2024 Inspector General FISMA Reporting Metrics. The audit methodology included testing a subset of FHFA's systems for compliance with selected controls from the National Institute of Standards and Technology Special Publication 800-53, Revision 5, Security and Privacy Controls for Federal Information Systems and Organizations.[10]

The auditor reviewed and verified corrective actions taken by FHFA and FHFA OIG during the FY 2024 FISMA audit. The independent external auditor concluded that there were no significant deficiencies for the FHFA and FHFA OIG Information Security Programs.

Prompt Pay

The Prompt Payment Act requires federal agencies to make timely payments to vendors and improve the cash management practices of the government by encouraging the use of discounts when they are justified. This also means that FHFA must pay its bills within a narrow window of time. In FY 2024, the dollar amount subject to prompt payment was $114.3 million. The amount of interest penalty paid in FY 2024 was $333.00.

Digital Accountability and Transparency Act of 2014

FHFA consulted with OMB and Treasury and determined that the Digital Accountability and Transparency Act of 2014 does not apply to FHFA.

Photo courtesy of Community Investment Corporation

[10] https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53r4.pdf.

FHFA Statements of Assurance

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November 8, 2024

Federal Managers' Financial Integrity Act
Statements of Assurance
Fiscal Year 2024

Federal Housing Finance Agency (FHFA) management is responsible for establishing and maintaining effective internal control and financial management systems to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982, which include the following:

- Reliability of (financial and non-financial) reporting;
- Compliance with laws and regulations; and
- Effectiveness and efficiency of operations.

FHFA conducted its assessment of risk and internal controls in accordance with the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of this evaluation, FHFA can provide reasonable assurance that its internal controls over reporting, compliance with laws and regulations, and the effectiveness and efficiency of operations, as of September 30, 2024, were operating effectively and no material weaknesses were found in the design or operation of the internal controls.

FHFA's internal control over financial reporting is a process effected by those charged with FHFA's governance and management, and by other personnel. The objectives of this process are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles; (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (3) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

FHFA management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. FHFA conducted its assessment of the effectiveness of internal controls over financial reporting, including complementary user entity controls and entity level controls, in accordance with OMB Circular A-123. Based on the results of this evaluation, FHFA can provide reasonable assurance that its internal controls over financial reporting, as of September 30, 2024, were operating effectively and no material weaknesses were found in the design or operation of internal controls over financial reporting.

The Housing and Economic Recovery Act of 2008 (HERA), 12 U.S.C. § 4516(g) requires FHFA to implement and maintain financial management systems that comply substantially with federal financial management systems requirements. FHFA conducted a review of its financial management system in accordance with OMB Circular A-123, Appendix D. Based on the results of this review, FHFA can provide reasonable assurance that its financial management systems substantially complied with the requirements for federal financial management systems as of September 30, 2024.

Sincerely,

Sandra L. Thompson
Director

Mary E. Peterman
Chief Financial Officer

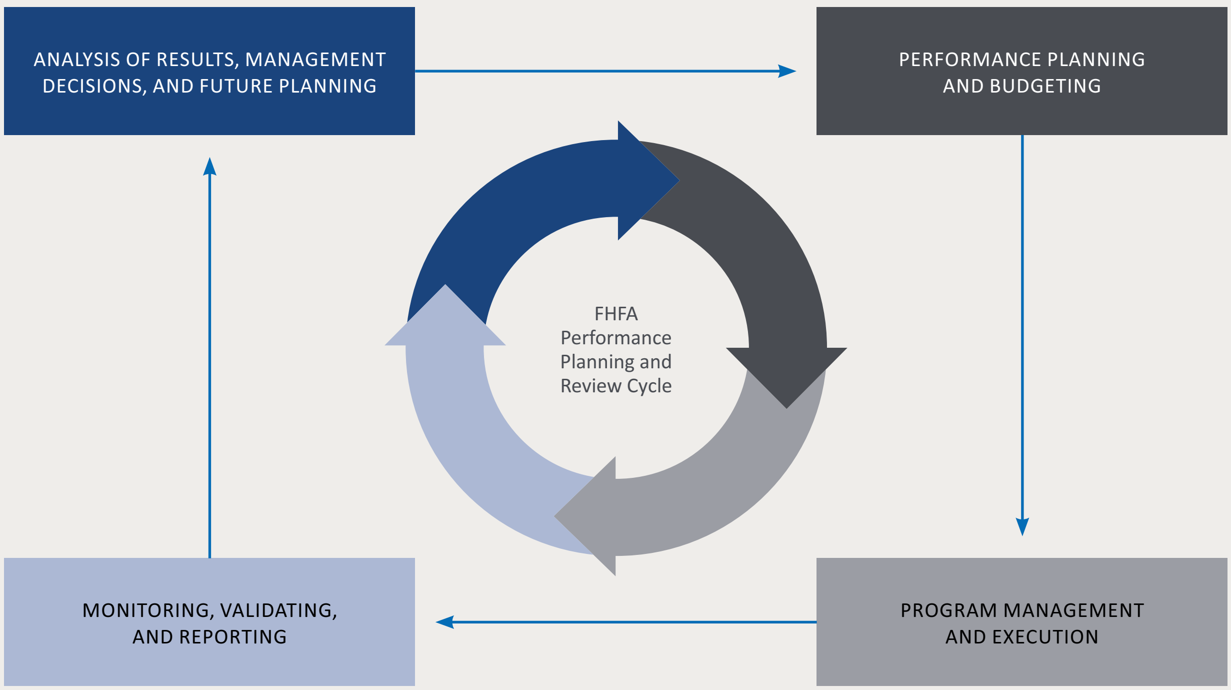
PERFORMANCE SECTION

Photo courtesy of Fannie Mae

FHFA’S Performance Planning and Review Process

This section provides an overview of FHFA’s performance planning and review framework. FHFA’s performance management process involves a recurring cycle of planning; program management and execution; measurement, monitoring, and evaluation; reporting, verification, and validation of data; and analysis of the results. The overall process is intended to assist FHFA management in making key decisions and planning future priorities. Figure 8 illustrates key elements of FHFA’s approach to performance management.

Figure 8: FHFA's Performance Management Cycle



The first step in FHFA's performance management process is to develop the Agency's Strategic Plan, which identifies FHFA's long-term strategic goals and a set of strategic objectives for each strategic goal. The Annual Performance Plan (APP) lays out short-term and long-term tasks known as performance measures that the Agency expects to complete during the fiscal year. These measures represent progress in achieving the strategic goals and are important indicators to management that FHFA is taking steps toward fulfilling the strategic objectives. The associated targets are internal milestones set by FHFA — indicating a time interval or other progress marker — to determine whether the Agency has satisfied a performance measure for the fiscal year. Each strategic objective also contains means and strategies referring to a broader set of activities that the Agency plans to follow to meet its goals.

FHFA conducts quarterly performance reviews of progress that the Agency has made toward meeting annual performance measures, and FHFA's senior leadership reviews and approves the quarterly performance progress reports. Performance results are validated and verified, and then reported here in the annual Performance and Accountability Report (PAR).

The Agency's 2022-2026 Strategic Plan — which also serves as the starting point for FHFA's FY 2024 APP — formed the basis of this FY 2024 PAR. Figure 9 illustrates FHFA's performance planning and review process.

Figure 9: FHFA's Performance Planning and Review Process

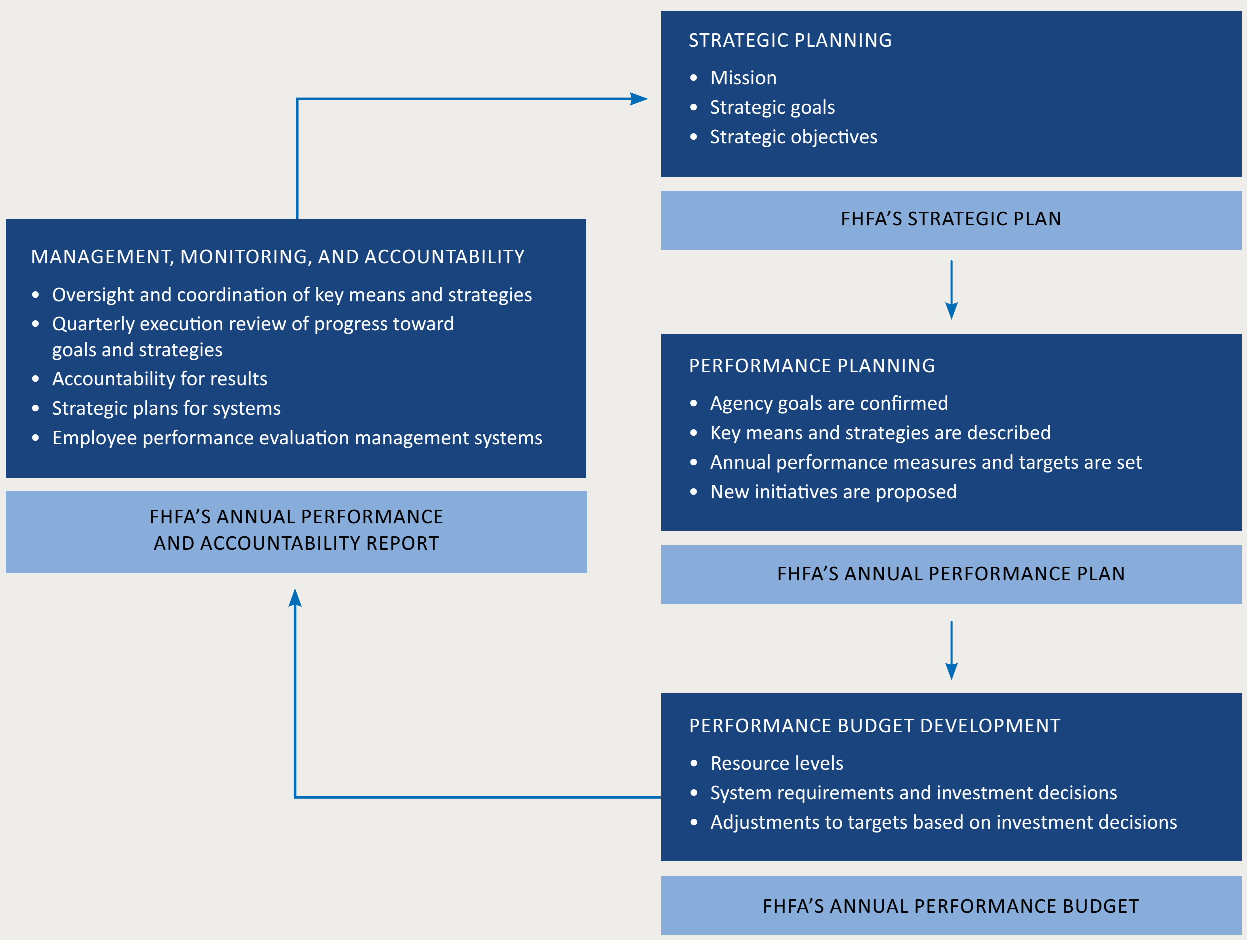


Photo courtesy of Fannie Mae

Validation and Verification of Performance Data

To ensure that the information reported in FHFA's FY 2024 PAR is complete and reliable, FHFA identifies, verifies, and validates the data for each performance measure. FHFA has included a template of its Performance Measure Validation and Verification form on page 122. Furthermore, every quarter, each office or division collects performance data for its measures and reports the results in the Agency's performance tracking system. FHFA staff follows documented performance tracking and verification procedures to verify and validate the data provided to ensure that the information is accurate and complete. Agency staff review the information provided by offices on their performance measures on a quarterly basis, verifying and validating supporting data and documents for completeness, clarity, relevance, and accuracy. A quarterly report summarizing this information is sent to senior management officials.

During the performance tracking cycle, offices provide the following information for each performance measure:

- Definition of the performance measure;
- Relevance of the performance measure;
- Data source;
- Process for calculating or tabulating the performance data;
- Process for validating and verifying the data;
- Responsible office/division and manager;
- Location of documentation; and
- Data constraints.

Strategic Goal 1: Secure the Regulated Entities' Safety and Soundness

FHFA promotes safe and sound operations at the regulated entities through the Agency's supervisory program. FHFA conducts supervision using a risk-based approach to identify existing and emerging risks to the regulated entities, evaluate the overall effectiveness of each regulated entity's risk management systems and controls, assess compliance with laws and regulations applicable to the regulated entity, and ensure the timely resolution of matters requiring attention.

Strategic Goal 1 – Selected Accomplishments

FHFA had several accomplishments in FY 2024 that contributed to progress toward meeting the strategic goal. Selected FY 2024 accomplishments included:

Enterprise Operational Event Reporting Advisory Bulletin

On June 28, 2024, FHFA issued Advisory Bulletin (AB) 2024-02: *Enterprise Operational Event Reporting*. Applicable to the Enterprises and CSS, the AB communicates FHFA's supervisory expectations for collecting and reporting operational loss event data, and for informing FHFA immediately of highly severe operational loss events. Operational loss categories include internal fraud, external fraud, employment practices and workplace safety, clients, products, business practices, damages to physical assets, business disruption, and system failures.

Risk-Based Supervision of Enterprises and CSS to Ensure Safety and Soundness

FHFA's activities related to examining the Enterprises and CSS include conducting risk-based supervision — targeted examinations and ongoing monitoring — and assessing the remediation of previous Matters Requiring Attention (MRAs). In FY 2024, FHFA conducted targeted examinations and ongoing monitoring in the areas of credit risk, market risk, operational risk, model risk, and governance. FHFA also closed MRAs where it concluded that the Enterprises and CSS had taken satisfactory corrective actions.

FHLBank System at 100 Initiative

As part of the initiative, *FHLBank System at 100: Focusing on the Future*, the Agency conducted a comprehensive review of the FHLBank System in anticipation of the FHLBank System's centennial in 2032 to ensure that the FHLBank System remains a reliable source of liquidity, supporting housing finance and community development. The report highlights potential reforms to keep pace with changes in the financial system and includes recommendations for how the FHLBank System could effectively fulfill its mission over the long term. FHFA drew on feedback received through robust public engagement, along with its own extensive analysis, to prepare the report. The engagement included listening sessions and regional roundtables, as well as multiple opportunities for written input from stakeholders.

- In March 2024, the Agency issued Regulatory Interpretation 2024-RI-01, which clarifies the pathway for cooperativas — state-chartered credit unions in Puerto Rico that lack federal share (deposit) insurance — to become FHLBank members. Many cooperativas are also certified CDFIs.
- In May 2024, the Agency issued a Request for Input (RFI) with questions about the mission of the FHLBank System, how FHFA assesses the FHLBanks' mission achievement, and incentives the FHLBanks could offer to member institutions that demonstrate a strong connection to the FHLBank System's mission. FHFA will use the RFI responses to inform an upcoming

rulemaking to clarify the mission of the FHLBank System. Because of the continuing evolution of the financial system since the establishment of the FHLBank System almost a century ago, some institutions that are members of the FHLBank System no longer have a business focus on housing finance. An updated mission statement will emphasize the FHLBanks' role as a reliable source of liquidity to support housing and community development.

- In June 2024, the Agency hosted an FHLBank-CDFI Symposium. Non-depository CDFIs provide critical support for affordable housing and community development activities in underserved areas. However, for a variety of reasons, they may have difficulty accessing and fully benefiting from FHLBank System membership, products, and services. The Symposium provided an opportunity for representatives from CDFIs and the FHLBank System to learn from each other and explore opportunities for CDFIs to obtain greater benefit from the FHLBank System.
- In September 2024, FHFA issued a Notice of Proposed Rulemaking on unsecured credit limits for FHLBanks, to modernize and provide greater flexibility in how the FHLBanks manage intra-day liquidity and respond to late-day member advance requests. The proposed changes would amend FHFA's regulation establishing limits on unsecured extensions of credit and extend the higher limit that currently applies only to overnight Fed Funds to include interest-bearing deposit accounts and similar overnight investments as authorized by FHFA.
- FHFA also issued AB 2024-03: *FHLBank Member Credit Risk Management* to memorialize longstanding expectations regarding the FHLBanks' underwriting and credit decisions and reinforce a holistic approach to member credit risk management. The guidance calls for each FHLBank to have a risk management framework and practices designed to ensure credit is extended only to creditworthy members and to avoid credit losses on member exposures.

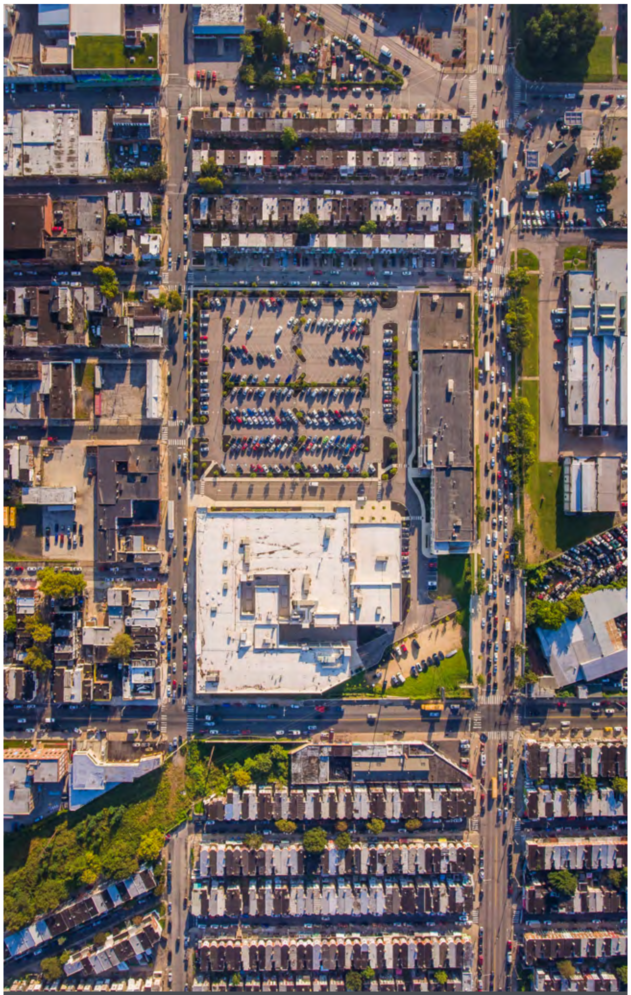


Photo courtesy of Esperanza

Strategic Objective 1.1: Identify Risks to the Regulated Entities and Assess the Safety and Soundness of Regulated Entity Operations

FHFA assesses the safety and soundness of the regulated entities' operations through annual examinations, targeted examinations, ongoing monitoring, and reviews. FHFA uses a uniform examination rating system to assign ratings to the Enterprises, the FHLBanks, CSS, and OF. FHFA annually assigns each regulated entity a composite rating for the overall condition of the entity. In FY 2024, FHFA monitored 10 measures for Strategic Objective 1.1 and met all 10 targets. The table below reports progress on these measures.

Table 5: Strategic Objective 1.1 – Summary of Performance Measures and Results

Strategic Objective 1.1: Identify risks to the regulated entities and assess the safety and soundness of regulated entity operations							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
1.1.1a: Conduct risk-focused supervision and examinations of the Enterprises and CSS by having a risk-based supervision plan approved by January 31	MET	MET	MET	MET	MET	100 percent of the time	MET
1.1.1b: Conduct risk-focused supervision and examinations of the FHLBanks by having written risk-based examination plans in place prior to the commencement of examinations for each of the FHLBanks	MET	MET	MET	MET	MET	100 percent of the time	MET
1.1.2a: Approve reports of examination by April 15[11] for the Enterprises and CSS	MET	MET	MET	MET	MET	100 percent of the time	MET
1.1.2b: Approve reports of examination within 90 days after completing examination work for each of the FHLBanks	MET	MET	MET	MET	MET	100 percent of the time	MET
1.1.3: Ensure a quarterly Market Value of Equity to par value of capital stock ratio greater than or equal to one for each FHLBank	MET	MET	MET	MET	MET	100 percent of the time	MET
1.1.4: Ensure each FHLBank is adequately capitalized on a quarterly basis	MET	MET	MET	MET	MET	100 percent of the time	MET
1.1.5: Conduct quarterly reviews of regulated entity public filings	MET	MET	MET	MET	MET	100 percent of the time	MET
1.1.6a: Approve Diversity and Inclusion reports of examination by April 15, for the Enterprises and CSS	N/A[12]	N/A	N/A	MET	MET	100 percent of the time	MET
1.1.6b: Approve Diversity and Inclusion reports of examination for at least four of the FHL Bank System regulated entities	N/A	N/A	N/A	N/A	NOT MET	100 percent of the time	MET
1.1.7: Issue guidance to the FHLBanks on member credit	N/A	N/A	N/A	N/A	N/A	Q4 FY 2024[13]	MET

[11] Or the first business day after if the date falls on a weekend.

[12] "N/A" or "not available" means that FHFA did not report data in prior PARs for the marked measures.

[13] The "Q" in "Q4" means that the target was set for the fourth "quarter" of the fiscal year.

PERFORMANCE MEASURE 1.1.1A: Conduct risk-focused supervision and examinations of the Enterprises and Common Securitization Solutions by having written a risk-based supervision plan approved by January 31

PERFORMANCE MEASURE 1.1.1B: Conduct risk-focused supervision and examinations of the FHLBanks by having written risk-based examination plans in place prior to the commencement of examinations for each of the FHLBanks

Risk-based examinations focus FHFA resources on areas of greatest risk. FHFA met this measure for FY 2024 as explained below.

- **The Enterprises:** FHFA conducts examinations of each Enterprise on a continuous basis and of CSS on an annual basis. FHFA maintains a written risk-based Supervision Plan for each Enterprise and CSS for every annual supervisory cycle. The plan enumerates examination activities for different risk management and business areas. Examination areas include credit risk, market risk, operational risk, model risk, and governance. FHFA reviews the Supervision Plans during the supervisory cycle and may amend the plan to reflect changes in the risk profile or the operations of the Enterprises or CSS. The 2024 risk-based Supervision Plans for Fannie Mae, Freddie Mac, and CSS were approved by the DER Deputy Director by January 31, 2024.
- **FHLBanks and OF:** FHFA examines the FHLBanks and OF annually on a Calendar Year (CY) basis. Examinations have specified beginning and end dates and are generally performed at a pace of three regulated entities each quarter. FHFA's examination plans are called scope memoranda, which include analyses of the institution's risks, a schedule of examination work, and details regarding staff responsibilities. For FY 2024, scope memoranda were in place prior to the start of every FHLBank and OF examination.

PERFORMANCE MEASURE 1.1.2A: Approve reports of examination by April 15 for the Enterprises and Common Securitization Solutions[14]

PERFORMANCE MEASURE 1.1.2B: Approve reports of examination within 90 days after completing examination work for each of the FHLBanks

FHFA communicates supervisory results, findings, and expectations for remedial action to the Enterprises, CSS, the FHLBanks, and OF through supervisory correspondence and ROEs. ROEs summarize key examination findings for the prior year and assign ratings in accordance with the Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk (CAMELSO) framework. In FY 2024, FHFA met the target dates for approving ROEs.

- **The Enterprises and CSS:** FHFA issues ROEs that document and communicate its supervisory findings and conclusions for the annual supervisory cycle. The ROE reflects FHFA's view of the regulated entity's financial condition, its risk profile, and the adequacy of its risk management practices. Each Enterprise's ROE includes the composite and CAMELSO ratings. The ROE for CSS includes the composite and the Management and Operational Risk component ratings. The target date for the DER Deputy Director approving each ROE was April 15. FHFA approved the ROEs for Fannie Mae, Freddie Mac, and CSS by the target date.
- **FHLBanks:** ROEs summarize DBR's examination conclusions and principal findings, communicating them to the FHLBank and outlining supervisory expectations. The DBR Deputy Director approves each ROE within 90 days of the exit meeting with the FHLBank, which takes place at the end of an examination. DBR assesses this measure's status each quarter, typically with three ROEs per quarter. During 2024, the DBR Deputy Director approved 12 of 12 (100 percent) ROEs within 90 days of the exit meetings. The target for this measure is 100 percent.

[14] Or the first business day after if the date falls on a weekend.

Financial Condition of the Enterprises

Under the Preferred Stock Purchase Agreements (PSPAs), while Fannie Mae and Freddie Mac (the Enterprises) are in conservatorship they are constrained in their ability to take certain actions without the prior written consent of the U.S. Department of the Treasury (Treasury). The PSPAs originally required the Enterprises to pay a 10 percent dividend to Treasury. Later, amendments to the PSPAs required the Enterprises to remit all their earnings to Treasury — a provision commonly referred to as the net worth sweep.

However, over time FHFA and Treasury have revised the PSPAs to allow the Enterprises to build more capital. In December 2017, they were each permitted to retain a $3 billion capital reserve. Under another amendment in September 2019, FHFA and Treasury agreed to raise the cap on the capital reserve to $25 billion for Fannie Mae[15] and $20 billion for Freddie Mac.[16]

In January 2021, FHFA and Treasury amended the PSPA again and effectively ended the net worth sweep. Their Letter Agreement increased the amount of retained earnings that each Enterprise could keep to the amount of adjusted total capital necessary to meet the capital requirements and buffers set forth in FHFA's final capital rule.[17] As a result, the Enterprises' net worth increased to $90.5 billion for Fannie Mae and $56.4 billion for Freddie Mac by the end of FHFA's FY 2024.

However, the agreement also increases the liquidation preference of the Senior Preferred Stock by the amount of any increase in the Enterprises' net worth each quarter.[18] In September 2021, FHFA and Treasury suspended certain provisions that were added to the PSPAs in January 2021.[19] The suspended provisions include limits on the Enterprises' cash windows (loans acquired for cash consideration), multifamily lending, loans with higher risk characteristics, and second homes and investment properties.

The Enterprises will continue to build capital under the continuing provisions of the PSPAs. FHFA also continues to direct the Enterprises operate in a safe and sound manner consistent with their statutory mission and to foster resilient housing finance markets given prevailing housing market conditions, which include elevated demand relative to available inventory.

