



U.S. FEDERAL HOUSING



2025 Performance and
Accountability Report

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MESSAGE FROM THE DIRECTOR

The financial statements, analysis, and other findings in the Agency's Performance and Accountability Report assess how well U.S. Federal Housing (Federal Housing Finance Agency, FHFA, or Agency) is performing as the regulator and conservator of Fannie Mae and Freddie Mac, and as the regulator of the Federal Home Loan Bank System. This report meets the requirements of the Government Performance and Results Modernization Act of 2010, and its financial and performance data are reliable and complete in accordance with Office of Management and Budget Circulars A-123 and A-136. To meet our statutory obligations per the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008 (12 U.S.C. § 4521(a)), I have chosen not to take a position on certain activities contained in this report that occurred before my tenure.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. Pulte".

William J. Pulte
Director, U.S. Federal Housing
January 13, 2026

U.S. FEDERAL HOUSING'S MISSION AND VISION



MISSION

Ensure the operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets in a safe and sound manner.

VISION

Help restore the American dream of homeownership for ALL Americans.



LIST OF ABBREVIATIONS

Abbreviation	Description
ARCC	Audit, Risk, and Control Committee
CAMELSO	Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk
CSS	Common Securitization Solutions, LLC
DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
DTS	Duty to Serve
ECIC	Executive Committee on Internal Controls
ERCF	Enterprise Regulatory Capital Framework
Fannie Mae	Federal National Mortgage Association
FASAB	Federal Accounting Standards Advisory Board
FHFA	Federal Housing Finance Agency
FHFA HPI®	FHFA House Price Index®
FHLBank	Federal Home Loan Bank
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
GAO Green Book	GAO Standards for Internal Control in the Federal Government

Abbreviation	Description
HERA	Housing and Economic Recovery Act of 2008
LIHTC	Low-Income Housing Tax Credit
MRA	Matter Requiring Attention
MVE	Market Value of Equity
N/A	Not Available
NMDB®	National Mortgage Database
OF	Office of Finance (of the Federal Home Loan Bank System)
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPR	Office of Planning, Performance, and Risk
PAR	Performance and Accountability Report
PIIA	Payment Integrity Information Act of 2019
PUDB	Public Use Database
PVCS	Par Value of Capital Stock
ROE	Report of Examination
Safety and Soundness Act	Federal Housing Enterprises Financial Safety and Soundness Act of 1992
SAT	Senior Assessment Team
SEC	U.S. Securities and Exchange Commission
Treasury	U.S. Department of the Treasury
U.S.C.	United States Code
U.S. FinTech	U.S. Financial Technologies
U.S. GAAP	U.S. Generally Accepted Accounting Principles



MANAGEMENT'S DISCUSSION AND ANALYSIS

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ABOUT U.S. FEDERAL HOUSING

U.S. Federal Housing (Federal Housing Finance Agency, FHFA, or the Agency) 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); U.S. Financial Technologies (U.S. FinTech), originally founded as Common Securitization Solutions, LLC (CSS), a platform handling mortgage-backed securities for Fannie Mae

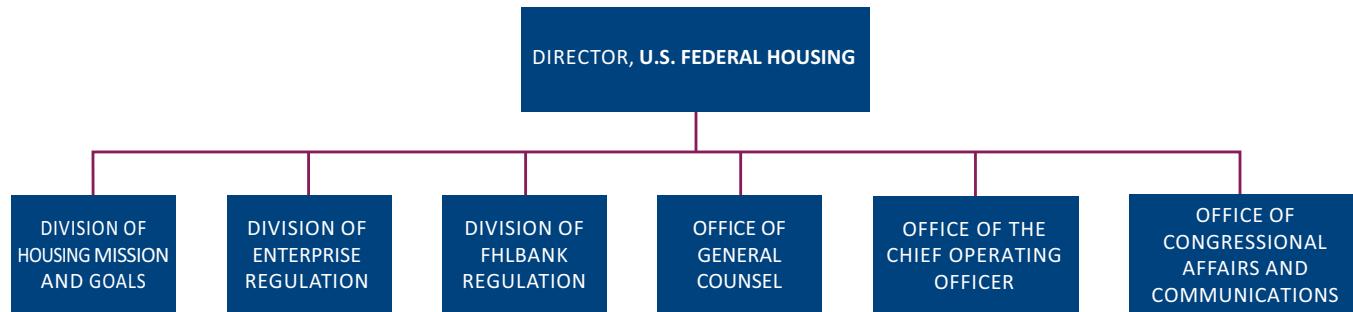
and Freddie Mac; and the Federal Home Loan Bank System, which includes 11 Federal Home Loan Banks (FHLBanks) and the FHLBanks' joint Office of Finance (OF). U.S. Federal Housing's mission is to ensure that Fannie Mae, Freddie Mac, and the FHLBanks (together, the regulated entities)¹ fulfill their mission by operating in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance throughout the economic cycle. U.S. Federal Housing 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. Since September 6, 2008, the Agency has also served as the conservator of Fannie Mae and of Freddie Mac (together, the Enterprises).

