



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

FINAL SUSPENSION ORDER

The Federal Housing Finance Agency, as safety and soundness regulator of Fannie Mae, Freddie Mac, and the eleven Federal Home Loan Banks (collectively the “regulated entities”), is issuing this Final Order pursuant to the following legal authorities:

1. Section 1313 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act), which authorizes FHFA to exercise such incidental powers as may be necessary in the supervision and regulation of the regulated entities. *See* 12 U.S.C. 4513(a)(2);
2. Section 1313B of the Safety and Soundness Act, which authorizes FHFA to establish standards for the regulated entities regarding prudential management of risks. FHFA is authorized to issue orders requiring the regulated entities to take any action that will best carry out the purposes of that section. *See* 12 U.S.C. 4513b(b)(2)(B)(iii); and
3. Section 1319G of the Safety and Soundness Act, which authorizes FHFA to issue any orders necessary to ensure that the purposes of the Safety and Soundness Act are accomplished. *See* 12 U.S.C. 4526(a).

Consistent with these authorities, FHFA has determined that any business relationship between Karl Zerbst, Jr. and the regulated entities would present excessive risk to their safety and soundness.

This determination is based on the following findings:

1. From December of 2014 until at least March of 2019, in South Carolina and elsewhere, Karl Henry Zerbst, Jr. and others participated in a scheme to unlawfully profit from their work on certain Affordable Housing Program grants disbursed by the Federal Home Loan Bank of Atlanta (FHLBank of Atlanta) to low- income households of United States military veterans and spouses of veterans for house rehabilitation.
2. Karl Henry Zerbst, Jr. and a co-conspirator signed and submitted 91 certifications to FHLBank members that contained false statements, including, but not limited to, false certifications regarding whether Karl Henry Zerbst, Jr. had a conflict of interest with other parties to the certification applications, to obtain grant money from the FHLBank of Atlanta.
3. On November 3, 2021, Karl Henry Zerbst, Jr., pursuant to a guilty plea, was convicted of conspiracy to commit crime against the United States by the United States District Court for the District of South Carolina.

4. On June 14, 2022, Karl Henry Zerbst, Jr. was sentenced in the United States District Court for the District of South Carolina to probation for a term of five (5) years.
5. The conduct underlying the conviction described above occurred in connection with the mortgage business and financial transactions.

With this Final Order, FHFA is directing each regulated entity to cease or refrain from engaging in any business relationship with Karl Zerbst, Jr. for a term of ten (10) years, beginning on February 28, 2023. This suspension extends to any individual, company, partnership or other group that FHFA determines to be an affiliate of Karl Zerbst, Jr.'s.

The Final Order's requirement for regulated entities to cease any business relationship with Karl Zerbst, Jr. does not apply to the existing or future purchase, sale, modification, foreclosure alternative transaction, or other foreclosure-related transaction of a residential mortgage loan owned by a regulated entity if Karl Zerbst, Jr. is the borrower of such residential mortgage loan and the transaction is for the borrower's own personal or household residence.

This Final Order is a final action of the Federal Housing Finance Agency.

Clinton Jones,
Suspending Official