Since peaking in 2021, mortgage origination volumes have declined as elevated mortgage interest rates have led to lower refinance origination volumes and, to a lesser extent, lower purchase origination volumes. Despite the decline in purchase origination volumes, home prices continued to appreciate. However, home price appreciation slowed nationally in 2024, with some markets exhibiting year-over-year price declines.

These market conditions affected the Enterprises' net interest income, as lower refinance volume resulted in lower amortization income. However, portfolio growth and forecasted asset extension improved the stability of Enterprise guarantee fee earnings. Table 6 shows the recent performance of the two Enterprises.

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15 **https://www.fhfa.gov/sites/default/files/2023-03/third-amend-fnm-stock-cert-as-amended_09-30-2019.pdf**.

16 **https://www.fhfa.gov/sites/default/files/2023-03/third-amend-fre-stock-certificate-as-amended_09-30-2019.pdf**.

17 In November 2020, FHFA released a final capital rule that establishes the ERCF as a new regulatory capital framework for the Enterprises. The final capital rule became effective on February 16, 2021.

18 Refer to the Fannie Mae and Freddie Mac letter agreements, dated January 14, 2021, available on the Treasury website for more details.

19 **https://www.fhfa.gov/news/news-release/fhfa-and-treasury-suspending-certain-portions-of-the-2021-preferred-stock-purchase-agreements**.

Table 6: Enterprise Financial Results Summary of First 3 Calendar Quarters of 2024 and Full Calendar Year 2023
(dollars in billions)

	Fannie Mae				Freddie Mac			
	2024			2023 Full Year	2024			2023 Full Year
	Q1	**Q2**	**Q3**		**Q1**	**Q2**	**Q3**	
Net Income (Loss)	4.3	4.5	4.0	17.4	2.8	2.8	3.1	10.5
Comprehensive Income (Loss)*	4.3	4.5	4.0	17.4	2.7	2.8	3.2	10.7

** Comprehensive income is the sum of net income and changes in other comprehensive income, which consists of items excluded from net income on the income statement because they have not been realized. For both Enterprises, the comprehensive income items primarily consist of changes in unrealized gains (losses) in available-for-sale securities and changes in defined benefit plans. Freddie Mac's other comprehensive income also includes unrealized gains (losses) on cash flow hedging relationships.*

As economic conditions continue to normalize after the global COVID-19 pandemic, the percentages of single-family loans acquired by the Enterprises that were seriously delinquent (SDQ) as of Sept. 30, 2024 — more than 90 days overdue — remain comparable to pre-pandemic levels. At the end of FY 2024, Fannie Mae had an SDQ rate of 0.52 percent and Freddie Mac had a rate of 0.54 percent, compared with 0.54 percent and 0.55 percent, respectively, at the end of FY 2023. Those figures are far below the SDQ rates on Sept. 30, 2020, of 3.20 percent for Fannie Mae and 3.04 percent for Freddie Mac, during the pandemic. In contrast, the SDQ rates for Enterprise-acquired multifamily loans — defined as more than 60 days overdue — are still well above pre-pandemic levels. As of September 30, 2024, multifamily SDQ rates stood at .056 percent and 0.39 percent for Fannie Mae and Freddie Mac, respectively, compared with 0.03 percent and 0.08 percent as of Dec. 31, 2019. Elevated interest rates, which both negatively affect multifamily property valuations and introduce added refinancing risk to borrowers, have contributed to the higher SDQ rates. FHFA continues to monitor the effects of COVID-19 on the Enterprises and their related risk management practices to ensure identification, monitoring, and management of credit risks.

The Enterprises have two primary sources of revenue: 1) guarantee fees on mortgages held by consolidated trusts that back Enterprise MBS, and 2) the difference between the interest income earned on the assets in the Enterprises' retained mortgage portfolios and the interest expense paid on the debt that funds those assets. In FHFA's FY 2024, as in prior years, the Enterprises earned the majority of their net income from guarantee fees rather than from other sources of net interest income. This is primarily driven by the reduction in the size of the retained portfolios in accordance with the requirements of the PSPAs between Treasury and the Enterprises.

The Enterprises have met conservatorship objectives by reducing the size of their retained portfolios and engaging in Credit Risk Transfer (CRT) transactions. The terms of the PSPAs require the Enterprises to reduce the size of their retained mortgage portfolios, which reduces their interest rate risk. Also, as conservator, FHFA has required the Enterprises to conduct CRT transactions that reduce risk to taxpayers by sharing credit risk with the private sector.

The Enterprises' earnings continue to be highly sensitive to fluctuations in macroeconomic conditions, housing prices, and interest rates. For example, given the large size of the Enterprises' guarantee portfolios, small changes in observed or projected home prices may have a significant impact on financial performance through changes to the allowance for credit losses. Additionally, to reduce the impact of interest rate fluctuations on the volatility in their financial results, Freddie Mac and Fannie Mae implemented hedge accounting in 2017 and 2021, respectively.

Financial Condition of the FHLBanks

The financial condition and performance of the FHLBanks were sound during the 12-month period ending September 30, 2024. All 11 FHLBanks were profitable, earning a combined net income of $6.5 billion on $8.9 billion of net interest income after provision for credit losses, an improvement of 3.7 percent and 6.1 percent, respectively, from the prior 12-month period. The FHLBanks recaptured $6 million of losses through interest income previously taken as credit other-than-temporary impairments. Operating expenses totaled $1.5 billion for the 12-month period that ended September 30, 2024. FHLBank advances decreased by $70.5 billion over the prior 12 months to $756.5 billion of advances outstanding on September 30, 2024. Advances represented 59.9 percent of total FHLBank System assets. The balance of mortgages purchased from FHLBank members was $67.4 billion, or 5.3 percent of total FHLBank System assets.

During the 12-month period ending September 30, 2024, the FHLBanks purchased $13.4 billion of mortgages and collected principal payments of $5.7 billion. The FHLBanks' remaining assets were primarily investments, which include liquidity assets, MBS, and other investments. Investments totaled $429.7 billion and represented 34.0 percent of FHLBank System assets. Of the overall investments, MBS totaled $191.0 billion, mostly consisting of agency MBS ($174.6 billion or 91.4 of MBS), with only $1.3 billion (0.7 percent) in private-label MBS. Aggregate consolidated obligations, which is the debt issued jointly and used by each FHLBank to fund its operations, totaled $1.2 trillion as of September 30, 2024, of which 23.7 percent were discount notes. Consolidated obligations with a remaining contractual maturity of less than one year by par value represented 72.0 percent of total consolidated obligations. Table 7 provides a summary of the FHLBanks' financial results through September 30, 2024.

Table 7: FHLBanks' Financial Results Summary of First 3 Calendar Quarters of 2024 and Full Calendar Year 2023
(in $ millions)

	Net Income (Loss)*			
	2024			2023 Full Year
	Q1	Q2	Q3	
FHLBank of Boston	78	70	60	257
FHLBank of New York	220	181	183	751
FHLBank of Pittsburgh	154	149	134	582
FHLBank of Atlanta	194	177	151	649
FHLBank of Cincinnati	146	144	164	668
FHLBank of Indianapolis	95	89	91	377
FHLBank of Chicago	182	158	131	660
FHLBank of Des Moines	274	230	204	962
FHLBank of Dallas	181	187	184	874
FHLBank of Topeka	114	108	101	370
FHLBank of San Francisco	124	86	102	539
FHLBank System Total Net Income	**1,762**	**1,580**	**1,506**	**6,690**

** Numbers may not add due to rounding.*

PERFORMANCE MEASURE 1.1.3:
Ensure a quarterly Market Value of Equity to par value of capital stock ratio greater than or equal to one for each FHLBank

The ratio of Market Value of Equity (MVE) to par value of capital stock (PVCS) is an indicator of each FHLBank's condition. A ratio of 1.0 or above is desirable because it reflects an FHLBank's ability to repurchase or redeem its capital stock at par without hurting remaining shareholders. FHLBank reporting through the Call Report System allows FHFA to verify the MVE-to-par ratio for each FHLBank at the end of the quarter. Throughout FY 2024, each FHLBank reported market value information to FHFA for the preceding quarter. All FHLBanks reported an MVE greater than the PVCS. Figure 10 reports the ratio for each FHLBank as of September 30, 2024.

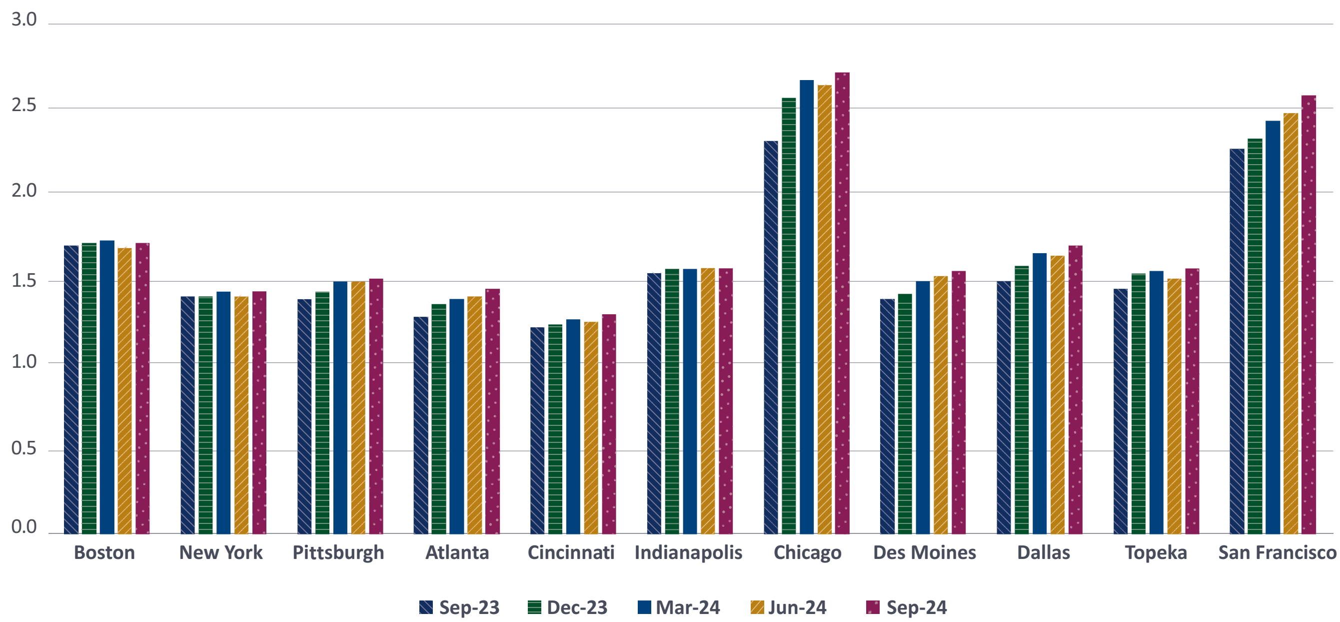
PERFORMANCE MEASURE 1.1.4:
Ensure each FHLBank is adequately capitalized on a quarterly basis

Capital adequacy is a critical component of safety and soundness for the FHLBanks. FHFA determines the capital classification for each FHLBank for the prior quarter and communicates it to the FHLBank. These communications are made via letter in accordance with FHFA regulation. In each quarter of FY 2024, FHFA deemed all FHLBanks "adequately capitalized" for the prior quarter and communicated these classifications to the FHLBanks via letter.

PERFORMANCE MEASURE 1.1.5:
Conduct quarterly reviews of regulated entity public filings

This measure ensures oversight of the public financial statements released by the regulated entities. Before the Enterprises can submit their public financial statements to the U.S. Securities and Exchange Commission (SEC), FHFA must review the filings. Through the supervisory and financial statement review processes, FHFA, as regulator and as conservator, conducts oversight of the information released by the Enterprises. For the FHLBanks, FHFA reviews the individual FHLBank filings and conducts oversight of combined financial reports for the FHLBank System. In FY 2024, FHFA documented reviews of (i) Enterprise financial statements prior to each quarterly and year-end SEC filing, and (ii) FHLBank financial statements prior to the conclusion of annual examination fieldwork for each FHLBank.

Figure 10: Quarterly MVE to PVCS Ratios



PERFORMANCE MEASURE 1.1.6A:

Approve Diversity and Inclusion reports of examination by April 15 for the Enterprises and Common Securitization Solutions

This measure reports progress towards meeting FHFA's requirement to issue Diversity and Inclusion (D&I) ROEs to the Enterprises and CSS. FHFA completed the 2023 examinations of Fannie Mae, Freddie Mac, and CSS and issued the ROEs to each regulated entity by April 15, 2024.

PERFORMANCE MEASURE 1.1.6B:

Approve Diversity and Inclusion reports of examination for at least four of the FHLBank System regulated entities

This measure reports progress towards meeting FHFA's requirement to issue D&I ROEs to the FHLBanks. These reports demonstrate the Agency's commitment to its mission to promote financial inclusion and economic opportunity by ensuring regulated entity compliance. The target for this measure can be met if FHFA approves D&I ROEs for four regulated entities in the FHLBank System (which can include OF in addition to the FHLBanks). In FY 2024, FHFA approved D&I ROEs for four regulated entities in the FHLBank System.

PERFORMANCE MEASURE 1.1.7:

Issue guidance to the FHLBanks on member credit

The FHLBanks provide financial products and services, including advances, to members to assist in the financing of housing and community lending. An FHLBank's decision to extend credit to a member through an advance should be based on the FHLBank's assessment of the member's creditworthiness, particularly the member's financial capacity and willingness to repay its credit obligations. Although pledged collateral protects an FHLBank against the risk of loss, it serves only as a secondary source of repayment.

In the first half of CY 2023, several member institutions failed or merged with other entities after experiencing severe market stress. These events exposed weaknesses in the member credit risk management framework of certain FHLBanks that impeded anticipation and management of the risk of potential member failures. In FY 2024, FHFA issued guidance to the FHLBanks on the Agency's expectations regarding a sound credit risk management framework to support FHLBank credit decisions.

Photo courtesy of Nevada HAND

Strategic Objective 1.2: Require Timely Remediation of Matters Requiring Attention

FHFA continues to identify, communicate, monitor, and assess the status of MRAs at the regulated entities to ensure timely remediation. In FY 2024, FHFA monitored three measures for Strategic Objective 1.2 and met all three of the targets. The table below reports progress on these measures.

Table 8: Strategic Objective 1.2 – Summary of Performance Measures and Results

Strategic Objective 1.2: Require timely remediation of Matters Requiring Attention							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
1.2.1a: Determine that the Enterprises have satisfactorily addressed safety and soundness Matters Requiring Attention in accordance with agreed-upon remediation plans and timeframes	MET	MET	MET	MET	MET	90 percent of the time	MET
1.2.1b: Determine that the FHLBanks and Office of Finance have satisfactorily addressed safety and soundness Matters Requiring Attention in accordance with agreed-upon remediation plans and timeframes	MET	MET	MET	MET	MET	90 percent of the time	MET
1.2.2: Determine regulated entities have satisfactorily addressed Matters Requiring Attention relating to their Diversity and Inclusion programs in accordance with agreed-upon remediation plans and timeframes	N/A	N/A	N/A	MET	MET	90 percent of the time	MET

PERFORMANCE MEASURE 1.2.1A: Determine that the Enterprises have satisfactorily addressed safety and soundness Matters Requiring Attention in accordance with agreed-upon remediation plans and timeframes

PERFORMANCE MEASURE 1.2.1B: Determine that the FHLBanks and OF have satisfactorily addressed safety and soundness Matters Requiring Attention in accordance with agreed-upon remediation plans and timeframes

Where there is a significant supervisory concern or violation of law or regulation by one of the regulated entities, FHFA may issue an MRA that requires the regulated entity's board of directors and/or management to take corrective action to address deficiencies and violations. FHFA tracks the remediation of MRAs to ensure that the regulated entity has addressed the supervisory concern or violation of law or regulation. In FY 2024, the performance measure 1.2.1 target for both the Enterprises and the FHLBanks was a determination that the regulated entities satisfactorily addressed safety and soundness MRAs in accordance with agreed-upon remediation plans and timeframes 90 percent of the time.

FHFA follows different processes for the resolution of MRAs at the Enterprises and the FHLBanks.

- **The Enterprises:** The Enterprises address MRAs by committing to remediation actions with timelines and implementing corrective actions to address supervisory concerns. For all MRAs scheduled to be remediated during the fiscal year, FHFA determines whether the Enterprise satisfactorily addressed the MRA in accordance with agreed-upon remediation plans and timeframes. In FY 2024, the Enterprises satisfactorily addressed more than 90 percent of their safety and soundness MRAs in accordance with agreed-upon remediation plans and timeframes.

- **FHLBanks and OF:** For each FHLBank and for the OF, FHFA reviews the resolution of MRAs in conjunction with FHFA's annual examination cycle. FHFA gathers information about progress on MRA remediation completion during annual examination work. During FHLBank and OF examinations in FY 2024, FHFA followed up on outstanding MRAs to determine whether the entities had remediated them or if they were making progress according to remediation plans. FHFA found that the FHLBanks and OF had satisfactorily addressed more than 90 percent of their MRAs.

PERFORANCE MEASURE 1.2.2:
Determine that the regulated entities have satisfactorily addressed Matters Requiring Attention relating to their Diversity and Inclusion programs, in accordance with agreed-upon remediation plans and timeframes

The regulated entities are evaluated by FHFA to ensure compliance with statutory and regulatory requirements to emphasize D&I in all business activities. The D&I examination module establishes how FHFA examines the regulated entities' compliance with Section 1116 of HERA and FHFA regulations. The target for this performance measure is a 90 percent success rate for remediation of MRAs reviewed during the year. In FY 2024, the FHLBanks, OF, Fannie Mae, Freddie Mac, and CSS satisfactorily addressed 95 percent of their MRAs in accordance with agreed-upon remediation plans and timeframes.

DID YOU KNOW?

Advisory Bulletins
FHFA issues ABs, which are public documents that communicate the Agency's supervisory expectations in particular areas. ABs support FHFA examinations of the regulated entities with respect to specific supervisory matters and topics.

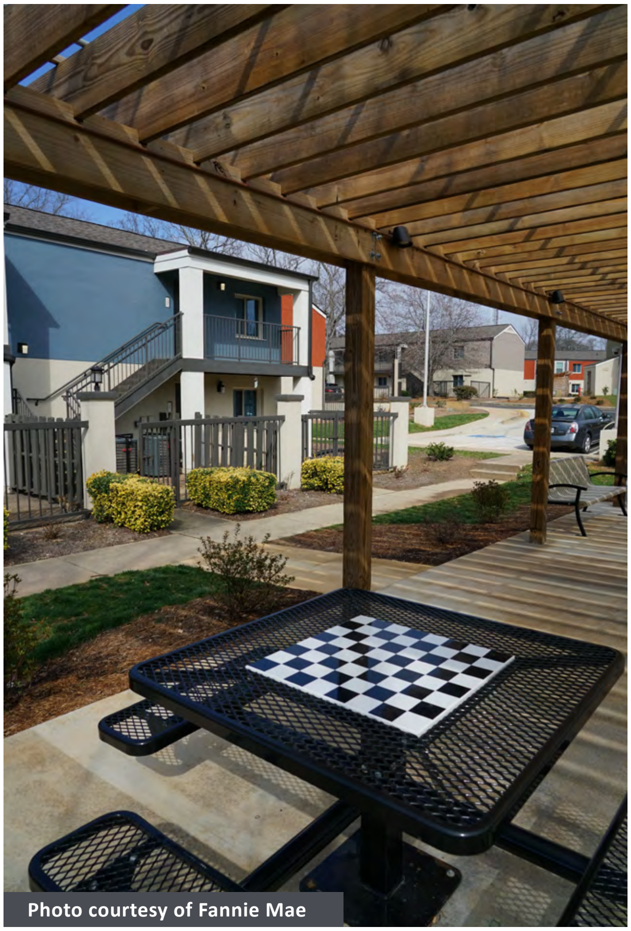


Photo courtesy of Fannie Mae

Strategic Objective 1.3: Preserve and Conserve Enterprise Assets While Managing the Conservatorships

FHFA continues to focus on managing the ongoing conservatorships of the Enterprises to preserve and conserve their assets for the benefit of the taxpayers, as well as reducing taxpayer risk from Enterprise operations. In FY 2024, FHFA monitored four performance measures for Strategic Objective 1.3 and met two of the targets. The table below reports progress on these measures.

Table 9: Strategic Objective 1.3 – Summary of Performance Measures and Results

Strategic Objective 1.3: Preserve and conserve Enterprise assets while managing the conservatorships							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
1.3.1: Monitor and rate the Enterprises' performance against current Scorecard objectives[20]	NOT MET	NOT MET	N/A	N/A	MET	Complete quarterly assessment within 45 days of quarter end	NOT MET
1.3.2: Assess the resolution plan submissions against applicable regulatory standards and requirements	N/A	N/A	N/A	N/A	N/A	December 31, 2023	NOT MET
1.3.3: Issue a final rule enhancing the Enterprise Regulatory Capital Framework	N/A	N/A	N/A	N/A	N/A	December 31, 2023	MET
1.3.4: Conduct quarterly reviews of Enterprises' compliance with Enterprise Regulatory Capital Framework public disclosure requirements	N/A	N/A	N/A	N/A	N/A	100 percent of the time	MET

PERFORMANCE MEASURE 1.3.1: Monitor and rate the Enterprises' performance against current Scorecard objectives

Each quarter, FHFA evaluates the Enterprises' progress against the goals contained in the annual Conservatorship Scorecard within 45 days of the end of each quarter (within 60 days for a year-end assessment). The results of these evaluations are approved by the FHFA Director and communicated to the Enterprises. In FY 2024, FHFA finalized the evaluations and communicated the results to the Enterprises each quarter. However, the Agency completed the process for one of the quarterly assessments after the 45-day period had passed, but still within 60 days of the end of the quarter.

PERFORMANCE MEASURE 1.3.2: Assess the resolution plan submissions against applicable regulatory standards and requirements

FHFA published a final rule on May 4, 2021, that required the Enterprises to develop plans to facilitate their rapid and orderly resolution in the event FHFA is appointed receiver. Under the rule, the Enterprises must submit those plans to FHFA for its review and feedback. The rule does not specify a formal timeframe for FHFA to send feedback, although there is a general expectation that the Enterprises will receive material feedback before their next resolution plans are due. While FHFA did not complete its review of the Enterprise resolution plans by December 31, 2023, FHFA's review of the resolution plans was completed in the fourth quarter of FY 2024.

[20] In 2019 and 2020 this measure was categorized under Strategic Objective 3.1, and the target was 30 days for both years. The target was also 30 days for 2023.

PERFORMANCE MEASURE 1.3.3:
Issue a final rule enhancing the Enterprise Regulatory Capital Framework

The Enterprise Regulatory Capital Framework (ERCF) is designed to ensure that each Enterprise holds enough capital to remain a viable going concern both during and after a severe economic downturn, and can fulfill its statutory mission to provide stability and secondary mortgage market assistance across the economic cycle. In FY 2024, FHFA published a final rule amending the ERCF to address guarantees on commingled securities, multifamily loans secured by properties with a government subsidy, and derivatives and cleared transactions, and to make other enhancements.

PERFORMANCE MEASURE 1.3.4:
Conduct quarterly reviews of Enterprises' compliance with ERCF public disclosure requirements

Each Enterprise is required to publish its ERCF disclosure report on its website no later than 10 business days after filing its Form 10-Q or 10-K. Public ERCF disclosures ensure that market participants have access to sufficient information on capital adequacy, capital structure, and risk mitigation to make informed investment decisions. FHFA documents its review and approval of each Enterprise's quarterly ERCF disclosure report prior to publication. The reports must be published no later than 10 business days after each quarterly and year-end SEC filing.

DID YOU KNOW?

Enterprise Regulatory Capital Framework

The Enterprise Regulatory Capital Framework is a going-concern regulatory capital standard that ensures that Fannie Mae and Freddie Mac each operates in a safe and sound manner and is positioned to fulfill its statutory mission to provide stability and ongoing assistance to the secondary mortgage market throughout the economic cycle. The capital planning requirements in the framework allow the Enterprises to identify the amount of capital they need to raise, consider the timing of when to raise capital, and determine what types of capital to raise. In FY 2024, FHFA published a final rule amending the ERCF as described in Performance Measure 1.3.3.

Photo courtesy of Fannie Mae

Strategic Objective 1.4: Identify Options for Incorporating Climate Change Into Regulated Entity Governance

In FY 2024, FHFA monitored three performance measures for Strategic Objective 1.4 and met all three of the targets. The table below reports progress on these measures.

Table 10: Strategic Objective 1.4 – Summary of Performance Measures and Results

Strategic Objective 1.4: Identify options for incorporating climate change into regulated entity governance							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
1.4.1: Continue to refine the Enterprises and FHFA's climate research agendas	N/A	N/A	N/A	N/A	MET	Q4 FY 2024	MET
1.4.2: Develop guidance for the Enterprises in addressing climate risk	N/A	N/A	N/A	N/A	N/A	Q4 FY 2024	MET
1.4.3: Develop guidance for the FHLBanks in addressing climate risk	N/A	N/A	N/A	N/A	N/A	Q4 FY 2024	MET

PERFORMANCE MEASURE 1.4.1: Continue to refine the Enterprises' and FHFA's climate research agendas

The Enterprises have refined their 2024 climate research agendas by adding newly begun research projects for 2024 and by continuing projects launched in 2022 and 2023. Both Enterprises provided FHFA with regular updates on the progress they made on research projects and on addressing climate-related data gaps. Similarly, FHFA has made progress on internal research projects from the Agency's climate research agenda.

PERFORMANCE MEASURE 1.4.2: Develop guidance for the Enterprises in addressing climate risk

In FY 2024, FHFA developed and published guidance for the Enterprises on climate risk. The guidance provides high-level supervisory expectations to the Enterprises on managing climate risk in the U.S. housing finance system. The guidance highlights key climate risks that could affect the safety and soundness of the Enterprises across business and operational functions. The guidance also addresses ways to effectively identify, manage, control, mitigate, and report these risks.