¹ OF and U.S. FinTech 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 U.S. FinTech 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 U.S. FinTech, unless otherwise noted.

U.S. FEDERAL HOUSING ORGANIZATION

U.S. Federal Housing's workforce includes highly skilled examiners, financial analysts, policy analysts, attorneys, economists, 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 mission.

Figure 1: U.S. Federal Housing Principal Organization Structure



The Agency operated with an approved budget of \$350.0 million in Fiscal Year (FY) 2025, and has an approved budget of \$269.4 million for FY 2026. This represents a 23% budget reduction compared to the FY 2025 approved budget. The Agency's Office of Inspector General (OIG) operated with a FY 2025 budget of \$58.5 million, and has an approved budget of \$51.7 million for FY 2026. This represents a 12% budget reduction compared to the FY 2025 approved budget.

See Table 1 for staff distribution by major U.S. Federal Housing divisions and offices.

Table 1: U.S. Federal Housing Staffing Summary

	FY 2025 (Actual*)	% by Functional Area	FY 2026 (Budget)	% by Functional Area
Mission Division/Offices**	360	69%	372	69%
Mission Support Division/Offices***	165	31%	171	31%
Number of FHFA Employees	525	100%	543	100%
Number of OIG Employees	118	100%	118	100%

* Actual employees on board as of September 30, 2025.

** Mission Divisions and Offices include: Division of Enterprise Regulation, Division of FHLBank Regulation, and Division of Housing Mission and Goals.

*** Mission Support Divisions and Offices include: Office of Congressional Affairs and Communications, Office of General Counsel, and Office of the Chief Operating Officer.

PERFORMANCE SUMMARY

For FY 2025, U.S. Federal Housing identified a total of 24 performance measures and associated targets to monitor progress toward achieving the Agency's mission. U.S. Federal Housing is currently in the process of updating the Agency's strategic plan. The updated plan is expected to be published in March 2026.

Table 2 presents a summary of selected FY 2025 performance measures and results. More information on U.S. Federal Housing's performance can be found in the Performance Section, starting on page 20.

Table 2: Summary of Selected Performance Measures and Results

Performance Measure	FY 2025 Target	FY 2025 Result
1.1.1a: Conduct risk-focused supervision and examinations of the Enterprises and U.S. FinTech (CSS) by having a risk-based Supervision Plan approved by January 31	100 percent of the time	SUBSTANTIALLY 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	SUBSTANTIALLY MET
1.1.2a: Approve reports of examination by April 15 for the Enterprises and U.S. Fintech (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 each FHLBank has a ratio of 1.0 or higher for Market Value of Equity to par value of capital stock at the end of each quarter	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
1.2.1a: 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
1.3.2: Conduct quarterly reviews of Enterprises' compliance with Enterprise Regulatory Capital Framework public disclosure requirements	100 percent of the time	MET
2.1.1: Issue annual ratings for each Enterprise's Duty to Serve performance in 2023	Q2 FY 2025	MET
2.1.2: Publish final Enterprise Single-family and Multifamily Housing Goals Rule	Q2 FY 2025	MET

Table 2: Summary of Selected Performance Measures and Results

2.1.4: Issue a compliance determination on each Enterprise's DTS Underserved Markets Performance Plan, covering calendar years 2025-2027	Q1 FY 2025	MET
2.3.1: Publish FHFA House Price Indexes (FHFA HPI®) including new developmental price index for Manufactured Housing	Monthly and quarterly	MET
2.3.2: Publish annual Public Use Database	Q4 FY 2025	MET
2.3.3: Publish annual Guarantee Fee Report	Q2 FY 2025	MET
2.3.4: Publish quarterly aggregate statistics on mortgage profiles and delinquencies from National Mortgage Database	4 quarterly	MET
2.4.1: Determine that the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard	By Q2 FY 2025, determine that each Enterprise's mission-driven business in calendar year 2024, meets or exceeds 50 percent of total multifamily business	MET
2.4.2: Ensure that the Enterprises' Low-Income Housing Tax Credit investments support hard-to-fund projects	Investments made after an Enterprise's annual LIHTC portfolio reaches \$500 million must fund projects that have difficulty attracting investors.	MET
3.2.1: Ensure FHFA's financial statements audit receives an unmodified opinion and contains no material weaknesses	100 percent of the time	MET
3.2.3: Complete corrective actions to address FHFA Office of Inspector General recommendations in a timely manner	90 percent of the corrective actions to address FHFA Office of Inspector General recommendations are completed within the approved timeframe.	MET
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: Conduct at least 20 Agency phishing simulations to effectively train personnel to combat attempted cyberattacks	Average strength of phishing simulations 4 out of 5 in a standard difficulty rating	MET
3.3.3: Automatically block network intrusion attempts with security defenses	95 percent of the time	MET

FORWARD LOOKING

U.S. Federal Housing management has identified the following priorities and anticipated challenges for the Agency to focus on going forward as it works to fulfill its mission. The Agency's Strategic Plan for Fiscal Years 2026-2030, a draft of which was published for public input on October 15, 2025, contains greater detail on the Agency's planned work.

