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## FEDERAL HOUSING FINANCE AGENCY

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### **ADVISORY BULLETIN**

**AB 2015-02**

### **ENTERPRISE FRAUD REPORTING**

#### **Purpose**

This advisory bulletin communicates to Fannie Mae and Freddie Mac (the Enterprises) the Federal Housing Finance Agency's (FHFA) fraud reporting requirements pursuant to 12 CFR Part 1233 (FHFA Regulation).

This advisory bulletin rescinds and replaces FHFA's Regulatory Policy Guidance RPG-2011-001, *Reporting of Fraudulent Financial Instruments*, dated March 2011.

#### **Background**

The Housing and Economic Recovery Act of 2008 (HERA) subjects the Enterprises to fraud reporting (12 U.S.C. Section 4642) and requires an Enterprise to submit to FHFA a "timely" report upon discovery that it has purchased or sold a fraudulent loan or financial instrument, or when it suspects a possible fraud related to the purchase or sale of any loan or financial instrument.

The FHFA Regulation implements the timely reporting requirement of HERA (12 CFR Section 1233.3(a)(1)) and requires immediate notification to the Director of FHFA upon the discovery of any situation that would have a significant impact on an Enterprise (12 CFR Section 1233.3(a)(2)). The FHFA Regulation grants the Director authority to determine procedures by which the Enterprises will submit such reports (12 CFR Section 1233.3(b)).

## Guidance

The Enterprises should adhere to the guidelines in this advisory bulletin for reporting fraud or possible fraud to FHFA in compliance with the FHFA Regulation and for supervisory oversight purposes.

### *Immediate Notification*

To comply with the immediate notification requirement in the FHFA Regulation, an Enterprise should notify the Director's designee(s) electronically, through secure methods established by FHFA, within one calendar day from when an Enterprise becomes aware of fraud or possible fraud as defined in the FHFA Regulation that may have a significant impact on the Enterprise. Fraud or possible fraud is considered to have a significant impact if it may create substantial financial or operational risk for the Enterprise, whether from a single event/incident or because it is systemic. Fraud or possible fraud is also considered significant if it involves a member of the board of directors, officer, employee, or a contractor temporarily engaged to fill a position or perform a particular function at an Enterprise or other individual similarly engaged by an Enterprise.

The Enterprise should provide periodic updates to its board of directors, or a committee thereof, of all fraud or possible fraud requiring immediate notification.

### *Timely Reporting*

To comply with the timely reporting requirement in the FHFA Regulation, an Enterprise should adhere to the following two reporting requirements.

#### Monthly Fraud Status Report

The Enterprises should submit a monthly fraud status report to FHFA. The monthly fraud status report shall contain requested information for each occurrence during the month in which the Enterprise has:

- 1) Filed a suspicious activity report (SAR) with the U.S. Department of the Treasury, Financial Crimes Enforcement Network (FinCEN) or
- 2) Discovered that it has purchased or sold a fraudulent loan or financial instrument, or when it suspects a possible fraud related to the purchase or sale of any loan or financial instrument, and the Enterprise has not filed a SAR.

FHFA will provide a template that describes the format of the monthly fraud status report and defines the information to be included.

Each Enterprise should provide the Director's designee(s) with the monthly fraud status report within ten (10) calendar days after the end of each month, regardless of whether the Enterprise has a reportable event during the period covered by the report. The report should be sent electronically through secure methods established by FHFA.

## Quarterly Fraud Status Report

On a quarterly basis, the Enterprises should also report to FHFA the status of any entry required to be reported in the monthly fraud status report for which the Enterprise's fraud unit has opened a case. The quarterly fraud status report shall include cases that (1) remain ongoing as of the quarterly report date or (2) were closed during the quarter covered by the report.

FHFA will provide a template that describes the format of the quarterly fraud status report and defines the information to be included.

Each Enterprise should provide the Director's designee(s) with the quarterly fraud status report within ten (10) calendar days after the end of each calendar quarter. The report should be sent electronically through secure methods established by FHFA.

### *Effective Date*

This advisory bulletin becomes effective on June 1, 2015. The RPG-2011-001 guidance for Immediate Notifications (Section II.A.), Fraud Reports (Section II.C.), and Quarterly Status Submission (Section II.D.) shall continue through the May 31, 2015 reporting period. All other requirements of RPG-2011-001 are discontinued immediately, including the Annual Review and Conformance Report.

Advisory bulletins communicate guidance to FHFA supervision staff and the regulated entities on specific supervisory matters pertaining to the Federal Home Loan Banks, Fannie Mae, and Freddie Mac. Contact Kari Walter, Senior Associate Director, Office of Supervision Policy at [Kari.Walter@fhfa.gov](mailto:Kari.Walter@fhfa.gov), or Kathy Beach, Principal Advisor, Office of Supervision Policy at [Kathy.Beach@fhfa.gov](mailto:Kathy.Beach@fhfa.gov), with comments or questions pertaining to this bulletin.