PERFORMANCE MEASURE 1.4.3: Develop guidance for the FHLBanks in addressing climate risk

In FY 2024, FHFA provided guidance to the FHLBanks on developing organization-wide frameworks for incorporating climate change and risk considerations into their decision-making processes. The guidance highlights FHFA's supervisory expectation that each FHLBank should integrate climate-related risk management framework. The guidance addresses governance, metrics and data, scenario analysis, climate-related risk reporting and communication processes, and natural disaster response and support for climate resiliency.

Strategic Goal 2: Foster Housing Finance Markets That Promote Equitable Access to Affordable and Sustainable Housing

FHFA has the statutory obligation to foster liquid, efficient, competitive, and resilient national housing finance markets, while ensuring that the regulated entities meet their fundamental safety and soundness obligations. Achieving a liquid and healthy housing finance market throughout the nation also requires improved access to responsible mortgage credit across different market segments of creditworthy borrowers. FHFA is committed to enabling fair and equitable access for qualified institutions and creditworthy borrowers to the financial services offered by the regulated entities.

Strategic Goal 2 – Selected Accomplishments

FHFA achieved several results in FY 2024 that contributed to progress in meeting the strategic goal of promoting access to housing markets. These accomplishments included:

Final Rule Addressing Housing Barriers in Underserved Communities

On May 16, 2024, FHFA published its final rule on Fair Lending, Fair Housing, and Equitable Housing Finance Plans.[21] The final rule addresses barriers to sustainable housing opportunities for underserved communities by formalizing in regulation longstanding FHFA practices and adding new requirements. The final rule codifies much of FHFA's existing practices and programs regarding fair lending and fair housing oversight of the Enterprises and the FHLBanks; the Enterprises' Equitable Housing Finance Plans; and collection of homeownership education, housing counseling, and language preference information from the Supplemental Consumer Information Form.

The final rule revised the structure of the Equitable Housing Finance Plans to promote accountability and transparency, added oversight of unfair or deceptive acts or practices (UDAP), required additional certification of compliance by the regulated entities, and established more precise standards related to fair housing, fair lending, and principles of equitable housing for the regulated entities' boards of directors. The final rule also established a requirement for the FHLBanks to report annually on any actions they voluntarily take to address barriers to sustainable housing opportunities for underserved communities. Most provisions of the final rule became effective on July 15, 2024. FHLBank reporting requirements will become effective on February 15, 2026.

Changes to Enterprises' Flex Modification Programs

On May 29, 2024, Fannie Mae and Freddie Mac announced changes to their Flex Modification policies. These policies offer a home retention solution to eligible borrowers who face a permanent hardship and can no longer afford their existing monthly mortgage payments. The enhanced Flex Modification policies lower a borrower's monthly payment by incrementally applying the following steps to achieve a 20 percent principal and interest payment reduction: reducing the borrower's interest rate (if eligible); extending the mortgage term; and forbearing principal for borrowers with mark-to-market loan-to-value ratios greater than 50 percent.

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21 https://www.fhfa.gov/re gulation/federal-register/final-rule/fair-lending-fair-housing-and-equitable-housing-finance-plans-final-rule, 89 FR 42768 (May 16, 2024).

Initiatives to Modernize Appraisal/ Valuation Processes

Throughout 2024, the Enterprises implemented new policies and tested alternate processes aimed at modernizing single-family residential valuation, improving data quality, reducing potential appraisal bias, and supporting effective risk management. FHFA hosted a Valuation Modernization Summit in February 2024 to facilitate engagement with lenders, appraisers, software providers, insurance companies, appraisal management companies, inspection companies, mortgage insurers, and industry trade associations.

Alternative valuation methods, such as appraisal waivers, benefit borrowers by reducing cycle times, easing appraiser capacity constraints during periods of high loan volume and, in many cases, lowering consumer costs. In February 2024, Freddie Mac expanded its existing Automated Collateral Evaluation offering to eligible cash-out refinance transactions. To standardize property data and improve the lender and consumer experience, the Enterprises mandated the joint Uniform Property Dataset in April 2024. This dataset contains all required, conditionally required, and optional data elements related to Enterprise-eligible property data collection. In June 2023, FHFA and HUD established a working group to develop more consistent reconsideration of value (ROV) standards. An ROV is a request to the appraiser to re-assess the appraised value of a property due to potential appraisal reporting deficiencies, or based upon additional information the appraiser should consider. The ROV policies were issued in May 2024, with compliance required by October 31, 2024.

Finally, FHFA worked with other financial regulatory agencies to issue a joint final rule on Quality Control Standards for Automated Valuation Models (AVMs) in June 2024. The rule will implement the quality control standards mandated by the Dodd-Frank Act for the use of AVMs by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer's principal dwelling.

Expanded Resources on Housing and Appraisal Data

Consistent with FHFA's role of serving as a reliable source of information on housing finance and related subjects, the Agency released new datasets and other information tools throughout the fiscal year. In October 2023, FHFA published appraisal-level data to help industry stakeholders study home valuation, housing market disparities and inequities, and consumer preferences, among other things. At the time of its release, the inaugural UAD Appraisal-Level Public Use File was the first national data resource of its kind on appraisals. Focusing on 1-unit single-family mortgages acquired by the Enterprises, the 2023 release included appraisals from 2013 through 2021, totaling 1.37 million records and 37 data fields. In September 2024, FHFA released an updated iteration of the quarterly aggregate appraisal statistics, including appraisals through the second quarter of 2024 and new appraisal data for Enterprise-acquired condominium loans. This is the first publicly available data drawn from condominium appraisal records submitted to the Enterprises. In addition to new appraisal data, the Agency also unveiled a series of informational tools to help stakeholders make better use of FHFA's Public Use Database (PUDB), which contains nationwide statistics on loans acquired by the Enterprises and FHLBanks, and other data sources. The Mortgage Loan and Natural Disaster Dashboard provides geographic estimates for physical risks from various types of natural disasters as well as nationwide data on housing and the mortgage market. The Enterprise Multifamily PUDB Dashboard offers users a more accessible way to view and understand data on multifamily mortgages.

TechSprint on Generative AI Mortgage Solutions

FHFA has been exploring ways to leverage technology to improve affordability, efficiency, and access in the mortgage market for several years. A key tool at the Agency's disposal is the use of TechSprints, short-term problem-solving events that bring together experts with diverse skillsets to examine how technology can address industry-specific challenges. FHFA TechSprints convene participants from across the mortgage and technology industries to model and advance responsible innovation in housing finance, developing potential solutions that result in positive outcomes — especially for consumers — while ensuring that risks are understood and controlled. In 2023, FHFA hosted its first TechSprint, which explored ways to digitize mortgage data to drive affordability in single-family loan originations.

In July 2024, FHFA hosted its second TechSprint, titled "Generative AI in Housing Finance," the first generative AI-focused TechSprint hosted by a federal financial regulator. Building on the momentum of the first event, our second TechSprint expanded beyond single-family originations to include servicing and multifamily housing finance solutions. Total attendance for the TechSprint — about 600 attendees (virtual and in- person) — was nearly double the attendance of the 2023 TechSprint, and included lenders, regulators, technology experts, academics, and representatives from startups, think tanks, and nonprofits. On Demo Day, the final day of the TechSprint, judges recognized the best ideas in the following four focus areas: Consumer Experience, Assessing Creditworthiness, Operations, and Risk Management and Compliance. Information on Demo Day is available online.[22]

Division of Public Interest Examinations

In April 2024, FHFA announced the creation of DPIE to centralize the Agency's supervisory activities in the areas of affordable housing, community development, diversity and inclusion, consumer protection, and fair lending. DPIE was established to streamline and improve synergy and collaboration between the Agency's preexisting public interest examination programs. The Division ensures that regulated entities meet their obligations under the Fair Housing Act, the Equal Credit Opportunity Act, section 4545 of the Safety and Soundness Act, the federal ban on UDAP, FHFA's D&I requirements, FHFA's affordable housing and community development and requirements.

[22] https://www.youtube.com/watch?v=00HvrtdvATo.

Photo courtesy of Fannie Mae

Strategic Objective 2.1: Promote Sustainable Access to Mortgage Credit

FHFA is responsible for promoting sustainable access to mortgage credit, and the Agency evaluates policies and takes appropriate actions to promote this objective. As both regulator and conservator, FHFA requires the Enterprises, where feasible, to identify specific actions to increase and preserve sustainable mortgage purchase and refinance credit for all qualified borrowers, with particular focus on low- and moderate-income families, communities of color, rural areas, and other underserved populations. In FY 2024, FHFA monitored three performance measures for Strategic Objective 2.1 and met one of the targets. The table below reports progress on these measures.

Table 11: Strategic Objective 2.1 – Summary of Performance Measures and Results

Strategic Objective 2.1: Promote sustainable access to mortgage credit							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
2.1.1: Issue annual ratings for each Enterprise's Duty to Serve performance in 2022	N/A	N/A	MET	MET	MET	Q1 FY 2024	MET
2.1.2: Publish proposed Enterprise Single-family and Multifamily Housing goals Rule	N/A	N/A	NOT MET	MET	MET	Q3 FY 2024	NOT MET
2.1.3: Issue progress report on implementation of updated Enterprise credit score requirements	N/A	N/A	N/A	N/A	N/A	Q4 FY 2024	NOT MET

PERFORMANCE MEASURE 2.1.1:
Issue annual ratings for each Enterprise's Duty to Serve performance in 2022

The Safety and Soundness Act establishes a duty for the Enterprises to serve very low-, low-, and moderate-income families in three underserved markets: manufactured housing, affordable housing preservation, and rural housing. Under FHFA's implementing regulation, each Enterprise submits a Duty to Serve (DTS) Underserved Markets Plan to FHFA for review. The plan covers a three-year period and describes the activities and objectives that the Enterprise will carry out in each underserved market to meet its DTS obligations. While the plans cover three years, FHFA is required by statute to evaluate and rate the Enterprises' DTS performance under the plans each calendar year. In October 2023, FHFA issued its annual evaluations for each Enterprise's 2022 DTS performance as part of FHFA's Annual Housing Report.

PERFORMANCE MEASURE 2.1.2:
Publish proposed Enterprise Single-family and Multifamily Housing Goals Rule

The Enterprises have important roles in supporting access to mortgage credit for low- and moderate-income families. Sections 1331 through 1333 of the Safety and Soundness Act require the Director to establish annual housing goals for Fannie Mae and Freddie Mac. The goals instruct the Enterprises to devote certain percentages of their mortgage purchases on an annual basis over a three-year period to benefit single-family and multifamily mortgages that fall under various affordable housing categories. Although FHFA did not publish the proposed rule in the third quarter, the proposed rule on the Enterprises' 2025-2027 housing goals was published in the fourth quarter of FY 2024.

PERFORMANCE MEASURE 2.1.3:
Issue progress report on implementation of updated Enterprise credit score requirements

In 2014, FHFA and the Enterprises began an effort to modernize the Enterprises' credit score requirements, and in 2018, Congress required FHFA to create a process for validating and approving credit score models used by the Enterprises. The validation and approval of FICO Score 10 T and VantageScore 4.0, announced by FHFA in 2022, is the result of a multi-year effort by FHFA and the Enterprises to further support accuracy, innovation, and inclusion in credit score models used by the Enterprises.

In FY 2023, FHFA announced implementation timelines for use of the FICO Score 10 T and the VantageScore 4.0 credit score models by the Enterprises and for the Enterprises to allow lenders the option of providing two credit reports from two of the national consumer reporting agencies rather than requiring credit reports from all three. In FY 2024, FHFA announced the publication of historical credit scores to support the transition to updated credit score and credit report requirements. These changes are expected to strengthen accuracy, innovation, and inclusion in credit score models; reduce costs; and encourage innovation in credit report requirements. Although FHFA did not issue a progress report on implementation of updated Enterprise credit score requirements, FHFA oversaw the issuance of project playbook updates, stakeholder forums, and other outreach activities throughout FY 2024. FHFA will continue to engage with stakeholders to ensure transparency and successful implementation.

DID YOU KNOW?

Enterprises' Home Retention Toolkits

Did you know that if you or someone you know is struggling to pay their mortgage, help is available. Your first step should always be to call your mortgage servicer. For more resources, view Fannie Mae's and Freddie Mac's tips for homeowners needing help paying their mortgages. Navigating loss mitigation strategies to make your loan more affordable can be complex and confusing; if you need a trusted advisor, consider working with a HUD approved counselor.[23]

Free Online Education and Tools

Did you know that Freddie Mac and Fannie Mae offer free online education and tools to help families navigate the home buying process? See Freddie Mac's CreditSmart[24] and Fannie Mae's HomeView[25] for self-paced courses covering building credit, deciding when to buy, and finding a home and mortgage that is right for you.[26]

Local Housing Finance Agencies' Programs

Did you know that state and local Housing Finance Agencies (HFAs) have programs focused on helping first-time homebuyers with grants, down payment assistance, and other means? To help housing professionals better serve prospective homebuyers, Freddie Mac launched DPA One, a centralized platform for municipal, local, and state down payment assistance programs. DPA One includes state-level HFA programs, including municipal and local programs in Texas, Minnesota, Virginia, Florida, Kentucky, California, Illinois, North Carolina, Colorado, and Pennsylvania, with more states to be added. If you or someone you know has the goal of homeownership, see the available resources of your state or local HFA.[27]

Renter Helpline

Did you know that renters can get access to free professional housing advice and help through Freddie Mac's Renter Helpline at 800-404-3097?[28] There are many nonprofit Renter Resource Organizations throughout the nation that can assist you if you are struggling to make rent payments or find affordable housing, or if you are facing other housing challenges.

23 https://www.hud.gov/counseling.
24 https://creditsmart.freddiemac.com/.
25 https://www.fanniemae.com/education.
26 https://yourhome.fanniemae.com/buy and https://myhome.freddiemac.com/buying.
27 https://www.ncsha.org/housing-help/.
28 https://myhome.freddiemac.com/.

Strategic Objective 2.2: Advance Equity in Housing Finance, Including Through Compliance With Fair Lending Laws and Regulations

FHFA works with the Enterprises to develop and monitor programs that expand access to the housing finance system for all qualified lenders and qualified borrowers. FHFA also oversees the FHLBanks' affordable housing and community investment activities. In FY 2024, FHFA advanced equity in housing finance by finalizing a rule on fair lending. See the table and description below about the Agency's completion of the target for this performance measure.

Table 12: Strategic Objective 2.2 – Summary of Performance Measures and Results

Strategic Objective 2.2: Advance equity in housing finance, including through compliance with fair lending laws and regulations							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2022**	**FY 2024 Target**	**FY 2024 Result**
2.2.1: Publish final Fair Lending and Equitable Housing Finance Rule	N/A	N/A	N/A	N/A	N/A	Q3 FY 2024	MET

PERFORMANCE MEASURE 2.2.1: Publish final Fair Lending and Equitable Housing Finance Rule

FHFA's final rule codifies much of FHFA's existing practices and programs regarding fair housing and fair lending oversight and makes changes to the Equitable Housing Finance Plan (Plans) to promote greater accountability for the Enterprises. The new rule also adds oversight of UDAP to FHFA's fair housing and fair lending oversight programs, requires additional certification of compliance by the Enterprises, and establishes more precise standards related to fair housing, fair lending, and principles of equitable housing for the regulated entities' boards of directors.

Since the release of their initial Plans in June 2022, the Enterprises have made significant progress towards ensuring all borrowers and renters have access to fair, sustainable, and equitable housing opportunities. The Enterprises have served close to 2.6 million families under the Plans by educating consumers, reducing closing costs, introducing innovation into underwriting, and combating appraisal bias.

DID YOU KNOW?

Tenant Protections

Recent reports and surveys point to persistent financial hardships and other challenges for renters. In addition, an increasing number of lower-income tenants pay more than half of their income on rent or live in severely inadequate conditions, or both.[29] In July 2024, FHFA announced new protections for tenants renting units in multifamily properties financed by Fannie Mae or Freddie Mac, including a minimum five-day grace period for late rent payments, required notice to tenants at least 30 days before a rent increase, and mandatory notification to tenants at least 30 days before the expiration of their lease. The protections followed the Agency's issuance of an RFI in 2023 seeking input on possible solutions to a wide variety of challenges facing renters. The RFI, which drew nearly 7,000 unique responses, asked for feedback on issues such as whether certain tenant protections could impact housing supply, potential actions by the Enterprises to ensure that landlords universally accept certain sources of income on rental applications, and how the Enterprises might address barriers to multifamily tenants' access to housing.

[29] Data from HUD and U.S. Census Bureau in **https://www.huduser.gov/portal/pdredge/pdr-edge-trending-091923.html**, HUD's Worst Case Housing Needs Report **https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2023.html**.

Strategic Objective 2.3: Serve as a Reliable Source of Information and Analysis on the State of Housing Finance Markets and Related Issues

In FY 2024, FHFA continued to conduct research, collect and analyze data, and publish important information on housing market conditions. This work informs policy decisions and the public and promotes market efficiency and stability. Selected examples include:

- Continuing regular publication on FHFA's website of the monthly and quarterly House Price Indexes which serve as a timely and accurate indicator of house price trends by geographic area;
- Producing and certifying the quarterly update of the NMDB and making the data available to FHFA and the Consumer Financial Protection Bureau (CFPB);
- Continuing to publish the monthly and quarterly FHFA Foreclosure Prevention and Refinance Report, which monitors the Enterprises' foreclosure prevention and refinance activities;
- Continuing primary research on housing market and housing finance-related topics; and
- Releasing seven new FHFA Working Papers. In addition, five previously published FHFA Working Papers were accepted by academic journals.

In FY 2024, FHFA monitored progress on five performance measures related to Strategic Objective 2.3 and met four of the targets. The table below reports on this progress.

Table 13: Strategic Objective 2.3 – Summary of Performance Measures and Results

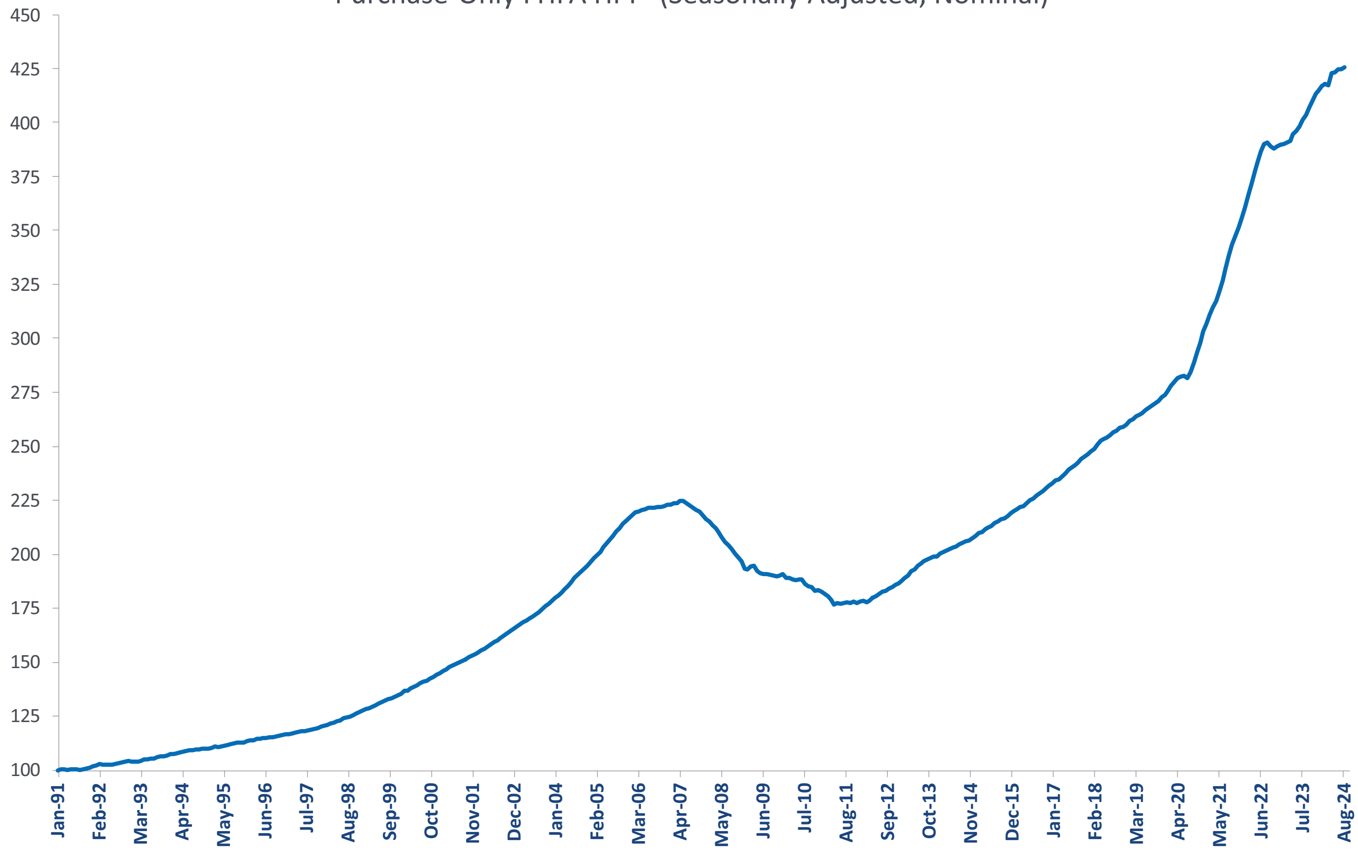
Strategic Objective 2.3: Serve as a reliable source of information and analysis on the state of housing finance markets and related issues							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
2.3.1: Publish FHFA House Price Indexes	MET	MET	MET	MET	MET	12 monthly and 4 quarterly	MET
2.3.2: Publish annual Public Use Database	N/A	N/A	NOT MET	MET	MET	Q4 FY 2024	MET
2.3.3: Publish annual Guarantee Fee Report	N/A	N/A	MET	MET	MET	Q1 FY 2024	NOT MET
2.3.4: Publish quarterly aggregate statistics on mortgage profiles and delinquencies from National Mortgage Database	N/A	N/A	MET	MET	MET	4 quarterly	MET
2.3.5: Publish Uniform Appraisal Dataset Aggregate Statistics	N/A	N/A	N/A	N/A	N/A	4 quarterly	MET

PERFORMANCE MEASURE 2.3.1: Publish FHFA House Price Indexes

The FHFA HPI is a comprehensive collection of publicly available house price indexes that measure changes in single-family home values based on data that extend back to the mid-1970s from all 50 states and over 400 American cities. In FY 2024, FHFA successfully published 12 monthly and four quarterly FHFA HPI releases. Figure 11 shows sale price information from 1991 to July 2024 reflected in the September 2024 HPI release.[30]

[30] FHFA HPI data are available at **https://www.fhfa.gov/HPI**.

Figure 11: Monthly House Price Index for U.S. from January 1991 – Present
Purchase-Only FHFA HPI® (Seasonally Adjusted, Nominal)



Source: FHFA

PERFORMANCE MEASURE 2.3.2:
Publish annual Public Use Database

The Enterprise PUDB[31] is released annually by FHFA as required by statute. It includes loan and unit information for single-family and multifamily mortgages acquired by Fannie Mae and Freddie Mac in the prior calendar year, providing the public with a deeper understanding of housing and mortgage markets. The PUDB single-family dataset includes detailed information such as the income, race, and gender of the borrower; census tract location of the property; loan-to-value ratio; age of the mortgage note; and affordability of the mortgage. The PUDB multifamily property-level dataset includes information on the size of the property, unpaid principal balance, and type of seller/servicer from which the Enterprise acquired the mortgage. The multifamily unit file also includes information on the number and affordability of the units in the property. Both the single-family and multifamily datasets include indicators of whether the purchases are in "underserved" census tracts, as defined by median income and the percentage of the population made up of minority households. The 2023 PUDB datasets were released prior to the statutory deadline of September 30, 2024. In 2024, FHFA also developed and released a new dashboard for the PUDB multifamily datasets. The dashboard allows users to quickly review the PUDB multifamily aggregate statistics using summaries, charts, and maps. Users can also download selected images, slides, and data extracts.

[31] https://www.fhfa.gov/data/public-use-database-fannie-mae-and-freddie-mac.

PERFORMANCE MEASURE 2.3.3:
Publish annual Guarantee Fee Report

HERA requires FHFA to conduct an ongoing study of the guarantee fees charged by the Enterprises and to submit a report on the findings to Congress each year. Guarantee fees are intended to cover the credit risk and other costs that Fannie Mae and Freddie Mac incur when they acquire single-family loans from lenders. These costs include the expected credit losses, administrative costs, and cost of capital associated with their guarantees. The recent guarantee fee report, “Fannie Mae and Freddie Mac Single-Family Guarantee Fees in 2022,” compares year-over-year data related to guarantee fees for 2022 and 2021. FHFA did not issue the report by the end of the first quarter but published it during the third quarter of FY 2024.[32]

PERFORMANCE MEASURE 2.3.4:
Publish quarterly statistics on mortgages and delinquencies from National Mortgage Database

The NMDB provides a national snapshot of residential mortgages in the United States, based on a 5 percent sample size. Publication of aggregate data from the NMDB is a step toward implementing the statutory requirements of Section 1324(c) of the Safety and Soundness Act, as amended by HERA. The statute requires FHFA to conduct a monthly mortgage market survey to collect data on the characteristics of all individual mortgages, not just those acquired by the Enterprises. FHFA is also required to release the data publicly but ensures that the data are not identifiable in order to protect borrowers’ privacy. The purpose of the NMDB is to inform and educate FHFA, CFPB, and other federal agencies about lending products and mortgage market health. The comprehensive database can be used specifically to:

- Monitor new and emerging products in the mortgage market;
- Monitor the relative health of mortgage markets and consumers;
- Evaluate loss mitigation, borrower counseling, and loan modification programs;
- Monitor affordable lending; and
- Perform stress tests and prepayment/default modeling.