Responsibly Oversee Fannie Mae and Freddie Mac for the American People

Currently, U.S. Federal Housing is both the regulator and conservator for Fannie Mae and Freddie Mac (the Enterprises). As regulator of the Enterprises, the Agency has a statutory duty to promote safe and sound operations at the regulated entities through its supervisory programs. U.S. Federal Housing uses a risk-based approach to conduct supervisory examinations, which prioritizes examination activities based on the risk a given practice poses to a regulated entity's safe and sound operation or its compliance with applicable laws and regulations. The Agency will assess the safe and sound operations of the Enterprises through examinations, ongoing monitoring, and off-site reviews, as appropriate. While the Enterprises are in conservatorship, U.S. Federal Housing, as conservator, also has a duty to preserve and conserve the assets and property of the regulated entity.

The Agency's ability to achieve effective oversight of the Enterprises and the Federal Home Loan Bank System could be hindered if any of the regulated entities lack the financial strength to continue providing liquidity to the mortgage market and performing their other obligations. Currently, U.S. Federal Housing does not have statutory authority to oversee third-party service providers. These third-party relationships can potentially pose risks related to mortgage origination and servicing, information security, and business continuity, among other issues. As a result, while U.S. Federal Housing requires each regulated entity to implement a program to manage such third-party risks, the Agency has limited authority to assess the impact of third-party relationships on the operations of its regulated entities. These factors could interfere with the Agency's ability to ensure the resilience of the nation's mortgage markets.



Supervise the Federal Home Loan Bank System

As regulator of the Federal Home Loan Bank (FHLBank) System, U.S. Federal Housing has a statutory duty to promote safe and sound operations at the regulated entities through its supervisory programs. The Agency will assess the safe and sound operations of the FHLBanks and Office of Finance through annual examinations consisting of targeted examinations and ongoing monitoring, as appropriate.

Efficiently Manage Agency Operations

U.S. Federal Housing will streamline and modernize core operational processes to ensure timely, accurate, and cost-effective delivery of services that support the stability of the mortgage markets. The Agency will leverage data, technology, and disciplined performance and financial management, to reduce inefficiencies, strengthen internal controls, and enhance the ability to meet the Agency's mission with agility and accountability. Additionally, the Agency will ensure full compliance with all statutory reporting requirements, including publishing trends in house prices and reporting on the housing activities of the Enterprises.

One challenge U.S. Federal Housing faces in this area are constant threats from cyber attacks, which the Agency combats by deploying technology to block network intrusion attempts. The Agency also proactively educates its staff on maintaining awareness of cyber-attack tactics to ensure they are prepared to maintain a strong defense against malicious actors.

FINANCIAL SUMMARY

Overview

U.S. Federal Housing (Federal Housing Finance Agency, FHFA, or Agency) 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 the Agency'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 U.S. Federal Housing Financed?

HERA authorizes U.S. Federal Housing 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. U.S. Federal Housing is financed through revenue from assessments and is considered a non-appropriated entity, as the Agency does not receive appropriated funds from Congress. In addition to the collection of assessments, HERA authorizes the Agency 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, the Agency 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 the Agency's assessment regulation, 12 CFR 1206.6.

U.S. Federal Housing issues assessment notices to the regulated entities semiannually, with the collections occurring October 1 and April 1. In FY 2025, the Agency assessed the regulated entities a total of \$424.8 million, including \$58.5 million to support OIG.

Under HERA, U.S. Federal Housing 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 2025, the Agency working capital fund had a balance of \$142.3 million.

Limitations of the Financial Statements

The principal financial statements (Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources) for FY 2025 have been prepared to report the financial position, financial condition, and results of operations of U.S. Federal Housing, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements have been prepared from the records of U.S. Federal Housing 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.

ANALYSIS OF FINANCIAL STATEMENTS

Balance Sheet

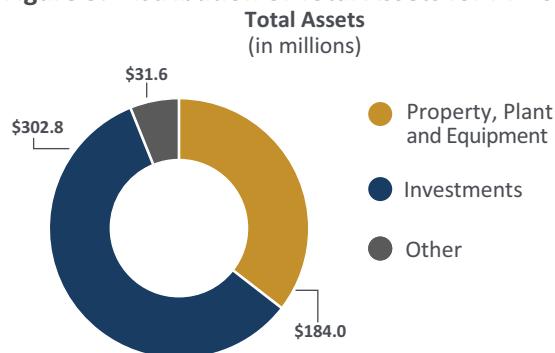
The Consolidated Balance Sheet presents U.S. Federal Housing's financial position as of September 30, 2025, consisting of three categories: Assets, Liabilities, and Net Position. Assets are the current and future economic benefits owned or available for use by U.S. Federal Housing. Liabilities are the debts owed by U.S. Federal Housing but not yet paid. The difference between the assets and liabilities represents U.S. Federal Housing's net position.