In FY 2024, FHFA published aggregate NMDB statistics every quarter.[33]

NMDB Aggregate Statistics Dashboards

In 2024, FHFA developed and released new dashboards for analyzing the Outstanding Residential Mortgage Statistics data series and the Residential Mortgage Performance Statistics data series of the NMDB Aggregate Statistics. With the new dashboards, users can quickly review both series of the NMDB Aggregate Statistics, which are updated every quarter and available to the public. Dashboard users can compare data points and historical trends across market segments and geographies; create tailored charts and maps to download as images, slides, or data extracts; and review updated statistics following each quarterly release. The dashboards broaden access and use of NMDB Aggregate Statistics by making it easier for users to quickly access and review the data.

[32] https://www.fhfa.gov/reports/single-family-guarantee-fees/2022.
[33] https://www.fhfa.gov/nmdbdata.

PERFORMANCE MEASURE 2.3.5: Publish Uniform Appraisal Dataset Aggregate Statistics

FHFA publishes the UAD Aggregate Statistics quarterly.[34] The UAD Aggregate Statistics, accessed either as a data file or via dashboards, gives users an in-depth look at various data points and trends found in appraisal reports. The statistics are derived from appraisals of single-family properties financed by Enterprise-backed loans. The data may be grouped by neighborhood characteristics, property characteristics, and geographic levels. Those using statistical software can access the UAD Aggregate Statistics Data File to extract and analyze data, while the UAD Aggregate Statistics Dashboards provide user-friendly access to all users through customized maps and charts.

DID YOU KNOW?

Professional Housing Counselors for Disasters
Did you know that Fannie Mae offers free access to professional housing counselors at 855-HERE2HELP (855-437-3243) for survivors of natural disasters or anyone facing financial uncertainty or adversity? You can learn more about disaster recovery resources by calling this hotline.[35]

Strategic Objective 2.4: Facilitate Greater Availability of Affordable Housing Supply, Including Affordable Rental Housing

FHFA affirmatively furthers fair housing by enabling borrowers and qualified financial institutions to have equitable access to the regulated entities' financial services. To help satisfy that commitment in FY 2024, FHFA met the target for one performance measure to facilitate more affordable housing supply, including affordable rental housing. The table below reports progress on these measures.

Table 14: Strategic Objective 2.4 – Summary of Performance Measures and Results

Strategic Objective 2.4: Facilitate greater availability of affordable housing supply, including affordable rental housing							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
2.4.1: Determine the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard	N/A	N/A	N/A	N/A	N/A	By the end of calendar year 2023, each Enterprise's mission-driven business meets or exceeds 50 percent of total multifamily business	MET
2.4.2: Evaluate the efficacy of FHFA supervision of FHLBank Affordable Housing Programs	N/A	N/A	N/A	N/A	N/A	Q4 FY 2024	NOT MET

[34] https://www.fhfa.gov/data/uniform-appraisal-dataset-aggregate-statistics.
[35] https://yourhome.fanniemae.com/get-relief/disaster.

PERFORMANCE MEASURE 2.4.1:
Determine the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard

This measure helps ensure that the Enterprises purchase a certain amount of mission-driven, multifamily loans to meet FHFA's mission-driven requirements. In CY 2023, each Enterprise's mission-driven business met or exceeded 50 percent of total multifamily business.

PERFORMANCE MEASURE 2.4.2:
Evaluate the efficacy of FHFA supervision of FHLBank Affordable Housing Programs

The FHLBanks support affordable housing and community development through each FHLBank's AHP, Community Investment Program, and Community Investment Cash Advance program, as well as through discretionary housing initiatives. While FHFA did not conclude its assessment needed to complete this performance measure before the end of the PAR reporting period, the Agency engaged in several activities during the fiscal year in support of this measure. For example, in FY 2024, FHFA established DPIE and reorganized the Agency's affordable housing supervision program into this new division to centralize supervision of public interest activities. FHFA has also engaged with a consultant during FY 2024 to map current examination processes, identify suboptimal practices or unrealized efficiencies, and create a work plan to operationalize a streamlined examination process. FHFA is continuing to work with this consultant throughout the first quarter of FY 2025.

Conservatorship Scorecard

Since 2012, FHFA has issued an annual Conservatorship Scorecard that sets expectations for how the Enterprises and CSS help fulfill the Agency's strategic goals. The Scorecard is one of the principal tools FHFA uses to exercise its authorities as Conservator. The current Scorecard furthers two goals in the FHFA Strategic Plan: 1) to foster housing finance markets that promote equitable access to affordable and sustainable housing; and 2) to secure the regulated entities' safety and soundness. The Scorecard requires the Enterprises and CSS to incorporate diversity, equity, and inclusion — making them top priorities in strategic planning, operations, and business development — throughout their decision-making processes. Each regulated entity is also required to cooperate and collaborate with FHFA to meet the Conservator's priorities and guidance throughout the course of the year in alignment with FHFA's FAIR values.

DID YOU KNOW?

Voluntary FHLBank Housing and Community Development Programs

The FHLBanks offer voluntary programs at their discretion to supplement their statutory and regulatory programs and address specific housing and community development needs in their districts. Objectives addressed by voluntary programs include reducing barriers to homeownership, increasing housing supply, reducing homelessness, supporting community development projects, building organizational capacity, establishing workforce initiatives, and combating climate risks. The FHLBanks' voluntary programs provide aid to households and nonprofit organizations through a variety of vehicles, including grant funding, down payment assistance, targeted mortgage products, mentorship, and training.

In November 2023, FHFA issued guidance with expectations for FHLBank voluntary and pilot programs. The guidance called for each FHLBank's board of directors to adopt a framework with prudential parameters and operational standards for development and implementation of, and reporting on, voluntary programs and pilot programs.[36] More information about each FHLBank's voluntary programs is available in the 2023 FHLBank Targeted Mission Activities Report[37] and on FHFA's website.[38]

Low-Income Housing Tax Credit

Did you know that the Enterprises invest in the Low-Income Housing Tax Credit (LIHTC) equity market? The federal LIHTC program supports the creation and preservation of affordable rental housing across the nation for lower-income households, and the Enterprises play a critical role in maximizing the program's impact. Starting in 2024, FHFA allowed each Enterprise to invest up to $1 billion annually in LIHTC equity, up from $850 million. Any investments above $500 million for a given year must go toward projects that would otherwise have difficulty attracting investors.

Strategic Objective 2.5: Support Leveraging of Technology and Data to Further Promote Efficiency and Cost Savings in Mortgage Processes

FHFA continues to research opportunities to incorporate financial technology (fintech) in activities of the regulated entities and other mortgage market participants. The Agency is also exploring opportunities to leverage non-traditional data and new technology in the mortgage underwriting process. In FY 2024, FHFA monitored one measure for Strategic Objective 2.5 and met the target for this measure. The table below reports on this progress.

Table 15: Strategic Objective 2.5 – Summary of Performance Measures and Results

Strategic Objective 2.5: Support leveraging of technology and data to further promote efficiency and cost savings in mortgage processes							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
2.5.1: Publish summary of the Velocity TechSprint conducted in FY 2023	N/A	N/A	N/A	N/A	N/A	Q1 FY 2024	MET

36 https://www.fhfa.gov/sites/default/files/2024-02/AB-2023-06_FHLBank-Framework-for-Pilot-and-Voluntary-Programs.pdf.
37 https://www.fhfa.gov/reports?topic=fhlbank-reports&category=fhlbank-targeted-mission-activities.
38 https://www.fhfa.gov/supervision/federal-home-loan-bank-system/pilot.

PERFORMANCE MEASURE 2.5.1: Publish summary of the Velocity TechSprint conducted in FY 2023

In July 2023, FHFA held its first TechSprint and published a summary of the results of the event on the FHFA website in the first quarter of FY 2024. Titled "Velocity," the TechSprint brought together technology service providers, academics, regulators, and mortgage industry experts to broadly explore innovative digital solutions to further promote efficiency and cost savings in mortgage origination processes. Over the four days of the Velocity TechSprint, 80 participants from 60 entities were divided into 10 teams to work on a common challenge: How might data digitization drive transparency and increase access, fairness, affordability, and sustainability in mortgage lending? The participants proposed 10 innovative solutions, including better ways to help homebuyers navigate the mortgage process, build more trust in existing tools, and encourage the industry to adopt digital solutions. FHFA published an analysis[39] of the key themes from the Velocity TechSprint in December 2023.

Responsible Innovation

One of FHFA's goals is to advance responsible innovation in housing and housing finance. Responsible innovation includes leveraging technology to develop new or improved products and processes to meet the evolving needs of lenders, investors, and consumers in a way that is consistent with effective risk management, governance, and safety and soundness.

DID YOU KNOW?

Down Payment Assistance

Did you know that you might qualify for down payment assistance and other special features if you or your family currently live in a historically underserved neighborhood? The Enterprises have developed Special Purpose Credit Programs that seek to help first-time homeowners, especially those who may lack familial wealth to purchase a home.

FHLBank Home Purchase Assistance

Did you know that you may be able to receive financial assistance to buy a home from a member of an FHLBank? The FHLBanks make grants available to their member financial institutions, who provide the funds as down payment, closing cost, or counseling assistance to homebuyers. FHLBank grant funds also may be used to help cover the cost of home rehabilitation for homeowners. You can see a list of FHLBank members here.[40]

[39] **https://www.fhfa.gov/sites/default/files/2024-01/FHFA-Velocity-TechSprint-An-Analysis-of-Key-Themes-December_2023.pdf**.

[40] **https://www.fhfa.gov/data/federal-home-loan-banklist of FHLBank membership-data**.

Strategic Goal 3: Responsibly Steward FHFA's Infrastructure

FHFA is dedicated to developing and maintaining a results-oriented performance culture through effective and efficient management of its resources. FHFA's success in meeting its mission depends on an environment that supports staff growth and development, as well as business practices oriented towards innovation, cooperation, and results. Achievement of FHFA's mission requires communication, collaboration, and coordination by staff across all offices and divisions within the Agency.

Strategic Goal 3 – Selected Accomplishments

FHFA made progress in several areas of this strategic goal in FY 2024. Selected accomplishments for FY 2024 included:

Publication of the FY 2024-2026 FHFA Information Resources Management Strategic Plan

In March 2024, FHFA released its inaugural FHFA *Information Resources Management (IRM) Strategic Plan: Fiscal Years 2024-2026* (IRM Strategic Plan). IRM consists of data, information, and related resources, such as IT personnel, equipment, funds, and information technology. The IRM Strategic Plan provides direction, organizational alignment, and prioritization for key information technology and data initiatives. Implementation of the IRM Strategic Plan will maximize the impact of information resources on FHFA's mission and ongoing operations.

The IRM Strategic Plan has two components: an IT Strategy and a Data and Analytics Strategy. The IT Strategy describes systematic, coordinated activities and IT governance practices through which FHFA will optimize the Agency's technology investments, capabilities, and associated lifecycle performance and risks. The Data and Analytics Strategy prioritizes improving Agency data governance and management while expanding the Agency's ability to make use of advanced analytics, including evaluating emerging AI technologies. FHFA is committed to ensuring that both its data and technology continue to transform at the speed and scale necessary to support the work of the Agency and its important role in the housing finance system.

Data Modernization

In FY 2024, FHFA successfully established a modern and stable cloud platform, and initiated the migration of critical data from aging onsite hardware to the new cloud-centric infrastructure. This platform reinforces the IRM Strategic Plan's commitment to embracing modern technologies while also enhancing FHFA's data management, access, security, and storage capabilities. As part of the new platform, upgrades of certain commercial tools that the Agency uses has led to improvements in the performance, capabilities, and scalability of the Agency's analytical processes. Notably, faster run times in the new platform have improved productivity.

Establishing the new cloud platform also brought about significant improvements in security. The advanced security features — combined with improved logging, monitoring, and rapid response capabilities — augment the Agency's data protection measures and ensure compliance with federal security standards. The new platform enables the integration of FHFA's new standards for managing and storing data, providing additional security capability, and making discrete forms of data easier to find.

Strategic Objective 3.1: Cultivate a High-Performing, Diverse, Accountable, and Engaged Workforce

FHFA is dedicated to fostering a high-performing culture that exemplifies the Agency's values and supports its work through effective and efficient management of its resources and infrastructure. FHFA's infrastructure is inclusive of the people, tools, resources, and programs that provide support for its mission. In addition, the Agency integrates diversity, equity, inclusion, and accessibility (DEIA) in all employment, management, and business activities. In FY 2024, FHFA monitored three measures for Strategic Objective 3.1 and met two of the targets. The table below reports progress on these measures.

Table 16: Strategic Objective 3.1 – Summary of Performance Measures and Results

Strategic Objective 3.1: Cultivate a high-performing, diverse, accountable, and engaged workforce							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
3.1.1: Federal Employee Viewpoint Survey Performance Confidence Index	N/A	N/A	N/A	N/A	MET	70 percent positive	MET
3.1.2: Federal Employee Viewpoint Survey Employee Engagement Index	N/A	MET	MET	MET	MET	70 percent positive	MET
3.1.3: Improve Time-to-Hire	N/A	N/A	NOT MET	MET	NOT MET	80 calendar days	NOT MET

Photo courtesy of NeighborWorks Boise

PERFORMANCE MEASURE 3.1.1:
Federal Employee Viewpoint Survey Performance Confidence Index

The U.S. government's Federal Employee Viewpoint Survey (FEVS) is conducted on an annual basis to collect employees' perspectives about many work issues. The results provide federal agency leaders insights into employment areas that show improvement, as well as areas of opportunity. One of several indices generated by the FEVS, the Performance Confidence Index assesses employees' perception of their work unit's ability to achieve its goals and produce work at a high level, and ultimately provides insights into Agency performance and culture. FHFA's 2024 and 2023 FEVS scores for the Performance Confidence Index were 88 and 89 percent positive, respectively, well above the target.

PERFORMANCE MEASURE 3.1.2:
Federal Employee Viewpoint Survey Employee Engagement Index

FHFA measures Agency-wide employee engagement against the Employee Engagement Index score of the FEVS. The index covers multiple questions that measure conditions conducive to employee engagement including effective leadership, meaningful work, and the opportunity for employees to learn on the job. FHFA's 2024 and 2023 FEVS Index scores for Employee Engagement were 71 percent positive each year, above the 70 percent target.

PERFORMANCE MEASURE 3.1.3:
Improve Time-to-Hire

The purpose of this measure is to monitor the time required to hire job applicants and fill vacant positions. FHFA reports time-to-hire (T2H) according to one of the Office of Personnel Management's (OPM) T2H timeframes, which is measured from the time an approved Position Request Form and associated documentation are received to the time an applicant accepts a tentative job offer. The federal standard for this timeframe is 80 calendar days. FHFA's performance for FY 2024 was 91 calendar days. For comparison, the average time-to-hire in calendar days for FY 2023 was 112 calendar days.

FHFA also tracks time-to-hire from when a manager submits a hiring request until entrance on duty, as required by OPM. FHFA reports on the time until an applicant accepts a job offer because this data point more accurately reflects the time period that is under the Agency's control.

DID YOU KNOW?

FHFA's Performance Culture

In developing a performance culture, FHFA focuses on sustaining superior performance through the empowerment and engagement of a high-performing workforce, while establishing and maintaining an inclusive work environment. FHFA's FAIR values and strategic approach to DEIA, along with employing effective performance management, are crucial to maintaining this culture. Rooted in shared values, a performance culture builds an environment that rewards superior performance.

Strategic Objective 3.2: Ensure Efficient and Effective Stewardship of Agency Resources

Success in meeting FHFA's mission requires empowered and supported staff and prudent business practices. FHFA employs financial, contracting, and performance information to ensure that resources are managed responsibly. In FY 2024, FHFA monitored three measures for Strategic Objective 3.2 and met the targets for all three. The table below reports progress on these measures.

Table 17: Strategic Objective 3.2 – Summary of Performance Measures and Results

Strategic Objective 3.2: Ensure efficient and effective stewardship of Agency resources							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
3.2.1: Ensure FHFA's financial statements audit receives an unmodified opinion with no material weaknesses	MET	MET	MET	MET	MET	100 percent of the time	MET
3.2.2: Increase the dollar amount of obligated FHFA contracts awarded to minority- and women-owned businesses consistent with legal standards	MET	NOT MET	MET	MET	MET	Total dollar amount of contracts greater than the five-year average	MET
3.2.3: Management completes corrective actions to address FHFA Office of Inspector General recommendations in a timely manner	N/A	N/A	NOT MET	NOT MET	MET	90 percent of the corrective actions to address Office of Inspector General recommendations are completed within one year of the resolution date or the approved timeframe	MET

PERFORMANCE MEASURE 3.2.1:
Ensure FHFA's financial statements audit receives an unmodified opinion with no material weaknesses

Financial statements provide information that is essential to evaluating FHFA's financial condition. The financial statements show where FHFA's money came from, where it went, and where it is now. The financial statements audit tests: (1) accuracy, consistency, and FHFA adherence to applicable government accounting standards; and (2) the internal controls to determine whether the financial statements are reliable. An unmodified opinion with no finding of material weaknesses or unacceptable risks is the best result of any audit. Achieving this indicates the use of proper accounting controls and the proper application of accounting standards, and that the financial statements are reliable, accurate, and complete. FHFA has received a clean audit every year since the creation of the Agency in 2008.

PERFORMANCE MEASURE 3.2.2:
Increase the dollar amount of FHFA contracts awarded to minority- and women-owned businesses consistent with legal standards

This measure demonstrates the effectiveness of the initiatives and actions in which FHFA engaged in FY 2024 to expand opportunities for minority- and women-owned businesses (MWOBs), as required by Section 342 of the Dodd-Frank Act. The measure reports the total obligated amount of FHFA contracts awarded to MWOBs. In FY 2024, $39.92 million of Agency contract dollars went to MWOBs, representing 42.82 percent of the Agency's total obligated amount. This amount exceeded FHFA's five-year annual historical average of $20.64 million in MWOB contract obligations by $19.28 million. During FY 2024, FHFA continued to engage external and internal partners and stakeholders and look for opportunities to utilize MWOB goods or services. FHFA awarded various IT infrastructure and service projects to MWOBs and created multiple-award contracting vehicles that included MWOBs in the areas of administrative and program management services, human resources, and training.

Figure 12: Obligated Amounts to MWOBs[41]

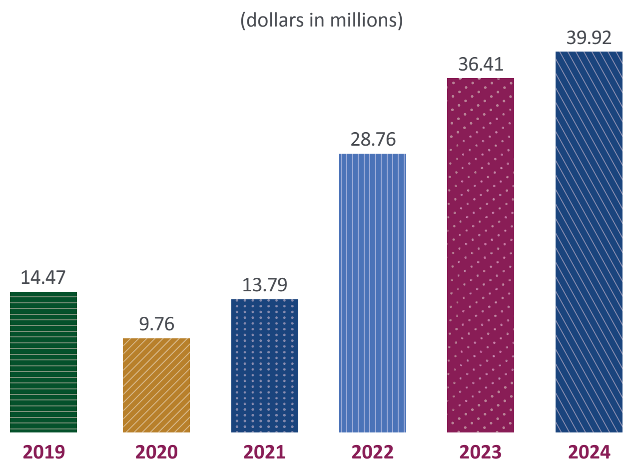


Photo courtesy of **NeighborWorks Boise**

PERFORMANCE MEASURE 3.2.3:
Complete corrective actions to address audit recommendations in a timely manner

To satisfy this performance measure, FHFA targeted being able to complete 90 percent of corrective actions addressing OIG recommendations within one year of the resolution date or the approved timeframe. In FY 2024, FHFA completed 42 out of 42 (100 percent) OIG recommendations within the approved timeframe.

[41] Historical data may slightly differ due to year over year revisions.

Strategic Objective 3.3: Deliver High-Quality Support Services that Promote the Agency's Mission Effectiveness and Safeguard the Agency's Infrastructure

The Agency maintains responsive, secure, and efficient IT capabilities that are essential to FHFA's ability to accomplish its mission. In FY 2024, FHFA monitored two measures for Strategic Objective 3.3 and met the target for both measures. The table below reports on this progress.

Table 18: Strategic Objective 3.3 – Summary of Performance Measures and Results

Strategic Objective 3.3: Deliver high-quality support services that promote the Agency's mission effectiveness and safeguard the Agency's infrastructure							
Performance Measure	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Target**	**FY 2024 Result**
3.3.1: Ensure FHFA's Federal Information Security Modernization Act audit identifies no significant deficiencies	MET	MET	MET	MET	MET	100 percent of the time	MET
3.3.2: Develop FHFA Information Technology Strategic Plan	N/A	N/A	N/A	N/A	NOT MET	Q2 FY 2024	MET

PERFORMANCE MEASURE 3.3.1:
Ensure FHFA's Federal Information Security Modernization Act audit identifies no significant deficiencies

This measure reports on the effectiveness of security and privacy controls that FHFA uses to secure the Agency's information and systems. The FY 2024 Federal Information Security Modernization Act of 2014 audit identified no significant deficiencies or material weaknesses.

PERFORMANCE MEASURE 3.3.2:
Develop FHFA Information Technology Strategic Plan

Effective business technology is critical to the Agency's mission. Technology deployment requires significant advance planning, and having an associated technology plan is critical to long-term stewardship of the Agency's infrastructure. This measure gauges FHFA's progress towards developing a plan that addresses the Agency's IT vision and appropriately outlines how the Agency develops and maintains the technology infrastructure necessary to support the Agency's mission. FHFA released the Agency's IRM Strategic Plan, which contained an IT strategic plan, in the second quarter of FY 2024.

Added, Changed, and Discontinued Measures

Table 19: Performance Measures Added, Changed, and Discontinued in FY 2024

STRATEGIC GOAL 1: SECURE THE REGULATED ENTITIES' SAFTEY AND SOUNDNESS

Language in 2023	Language in 2024	Explanation
1.1.1a: Conduct risk-focused supervision and examinations of the Enterprises and Common Securitization Solutions by having written risk-based examination plans approved by January 31 **Target:** 100 percent of the time	**1.1.1a:** Conduct risk-focused supervision and examinations of the Enterprises and Common Securitization Solutions by having a written risk-based Supervision Plan approved by January 31 **Target:** 100 percent of the time	For FY 2024, FHFA changed "risk-based examination plans" to "risk-based supervision plan." DER's supervision plan lists all supervisory activities for the division, which includes examinations and other monitoring activities.
	1.1.7: Issue guidance to the FHLBanks on member credit **Target:** Q4 FY 2024	New measure in FY 2024.
1.3.1: Provide decision to Enterprises regarding completeness of resolution plan submissions in conjunction with readiness activities **Target:** July 31, 2023	**1.3.2:** Assess the resolution plan submissions against applicable regulatory standards and requirements **Target:** December 31, 2023	This measure was not met by the established target deadline in FY 2023. FHFA revised its expectation of how the Agency would assess the resolution plans and replaced the FY 2023 measure with a new measure in FY 2024.
	1.3.1: Monitor and rate the Enterprises' performance against current Scorecard objectives **Target:** Complete quarterly assessment within 30 days of quarter end (within 60 days for year-end assessment)	This measure was listed as measure **1.3.2** in the FY 2024 PAR.
	1.3.3: Issue a final rule enhancing the Enterprise Regulatory Capital Framework **Target:** December 31, 2023	New measure in FY 2024.
	1.3.4: Conduct quarterly reviews of the Enterprises' compliance with ERCF public disclosure requirements **Target:** 100 percent of the time	New measure in FY 2024.
1.4.1: Continue to develop the Enterprises' and FHFA's climate research agendas **Target:** Q4 FY 2023	**1.4.1:** Continue to refine the Enterprises' and FHFA's climate research agendas **Target:** Q4 FY 2024	FHFA developed the climate research agendas in FY 2023. In FY 2024, FHFA kept the measure and focused on refining the agendas.
	1.4.2: Develop guidance for the Enterprises in addressing climate risk **Target:** Q4 FY 2024	New measure in FY 2024.
	1.4.3: Develop guidance for the FHLBanks in addressing climate risk **Target:** Q4 FY 2024	New measure in FY 2024.

Table 19: Performance Measures Added, Changed, and Discontinued in FY 2024		
STRATEGIC GOAL 2: FOSTER HOUSING FINANCE MARKETS THAT PROMOTE EQUITABLE ACCESS TO AFFORDABLE AND SUSTAINABLE HOUSING		
Language in 2023	**Language in 2024**	**Explanation**
2.1.1: Issue annual ratings for each Enterprise's Duty to Serve performance in 2021 **Target:** Q1 FY 2023	**2.1.1:** Issue annual ratings for each Enterprise's Duty to Serve performance in 2022 **Target:** Q1 FY 2024	FHFA updated the measure to report the calendar year 2022 Duty to Serve results.
2.1.2: Publish final Enterprise Multifamily housing goals rule for 2023-24 **Target:** Q1 FY 2023	**2.1.2:** Publish proposed Enterprise Single-family and Multifamily Housing Goals Rule **Target:** Q3 FY 2024	FHFA updated the measure to cover development of the affordable housing goals for the Enterprises for the 2025 to 2027 three-year cycle.
	2.1.3: Issue progress report on implementation of updated Enterprise credit score requirements **Target:** Q4 FY 2024	New measure in FY 2024.
2.2.1: Issue an FHFA Enterprise Fair Lending Rating System **Target:** Q4 FY 2023	**2.2.1:** Publish final Fair Lending and Equitable Housing Finance Rule **Target:** Q3 FY 2024	FHFA met the target in FY 2023, and the measure was replaced with a new measure in FY 2024.
2.2.2: Ensure Enterprises' updated Equitable Housing Finance Plans are published **Target:** Q3 FY 2023	N/A	FHFA met this measure in FY 2023 and discontinued the measure.
2.3.3: Publish quarterly aggregate statistics on mortgage profiles and delinquencies from National Mortgage Database **Target:** Q4 FY 2024	**2.3.3:** Publish annual Guarantee Fee Report **Target:** Q1 FY 2024	FHFA revised the number for this measure in FY 2024.
2.3.4: Publish annual Guarantee Fee Report **Target:** Q1 FY 2023	**2.3.4:** Publish quarterly aggregate statistics on mortgage profiles and delinquencies from National Mortgage Database **Target:** Q4 FY 2024	FHFA revised the number for this measure in FY 2024.
	2.3.5: Publish Uniform Appraisal Dataset Aggregate Statistics **Target:** 4 quarterly	New measure in FY 2024.

Table 19: Performance Measures Added, Changed, and Discontinued in FY 2024

2.4.1: Determine that the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard **Target:** By the end of calendar year 2022, 1. Each Enterprise's mission-driven business meets or exceeds 50 percent of total multifamily business, and 2. At least 25 percent of each Enterprise's total business is affordable at or below 60 percent of area median income	**2.4.1:** Determine that the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard **Target:** By the end of calendar year 2023, each Enterprise's mission-driven business meets or exceeds 50 percent of total multifamily business	FHFA revised the target for FY 2024.
2.4.2: Determine that Real Estate Owned properties held by the Enterprises are marketed providing an exclusive opportunity for owner-occupants and community-oriented organizations to purchase the property prior to investors **Target:** More that 90 percent of vacant properties marketed	**2.4.2:** Evaluate the efficacy of FHFA supervision of FHLBank Affordable Housing Programs **Target:** Q4 FY 2024	In FY 2023, FHFA met the target for measure **2.4.2** and replaced it with a new measure for FY 2024.
2.5.1: Complete analysis of input received from the Request for Input on Fintech in Housing Finance issued in FY 2022, capturing an overview of responses received **Target:** March 31, 2023	**2.5.1:** Publish summary of the Velocity TechSprint conducted in FY 2023 **Target:** Q1 FY 2024	In FY 2023, FHFA met the target for measure **2.5.1** and replaced it with a new measure for FY 2024.
STRATEGIC GOAL 3: RESPONSIBLY STEWARD FHFA'S INFRASTRUCTURE		
Language in 2023	**Language in 2024**	**Explanation**
3.1.4: Develop FHFA Culture Plan **Target:** Q1 FY 2023	N/A	FHFA met the target for this measure in FY 2023 and discontinued the measure.
3.3.2: Develop FHFA Information Technology Strategic Plan **Target:** Q4 FY 2023	**3.3.2:** Develop FHFA Information Technology Strategic Plan **Target:** Q2 FY 2024	In FY 2023, FHFA missed the target for measure **3.3.2** and continued the measure into FY 2024. FHFA met the target for **3.3.2** in FY 2024.

FINANCIAL SECTION

Photo courtesy of Fannie Mae

Message from the Chief Financial Officer

I am pleased to present FHFA's consolidated financial statements and related footnotes for FY 2024 and 2023.

Since its inception in 2008, FHFA has received unmodified audit opinions every year from the U.S. Government Accountability Office (GAO). The Agency takes pride in that record and remains committed to demonstrating discipline and accountability in the stewardship of FHFA's funds. FHFA's Office of Budget and Financial Management remains proactive in the execution of sound financial management by providing reliable and timely financial data to enhance decision-making and employing tools and strategies to improve the effectiveness and efficiency of our financial management operations and reporting.

The implementation of *SFFAS 54: Leases* in FY 2024 resulted in the recognition of previously off-balance-sheet operating leases, increasing both our assets and liabilities. This change provided a more accurate representation of our financial obligations. FHFA's net position increased from $116.1 million as of September 30, 2023, to $156.3 million as of September 30, 2024. The increase of $40.2 million was primarily the result of growth in the Agency's investment portfolio.

In 2024, FHFA's gross program costs totaled $407.3 million, an increase of $21.3 million, or 5.5 percent, from 2023 costs. The year-over-year increase in spending was primarily driven by increased Agency operational costs, including additional staff for mission support programs, affordable housing oversight, legal services, and operational support. The FHFA Director recently approved a Fiscal Year 2025 operating budget totaling $350.0 million, up $31 million (or 10 percent) from the 2024 Budget, largely to address additional program requirements related to the Agency's mission, information technology investments, and increased staffing.

Actual FHFA onboard staffing of 728 full time equivalents (FTEs) was unchanged in FY 2024 from 2023. Authorized staffing for FY 2025 is 869 FTEs. This is an increase of 64 positions (or 8.0 percent) from the number of authorized positions in the FY 2024 budget, and an increase of 141 positions from the number of employees on board at the end of FY 2024.

FHFA remediated weaknesses identified in GAO's FY 2023 audit opinion related to internal controls over financial reporting, which contributed to GAO removing the significant deficiency finding in this area. GAO identified a new significant deficiency related to internal controls over expense accruals during the FY 2024 audit. FHFA will address this deficiency and is focused on the continued maturity of our internal control program. This includes incorporating additional automation to improve the overall efficiency and effectiveness of our financial management processes. FHFA is also refining our integrated financial planning, governance, and oversight processes to enable a robust framework for major program and infrastructure investments.

I appreciate the dedication of the talented FHFA professionals who plan, execute, and account for the agency's resources. Their commitment to sound financial management and to ensuring that timely financial information is available to our stakeholders helps provide the foundation for our strong stewardship of the Agency's financial resources.

Sincerely,

Mary E. Peterman

Mary E. Peterman
Chief Financial Officer
November 8, 2024

Independent Auditor's Report

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Director of the Federal Housing Finance Agency

In our audits of the fiscal years 2024 and 2023 financial statements of the Federal Housing Finance Agency (FHFA), we found

- FHFA's financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- although internal controls could be improved, FHFA maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, which includes two emphasis-of-matter paragraphs related to FHFA reporting entity and FHFA's adoption of a new standard related to leases, a section on required supplementary information (RSI),[1] and a section on other information included with the financial statements;[2] (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

Report on the Financial Statements and on Internal Control over Financial Reporting

Opinion on the Financial Statements

In accordance with the Housing and Economic Recovery Act of 2008 (HERA),[3] we have audited FHFA's financial statements. FHFA's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, FHFA's financial statements present fairly, in all material respects, FHFA's financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

[1]The RSI consists of "Management's Discussion and Analysis," which is included with the financial statements.

[2]Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

[3]Pub. L. No. 110-289, § 1106, 122 Stat. 2654, 2671, *classified at* 12 U.S.C. § 4516.

Independent Auditor's Report

Opinion on Internal Control over Financial Reporting

We also have audited FHFA's internal control over financial reporting as of September 30, 2024, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In our opinion, although certain internal controls could be improved, FHFA maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, based on criteria established under FMFIA. As discussed below in more detail, our 2024 audit identified deficiencies in FHFA's controls over its review of accounts payable accruals that collectively represent a significant deficiency in FHFA's internal control over financial reporting.[4] We considered this significant deficiency in determining the nature, timing, and extent of our audit procedures on FHFA's fiscal year 2024 financial statements.

Although the significant deficiency in internal control did not affect our opinion on FHFA's 2024 financial statements, misstatements may occur in unaudited financial information reported internally and externally by FHFA because of it.

We will be reporting additional details concerning this significant deficiency separately to FHFA management, along with recommendations for corrective actions. In addition to the significant deficiency in internal control over FHFA's review of accounts payable accruals, we also identified other deficiencies in FHFA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FHFA management's attention. We have communicated these matters to FHFA management and, where appropriate, will report on them separately.

In addition, we found that FHFA resolved the significant deficiency in controls over its review of payroll accruals that we reported in our 2023 audit.[5] To address this significant deficiency, FHFA's Office of Inspector General (FHFA OIG) updated its documented procedures to provide more detailed guidance and requirements for the review of year-end payroll accrual information. Additionally, FHFA updated its documented procedures to provide more detailed guidance on reviewing all information provided by FHFA OIG for inclusion in its consolidated financial statements. Based on our evaluation of these actions and the results of our audit of FHFA's fiscal year 2024 financial statements, we believe a significant deficiency no longer exists in this area as of September 30, 2024.

Significant Deficiency in Internal Control over Accounts Payable Accruals

During our 2024 audit, we identified deficiencies in FHFA's controls over the accuracy and completeness of accounts payable accruals and related expenses that represent a significant deficiency in internal control over financial reporting. Specifically, FHFA's internal controls did

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[4]A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

[5]GAO, *Financial Audit: Federal Housing Finance Agency's 2023 and 2022 Financial Statements*, GAO-24-106668 (Washington, D.C.: Nov. 15, 2023).

Independent Auditor's Report

not timely prevent, or detect and correct, misstatements in accounts payable accruals and related expenses as of and for the fiscal year ended September 30, 2024.[6]

As part of FHFA's year-end procedures, its accounting personnel estimate an amount for accounts payable accruals and related expenses based on a review of existing contracts, vendor invoices, and other information. Our audit identified that FHFA (1) did not appropriately accrue $2.0 million in accounts payable and related expenses for services received during fiscal year 2024 and (2) inappropriately accrued $1.9 million in accounts payable and related expenses for services not received in fiscal year 2024. While our audit determined that these errors did not materially misstate FHFA's accounts payable accruals and related expenses as of and for the fiscal year ended September 30, 2024, FHFA's controls did not prevent or timely detect and correct these errors.

Standards for Internal Control in the Federal Government states that management should design control activities to achieve objectives and respond to risks.[7] This includes control activities to help ensure that transactions are accurately recorded. Without effective controls to reasonably assure the accuracy of accounts payable accruals and related expenses, FHFA increases the risk that misstatements in its financial statements will not be prevented, or detected and corrected, on a timely basis.

While these deficiencies do not individually or collectively constitute a material weakness, they represent a significant deficiency in FHFA's internal control over financial reporting as of September 30, 2024, and are important enough to merit the attention of those charged with governance of FHFA. Management commitment and attention will be essential to addressing these deficiencies and improving FHFA's controls over the recording of year-end accounts payable accruals and related expenses.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of FHFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis-of-Matter

FHFA Reporting Entity

As discussed in note 1A of the financial statements, FHFA placed Fannie Mae and Freddie Mac into conservatorship under the authority of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by HERA.[8] FHFA considers Fannie Mae and Freddie

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[6]Accounts payable accruals include, among other things, accruals for software license contracts and information system services.

[7]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

[8]Pub. L. No. 102-550, title XIII, § 1367, 106 Stat. 3672, 3980, *classified as amended at* 12 U.S.C. § 4617.

Independent Auditor's Report

Mac to be disclosure entities following criteria in Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*. As such, FHFA disclosed certain financial and other information about the entities in the notes to its financial statements. The values of the investment in the entities and related activities are presented in the Department of the Treasury's financial statements. Our opinion on FHFA's financial statements is not modified with respect to this matter.

Adoption of a New Standard Related to Leases

As discussed in Notes 1D and 8 of the financial statements, FHFA adopted SFFAS No. 54, *Leases*, as amended, as of October 1, 2023. FHFA recognized a right-to-use lease asset and a related lease liability for the lease of its Constitution Center office space. As of September 30, 2024, FHFA's right-to-use lease asset, net of accumulated amortization, amounted to $191.2 million, and the related lease liability amounted to $203.9 million. SFFAS No. 54 is applied prospectively. Consequently, for fiscal year 2023, leases were presented as previously reported. Our opinion on FHFA's financial statements is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in FHFA's performance and accountability report, and ensuring the consistency of that information with the audited financial statements and the RSI;
- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and
- its assessment about the effectiveness of internal control over financial reporting as of September 30, 2024, included in the FHFA Statements of Assurance section of the agency's performance and accountability report.

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) issue an auditor's report that includes our opinions.

Independent Auditor's Report

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements or an audit of internal control over financial reporting conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered FHFA's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Independent Auditor's Report

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FHFA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in FHFA's performance and accountability report. The other information comprises the following sections: Message from the Director; FHFA's Mission, Vision, and Values; Performance Section; Other Information; and Appendices. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Independent Auditor’s Report

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of FHFA’s financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor’s responsibilities discussed below.

<u>Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FHFA. Accordingly, we do not express such an opinion.

<u>Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

<u>Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

FHFA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to FHFA.

<u>Auditor’s Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to FHFA that have a direct effect on the determination of material amounts and disclosures in FHFA’s financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to FHFA. We caution that noncompliance may occur and not be detected by these tests.

<u>Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements</u>

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Independent Auditor's Report

Agency Comments

In commenting on a draft of this report, FHFA stated that it was pleased to accept GAO's unmodified audit opinions. In addition, it will continue to enhance its internal control and ensure the reliability of its financial reporting. This includes coordinating with its stakeholders to address the significant deficiency through process changes and training. The complete text of FHFA's response is reprinted in appendix I.

Anne Sit-Williams
Director
Financial Management and Assurance

November 8, 2024

Appendix I: FHFA's Response to Auditor's Report

Federal Housing Finance Agency
Constitution Center
400 7th Street, S.W.
Washington, D.C. 20219
Telephone: (202) 649-3800
Facsimile: (202) 649-1071
www.fhfa.gov

November 8, 2024

Ms. Anne Sit-Williams
Director, Financial Management and Assurance
U. S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Sit-Williams:

Thank you for the opportunity to respond to the Government Accountability Office's (GAO) draft audit report titled, Financial Audit: Federal Housing Finance Agency's Fiscal Years 2024 and 2023 Financial Statements. This report presents GAO's opinion on the consolidated financial statements of the Federal Housing Finance Agency (FHFA) for fiscal years 2024 and 2023, GAO's opinion on the effectiveness of FHFA's internal controls as of September 30, 2024, and GAO's evaluation of FHFA's compliance with laws and regulations.

I am pleased to accept GAO's unmodified opinion on the FHFA consolidated financial statements. FHFA also received an opinion that it maintained, in all material respects, effective internal control over financial reporting. GAO found no instances of reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements it tested.

FHFA will continue to work to enhance our internal controls and ensure the reliability of our financial reporting. GAO identified a significant deficiency in the internal controls over financial reporting related to the Agency's expense accruals. FHFA's Chief Financial Officer will coordinate with stakeholders to address this significant deficiency through process changes and training. We appreciate your support of these efforts. In addition, we would like to acknowledge the dedicated GAO staff that worked with FHFA to meet the reporting deadline for our audited financial statements.

If you have any questions relating to our response, please contact Mary Peterman, Chief Financial Officer, at (202) 649-3323.

Sincerely,

Sandra L. Thompson
Director

Federal Housing Finance Agency

Consolidated Balance Sheets

As of September 30, 2024 and 2023

(In Thousands)

	Consolidated 2024	Consolidated 2023
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 18,207	$ 21,125
Investments, Net (Note 3)	177,795	134,628
Accounts Receivable, Net (Note 4)	20	22
Advances and Prepayments	577	766
Total Intragovernmental	196,599	156,541
With the Public:		
Accounts Receivable, Net (Note 4)	17	28
General and Right-to-Use Property, Plant, and Equipment, Net (Note 5)	201,387	9,646
Advances and Prepayments	5,260	5,402
Total With the Public	206,664	15,076
Total Assets	**$ 403,263**	**$ 171,617**
Liabilities (Note 6):		
Intragovernmental:		
Accounts Payable	$ 973	$ 815
Advances From Others and Deferred Revenue	1,700	2,229
Other Liabilities, Net (Note 7)	1,377	1,614
Total Intragovernmental	4,050	4,658
With the Public:		
Accounts Payable	12,057	11,625
Federal Employee Salary, Leave, and Benefits Payable, Net		
Unfunded Accrued Annual Leave	21,269	21,422
Employer Contributions and Payroll Taxes Payable	511	332
Accrued Funded Payroll	4,162	4,208
Pensions, and Post-Employment Benefits Payable, Net		
FECA Actuarial Liability	985	666
Advances from Others and Deferred Revenue	-	3
Other Liabilities, Net (Note 7)		
Unfunded Lessee Lease Liability	203,905	-
Deferred Lease Liability	-	12,619
Other Liabilities	3	3
Total With the Public	242,892	50,878
Total Liabilities	**$ 246,942**	**$ 55,536**
Commitments and Contingencies (Note 9)		
Net Position:		
Cumulative Results of Operations - Funds from Other Than Dedicated Collections	$ 156,321	$ 116,081
Total Cumulative Results of Operations	156,321	116,081
Total Net Position	**$ 156,321**	**$ 116,081**
Total Liabilities and Net Position	**$ 403,263**	**$ 171,617**

The accompanying notes are an integral part of these financial statements.

Federal Housing Finance Agency

Consolidated Statements of Net Cost

For the Fiscal Years Ended September 30, 2024 and 2023

(In Thousands)

	Consolidated 2024		Consolidated 2023	
Gross Program Costs by Strategic Goals - (Note 10)				
Safety and Soundness	$	193,984	$	196,493
Equitable Access to Affordable and Sustainable Housing		68,336		63,260
Responsibly Steward FHFA's Infrastructure		144,935		126,249
Gross Program Costs		407,255		386,002
Less: Total Earned Revenue not Attributable to Strategic Goals		(418,000)		(397,513)
Net (Income From)/Cost of Operations	**$**	**(10,745)**	**$**	**(11,511)**

The accompanying notes are an integral part of these financial statements.

Federal Housing Finance Agency

Consolidated Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2024 and 2023

(In Thousands)

	Consolidated Total 2024		Consolidated Total 2023	
Cumulative Results of Operations:				
Beginning Balance	$	116,081	$	91,461
Changes in Accounting Principles		12,619		-
Beginning Balance, as Adjusted	$	128,700	$	91,461
Imputed Financing	$	16,876	$	13,109
Net Income From/(Cost of) Operations		10,745		11,511
Net Change in Cumulative Results of Operations	$	27,621	$	24,620
Total Cumulative Results of Operations	$	156,321	$	116,081
Net Position	**$**	**156,321**	**$**	**116,081**

The accompanying notes are an integral part of these financial statements.

Federal Housing Finance Agency
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2024 and 2023
(In Thousands)

	Combined 2024		Combined 2023	
Budgetary Resources				
Unobligated Balance From Prior Year Budget Authority, Net (Note 11)	$	88,508	$	75,093
Appropriations (Note 1.F.)		415,422		396,032
Spending Authority From Offsetting Collections		55,558		56,240
Total Budgetary Resources	**$**	**559,488**	**$**	**527,365**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	$	449,845	$	450,204
Unobligated Balance, End of Year:				
Exempt From Apportionment, Unexpired Accounts		109,643		77,161
Unexpired Unobligated Balance, End of Year		109,643		77,161
Unobligated Balance, End of Year (Total)		109,643		77,161
Total Budgetary Resources	**$**	**559,488**	**$**	**527,365**
Outlays, Net				
Outlays, Net (Total)	$	375,149	$	370,137
Distributed Offsetting Receipts		(415,419)		(396,034)
Agency Outlays, Net	**$**	**(40,270)**	**$**	**(25,897)**

The accompanying notes are an integral part of these financial statements.

Federal Housing Finance Agency

Notes to the Financial Statements

For the Years Ended September 30, 2024 and 2023

Note 1. Reporting Entity and Summary of Significant Accounting Policies

A. REPORTING ENTITY

The Federal Housing Finance Agency (FHFA) was established on July 30, 2008, when the President signed into law the Housing and Economic Recovery Act of 2008 (HERA). FHFA is an independent agency in the Executive branch empowered with supervisory and regulatory oversight of the 11 Federal Home Loan Banks (FHLBanks), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, regulated entities), and the Office of Finance. FHFA is responsible for ensuring that each regulated entity operates in a safe and sound manner, including maintenance of adequate capital and internal control, and carries out its housing and community development finance missions.

HERA provided for an FHFA Office of the Inspector General (FHFA OIG), which has maintained its own Agency Location Code and set of accounting books since April 2011. The Inspector General Act of 1978, as amended, sets forth the functions and authorities of the FHFA OIG. The reporting entity for purposes of financial statements includes FHFA and FHFA OIG. Under the authority of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by HERA, FHFA placed Fannie Mae and Freddie Mac (the Enterprises) under conservatorships on September 6, 2008, to stabilize the two entities with the objective of maintaining normal business operations and restoring safety and soundness. FHFA, as Conservator, assumed the power of stockholders, boards and management. FHFA has assigned to the Enterprises' boards and management certain business and operational authority. FHFA personnel monitor the operations of the Enterprises.

In September 2008, after the Enterprises were placed in conservatorships under FHFA, OMB and the U.S. Department of the Treasury (Treasury) determined that the assets, liabilities and activities of the companies would not be consolidated in the financial statements of the federal government. OMB and the Treasury concluded that the Enterprises did not meet the criteria for a federal entity contained in OMB Circular A-136, Financial Reporting Requirements, and the Statement of Federal Financial Accounting Concepts 2, Entity and Display. This determination was made because the Enterprises were not listed in the section of the federal government's budget entitled "Federal Programs by Agency and Account," because of the nature of FHFA's conservatorships over the Enterprises, and because the federal government's ownership and control of the entities were considered to be temporary. OMB continued to hold this view in the President's budget submissions to Congress. Consequently, the assets, liabilities, and activities of the Enterprises were not consolidated into FHFA's financial statements. However, the Treasury Department records the value of the federal government's investments in the Enterprises, and related activity in the Department's and government-wide financial statements. Under the Statement of Federal Financial Accounting Standards (SFFAS) 47, Reporting Entity, which became effective for FY 2018, the Enterprises continue to not be consolidated in FHFA's financial statements and are included instead as disclosure entities based on their characteristics as a whole. Specifically, the Enterprises are owned or controlled by the federal government as a result of (a) regulatory actions (such as organizations in receivership or conservatorship); or (b) other federal government intervention actions. Under the regulatory or other intervention actions, the federal government's ownership and control of the Enterprises is not expected to be permanent.

Both Enterprises, acting through FHFA as their Conservator, entered into separate Senior Preferred Stock Purchase Agreements (SPSPAs) with Treasury on September 7, 2008. The SPSPAs were amended and restated on September 26, 2008. The SPSPAs were further amended by the first (May 6, 2009), second (December 24, 2009), and third (August 17, 2012) amendments, and the SPSPAs and the senior preferred stock certificates of designation were amended by letter agreements between the Enterprises and Treasury, executed in 2017, 2019, and 2021. The SPSPAs commit Treasury to provide funding for each Enterprise, up to a maximum available funding commitment, to ensure that each Enterprise maintains a nonnegative net worth, thereby avoiding a statutory requirement that an Enterprise be put in receivership. Under the SPSPAs, each Enterprise notifies FHFA of its net worth position as established by its financial statements (e.g., 10-K or 10-Q). Each Enterprise also submits a statement certifying compliance with SPSPA covenants, which include limits on portfolio size and indebtedness. FHFA, in its role as Conservator, reviews Enterprise financial statements, and, if an Enterprise's liabilities exceed its assets, may submit a request to Treasury to draw upon Treasury's remaining funding commitment.

The SPSPAs also require the Enterprises to pay a dividend in exchange for the Treasury Department's investment. The Third amendment changed the dividend owed to Treasury from a fixed 10 percent payable each quarter to a variable amount tied directly to quarterly performance (equivalent to positive net worth above a minimum capital reserve amount). The September 27, 2019, letter amendments increased the minimum capital reserve amounts for the Enterprises, which conditionally eliminated the Enterprises' quarterly dividend obligation to Treasury. Amendments to the SPSPAs and stock certificates made pursuant to January 14, 2021 letter agreements between the Enterprises and Treasury currently allow the Enterprises to continue to retain earnings until they satisfy the requirements, including buffers, of FHFA's **2020 Enterprise capital rule**. Pursuant to the January 14, 2021, letter agreements, upon achievement of the requirements the Enterprises will resume quarterly dividend payments.

B. BASIS OF PRESENTATION

FHFA's principal statements were prepared from its official financial records and general ledger in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and follow the presentation guidance established by OMB Circular No. A-136 "Financial Reporting Requirements" as revised. The statements are a requirement of the Government Management Reform Act of 1994, the Accountability of Tax Dollars Act of 2002, and HERA. These financial statements are in addition to the financial reports prepared by FHFA, pursuant to OMB directives, which are used to monitor and control budgetary resources. The financial statements include the activities and transactions that make up the balances in the statements of the FHFA OIG. The amounts reported in the financial statements are consolidated totals net of intra-entity transactions, except for the Statement of Budgetary Resources, which is presented on a combined basis. The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of FHFA. Changes in the presentation in the current year in comparison to the prior year presentation are to conform to current reporting standards and requirements, such as aggregation or disaggregation of line items in the Balance Sheet or other statements except for changes resulting from the implementation of Statement of Federal Financial Accounting Standards 54: *Leases*, as amended. (See Note 1.D).

C. BASIS OF ACCOUNTING

The Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and the liability or expenses are generally recognized when incurred, without regard to receipt or payment of cash. These principles differ from budgetary accounting and reporting principles, which are used for preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources reflects how budgetary resources were made available to the entity during the year and reports the net outlays of these items at year-end. The budgetary method recognizes the obligation of funds according to legal requirements, which in many cases records obligations before the occurrence of an accrual-based transaction. The differences relate primarily to the recording of capitalization and depreciation of property and equipment, as well as the recognition of other assets and liabilities. Budgetary accounting facilitates compliance with legal requirements and controls over the use of funds. FHFA's financial statements conform with U.S. GAAP for federal entities as prescribed by the standards set forth by the Federal Accounting Standards Advisory Board (FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the body designated to establish U.S. GAAP for federal reporting entities. Certain assets, liabilities, earned revenues, and costs have been classified as intragovernmental throughout the financial statements and notes. Intragovernmental is defined as transactions made between two reporting entities within the federal government.

D. CHANGES IN ACCOUNTING PRINCIPLES

Starting in FY 2024, FHFA implemented Statement of Federal Financial Accounting Standards 54: *Leases*, as amended (SFFAS 54). SFFAS 54 replaces proprietary lease accounting and disclosure standards for general purpose federal financial reports. FHFA is required to report a right-to-use lease asset (see Note 5) and a lease liability for long-term non-intragovernmental leases, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. The lease liability represents the present value of future lease payments. FHFA records a lease expense that is the sum of the amortization of the right-to-use lease asset and the interest on the lease liability, using the interest method.

Changes in accounting principles due to the adoption of SFFAS 54 are reflected on the Balance Sheet and the Statement of Change in Net Position (SCNP). SFFAS 54 requires that any unamortized balances for previously reported operating lease incentives/concessions be reduced to zero. This resulted in an adjustment to beginning cumulative results of operations for FY 2024 eliminating the $12.6 million deferred lease related liability recorded as of September 30, 2023, under prior lease standards, and as of October 1, 2023, recording a right-to-use lease asset and lease liability amounting to $67.8 million.