Assets

As of September 30, 2025, U.S. Federal Housing had \$518.4 million in assets. U.S. Federal Housing's investments balance of \$302.8 million was its largest asset as of September 30, 2025. This investment portfolio includes balances available from semiannual assessment payments of its regulated entities and the working capital fund. U.S. Federal Housing invests solely in market-based

Government Account Series one-day certificates issued by Treasury to efficiently use idle funds to receive interest revenue with minimum risk in accordance with statutory authorities. U.S. Federal Housing's property, plant & equipment net book value totaled \$184.0 million for FY 2025. This balance consists primarily of U.S. Federal Housing's lease for office space at 400 7th Street SW - Constitution Center. U.S. Federal Housing recognizes the leased office space as an asset of \$176.9 million, net of accumulated amortization in accordance with the requirements of SFFAS 54, *Leases*. U.S. Federal Housing's other assets, totaling \$31.6 million, include its Fund Balance with Treasury, Advances and Prepayments, and Accounts Receivable.

Figure 5: Distribution of Total Assets for FY 2025

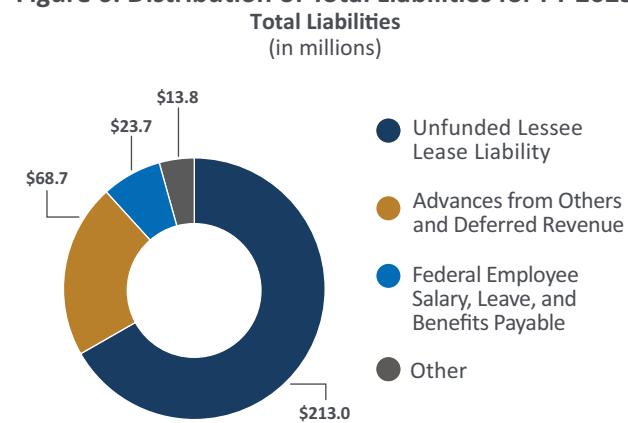


Liabilities

As of September 30, 2025, U.S. Federal Housing had \$319.2 million in liabilities. U.S. Federal Housing's major liabilities (amounts owed by U.S. Federal Housing to other entities) included U.S. Federal Housing's Unfunded Lessee Lease Liability totaling \$213.0 million, representing 66.7 percent of U.S. Federal Housing's total liabilities as of September 30, 2025. This balance consists entirely of discounted future payments for U.S. Federal Housing's leased office space at 400 7th Street SW - Constitution Center. Advances from Others and Deferred Revenue totaled \$68.7 million in FY 2025, including deferred revenue of \$62.0 million from Fannie Mae and \$4.9 million from FHLB Atlanta for providing FY 2026 assessments to U.S. Federal Housing prior to October 1, 2025. These assessments will be recognized as revenue by U.S. Federal Housing in FY 2026. Federal Employee Salary, Leave and Benefits Payable as of year-end, was \$23.7 million.

This total includes Accrued Funded Payroll, Employer Contributions and Payroll Taxes Payable, and Unfunded Accrued Annual Leave. Accrued Funded Payroll, Employer Contributions and Payroll Taxes Payable are accrued for the personnel expenses earned by employees during FY 2025 but will not be paid by U.S. Federal Housing until after the fiscal year-end. Accrued annual leave is paid to separating employees when leaving federal service, and the Agency recognizes a liability for the annual leave accrued by its employees as of September 30, 2025. U.S. Federal Housing's other liabilities, totaling \$13.8 million, include its Accounts Payable, FECA Actuarial Liabilities, Other Post Employment Benefits Payable, and Other Liabilities.

Figure 6: Distribution of Total Liabilities for FY 2025



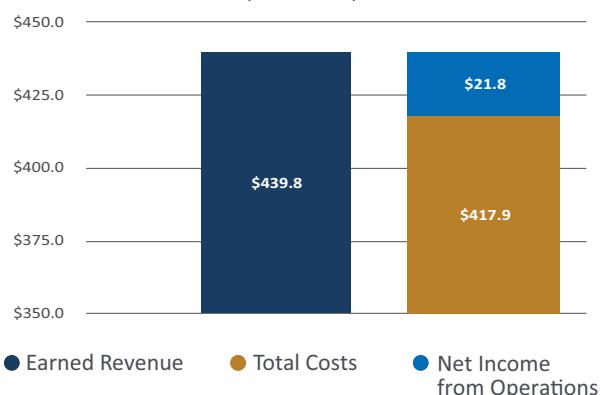
Net Position

U.S. Federal Housing's net position as of September 30, 2025, was \$199.2 million. U.S. Federal Housing's net position is made up entirely of Cumulative Results of Operations. Cumulative Results of Operations increased by \$42.9 million from a beginning balance of \$156.3 million due to Imputed Financing of \$21.0 million and Net Income (Cost) from Operations of 21.8 million. Imputed Financing reflects the payment of employee benefit costs by the Office of Personnel Management.