Pursuant to *SFFAS 54*, FHFA has elected to apply the transitional accommodation through September 30, 2026. The transitional accommodation applies to contracts or agreements that contain both non-lease and lease components where management has concluded that the primary purpose is reasonably attributable to the non-lease components (embedded lease). The contracts or agreements for which this transitional accommodation is applied will be treated as non-lease contracts for their entirety where the FHFA has concluded the primary purpose is reasonably attributable to the non-lease component.

For intragovernmental leases, a lessee should recognize lease payments, including lease-related operating costs as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. See Note 8 for lease related disclosures.

E. CHANGES IN PRESENTATION

Federal reporting changes reflected in the Balance Sheet include accrued funded payroll previously shown on the Balance Sheet in Other Liabilities was reclassified to the Federal Employee Salary, Leave, and Benefits Payable line item for the prior year in accordance with OMB Circular A-136 change in presentation. Additionally, Pensions and Post-Employment Benefits Payable, Net was added as a new line item on the Balance Sheet and the presentation of FECA actuarial liability was moved from the Federal Employee Benefits Payable to the new line item. See Notes 6 and 7.

F. REVENUES

Although our assessments are reported as Appropriations in the Combined Statement of Budgetary Resources, FHFA is not subject to appropriations. Operating revenues of FHFA are obtained through assessments of the regulated entities. The head of the Agency approved the annual budget for FY 2024 and FY 2023 in August 2023 and September 2022, respectively. By law, FHFA is required to charge semi-annual assessments to the regulated entities. Assessments collected shall not exceed the amount sufficient to provide for the reasonable costs associated with overseeing the regulated entities, plus amounts determined by the head of the Agency to be necessary for maintaining a working capital fund.

FHFA develops its annual budget using a ‘bottom up’ approach. Each office within the Agency is asked to bifurcate their budget request between the amount of resources needed for the regulation of Fannie Mae and Freddie Mac and the resources needed for the regulation of the FHLBanks. The office requests are then aggregated (with overhead costs distributed proportionately) to determine the total expected costs associated with regulating Fannie Mae and Freddie Mac and the total expected costs associated with regulating the FHLBanks. These two totals, along with any expected collection for the working capital fund, comprise the fiscal year budget for the Agency.

FHFA calculates the assessments for each Enterprise by determining the proportion of each Enterprise's assets and off-balance sheet obligations to the total for both Enterprises and then applying each of the Enterprise's proportion (expressed as a percentage) to the total budgeted costs for regulating the Enterprises. FHFA calculates the assessments for each of the FHLBanks by determining each FHLBank's share of minimum required regulatory capital as a percentage of the total minimum capital of all the FHLBanks and applying this percentage to the total budgeted costs for regulating the banks. Assessment letters are sent to the regulated entities 30 days prior to the assessment due dates of October 1st and April 1st.

G. USE OF ESTIMATES

The preparation of the accompanying financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates. Significant transactions subject to estimates include costs regarding benefit plans for FHFA employees that are administered by the Office of Personnel Management (OPM) and cost allocations among the strategic goals on the Statement of Net Cost.

H. FUND BALANCE WITH TREASURY

The Treasury processes cash receipts and disbursements on FHFA's behalf. Funds held at Treasury are available to pay Agency liabilities and finance authorized purchase obligations. FHFA does not maintain cash in commercial bank accounts or foreign currency balances.

During the year, increases to FHFA's Fund Balance with Treasury are comprised of semi- annual assessments, investment interest, collections on reimbursable agreements, employee administrative billing and collections, and Freedom of Information Act (FOIA) request fees, when applicable. FHFA is not authorized to retain fees and penalties associated with employee administrative billings (corrections to payroll and travel payments) and collections, FOIA fees, and as such, records these as liabilities until transferred to the Treasury General Fund.

HERA provides authority for FHFA to maintain a working capital fund. The working capital fund is defined in FHFA's Assessment Regulation as an account for amounts collected from the regulated entities to establish an operating reserve that is intended to provide for the payment of large or multiyear capital and operating expenditures, as well as unanticipated expenses. The balance in the working capital fund is evaluated annually.

I. INVESTMENTS, NET

FHFA has the authority to invest in Treasury securities with maturities suitable to FHFA's needs. Non-marketable, Government Account Series (GAS) market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms (see Treasury Financial Manual, Chapter 4300). FHFA invests solely in Treasury securities. During FY 2024 and FY 2023, FHFA invested in one-day certificates of indebtedness, a type of market-based GAS security issued by Treasury. See Note 3, Investments, Net.

J. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed to FHFA by other federal entities and the public. Amounts due from federal entities are considered fully collectible and consist of interagency agreements. Accounts receivable from the public include reimbursements from employees, FOIA request fees, and an allowance for uncollectible accounts. An allowance for uncollectible accounts receivable from the public is established when either 1) management determines that collection is unlikely to occur after a review of outstanding accounts and the failure of all collection efforts, or 2) an account for which no allowance has been previously established is submitted to Treasury for collection, which takes place when it becomes 120 days delinquent.

K. GENERAL AND RIGHT TO USE PROPERTY, PLANT, AND EQUIPMENT, NET

General Property, Plant, and Equipment is recorded at historical cost. It consists of tangible assets and software.

The following are the capitalization thresholds and useful life classifications:

Description	Threshold	Useful Life (Years)
Furniture and Equipment	$ 50,000	3
Leasehold Improvements	$ 250,000	The useful life of the asset or the remaining term of lease at the time of improvement completion, whichever is shorter.
Software: Internally Developed	$ 500,000	3
Software: Off-the-Shelf	$ 500,000	3
Right-To-Use Leases	$ 250,000	Term of lease

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Applicable standard governmental guidelines regulate the disposal and convertibility of Agency property and equipment.

FHFA has no real property holdings, stewardship, or heritage assets. Other property items and normal repairs and maintenance are charged to expense as incurred.

L. ADVANCES AND PREPAYMENTS

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions, and payments to contractors and employees. Payments above $50,000, made in advance of the receipt of goods and services, are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received. Advance payments below $50,000 will be expensed as incurred.

M. LIABILITIES

Liabilities represent the amount of funds that are obligations to be paid by FHFA as the result of a transaction or event that has already occurred.

FHFA reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another federal entity. Liabilities With the Public represent funds owed to any entity or person that is not a federal entity, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities that are not covered by budgetary resources. Note 6 contains a breakout by these categories.

Liabilities **covered** by budgetary resources are liabilities funded by realized budgetary resources including new budget authority, unobligated balances of budgetary resources at the beginning of year or net transfers of prior year balances during the year, spending authority from offsetting collections and recoveries of unexpired budget authority. These consist of accounts payable, advances from others and deferred revenue, other intragovernmental liabilities and other liabilities, employer contributions, accrued payroll and payroll taxes payable. Accounts payable represents amounts owed to employees for travel related expenses and other entities for goods ordered and received and for services rendered. Advances from others and deferred revenue are amounts received for goods or services to be delivered or performed in the future and reflect amounts that have yet to be earned. Other intragovernmental liabilities may include interest payable to federal entities advances and prepayments from other federal entities. Employer salary, leave, and benefits payable represents wages, funded annual leave, sick leave, and the amount of the employer portion of payroll taxes and benefit contributions, such as retirement, including the federal entity's contribution to the Thrift Savings Plan, and health and life insurance for covered employees. Accrued payroll and benefits represent pay and benefits earned by employees during the fiscal year which are not paid until the next fiscal year. The Department of Labor (DOL) is the central paying agent for all workers' compensation claims filed under the Federal Employees' Compensation Act (FECA). FHFA obligates funds for potential FECA claims each fiscal year; the funds remain on the books for two years and three months. Unused funds after the two-year period are deobligated within three months from the end of the two-year period. Funded FECA liability represents the amount FHFA is to reimburse DOL for claims paid to FHFA employees.

Liabilities **not covered** by budgetary resources are liabilities that are not funded by any other funding source. FHFA does not receive appropriated funds and therefore is not required to have budgetary resources for the full cost of all liabilities. These liabilities consist of unfunded accrued annual leave, FECA actuarial liabilities, and unfunded lessee lease liability. Accrued annual leave is earned throughout the fiscal year and is paid when leave is taken by the employee; unfunded annual leave represents the balance earned but not yet taken. The FECA actuarial liabilities is an estimated actuarial liability for future workers' compensation benefits. The estimated actuarial liability for future workers' compensation benefits is based on the DOL's FECA actuarial model that takes the amount of benefit payments over the last 12 quarters (three years) and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liabilities-to-benefits paid ratios for the whole FECA program. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately 12 times the annual payments. Right-to-use lease liabilities consist of various future costs for the Constitution Center lease. The Constitution Center lease extends through January 2038.

See Note 6, Liabilities Covered and Not Covered by Budgetary Resources for the display by type, and Note 8, Leases for additional discussion related to the right-to-use leases.

N. EMPLOYEE LEAVE AND BENEFITS

All full-time FHFA employees are entitled to accrue sick leave at a rate of four hours per pay period. Full- time employees are eligible to earn sick leave immediately upon being hired. Annual leave is accrued based on years of creditable federal service and military service. Some employees who transfer from other federal entities may also have been authorized to receive credit for private sector time. Employees in non-supervisory and non-manager positions may carry-over up to 240 hours of annual leave each year. Supervisors and managers (below EL-15) may carryover up to 480 hours of annual leave each year. The FHFA Leadership Level's equivalent to the Senior Executive Service employees may accrue annual leave of eight (8) hours each pay period, which is consistent with the government-wide rules for Senior Executive Service level employees and FHFA executives may carry over annually up to 720 hours of annual leave. Employees who previously were in federal government positions in which they could carry over more than 240 hours of annual leave (e.g., former OF23s or members of the Senior Executive Service) may carry over the previously allowed amount from year-to-year. However, if at the end of a leave year their leave balance is below the previously allowed amount, that balance becomes the maximum carryover amount for all future years unless they are or become FHFA executives.

Accrued annual leave is treated as an unfunded expense with an offsetting liability when earned. This represents amounts of annual leave that have been earned and are payable, and will be paid from future years funds. The accrued liability is reduced when the annual leave is taken. Any unused annual leave balance is paid to an employee upon leaving federal service and calculated based on the employee's earnings per hour. There is no maximum limit on the amount of sick leave that may be accrued. Upon retirement, any unused sick leave under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) is creditable towards an employee's annuity computation.

FHFA, through benefit programs established for all agencies by the federal government, offers its employees' health and life insurance coverage through the Federal Employees Health Benefits Program (FEHB) and Federal Employees Group Life Insurance Program. The cost of each is shared by FHFA and its employees. FHFA pays 90 percent of the FEHB premium. In addition, all employees have 1.45 percent of adjusted gross earnings withheld to pay for Medicare coverage. High-earning employees pay an additional Medicare tax. The Additional Medicare Tax is calculated as 0.9 percent of adjusted gross earnings over the threshold regardless of their filing status.

O. RETIREMENT PLANS

FHFA employees participate in the retirement plans offered by OPM, which consist of CSRS, CSRS Offset, FERS, FERS-Revised Annuity Employee (RAE), or FERS-Further Revised Annuity Employee (FRAE).

FERS, RAE, and FRAE are provided under calculations for both regular employees as well as law enforcement employees in the OIG. FHFA remits the employer's share of the required contribution, which is 7.0 percent for CSRS and CSRS Offset, 18.4 percent for FERS, 38.2 percent for FERS Law Enforcement Officer (LEO), 16.5 percent for FERS-RAE and FERS-FRAE, and 36.4 percent for FERS-RAE LEO and FERS-FRAE LEO. Effective January 1, 2014, any employee who begins employment with FHFA with less than five years of prior federal service as of December 31, 2013 is placed under FERS-FRAE. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic Agency contribution equal to 1.0 percent of pay. FERS employees are automatically enrolled in TSP and 5.0 percent of their pay is deposited into the plan unless they make an election to stop or change the contribution. FHFA matches any FERS employee contribution up to an additional 4.0 percent of pay. For FERS and CSRS Offset participants, FHFA also contributes the employer's share of Social Security. The 2024 maximum taxable wage base for Social Security is $168,600.

FHFA expenses its contributions to the retirement plans of covered employees as the expenses are incurred. As discussed in Note 1.R and reflected in the Consolidated Statements of Changes in Net Position and Note 16, FHFA reports imputed financing costs with respect to retirement plans, health benefits and life insurance pursuant to guidance received from OPM. These costs are paid by OPM and not by FHFA. Disclosure of imputed cost in the Statement of Net Cost is intended to provide information regarding the full cost of FHFA's program in conformity with U.S. GAAP.

FHFA's financial statements do not report plan assets, accumulated plan benefits, and related unfunded liabilities, if any, for the retirement plans covering its employees. Reporting these amounts is the responsibility of OPM, as the administrator of these plans.

In addition to the TSP, FHFA offers a supplemental 401(K) plan. All CSRS and FERS employees are eligible to contribute to the 401(K). In FY 2024, eligible employees that participate will receive matching contributions from FHFA up to 5.0 percent of the employee's salary. Qualified employees may participate in the TSP and/or FHFA's 401(K) Savings Plan, up to the annual Internal Revenue Code limitations established for salary deferral and annual additions.

P. CONTINGENCIES

FHFA recognizes contingent liabilities, in the accompanying Balance Sheet and Statement of Net Cost, when they are both probable and can be reasonably estimated. FHFA discloses contingencies in the notes to the financial statements when a loss from the outcome of future events is more than remote but less than probable or when the liability is probable but cannot be reasonably estimated.

Q. CLASSIFIED ACTIVITIES

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

R. INTER-ENTITY COSTS

Certain goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the component reporting entity are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs relate to employee benefits. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Note 2. Fund Balance with Treasury

Fund Balance with Treasury (FBWT) consists of operating funds and a working capital fund. The unobligated and obligated balances reported in the FBWT may not equal related amounts reported on the Combined Statements of Budgetary Resources. The unobligated and obligated balances reported on the Combined Statements of Budgetary Resources are supported by the FBWT, as well as other budgetary resources that do not affect the FBWT (i.e., unfilled customer orders). The funds in the working capital fund were fully invested during FY 2024 and FY 2023. FBWT account balances as of September 30, 2024 and 2023 were as follows (dollars in thousands):

	2024	2023
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 109,643	$ 77,161
Unavailable	-	3
Obligated Balance Not Yet Disbursed	86,359	78,569
Investments	(177,795)	(134,608)
Total	**$ 18,207**	**$ 21,125**

Note 3. Investments, Net

Investments as of September 30, 2024 consist of the following (dollars in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities:					
Non-Marketable					
Market-Based	$ 177,795	$ -	$ -	$ 177,795	$ 177,795

Investments as of September 30, 2023 consist of the following (dollars in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities:					
Non-Marketable					
Market-Based	$ 134,608	$ -	$ 20	$ 134,628	$ 134,628

Non-marketable, Government Account Series market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. FHFA is currently investing in one-day certificates issued by Treasury. There were no amortized premiums/discounts on investments as of September 30, 2024 or 2023. Interest earned on investments was $13.2 million and $10.0 million for FY 2024 and FY 2023, respectively.

Note 4. Accounts Receivable, Net

Accounts Receivable balances as of September 30, 2024 and 2023 were as follows (dollars in thousands):

	2024	2023
Intragovernmental		
Accounts Receivable	$ 20	$ 22
Total Intragovernmental Accounts Receivable	**$ 20**	**$ 22**
With the Public		
Accounts Receivable	$ 17	$ 28
Total With the Public Accounts Receivable	**$ 17**	**$ 28**
Total Accounts Receivable	**$ 37**	**$ 50**

Note 5. General and Right-to-Use Property, Plant, and Equipment, Net

Schedule of General and Right-to-Use Property, Plant, and Equipment as of September 30, 2024 (dollars in thousands):

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	$ 26,039	$ 23,322	$ 2,717
Leasehold Improvements	36,282	29,986	6,296
Internal-Use Software	1,728	1,728	-
Software-In-Development	910	-	910
Right-to-Use Lease Asset (Note 8)	207,564	16,342	191,222
Construction-in-Progress	242	-	242
Total	**$ 272,765**	**$ 71,378**	**$ 201,387**

Schedule of General and Right-to-Use Property, Plant, and Equipment as of September 30, 2023 (dollars in thousands):

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	$ 23,556	$ 22,723	$ 833
Leasehold Improvements	36,263	27,453	8,810
Internal-Use Software	1,728	1,728	-
Machinery and Equipment Under Lease	274	274	-
Construction-in-Progress	3	-	3
Total	**$ 61,824**	**$ 52,178**	**$ 9,646**

Note 6. Liabilities Covered and Not Covered by Budgetary Resources

In FY 2024, Unfunded Lessee Lease Liability was included in this category as part of SFFAS 54 implementation. Refer to Note 1.M. for a description of the types of liabilities contained in the tables below.

Liabilities Covered and Not Covered by Budgetary Resources as of September 30, 2024 consist of the following (dollars in thousands):

	Covered	Not Covered	Total
Intragovernmental Liabilities			
Accounts Payable	$ 973	$ -	$ 973
Advances from Others and Deferred Revenue	1,700	-	1,700
Other Intragovernmental Liabilities	1,377	-	1,377
Total Intragovernmental Liabilities	**$ 4,050**	**$ -**	**$ 4,050**
With the Public			
Accounts Payable	$ 12,057	$ -	$ 12,057
Unfunded Accrued Annual Leave	-	21,269	21,269
FECA Actuarial Liabilities	-	985	985
Employer Contributions and Payroll Taxes Payable	511	-	511
Accrued Funded Payroll	4,162	-	4,162
Advances from Others and Deferred Revenue	-	-	-
Unfunded Lessee Lease Liability	-	203,905	203,905
Other Liabilities	3	-	3
Total With the Public Liabilities	**$ 16,733**	**$ 226,159**	**$ 242,892**
Total Liabilities	**$ 20,783**	**$ 226,159**	**$ 246,942**

Liabilities Covered and Not Covered by Budgetary Resources as of September 30, 2023 consist of the following (dollars in thousands):

	Covered	Not Covered	Total
Intragovernmental Liabilities			
Accounts Payable	$ 815	$ -	$ 815
Advances from Others and Deferred Revenue	2,229	-	2,229
Other Intragovernmental Liabilities	1,614	-	1,614
Total Intragovernmental Liabilities	**$ 4,658**	**$ -**	**$ 4,658**
With the Public			
Accounts Payable	$ 11,625	$ -	$ 11,625
Unfunded Accrued Annual Leave	-	21,422	21,422
FECA Actuarial Liabilities	-	666	666
Employer Contributions and Payroll Taxes Payable	332	-	332
Accrued Funded Payroll	4,208	-	4,208
Advances from Others and Deferred Revenue	3	-	3
Deferred Lease Liabilities	-	12,619	12,619
Other Liabilities	3	-	3
Total With the Public Liabilities	**$ 16,171**	**$ 34,707**	**$ 50,878**
Total Liabilities	**$ 20,829**	**$ 34,707**	**$ 55,536**

Note 7. Other Liabilities

Current liabilities are amounts owed by a federal entity as the result of past transactions or events that are payable within the fiscal year following the reporting date. FHFA has no current liabilities (i.e., liabilities that are required to be paid within a year) that are not covered by budgetary resources. Changes in the presentation in the current year in comparison to the prior year presentation are to conform to current reporting standards and requirements, such as changes to the statements or notes. In FY 2024, Unfunded Lessee Lease Liability was added as part of SFFAS 54 implementation.

Other Liabilities as of September 30, 2024 and September 30, 2023 consist of the following (dollars in thousands):

	2024	2023
Intragovernmental Liabilities		
Benefit Program Contributions Payable	$ 1,132	$ 1,361
Employer Contributions and Payroll Taxes Payable	245	253
Total Intragovernmental Other Liabilities	**$ 1,377**	**$ 1,614**
With the Public		
Deferred Lease Liability	$ -	$ 12,619
Employee Related Refunds Due	3	3
Unfunded Lessee Lease Liability	203,905	-
Total With the Public Other Liabilities	**$ 203,908**	**$ 12,622**

Note 8. Leases

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an asset under the terms of the contract or agreement.

Pursuant to SFFAS 54, FHFA has elected to apply the transitional accommodation through September 30, 2026 for contracts or agreements meeting the specific eligibility criteria of having both lease and non-lease components where management has concluded that the primary purpose is reasonably attributable to the non-lease components (embedded leases). The contracts or agreements for which this transitional accommodation is applied will be treated as non-lease contracts for their entirety where the FHFA has concluded the primary purpose is reasonably attributable to the non-lease component.

NON-FEDERAL LEASES:

400 7th Street SW – Constitution Center

FHFA entered into a lease for office space at 400 7th Street SW - Constitution Center on January 31, 2011. FHFA took occupancy in January 2012. FHFA does not have the right to terminate the lease for the convenience of the government. In April 2024, FHFA signed a bi-lateral agreement extending the lease for 400 7th Street SW through January 31, 2038. As part of the lease extension, FHFA received lease concessions and incentives to include rent abatements. The discount rate used to calculate the lease liability was 4.375%. Total right-to-use leased assets and related accumulated amortization are $207.6 million and $16.3 million respectively. The annual lease expense for FY 2024 was $23.3 million.

Future Payments for Non-Federal Leases (dollars in thousands)			
Year	Change in Lease Liability (Increase)/Decrease	Interest	Future Payments
Fiscal Year 2025	$ (9,033)	$ 9,033	$ -
Fiscal Year 2026	(6,902)	9,502	2,600
Fiscal Year 2027	13,154	9,358	22,512
Fiscal Year 2028	14,160	8,763	22,923
Fiscal Year 2029	15,240	8,122	23,362
Subsequent 5 Years (2030 to 2034)	94,494	29,210	123,704
Subsequent 5 Years (2035 to 2038)	82,792	6,401	89,193
Total Future Lease Payments	**$ 203,905**	**$ 80,389**	**$ 284,294**

FEDERAL LEASES:

FHFA OIG entered into an intragovernmental Occupancy Agreement (OA) with the General Services Administration (GSA) for its regional office spaces in Los Angeles, CA, Tampa, FL, Newark, NJ, Chicago, IL, St. Louis, MO, and Plano, TX. In these leases, FHFA OIG has the right to terminate the OA based on the availability of funds or with a four-month notice. The FY 2024 lease expense for the FHFA OIG offices spaces is $0.4 million.

Note 9. Commitments and Contingencies

FHFA did not have any material commitments or contingencies that met disclosure requirements as of September 30, 2024, and 2023.

Note 10. Program Costs

Pursuant to HERA, FHFA was established to supervise and regulate the regulated entities. The regulated entities include Freddie Mac, Fannie Mae, the FHLBanks, and the Office of Finance, a joint office of the FHLBanks. FHFA tracks program costs to the strategic goals (responsibility segments) developed for FHFA's strategic plan. Strategic Goals 1) Safety and Soundness; 2) Equitable Access to Affordable and Sustainable Housing; and 3) Responsibly Steward FHFA's Infrastructure, guide program offices to carry out FHFA's vision and mission. FHFA has an indirect program support element which is distributed proportionately to Strategic Goals 1 – 3 based on the percentage of direct costs of each goal to the total direct costs for FHFA. FHFA OIG costs are allocated as part of FHFA's indirect program support element. Earned revenue is reported at the total level only. The costs by strategic goal presented in the table below and in the Statement of Net Costs is a comparative representation of FHFA's program costs between the years.

FHFA's revenue was provided by the regulated entities through assessments. FHFA OIG's spending authority is a combination of unobligated funds carried forward from the previous year and the transfer of new assessments from FHFA for the current year. The combined total spending authority for the FHFA OIG was $57 million in FY 2024, and $55.0 million in FY 2023. FHFA OIG's gross expenses for FY 2024 and FY 2023 were $53.0 million and $53.6 million, respectively.

Program costs and revenue are broken out into two categories – "Intragovernmental" and "With the Public." Intragovernmental costs are costs FHFA incurs through contracting with other federal entities for goods and/or services, such as payroll processing services received from the Department of Agriculture/Department of the Interior and imputed financing costs for post-retirement benefits with OPM. With the Public costs are costs FHFA incurs through contracting with the private sector for goods or services, payments for employee salaries, depreciation, annual leave, and right-to-use lease and amortization expenses. Intragovernmental revenue is funds collected from reimbursable agreements and investment interest. With the Public revenue is assessment funds collected from the regulated entities. and FOIA collections, when applicable. Intragovernmental expenses relate to the source of goods and services purchased by the Agency and not to the classification of related revenue.

Such costs and revenue are summarized as follows (dollars in thousands):

	2024	2023
Safety and Soundness		
Intragovernmental Costs	$ 39,897	$ 37,209
With the Public Costs	154,087	159,284
Gross Safety and Soundness Program Costs	**193,984**	**196,493**
Equitable Access to Affordable and Sustainable Housing		
Intragovernmental Costs	13,673	12,602
With the Public Costs	54,663	50,658
Gross Equitable Access to Affordable and Sustainable Housing Program Costs	**68,336**	**63,260**
Responsibly Steward FHFA's Infrastructure		
Intragovernmental Costs	28,620	25,902
With the Public Costs	116,315	100,347
Gross Responsibly Steward FHFA's Infrastructure Program Costs	**144,935**	**126,249**
Total Intragovernmental Costs	82,190	75,713
Total With the Public Costs	325,065	310,289
Gross Program Costs	407,255	386,002
Less: Total Intragovernmental Earned Revenue	(15,811)	(11,414)
Less: Total With the Public Earned Revenue	(402,189)	(386,099)
Total Net Cost of Operations	**$ (10,745)**	**$ (11,511)**

Note 11. Net Adjustments to Unobligated Balance Brought Forward, October 1

There were no material adjustments to correct amounts in the unobligated balance brought forward, October 1. Below is a reconciliation of the unobligated balance brought forward, October 1 to the unobligated balance from prior year budget authority, net (dollars in thousands):

	2024	2023
Unobligated Balance Brought Forward, October 1	$ 77,161	$ 59,779
Recoveries of Prior Year Obligations	10,699	14,707
Other Changes in Unobligated Balance	648	607
Unobligated Balance from Prior Year Budget Authority, Net	**$ 88,508**	**$ 75,093**

Note 12. Legal Arrangements Affecting Use of Unobligated Balances

HERA requires that any balance that remains unobligated at the end of the fiscal year, except for amounts assessed for contribution to FHFA's working capital fund, must be credited against the next year's assessment to the regulated entities. The Director also has the authority to retain prior year unobligated funds for conservatorship-related activities that were not anticipated during the budget process. As of September 30, 2024, and 2023, the unobligated balance was $109.6 million and $77.1 million, respectively. Within FHFA's authority is the ability to retain the portion of the FY 2024 unobligated balance of $19.3 million which is not designated as working capital fund. The authority allows retention for operating expenses, to increase the working capital fund, or for conservatorship/Enterprise-related expenses during FY 2025. FHFA retained the FY 2023 unobligated balance for conservatorship/Enterprise-related expenses during FY 2024.

Note 13. Budgetary Resource Comparisons to the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President's Budget). The FY 2026 President's Budget will include the actual budgetary execution information for FY 2024. The FY 2026 President's Budget is scheduled for publication in February 2025 and can be found at the OMB Website.[42] The FY 2025 President's Budget, with the "Actual" column completed for 2023, has been reconciled to the FY 2023 Statement of Budgetary Resources and there were no material differences (dollars in thousands):

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 527,365	$ 450,204	$ 396,034	$ 370,137
Rounding	635	(204)	(34)	(137)
Budget of the U.S. Government	528,000	450,000	396,000	370,000
Total Unreconciled Difference	**$ -**	**$ -**	**$ -**	**$ -**

Note 14. Undelivered Orders at the End of the Period

Undelivered Orders balance as of September 30, 2024 (dollars in thousands):

	Federal	Non-Federal
Paid Undelivered Orders	$ 577	$ 5,260
Unpaid Undelivered Orders	5,951	61,890
Total Undelivered Orders	**$ 6,528**	**$ 67,150**

Undelivered Orders balance as of September 30, 2023 (dollars in thousands):

	Federal	Non-Federal
Paid Undelivered Orders	$ 766	$ 5,401
Unpaid Undelivered Orders	3,384	56,954
Total Undelivered Orders	**$ 4,150**	**$ 62,355**

[42] https://www.whitehouse.gov/omb/budget/

Note 15. Incidental Custodial Collections

FHFA's custodial collections primarily consist of fines and penalties associated with employee administrative billings (corrections to payroll and travel payments) and collections. Custodial collections are reflected in Fund Balance with Treasury during the year. While these collections are considered custodial, they are neither primary to the mission of the Agency nor material to the overall financial statements. FHFA's custodial collections are de minimis at less than a thousand dollars per year, with $68 for the year ended September 30, 2024. Custodial collections totaled $607 for the year ended September 30, 2023. Custodial collections are transferred to the Treasury General Fund on September 30 and are not reflected in the financial statements of the Agency.

Note 16. Budget and Accrual Reconciliation

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

For FY 2024, the presentation includes certain activity related to the long-term nonfederal lease. Amounts attributable to the lease obligations are now included in the reconciliation process in two sections, Components of Net Cost Not Part of the Budgetary Outlays, and Components of the Budget Outlays That Are Not Part of Net Operating Cost.

Components of Net Cost Not Part of the Budgetary Outlays changes include the lease amortization expenses (See Note 8 for lease information) on the right-to-use lease asset and the interest expense on the lease liability.

Components of the Budgetary Outlays That Are Not Part of Net Operating Cost section include lease payments on the long-term nonfederal lease, which are recorded as outlays.

(Increase)/Decrease in the Liabilities section contains several naming changes to conform to the FY 2024 Balance Sheet presentation.

The reconciliation below lists the key differences between net cost and net outlays (dollars in thousands).

Amounts in the following tables may be rounded for presentation purposes. Underlying financial statement lines conform to previously presented information in other tables and figures.

For the Fiscal Year Ended September 30, 2024	Intragovernmental	With the Public	Total
Net (Income From)/Cost of Operations	**$ 66,378**	**$ (77,123)**	**$ (10,745)**
Components of Net Cost Not Part of the Budgetary Outlays			
General and Right-to-Use Property, Plant, and Equipment, Net	-	(3,132)	(3,132)
Amortization of Right-to-Use Lease Asset	-	(16,342)	(16,342)
Accrued Interest on Lease Liability	-	(4,442)	(4,442)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(1,557)	(12)	(1,569)
Securities and Investments	(20)	-	(20)
Advances and Prepayments	(188)	(142)	(331)
(Increase)/Decrease in Liabilities:			
Accounts Payable	1,457	(432)	1,025
Advances from Others and Deferred Revenue	528	3	531
Federal Employee Salary, Leave, and Benefits Payable, Net	-	21	21
Pensions, and Post Employment Benefits Payable, Net	-	(319)	(319)
Other Liabilities, Net	177	-	177
Financing Sources:			
Imputed Cost	(16,876)	-	(16,876)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (16,479)**	**$ (24,798)**	**$ (41,277)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	24	3,626	3,650
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**$ 24**	**$ 3,626**	**$ 3,650**
Miscellaneous Items			
Distributed Offsetting Receipts	(13,234)	(402,185)	(415,419)
Appropriated Receipts for Trust/Special Funds	13,234	402,185	415,419
Custodial/Non-Exchange Revenue	-	-	-
Principal Payments on Right to Use Lease Liability	-	8,102	8,102
Total Other Reconciling Items	**$ -**	**$ 8,102**	**$ 8,102**
Total Net Outlays (Calculated Total)	**$ 49,923**	**$ (90,193)**	**$ (40,270)**
Budgetary Agency Outlays, Net			
Agency Outlays, Net			**$ (40,270)**

For the Fiscal Year Ended September 30, 2023	Intragovernmental	With the Public	Total
Net (Income From)/Cost of Operations	**$ 64,300**	**$ (75,811)**	**$ (11,511)**
Components of Net Cost Not Part of the Budgetary Outlays			
General and Right-to-Use Property, Plant, and Equipment, Net	-	(2,761)	(2,761)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	688	25	713
Securities and Investments	20	-	20
Advances and Prepayments	159	(193)	(34)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(620)	7	(613)
Advances from Others and Deferred Revenue	(622)	(3)	(625)
Federal Employee Salary, Leave, and Benefits Payable, Net	-	(715)	(715)
Pensions, and Post Employment Benefits Payable, Net	-	(527)	(527)
Other Liabilities, Net	(184)	2,719	2,535
Financing Sources:			
Imputed Cost	(13,110)	-	(13,110)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (13,669)**	**$ (1,448)**	**$ (15,117)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	4	727	731
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**$ 4**	**$ 727**	**$ 731**
Miscellaneous Items			
Distributed Offsetting Receipts	(9,933)	(386,101)	(396,034)
Custodial/Non-Exchange Revenue	1	(1)	-
Appropriated Receipts for Trust/Special Funds	9,933	386,101	396,034
Total Other Reconciling Items	**$ 1**	**$ (1)**	**$ -**
Total Net Outlays (Calculated Total)	**$ 50,636**	**$ (76,533)**	**$ (25,897)**
Budgetary Agency Outlays, Net			
Agency Outlays, Net			**$ (25,897)**

OTHER INFORMATION

Photo courtesy of Fannie Mae

Audits and Evaluations

Every year, FHFA receives and responds to numerous performance audits, assessments, and evaluations concerning the effectiveness and efficiency of projects, policies, and programs. FHFA OIG conducts performance audits, compliance reviews, and evaluations of Agency systems and programs. GAO conducts an annual financial statements audit of FHFA, and periodically conducts other assessments or reviews of the Agency. OIG also issues an annual assessment of FHFA's Management and Performance Challenges, presented on pages 103-116.

Table 20: Audits and Evaluations

	FHFA OIG REPORTS		
1	DBR Provided Sufficient Oversight of the Federal Home Loan Banks' Mortgage Programs	AUD-2024-011	2024-09-25
2	FHFA's Disaster Recovery Exercise for Its General Support System Needs Improvement	AUD-2024-010	2024-09-25
3	DER's Supervision and Oversight of the Enterprises' Purchases of Single-Family Loans in Special Flood Hazard Zone Areas Were Effective, But Improvements Are Needed	AUD-2024-009	2024-09-18
4	DBR Provided Sufficient Oversight of the Office of Finance's Debt Issuance and Debt Servicing Functions	AUD-2024-008	2024-09-11
5	FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures	EVL-2024-003	2024-08-19
6	FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats	AUD-2024-007	2024-08-12
7	Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024	AUD-2024-006	2024-07-30
8	Inspection: FHFA's Adherence to Cyber Incident Reporting Procedures	COM-2024-009	2024-07-30
9	DER Satisfied Procedural Requirements When Planning Its Supervision of CSS for the 2023 Examination Cycle	COM-2024-007	2024-06-18
10	Inspection: FHFA's Inclusion of a Mandatory Anti-Gag Provision in Its Non-Disclosure Materials During the Review Period	COM-2024-008	2024-06-18
11	The Fair Lending Examination Program Was Implemented in Accordance with Policies and Procedures, But Guidance Needs Improvement	AUD-2024-005	2024-05-08
12	DBR Performed Quality Control Reviews of All Substantive Workpapers Prepared by Examiners-in-Charge During the Review Period	COM-2024-006	2024-04-23
13	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	2024-03-28
14	Inspection: FHFA's Oversight of Enterprise Fraud Risk Management	COM-2024-005	2024-03-28
15	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	2024-03-28
16	DER Provided Effective Oversight of the Enterprises' Nonbank Seller/Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities	AUD-2024-003	2024-03-28

Table 20: Audits and Evaluations			
FHFA OIG REPORTS			
17	FHFA Took Actions to Ensure That Fannie Mae Adequately Addressed Deficiencies in Its Business Resiliency Program	EVL-2024-001	2024-03-25
18	FHFA Regularly Analyzed Agency Workforce Data and Assessed Trends in Hiring, Awards, And Promotions	COM-2024-004	2024-03-14
19	FHFA Incorporated the FAR's Whistleblower Protection Language for Contractor Employees in Selected Open Market Solicitations and Awards	COM-2024-003	2024-02-08
20	FHFA Has Acted to Strengthen Its Oversight of Federal Home Loan Bank Members' Compliance with Community Support Requirements (Inspection)	COM-2024-001	2024-01-10
21	FHFA Completed All Planned Ongoing Monitoring Activities for Fannie Mae and CSS During the 2022 Examination Cycle	COM-2024-002	2024-01-10
22	DER Effectively Followed Its Risk-Based Approach in Its Oversight of Fannie Mae's IT Investment Management	AUD-2024-002	2023-11-07
23	FHFA Did Not Document Reviews of Desktop Appraisal Reports	AUD-2024-001	2023-10-25

Table 20: Audits and Evaluations			
GAO REPORTS			
1	Federal Housing Finance Agency: Fair Lending, Fair Housing, and Equitable Housing Finance Plans	B-336376	2024-05-31
2	Rental Housing: Information on Institutional Investment in Single-Family Homes	GAO-24-106643	2023-05-22
3	Federal Housing Finance Agency: Improvements Needed in Controls over Management Reviews and Information Systems Access	GAO-24-107219	2024-05-09
4	Federal Housing Finance Agency Office of Inspector General: Improvements Needed in Review Procedures for Payroll Accounting	GAO-24-107430	2024-05-09
5	Federal Home Loan Banks: Actions Related to the Spring 2023 Bank Failures	GAO-24-106957	2024-04-08
6	Federal Housing Finance Agency: Exceptions to Restrictions on Private Transfer Fee Covenants for Loans Meeting Certain Duty to Serve Shared Equity Loan Program Requirements	B-336125	2024-03-27
7	Federal Housing Finance Agency—Applicability of the Congressional Review Act to FHFA Updates to the Enterprises' Single-Family Pricing Framework, FHFA Targeted Increases to Enterprise Pricing Framework, and FHFA Targeted Pricing Changes to Enterprise Pricing Framework	B-335424	2024-03-07
8	Federal Housing Finance Agency: Supervisory Letter – Minimum Liquidity and Cash Flow Calculation Under Advisory Bulletin 2018-07	B-336024	2024-02-29
9	Federal Housing Finance Agency: Enterprise Regulatory Capital Framework – Commingled Securities, Multifamily Government Subsidy, Derivatives, and Other Enhancements	B-335802	2023-12-25
10	Financial Audit: Federal Housing Finance Agency's FY 2023 and FY 2022 Financial Statements	GAO-24-106668	2023-11-15

Management Report on Final Actions

As required under amended Section 5 of the Inspector General Act of 1978, FHFA must report information on final action taken by management on certain audit reports. Tables 21, 22, and 23 provide information on final action taken by management on audit reports for FY 2024.

Table 21: Management Report on Final Action on Audits with Disallowed Costs for FY 2024

	Audit Report	Number of Reports	Disallowed Costs
A	Management decisions—final action not taken at beginning of period	0	$0
B	Management decisions made during the period	0	$0
C	Total reports pending final action during the period (A and B)	0	$0
D	Final action taken during the period:	0	$0
	1. Recoveries:	0	$0
	(a) Collections and offsets	0	$0
	(b) Other	0	$0
	2. Write-offs	0	$0
	3. Total of 1(a), 1(b), and 2	0	$0
E	Audit reports needing final action at the end of the period	0	$0

Table 22: Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use for FY 2024

	Audit Report	Number of Reports	Funds Put to Better Use
A	Management decisions—final action not taken at beginning of period	0	$0
B	Management decisions made during the period	0	$0
C	Total reports pending final action during the period (A and B)	0	$0
D	Final action taken during the period:	0	$0
	1. Value of recommendations implemented (completed)	0	$0
	2. Value of recommendations that management concluded should not or could not be implemented or completed	0	$0
	3. Total of 1 and 2	0	$0
E	Audit reports needing final action at the end of the period	0	$0

Table 23: Audit Reports Without Final Actions but with Management Decisions Over One Year Old for FY 2024

Report No. and Issue Date	Recommendation	Management Action
FHFA Examinations of CSS Include Review of the Board of Managers but Supervision has a Key Person Dependency and Outdated Guidance	Recommendation 2	Actions are expected to be completed by December 31, 2024
Audit of the Federal Housing Finance Agency's Information Security Programs and Practices, Fiscal Year 2023	Recommendations 5 & 6	Actions are expected to be completed by December 31, 2024
Audit of the Federal Housing Finance Agency's Information Security Programs and Practices, Fiscal Year 2023	Recommendation 3	Actions are expected to be completed by January 31, 2025

Office of Inspector General Management and Performance Challenges

OFFICE OF INSPECTOR GENERAL
Federal Housing Finance Agency
400 7th Street SW, Washington, DC 20219

October 4, 2024

TO: Sandra L. Thompson, Director, FHFA

FROM: Brian M. Tomney, Inspector General /s/

SUBJECT: Fiscal Year 2025 Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000 (P.L. 106-531), this memorandum identifies the most serious management and performance challenges facing the Federal Housing Finance Agency (FHFA or the Agency). This memorandum is based on OIG work and a review of public and non-public information, including data obtained from Fannie Mae and Freddie Mac (collectively, the Enterprises), and the 11 Federal Home Loan Banks (FHLBanks) (collectively, the regulated entities).[1] It includes risk areas discussed in prior years that continue to constitute serious management and performance challenges, as well as identifying two new risk areas that merit attention.

OIG has identified challenges in the following areas as the most serious facing FHFA for Fiscal Year (FY) 2025:

1. Managing risk in the Enterprises' multifamily lines of business (this is a new area);
2. Supervising the regulated entities' model risk management;
3. Managing vulnerability within FHFA's information security programs and at the regulated entities;
4. Addressing people risk at FHFA and at the regulated entities;
5. Overseeing the regulated entities' reliance on counterparties and third parties; and
6. Achieving certain supervisory goals for the FHLBank System and member credit risk management (this is a new area).

We identified these challenges based upon the severity of potential impact they may pose to FHFA's mission and stakeholders.

[1] The Office of Finance and Common Securitization Solutions, LLC (CSS) are not separate "regulated entities" as the term is defined by statute (see 12 U.S.C. § 4502(20)). Rather, the Office of Finance is a part of the FHLBank System, which includes the 11 FHLBanks, and CSS is an affiliate of the Enterprises. However, for convenience, references to the "regulated entities" in this document should be read to also apply to the Office of Finance and CSS, unless otherwise noted.

Certain challenges are inherent to FHFA's mission, such as the Agency's continual need to provide effective supervision of the regulated entities. Rather than simply describing those inherent challenges, this year's memorandum focuses on more specific challenges FHFA faces within these areas. We also describe FHFA's progress in addressing the identified challenges.

Challenge 1: Managing Risk in the Enterprises' Multifamily Lines of Business (New)

The Enterprises' multifamily businesses provide liquidity to the mortgage market and contribute to the achievement of FHFA's affordable housing goals and conservatorship objectives. According to FHFA's 2023 annual report to Congress, the Enterprises' combined multifamily business volumes for the years 2022-23 exceeded $243 billion. As of June 30, 2024, the combined multifamily portfolios exceed $925 billion. FHFA stated in its 2023 annual report that "both Enterprises lacked adequate capital to support the risks associated with their business models" at the end of 2023. It also acknowledged "recent stress" in the commercial real estate sector overall and "challenges" for the multifamily industry in particular.

In FY2024, our Office of Investigations, working with other law enforcement partners, successfully prosecuted several significant cases involving loans purchased by the Enterprises to finance multifamily properties. The cases include schemes such as real estate investors conspiring to deceive lenders into issuing multifamily and commercial mortgage loans, and a real estate company conspiring to submit false and fictitious information on loan applications to obtain mortgages on multifamily and single-family properties. Simultaneous with this uptick in investigative activity, FHFA has acknowledged that fraud involving multifamily loans has increased.

The FHFA Director has a statutory duty to ensure that the Enterprises' multifamily businesses operate in a safe and sound manner and comply with FHFA's regulations and prudential management and operations standards. FHFA reported in June 2024 that governance at the board and senior management levels of Fannie Mae and Freddie Mac "needs further improvement" and "needs improvement," respectively, and that multifamily credit risk exposure management at each Enterprise "needs improvement." These are meaningful downgrades, given that FHFA reported in 2023 that multifamily risk management at the Enterprises was "generally satisfactory[.]"

Why This is a Challenge

The Enterprises are doing billions of dollars of multifamily business during a period of challenging market conditions, at a time when FHFA considers their risk management practices less than satisfactory and capital is inadequate to support the risk. This environment presents a serious challenge to FHFA's ability to ensure that the Enterprises operate in a safe and sound manner.

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FHFA's Progress in Addressing This Challenge

FHFA has increased examination activity to assess the Enterprises' respective risk profiles more accurately and more closely monitor the conditions that led to the downgrade in multifamily risk management, but it acknowledges that more work is necessary.

Over recent supervisory cycles (2021 to present), the Division of Enterprise Regulation (DER) has examined various aspects of the multifamily businesses, issued adverse examination findings, and monitored management's remediation of those findings. In addition, although this was not the case in 2023, the risks associated with the Enterprises' multifamily businesses are a supervisory priority for the 2024 supervisory cycle, and the 2024 Conservatorship Scorecard calls for the Enterprises to "strengthen" multifamily asset management. In accordance with its 2024 supervisory plans, DER has scheduled additional examination work that includes the areas of seller/servicer oversight, asset management, and market risk.

Select OIG Report Issued During FY2024 Related to the Enterprises' Multifamily Businesses

Infographic on Multifamily Seniors Housing – May 13, 2024

Select OIG Results from Criminal Investigations During FY2024 Related to Multifamily Fraud

Real Estate Investor Pleads Guilty to $54.7M Mortgage Fraud Conspiracy – Press Release, June 17, 2024

Real Estate Investor Pleads Guilty to $165M Mortgage Fraud Conspiracy – Press Release, Dec. 14, 2023

Challenge 2: Supervising the Regulated Entities' Model Risk Management

The Enterprises rely heavily on models to measure and monitor risk exposures and to inform and support business decisions. They use models for collateral valuation, home price forecasting, mortgage cash flow analysis, financial reporting, and stress testing, for example. The FHLBanks also rely on models in making business decisions and for financial reporting. They each make significant use of models to manage, measure, and monitor risks, as well as to determine the fair value of financial instruments when independent price quotations are not available.

The use of models exposes the regulated entities to model risk, which FHFA defines as "the risk of loss resulting from model errors or the incorrect use or application of model output." As FHFA has observed, reliance on inaccurate or inappropriate models may lead to poor management decisions. Further, many of the regulated entities' models provide input for other models, so a problem or error in one model can impair the reliability of another.

In June 2024, FHFA reported that governance in the area of model risk by the boards of directors and senior management at Fannie Mae and Freddie Mac "needs further improvement" and "needs improvement," respectively. The Agency also reported that examiners identified several

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model-related areas of improvement at multiple FHLBanks, including model risk management, member credit model performance monitoring, and model benchmarking. Following the Spring 2023 failures of several FHLBank System members, examiners found that the credit risk modeling of several FHLBanks understated the liquidity risk that contributed to the bank failures.

Why This Is a Challenge

The improvements needed in the Enterprises' model risk management, and limitations on DER's model examination resources, present a serious challenge to FHFA's ability to effectively examine and supervise model risk. The challenge is more severe when shifts in market conditions are significant enough to render previous model assumptions and methodologies unreasonable.

DER has identified a competency gap in the area of model risk examination, but, as of May 2024, had not started action to close that gap. This is a long-standing challenge. In 2020, we recommended that DER implement a workforce planning process specifically to ensure that the Agency has sufficient examination capacity to conduct supervisory activities of the Enterprises' high-risk models.[2] Among other things, we recommended that the process include identifying the appropriate number of Enterprise high-risk models to examine each year and forecasting the optimal staffing levels and examiner competencies necessary to complete those examinations. FHFA did not agree to implement the recommendation.

FHFA's Progress in Addressing This Challenge

Model risk remains a supervisory priority for the 2024 supervisory cycle. In accordance with its 2024 supervisory plans, DER has scheduled examination work in various areas of model risk management, including model overlays and model risk management frameworks, and monitoring of remediation of numerous adverse examination findings. Remediation of certain significant findings is expected in 2026.

Although DER did not agree to implement our recommendation to address any competency gaps specifically in model risk examination, DER developed and implemented a systematic workforce planning process in response to a recommendation in our 2020 audit report.[3] That was a positive step, however, we cautioned that without appropriate milestones, DER may be challenged with implementing the workforce plan timely.

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[2] OIG, *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* (EVL-2020-001, Mar. 25, 2020).

[3] OIG, *Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac* (AUD-2020-004, Feb. 25, 2020).

Select OIG Reports Issued During FY2023 and FY2024 Related to FHFA's Oversight of Model Risk Management

FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures, EVL-2024-003, August 19, 2024

FHFA Completed Examination Work Sufficient to Determine Whether the Enterprises' Credit Default Models Met Supervisory Expectations, EVL-2023-003, April 19, 2023

Challenge 3: Managing Vulnerability within FHFA's Information Security Program and at the Regulated Entities

FHFA's regulated entities comprise central components of the U.S. financial system and electronically connect with other large financial institutions. As part of their business processes, the regulated entities receive, store, and transmit highly sensitive private information about borrowers and businesses, including financial data and personally identifiable information (PII). Protecting this information is critically important and reflects an ongoing challenge to FHFA and the regulated entities. Unfortunately, but perhaps not unexpectedly, the regulated entities have been the targets of cyberattacks.

The threat landscape in this area is ever-changing, requiring constant vigilance and monitoring. FHFA has engaged in oversight of cybersecurity at the regulated entities and assessed that cybersecurity continues to be a top operational risk. Similarly, the Agency assessed elevated risk at the FHLBanks because of ongoing information technology initiatives, and examiners identified areas that exhibited or posed unacceptable operational risk in information security management.

In addition to FHFA's oversight of the regulated entities' cybersecurity posture, FHFA must also ensure the effectiveness of its own information security program. In this regard, FHFA collects and manages sensitive information, including PII, which FHFA must safeguard from unauthorized access or disclosure.

Vulnerability management is an essential component of information security programs that includes both regular vulnerability assessments and the timely remediation of vulnerabilities that exceed an entity's risk appetite. Without consistent and adequate vulnerability management, hackers could exploit vulnerabilities to take control of systems at FHFA and the regulated entities. Hackers could cause a denial-of-service attack or allow unauthorized access and malicious modification to systems and data. Vulnerabilities that remain un-remediated over an extended period of time increase exposure and the likelihood that the confidentiality, integrity, and availability of systems and data can be compromised.

Why This Is a Challenge

Regulated Entities

While both Enterprises employ information security programs, operational risks remain elevated given increased exposure to cybersecurity threats. In FHFA's 2023 Report to Congress, the Agency reported that Fannie Mae's exposure to information security risk persists because of both elevated levels of cyber threats and notable opportunities for improvement in information security risk management. At Freddie Mac, work continues on matters related to information security and data management. In addition to the Enterprises, FHFA stated that the FHLBanks continued to face elevated cyber and information security risk from cyberattacks such as spoofing[4] and ransomware.[5] FHFA examiners identified areas that exhibited or could exhibit unacceptable operational risks in vulnerability management, among other cybersecurity areas.

FHFA

Pursuant to the Federal Information Security Modernization Act of 2014 (FISMA),[6] OIG contracted with an independent public accountant (IPA) to conduct an independent evaluation of FHFA's FY2023 information security programs and practices. The IPA identified a weakness in vulnerability management. Specifically, the IPA found that FHFA did not fix 1,716 of 2,820 vulnerabilities (60 percent) identified within 14 days of discovery, as required by the Cybersecurity and Infrastructure Security Agency and FHFA's Office of Technology and Information Management's Vulnerability Management Process. Additionally, the IPA's finding reflects FHFA's own concerns regarding hardware lifecycle.[7] Systems may be vulnerable to attacks if technology can no longer be upgraded or supported.