Statement of Net Cost

The Statement of Net Cost reflects the total cost of operating the U.S. Federal Housing, less related revenues. Total costs for FY 2025 were \$417.9 million. Total costs were offset by total earned revenues of \$439.8 million, for a net income from operations of \$21.8 million for FY 2025. U.S. Federal Housing's summary costs and revenue as reflected in the Statements of Net Cost for FY 2025 are presented.

Figure 7: Net Costs for FY 2025
(in millions)



Total Costs

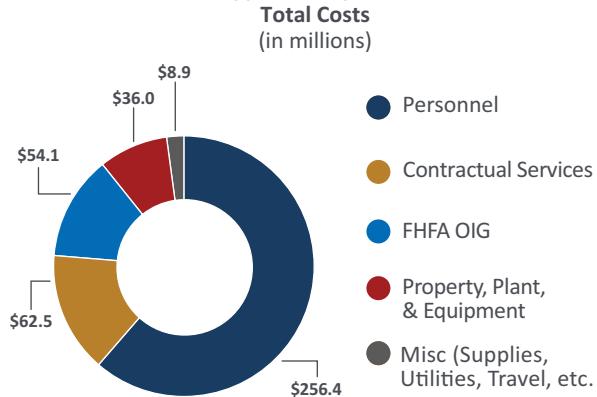
U.S. Federal Housing costs largely consist of personnel, contractual services, and property, plant, and equipment (PP&E) expenses. Personnel expenses, comprising salary, benefits, and other employee-related expenses totaled \$256.4 million during the fiscal year. Salary expenses totaled \$171.9 million, while employer contributions to benefits expenses totaled \$84.5 million.

In FY 2025, the Agency incurred a total of \$32.9 million in salary and benefit expenses associated with the implementation of the Department of Government Efficiency's Workforce Optimization initiatives. Of this amount, \$30.5 million was attributed to the Agency, while \$2.4 million was attributed to the FHFA OIG. These costs are reflected in the Personnel and FHFA OIG categories in Figure 8. The majority of these expenses are related to the reduction of staffing levels through voluntary measures, such as the Deferred Resignation Program (DRP) and the Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment (VERA/VSIP) programs. Of the 216 employees who

separated as a result of the workforce optimization efforts in FY 2025, 92 percent did so through voluntary resignation or retirement programs, while only 8 percent were separated through a reduction in force (RIF). Correspondingly, 96 percent of total workforce optimization costs were linked to voluntary departures, with the remaining 4 percent representing severance payments for RIF-affected employees. These expenditures are one-time costs incurred in FY 2025, expected to yield permanent cost savings in future periods. These savings have already been incorporated into the Agency's reduced FY 2026 approved budget.

Contracting and Inter-Agency Agreement expenses totaled \$62.5 million, including \$57.2 million to non-federal vendors. PP&E expenses totaled \$36 million. Other miscellaneous expenses related to activities such as utilities, supplies, and travel totaled \$8.9 million. FHFA OIG's total expenses for FY 2025 were \$54.1 million.

Figure 8: FY 2025 Total Costs by Type of Expense

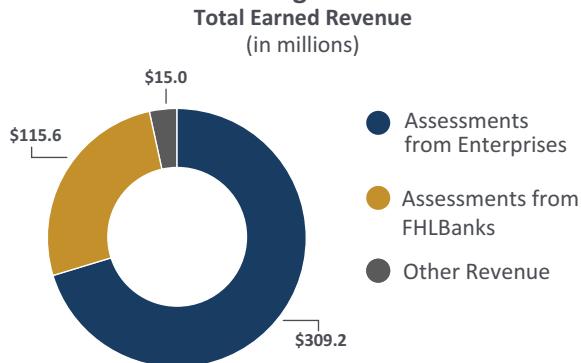


Earned Revenue

In accordance with HERA, U.S. Federal Housing collected \$424.8 million in earned revenue through the semiannual assessment process during FY 2025, which included a \$58.5 million assessment for costs related to the operations of the FHFA OIG. Regulated-entity assessments accounted for approximately 96.6 percent of Agency revenues. Assessments paid by the Enterprises totaled \$309.2 million, while assessments paid by the FHLBanks totaled \$115.6 million.

The remaining \$15.0 million of revenue was primarily generated from interest earned on overnight investments and reimbursable agreements with other federal agencies.

Figure 9: FY 2025 Total Earned Revenue by Funding Source



HOW U.S. FEDERAL HOUSING ALIGNS COSTS WITH STRATEGIC GOALS

U.S. Federal Housing tracks program costs to the strategic goals (responsibility segments) developed for U.S. Federal Housing's previous strategic plan. New Strategic Goals will be published as part of the Agency's upcoming Strategic Plan. The FY 2025 statements and footnotes have been prepared using the Strategic Goals previously established for FY 2025: 1) Safety and Soundness; 2) Equitable Access to Affordable and Sustainable Housing; and 3) Responsibly Steward U.S. Federal Housing's Infrastructure. U.S. Federal Housing 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 U.S. Federal Housing. FHFA OIG costs are allocated as part of U.S. Federal Housing's indirect program support element. Earned revenue is reported at the total level only.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

U.S. Federal Housing 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 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 2025, U.S. Federal Housing adhered to the internal control requirements of FMFIA and the guidance provided by the Office of Management and Budget (OMB) Circular A-123: Management's Responsibility for Enterprise Risk Management and Internal Control and the Agency's Audit, Risk, and Control Committee (ARCC).

To meet the requirements, the following activities were undertaken during FY 2025:

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 Deputy Inspector General for Mission Support and Strategic Communications. The ECIC is tasked with assessing internal controls at OIG. Membership on the ECIC includes the Principal Deputy Inspector General, Chief Counsel, Chief of Staff, Chief Information Officer, Chief Information Security Officer, Budget and Finance Director, Deputy Inspector General for Audits, Deputy Inspector General for Administration, Deputy Inspector General for Investigations, Deputy Inspector General for Evaluations, and Equal Employment Opportunity 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 U.S. Federal Housing 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 the Agency's divisions and offices assessed controls over a sample of non-financial reports using guidance from the U.S. Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government, GAO 14-704G (GAO Green Book).² 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 Agency 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 Agency 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 FMMIA and section 1316(g) of the Safety and Soundness Act (12 U.S.C. § 4516(g)), the U.S. Federal Housing 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, 2025, 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 the Agency to implement and maintain financial management systems (FMS) 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. U.S. Federal Housing, including the FHFA OIG, uses the Bureau of the Fiscal Service (Fiscal Service) for its accounting services and its 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

² <https://www.gao.gov/products/GAO-14-704G>.

system. U.S. Federal Housing began using the new G-Invoicing platform for interagency agreements as mandated by the U.S. Department of the Treasury (Treasury) for all federal agencies in FY 2023 and expanded its use as additional 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.

U.S. Federal Housing'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 U.S. Federal Housing 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 (12 U.S.C. 4516(g)(3)). U.S. Federal Housing 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. U.S. Federal Housing 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 another 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.

FHFA OIG contracted with an independent external audit firm to conduct a performance audit of U.S. Federal Housing'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 U.S. Federal Housing's and FHFA OIG's Information Security Programs and practices for the combined Agency and respond to the Department of Homeland Security's FY 2025 Inspector General FISMA Reporting Metrics. The audit methodology included testing a subset of U.S. Federal Housing'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.³

The auditor reviewed and verified corrective actions taken by U.S. Federal Housing and FHFA OIG during the FY 2025 FISMA audit. The independent external auditor concluded that there were no significant deficiencies for the U.S. Federal Housing and FHFA OIG Information Security Programs.

Prompt Pay

The Prompt Payment Act requires that federal agencies automatically pay interest to vendors when a payment is not timely, and report how much interest was paid each year because of late payments. In FY 2025, U.S. Federal Housing processed 2,769 invoices totaling \$80.5 million that were subject to prompt payment. Of these invoices, 99.46 percent were paid on time. During FY 2025, U.S. Federal Housing paid a total of \$942.56 in interest penalties, or .001 percent of the total dollar amount invoiced.

Digital Accountability and Transparency Act of 2014

U.S. Federal Housing consulted with OMB and Treasury and determined that the Digital Accountability and Transparency Act of 2014 does not apply to U.S. Federal Housing.

³ <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53r5.pdf>

U.S. Federal Housing Statements of Assurance



U.S. FEDERAL HOUSING

January 13, 2026

Federal Managers' Financial Integrity Act
Statements of Assurance
Fiscal Year 2025

U.S. Federal Housing (Federal Housing Finance Agency or 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, 2025, 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 affected 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, 2025, 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, 2025.

Sincerely,



William J. Pulte
Director



Edom Aweke
Chief Financial Officer



PERFORMANCE SECTION

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VALIDATION AND VERIFICATION OF PERFORMANCE DATA

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FY 2025 PERFORMANCE MEASURES

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CHANGED AND DISCONTINUED MEASURES



VALIDATION AND VERIFICATION OF PERFORMANCE DATA

To ensure that the information reported in U.S. Federal Housing's FY 2025 Performance and Accountability Report (PAR) is complete and reliable, the Agency identifies, verifies, and validates the data for each performance measure. Furthermore, every quarter, each office or division collects performance data for its measures and reports the results in the Agency's performance tracking system. U.S. Federal Housing 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.

FY 2025 SELECTED PERFORMANCE MEASURES

The Government Performance and Results Act (GPRA) Modernization Act of 2010 aligns strategic planning with the beginning of each new term of an Administration, requiring every federal agency to produce a new Strategic Plan. The Strategic Plan presents the long-term objectives an agency hopes to accomplish by describing general and long-term goals the agency aims to achieve, what actions the agency will take to realize those goals, and how the agency will deal with challenges and risks that may hinder achieving results. U.S. Federal Housing is currently in the process of updating its Strategic Plan, which is expected to be published in March 2026.