FHFA's and the Regulated Entities' Progress in Addressing This Challenge

Regulated Entities

FHFA worked with the Enterprises to ensure that their business resiliency, information technology operations, data management, and information security programs adequately address safety and soundness concerns. The Enterprises each continued to implement technology solutions to protect the security and confidentiality of sensitive information and to respond

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[4] According to the National Institute of Standards and Technology, spoofing is the deliberate inducement of a user or resource to take incorrect action, such as impersonating, masquerading, piggybacking, and mimicking, in order to gain illegal entry into a secure system.

[5] According to the National Institute of Standards and Technology, ransomware is a type of malware that attempts to deny access to a user's data, usually by encrypting the data with a key known only to the hacker who deployed the malware, until a ransom is paid.

[6] FISMA requires agencies to develop, implement, and document an agency-wide information security program and practices. The Act also requires Inspectors General to conduct an annual independent evaluation of their agencies' information security programs and practices.

[7] According to the Federal Housing Finance Agency Information Resources Management Strategic Plan for Fiscal Years 2024-2026, some elements of FHFA's IT infrastructure are reaching their end of life and may no longer be supportable. As a result, FHFA is at risk of security vulnerabilities and an inability to access data.

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to emerging cybersecurity threats. FHFA required the Enterprises to focus on ensuring that remediation programs were adequately funded and that they timely addressed any gaps or identified control weaknesses. Several FHLBanks continued to evolve their information security and cybersecurity controls to address existing and potential risks by improving software security patching, hardening access, enhancing user access management, and increasing staff awareness and training related to increasingly sophisticated social engineering tactics.

FHFA

In response to the vulnerability management deficiencies identified in the FY2023 FISMA audit report, FHFA management stated that they will remediate past due exploitable vulnerabilities and develop Plans of Action and Milestones. However, in the following year's FISMA audit report, the IPA found that those corrective actions had not yet been completed and that vulnerabilities remain.

Select OIG Reports Issued During FY2023 and FY2024 Related to Vulnerability Management within FHFA's Information Security Program

Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024, AUD-2024-006, July 30, 2024

Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023, AUD-2023-004, July 26, 2023

Challenge 4: Addressing People Risk at FHFA and at the Regulated Entities

To accomplish their missions, FHFA and the regulated entities must maintain a skilled workforce. People risk, or human capital risk, can occur when an organization is unable to attract, develop, and retain a highly qualified, diverse workforce with specialized skills. This risk can jeopardize the institution's ability to meet its business objectives. Given their ongoing need for skilled personnel, FHFA and the regulated entities confront people risk continually.

Why This Is a Challenge

Regulated Entities

FHFA's annual examination and rating for each regulated entity covers operational risk, which includes people risk. Examiners have noted concerns with people risk and flagged it as a heightened risk area with challenges. Certain factors affecting human capital are outside of the regulated entities' direct control. For example, attrition at the regulated entities is largely correlated to general labor market conditions, and the regulated entities experienced high turnover during the pandemic's tight labor market. In addition, increasing competition from financial services and technology companies for information technology and modeling skills increased turnover, especially at the Enterprises. FHFA must ensure the regulated entities navigate these external forces while maintaining the human capital required to achieve their missions. In the past year, FHFA has noted human capital related concerns at some regulated

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entities. Furthermore, several regulated entities have undergone changes in leadership that could increase people risk by impacting employee morale, productivity, retention, and overall organizational culture.

FHFA

FHFA acknowledges that its people risk challenges include strategic and integrated workforce planning and communication, information and knowledge management, and time to hire, among others. In prior years, we have reported on related issues, such as:

- Needed improvements to FHFA's workforce planning, particularly related to its examination function,[8] and
- Instances in which FHFA may not have the human capital needed to discharge certain statutory responsibilities.[9]

FHFA must also deal effectively with changing conditions such as the "aging" of its workforce. As of February 2024, FHFA employees aged 55 and over represented 32 percent of the organization. Related to this, a number of FHFA divisions and offices have undergone leadership changes in the past year and "acting" leaders remain in several key roles. Further, in December 2023, 43 employees took a voluntary early retirement opportunity, which could potentially impact the experience, institutional knowledge, and expertise of its workforce.

Without effective workforce planning, FHFA will face challenges across a range of human capital related issues ranging from organizational planning to dealing with pervasive critical skill gaps to manage the effects of retirements.

FHFA's Progress in Addressing This Challenge

FHFA has noted improvements in the Enterprises' people risk metrics and taken supervisory action to address human capital related concerns at some regulated entities.

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[8] See OIG reports: *Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac* (AUD-2020-004, Feb. 25, 2020); *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* (EVL-2020-001, Mar. 25, 2020); and *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* (AUD-2023-001, Feb. 9, 2023). In each of these reports, we identified weaknesses in workforce planning for the examination functions and made recommendations to address these weaknesses.

[9] *See* *FHFA Could Enhance the Efficiency of the Agency's Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures* (EVL-2022-003, Sept. 27, 2022). In this report we determined that FHFA had not determined the staffing needed to ensure the execution of its statutory responsibility for the oversight of Enterprise executive compensation and made a recommendation to address this weakness.

According to FHFA management, actions to improve workforce planning are in process. FHFA has initiated actions designed to improve its own workforce planning and completed actions to address its hiring issues. In September 2023, FHFA issued a Workforce Planning Policy, which established a process to ensure strategic alignment, identify workforce gaps, and develop and implement strategies to recruit, hire, develop, engage, and retain high quality, diverse talent. According to the policy, FHFA divisions and offices should have begun workforce planning by March 2024 and must complete their initial workforce plans by the end of March 2025. It is intended that these workforce plans will evolve and mature over time.

Select OIG Reports Issued During FY2023 and FY2024 Related to FHFA's Oversight of the Regulated Entities' People Risk and FHFA's Human Capital Management

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

People Risk at FHFA's Regulated Entities, WPR-2023-003, September 21, 2023

FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance, EVL-2023-002, March 20, 2023

FHFA Adhered to Its Corrective Actions for Hiring Pathways Interns, COM-2023-002, January 26, 2023

Challenge 5: Overseeing the Regulated Entities' Reliance on Counterparties and Third Parties

As we have reported in prior years, FHFA is challenged by the regulated entities' reliance upon counterparties. The regulated entities rely on counterparties for business-critical matters. Among the Enterprises' counterparties are entities that perform core functions, such as sellers, servicers, mortgage insurers, custodial depository institutions, and reinsurers. The FHLBanks' counterparties may include derivative counterparties as well as mortgage servicers that service loans the FHLBanks purchase from their members or from housing associates.

Why This Is a Challenge

The regulated entities' reliance on counterparties exposes them to counterparty credit risk, which is the risk that a counterparty defaults on amounts owed, deteriorates in creditworthiness before a transaction settles, or both. If an institutional counterparty defaults on its obligations, it could negatively impact a regulated entity's ability to operate. Such risk can arise when a regulated entity engages with a limited number of counterparties or due to inadequate or ineffective oversight. According to FHFA, the Enterprises continue to monitor counterparty risks, particularly in light of declining earnings throughout 2023 among many sellers and servicers of Enterprise-backed loans.

As we have also reported in prior years, FHFA is challenged by the regulated entities' reliance on third parties. The regulated entities rely on third parties to provide numerous products and

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services. For example, third parties provide critical operational support and information technology services. As with counterparties, this third-party reliance comes with risk, namely that the third party will not deliver the product or service as expected. FHFA has also reported that the regulated entities' third-party relationships can pose risks related to mortgage origination and servicing, information security, and business continuity. Further, OIG's recent publicly reportable criminal investigations include alleged fraud by various counterparties and third parties, reinforcing the need to ensure strong controls to prevent fraud.

The regulated entities' continued reliance upon counterparties and third parties presents a persistent challenge to FHFA because the Agency lacks statutory authority to supervise those parties directly. FHFA may oversee the regulated entities themselves, including but not limited to their risk management, but they have no regulatory authority over counterparties and third parties and therefore lack visibility into their operations. As a result, FHFA has only a limited ability to oversee risks to the regulated entities arising from their reliance upon counterparties and third parties.

FHFA's Progress in Addressing This Challenge

FHFA took steps in FY2024 to address risks to the regulated entities posed by their reliance on counterparties and third parties. A key step was the Agency's use of its Suspended Counterparty Program, which FHFA established to help protect the regulated entities from individuals and entities with a history of fraud or other financial misconduct. Pursuant to the Suspended Counterparty Program, FHFA may issue orders suspending an individual or entity from doing business with the regulated entities. FHFA reports having issued 24 suspension orders in FY2024 so far, which is half of the number of suspension orders it reported having issued in FY2023. In 2023, FHFA proposed to amend the existing Suspended Counterparty Program regulation. Following the close of the comment period on that proposed rule, in September 2024, FHFA re-proposed the rule with changes. That rulemaking remains pending.

Select OIG Reports Issued During FY2024 Related to Counterparty or Third-Party Issues

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-Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities, AUD-2024-003, March 28, 2024

Inspection: FHFA's Oversight of Enterprise Fraud Risk Management, COM-2024-005, March 28, 2024

DER Effectively Followed Its Risk-Based Approach in Its Oversight of Fannie Mae's IT Investment Management, AUD-2024-002, November 7, 2023

Select OIG Results from Criminal Investigations During FY2023 and FY2024 Related to Counterparty and Third-Party Matters

Real Estate Executive Pleads Guilty to Multi-Year Conspiracy to Falsify Financial Statements – Press Release, September 29, 2023

Asheville Man Convicted of Bank Fraud Involving the Purchase of Short-Term Rental Properties and Illegal Firearm Possession Is Sentenced to More than Seven Years in Prison – Press Release, December 14, 2023

Real Estate Company Owner Pleads Guilty in Mortgage Fraud Scheme – Semiannual Report page 34, October 1, 2023, through March 31, 2024

Challenge 6: Achieving Certain Supervisory Goals for the FHLBank System and Member Credit Risk Management (New)

In the Spring of 2023, several federally insured banks failed that were members of the Federal Home Loan Bank System (FHLBank System). FHFA stated in *FHLBank System at 100: Focusing on the Future* that communication channels between the FHLBanks and their members' primary federal regulators are longstanding and well-developed. FHLBanks use these channels to ask those regulators questions about risk trends at their members. Those channels become increasingly important when a bank experiences rapid deterioration in its financial condition and begins to exhibit signs of potential failure.

The federal regulators are required by law to make available to an FHLBank reports, records, and other information relating to the condition of a member bank with which the FHLBank is transacting business.[10] FHLBanks generally obtain reports of examination from primary federal regulators only upon request. According to FHFA, the member banks' reports of examination are not directly available to the Agency.

FHFA reported that one of the lessons learned from the 2023 market disruption and bank failures is that coordination among FHLBanks, the members' primary federal regulators, and the Federal Reserve discount window is critical to ensure the FHLBanks "are fully apprised of members' financial standing" and that all liquidity needs can be met during times of market stress. FHFA pointed out that this is especially the case when a member bank's failure is imminent, and emphasized its efforts to strengthen the FHLBanks' review of member creditworthiness.

Why This is a Challenge

From a supervisory perspective, FHFA has stressed the need for the FHLBanks to strengthen their review of member creditworthiness, especially when a member may be on the brink of failure. The Agency's message is that FHLBanks are neither designed nor equipped to be the lender of last resort.

[10] 12 U.S.C. § 1442(a)(1).

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An FHFA regulation addresses an FHLBank's discretion to limit or deny a member's request for an advance, and it lists several bases on which an FHLBank could make such a decision.[11] An FHLBank may limit or deny an advance if, *in the FHLBank's judgment*, the member "is engaging or has engaged in any unsafe or unsound banking practices." However, according to FHFA, the information may lag behind as the "FHLBanks may receive reports of examination long after problems are identified." The potential lack of timely information presents a serious challenge to FHFA's efforts to get the FHLBanks to strengthen their review of creditworthiness, particularly during periods of market stress.

An FHLBank may also deny or limit a request for an advance when, in the FHLBank's judgment, the member "[h]as financial *or managerial deficiencies*, as determined by the [FHLBank], that bear upon the member's creditworthiness."[12] As noted above, in the absence of the primary regulator's views on a given member's managerial deficiencies, an FHLBank lacks information pertinent to the member's creditworthiness, and this presents a serious challenge to FHFA's supervisory efforts.

FHFA's Progress

In response to the member bank failures, FHFA increased its examination focus on the FHLBanks' member credit risk management during FY2023. It also issued a letter to the presidents and chief executive officers of the FHLBanks in September 2023 that reemphasized FHFA's expectations for a sound credit risk management framework to support an FHLBank's credit decisions. To supplement the supervisory letter, the Agency began drafting an advisory bulletin on member credit assessments that it intends to release by the third quarter of 2024. In addition, FHFA recently announced that it would amend its regulation on advances to state that "each FHLBank's primary method of credit risk mitigation must be robust credit underwriting, as opposed to over-reliance on collateral."

Select OIG Report Issued During FY2024 Related to FHFA's Supervision and Regulation of the FHLBank System

FHFA Could Enhance Its Supervision of the Federal Home Loan Banks by Incorporating Lessons Learned from the Spring 2023 Bank Failures, EVL-2024-003, August 19, 2024

Conclusion

The challenges described above are serious and merit the Agency's continued attention. While we have identified progress related to several of these challenges, FHFA must remain diligent in identifying potential risks and effectively supervising the regulated entities to mitigate those

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[11] *See* 12 C.F.R. § 1226.4(a)(1)(i)-(v). FHFA regulations state that an FHLBank may make advances and renewals "only if the [FHLBank] determines that it may safely make such advance or renewal to the member[.]" 12 C.F.R. § 1226.4(a)(2).

[12] *See* 12 C.F.R. § 1226.4(a)(1)(iv) (emphasis added).

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risks. OIG's own work will continue to be risk-based, and our audits, evaluations, and other projects will report all findings and make appropriate recommendations to FHFA to strengthen its work.

Summary of Financial Statements Audit and Management Assurances

Table 24: Summary of Financial Statements Audit					
Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 25: Summary of Management Assurances						
Effectiveness of Internal Control Over Financial Reporting (Federal Management Financial Integrity Act Paragraph 2)						
Statements of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control Over Operations (Federal Management Financial Integrity Act Paragraph 2)						
Statements of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (Federal Management Financial Integrity Act Paragraph 4)						
Statements of Assurance	**Systems conform to financial management system requirements**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (Federal Management Financial Integrity Act Paragraph 4)		
	Agency	**Auditor**
1) Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2) Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3) USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA), effective March 2, 2020, requires that agencies: (1) review programs' and activities' susceptibility to significant improper payments; (2) estimate the amount of annual improper payments for those programs and activities and implement a plan to reduce them; and (3) report the estimated amount of improper payments and the progress to reduce them. PIIA defines "improper payment" as any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement. The Act defines "significant improper payments" as gross annual improper payments exceeding either: a) both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year reported; or b) $100 million (regardless of the percentage of total program outlays).

FHFA, which is funded with non-appropriated funds, complies with the spirit of the Act, and as part of its sound internal control structure, has established controls to detect and prevent improper vendor payments. FHFA contracts with Fiscal Service for accounting services, including payments to vendors. The supplier database is compared weekly to the Do Not Pay portal, and the vendor database is compared daily against the System for Award Management. A copy of the supplier database is validated weekly against the Do Not Pay portal, and matching results are pulled weekly from the Do Not Pay portal. The matching results are researched and acted on by Fiscal Service and FHFA, as appropriate. FHFA has not identified any programs or activities susceptible to significant improper payments that meet the Act's thresholds.

Civil Monetary Penalty Adjustment for Inflation

Table 26: Civil Monetary Penalty Adjustment for Inflation

Statutory Authority	Penalty	Year Enacted	Latest Year of Adjustment	Current Penalty Level	Location for Penalty Update Details
ENFORCEMENT REGULATIONS:					
Safety and Soundness Act - 12 U.S.C. § 4636(b)(1)	First Tier	2008	2024	$ 14,206	89 FR 3331 – 3333 (Jan. 18, 2024)
Safety and Soundness Act - 12 U.S.C. § 4636(b)(2)	Second Tier	2008	2024	$ 71,031	89 FR 3331 – 3333 (Jan. 18, 2024)
Safety and Soundness Act - 12 U.S.C. § 4636(b)(4)	Third Tier – Entity affiliated party and regulated entity	2008	2024	$ 2,841,242	89 FR 3331 – 3333 (Jan. 18, 2024)
PROGRAM FRAUD CIVIL REMEDIES REGULATION:					
Statutory Authority	**Penalty**	**Year Enacted**	**Latest Year of Adjustment**	**Current Penalty Level**	**Location for Penalty Update Details**
Program Fraud Civil Remedies Act - 31 U.S.C. § 3802(a)(1)	Maximum penalty per false claim	2009	2024	$ 13,946	89 FR 3331 – 3333 (Jan. 18, 2024)
Program Fraud Civil Remedies Act - 31 U.S.C. § 3802(a)(2)	Maximum penalty per false statement	2009	2024	$ 13,946	89 FR 3331 – 3333 (Jan. 18, 2024)
FLOOD INSURANCE REGULATION:					
Statutory Authority	**Penalty**	**Year Enacted**	**Latest Year of Adjustment**	**Current Penalty Level**	**Location for Penalty Update Details**
National Flood Insurance Act of 1968 - 42 U.S.C. § 4012a(f)(5)	Maximum penalty per violation	2009	2024	$ 691	89 FR 3331 – 3333 (Jan. 18, 2024)
National Flood Insurance Act of 1968 - 42 U.S.C. § 4012a(f)(5)	Maximum total penalties assessed against an Enterprise in a calendar year	2009	2024	$ 199,251	89 FR 3331 – 3333 (Jan. 18, 2024)

APPENDICES

Photo courtesy of Fannie Mae

Glossary

Advance – A fully secured extension of credit or loan from an FHLBank to a member or housing associate.

Common Securitization Solutions, LLC (CSS) – The joint venture of Fannie Mae and Freddie Mac that owns and operates the Common Securitization Platform.

Conservatorship – A statutory process designed to stabilize a troubled institution with the objective of maintaining normal business operation and restoring safety and soundness.

Credit Risk Transfer (CRT) – The transfer of a portion of mortgage credit risk from the Enterprises to private investors.

Enterprise(s) – Fannie Mae or Freddie Mac.

GAO Green Book – GAO *Standards for Internal Control in the Federal Government*, GAO 14-704G.

Loan-to-Value Ratio – A measurement that compares the principal balance of a loan (the amount currently owed) to the actual value of the house.

Matter Requiring Attention (MRA) – A specific written recommendation made to an Enterprise or FHLBank for supervisory matters that require attention and correction, but that does not include consent order items. Each MRA response requires a due date for correction.

Mortgage-Backed Security (MBS) – A type of asset-backed security that is secured by a mortgage or collection of mortgages.

Regulated Entities – Fannie Mae, Freddie Mac, and the FHLBanks. For convenience, references to the "regulated entities" in this report should be read to also apply to Common Securitization Solutions and the Office of Finance, unless otherwise noted.

Retained Portfolios – The investment portfolio of mortgage loans and mortgage securities held by the Enterprises that is funded by unsecured debt issued by the Enterprises. The retained portfolio is primarily used to support loss mitigation activities, provide liquidity for the mortgage market, and generate income. The retained portfolio does not include liquidity-related investments, such as Treasury securities.

Preferred Stock Purchase Agreements (PSPAs) – Capital stock owned by Treasury, which pays specific dividends before preferred stock or common stock dividends. In the event of liquidation, senior preferred stock takes precedence over preferred and common stock.

Performance Measure Validation and Verification Template

This is an illustrative example of FHFA's Verification & Validation Template. This template is used to provide transparency and information on how we will validate and verify that performance data is accurate. For a detailed explanation of the verification and validation process, refer to page 32 of this report.

Strategic Goal: ______________________________

Strategic Objective: ______________________________

Measure: ______________________________

____

Target: ______________________________

Goal Leader: ______________________________

Contact: ______________________________

Office: ______________________________

Definition

a. What is the purpose or meaning of the measure?

b. Is there a certain timeframe that the activities in this measure must be completed by?

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Relevance of Measure

a. Why is this measure important to the agency?

b. How does this measure keep FHFA focused on its mission? (Please describe in detail.)

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Verification

a. How will the status be measured? (Please describe the process in detail.)

b. How will you know if the measure has been met?

c. How will the status of this measure be tracked on a quarterly basis?

(EXAMPLE: In order to calculate whether or not we have responded to at least 95 percent of the requests sent to FHFA during the same fiscal year that they were sent, we will begin by finding the total number of requests sent to FHFA during this fiscal year. Then, we will find the summation of the requests that we have responded to and take this number and divide it by the total number of requests. If this total is greater than 95 percent, we have met our target.)

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Verification Source

a. What evidence will you provide to the database to help substantiate the claim of whether the measure has been met, not met, or is on target? (Describe the methodology used.)

(Focus on verification sources that are explicit: If your measure says you will do something by a certain date, the verification source needs to make it clear that the task was completed by the date. If your measure says you will do something before another task begins, your verification source needs to show the date the task was completed and the date the dependent task begins.)

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Data Constraints

a. What challenges could potentially arise that could impact the availability of the data you need to substantiate your measure status claim? (i.e., lag time, data availability, etc.)

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Open Recommendations

a. Are there any open recommendations or findings from FHFA OIG or GAO that directly pertain to this measure?

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Acknowledgements

This PAR was produced through the energies and talents of FHFA staff. To them we offer our sincerest thanks and acknowledgement. We also acknowledge the U.S. Government Accountability Office for the professional manner in which it conducted the audit of FHFA's FY 2024 Financial Statements. This PAR was published with the assistance of Lista Design Studio, Inc.

Contact Information

We welcome your comments on how we can improve our report. The PAR can be found at **https://www.fhfa.gov/AboutUs/Pages/Budget--Performance.aspx**. Please provide comments or questions to:

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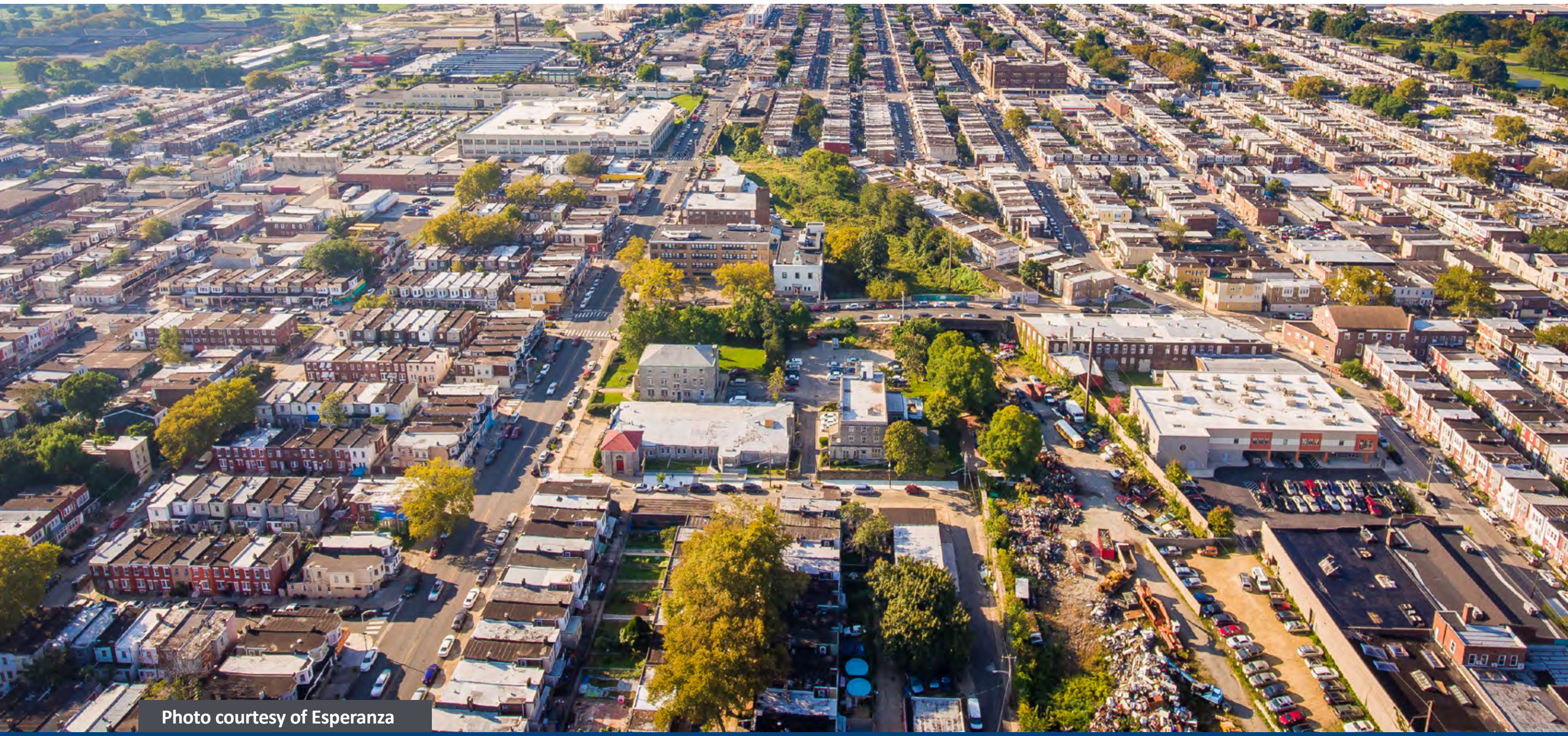

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FHFA Key Management Officials

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Debra Chew
Deputy Director, Division of Inclusivity, Culture, and Equity

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Dan Fichtler
Senior Advisor, Capital Markets

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Executive Secretary

Clinton Jones
General Counsel

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Chief Operating Officer

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Director, Division of Enterprise Regulation

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Gary Gensler
Chair, U.S. Securities and Exchange Commission

Adrianne Todman
Acting Secretary, U.S. Department of Housing and Urban Development

Janet L. Yellen
Secretary, U.S. Department of the Treasury

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