U.S. Federal Housing promotes safe and sound operations at the regulated entities through the Agency's supervisory program. The Agency 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.

Table 3: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 Result
1.1.1a: Conduct risk-focused supervision and examinations of the Enterprises and U.S. FinTech (CSS) by having a risk-based Supervision Plan approved by January 31	MET	MET	MET	MET	MET	100 percent of the time	SUBSTANTIALLY 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	SUBSTANTIALLY MET
1.1.2a: Approve reports of examination by April 15 for the Enterprises and U.S. FinTech (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 each FHLBank has a ratio of 1.0 or higher for Market Value of Equity to par value of capital stock at the end of each quarter	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

PERFORMANCE MEASURE 1.1.1a:

Conduct risk-focused supervision and examinations of the Enterprises and U.S. FinTech (CSS) by having 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

- **The Enterprises and U.S. FinTech:** U.S. Federal Housing conducts examinations of each Enterprise and of U.S. FinTech on a continuous basis. The Agency maintains a written risk-based Supervision Plan for each Enterprise and U.S. FinTech for every annual supervisory cycle. The plan enumerates examination activities for different risk management and business areas, including credit risk, market risk, operational risk, model risk, and governance. The Agency reviews the Supervision Plan during the supervisory cycle and may amend the plan to reflect changes in the risk profile or the operations of the Enterprises or U.S. Fin Tech. The 2025 risk-based Supervision Plan for Fannie Mae, Freddie Mac, and U.S. FinTech was not completed by the target date of January 31, 2025, but was approved by the prior Division of Enterprise Regulation (DER) Deputy Director on February 5, 2025.
- **FHLBanks and OF:** U.S. Federal Housing examines the FHLBanks and OF annually on a calendar year basis. The Agency'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. Of the 12 total scope memoranda, 11 were completed prior to the start of the relevant examination. The Division of Federal Home Loan Bank Regulation (DBR) approved one scope memorandum five days after the target date in the first quarter of 2025.

PERFORMANCE MEASURE 1.1.2a:

Approve reports of examination by April 15⁴ for the Enterprises and U.S. FinTech (CSS)

PERFORMANCE MEASURE 1.1.2b:

Approve reports of examination within 90 days after completing examination work for each of the FHLBanks

- **The Enterprises and U.S. FinTech:** U.S. Federal Housing issues reports of examination (ROEs) that document and communicate its supervisory findings and conclusions for the annual supervisory cycle. The ROE reflects the Agency'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 Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk (CAMELSO) ratings. The ROE for U.S. FinTech includes the composite rating and the Management and Operational Risk component ratings. The target date for the DER Deputy Director's approval of each ROE was April 15. U.S. Federal Housing approved the ROEs for Fannie Mae, Freddie Mac, and U.S. FinTech 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 FY 2025, the DBR Deputy Director approved 12 of 12 (100 percent) of ROEs within 90 days of the exit meetings. The target for this measure is 100 percent.

⁴ Or the first business day after, if the date falls on a weekend.

PERFORMANCE MEASURE 1.1.3:

Ensure each FHLBank has a ratio of 1.0 or higher for Market Value of Equity to par value of capital stock at the end of each quarter

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 U.S. Federal Housing to verify the MVE-to-par ratio for each FHLBank at the end of the quarter. Throughout FY 2025, each FHLBank reported market value information to U.S. Federal Housing for the preceding quarter. All FHLBanks reported an MVE greater than the PVCS.

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. U.S. Federal Housing 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 Agency regulation. In each quarter of FY 2025, U.S. Federal Housing 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. While they are in conservatorship, before the Enterprises can submit their public financial statements to the U.S. Securities and Exchange Commission (SEC), U.S. Federal Housing must review the filings. Through the supervisory and financial statement review processes, U.S. Federal Housing, as regulator and as conservator, conducts oversight of the information released by the Enterprises. For the FHLBanks, U.S. Federal Housing reviews the individual FHLBank filings and conducts oversight of combined financial reports for the FHLBank System. In FY 2025, U.S. Federal Housing 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.

Table 4: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 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

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, U.S. Federal Housing may issue a Matter Requiring Attention (MRA) that requires the regulated entity's board of directors and/or management to take corrective action to address deficiencies and violations. U.S. Federal Housing tracks the remediation of MRAs to ensure that the regulated entity has addressed the supervisory concern or violation of law or regulation. In FY 2025, U.S. Federal Housing determined that the Enterprises and the FHLBanks satisfactorily addressed safety and soundness MRAs in accordance with agreed-upon remediation plans and timeframes over 95 percent of the time.

PERFORMANCE MEASURE 1.3.2:
 Conduct quarterly reviews of Enterprises' compliance with Enterprise Regulatory Capital Framework public disclosure requirements

Each Enterprise is required to publish its Enterprise Regulatory Capital Framework (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. U.S. Federal Housing 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. U.S. Federal Housing's reviews of Fannie Mae and Freddie Mac's Capital Disclosures were timely completed and documented before the disclosure publication date.

Table 5: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 Result
1.3.2: Conduct quarterly reviews of Enterprises' compliance with Enterprise Regulatory Capital Framework public disclosure requirements	N/A ⁵	N/A	N/A	N/A	MET	100 percent of the time	MET

⁵ "N/A" or "not available" means that FHFA did not report data in prior PARs for the marked measures.

Table 6: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 Result
2.1.1: Issue annual ratings for each Enterprise's Duty to Serve performance in 2023	N/A	MET	MET	MET	MET	Q2 FY 2025	MET
2.1.2: Publish final Enterprise Single-family and Multifamily Housing Goals Rule ⁶	N/A	N/A	MET	MET	N/A	Q2 FY 2025	MET
2.1.4: Issue a compliance determination on each Enterprise's Duty to Serve Underserved Markets Performance Plan, covering calendar years 2025-2027	N/A	N/A	N/A	N/A	N/A	Q1 FY 2025	MET

PERFORMANCE MEASURE 2.1.1: Issue annual ratings for each Enterprise's Duty to Serve performance in 2023

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 U.S. Federal Housing's implementing regulation, each Enterprise submits a Duty to Serve (DTS) Underserved Markets Plan to the Agency 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, U.S. Federal Housing is required by statute to evaluate and rate the Enterprises' DTS performance under the plans each calendar year. In October 2024, U.S. Federal Housing issued its annual evaluations for each Enterprise's 2023 DTS performance as part of the Agency's Annual Housing Report.

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

On December 19, 2024, the Agency issued a final rule establishing affordable housing goals for the Enterprises for 2025 through 2027. Subsequently, on October 2, 2025,

the Agency published a proposed rule establishing new benchmark levels for the housing goals for the Enterprises 2026 through 2028. The proposed rule replaces the two area-based subgoals with one low-income areas subgoal, simplifies the goal determination process, clarifies inflation adjustments to maximum civil money penalties related to housing goals, and makes other technical changes.

PERFORMANCE MEASURE 2.1.4: Issue a compliance determination on each Enterprise's Duty to Serve Underserved Markets Performance Plan, covering calendar years 2025-2027

During the first quarter of FY 2025, U.S. Federal Housing issued a compliance determination on each Enterprise's DTS Underserved Markets Performance Plan, covering calendar years 2025-2027.

⁶ A final rule establishing housing goals for the Enterprises typically establishes the goals for each of the next three years. As a result, the Agency does not issue a final rule on housing goals every year. The Agency may, at its discretion, issue a final rule more often than every three years.

Table 7: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 Result
2.3.1: Publish FHFA House Price Indexes (FHFA HPI®) including new developmental price index for Manufactured Housing	MET	MET	MET	MET	MET	Monthly and quarterly	MET
2.3.2: Publish annual Public Use Database	N/A	NOT MET	MET	MET	MET	Q4 FY 2025	MET
2.3.3: Publish annual Guarantee Fee Report	N/A	MET	MET	MET	NOT MET	Q2 FY 2025	MET
2.3.4: Publish quarterly aggregate statistics on mortgage profiles and delinquencies from National Mortgage Database	N/A	MET	MET	MET	MET	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 2025, U.S. Federal Housing successfully published 12 monthly and four quarterly HPI releases.⁷

PERFORMANCE MEASURE 2.3.2: Publish annual Public Use Database

The Enterprise Public Use Database (PUDB)⁸ is released annually by U.S. Federal Housing 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 demographic information 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. The 2024 PUDB datasets were released prior to the statutory deadline of September 30, 2025.

PERFORMANCE MEASURE 2.3.3: Publish annual Guarantee Fee Report

HERA requires U.S. Federal Housing to conduct an ongoing study of the single-family 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 loans from lenders. These costs include the expected credit losses, administrative costs, and cost of capital associated with their guarantees. U.S. Federal Housing published “Fannie Mae and Freddie Mac Single-Family Guarantee Fees in 2023” on January 17, 2025.⁹

⁷ FHFA HPI data are available at <https://www.fhfa.gov/HPI>.

⁸ <https://www.fhfa.gov/data/public-use-database-fannie-mae-and-freddie-mac>.

⁹ <https://www.fhfa.gov/reports/single-family-guarantee-fees/2023>

PERFORMANCE MEASURE 2.3.4:

Publish quarterly statistics on mortgages and delinquencies from National Mortgage Database

The National Mortgage Database (NMDB®) provides a national snapshot of residential mortgages in the United States,¹⁰ 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 (12 U.S.C. § 4544(c)). The statute requires U.S. Federal Housing to conduct a monthly mortgage market survey to collect data on the characteristics of all individual mortgages, not just those acquired by the Enterprises. U.S. Federal Housing is also required to release the data publicly, but to protect borrowers' privacy by ensuring that the data are not identifiable. The purpose of the NMDB is to inform and educate 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 2025, U.S. Federal Housing published aggregate NMDB statistics every quarter.

Table 8: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 Result
2.4.1: Determine that the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard	N/A	N/A	MET	MET	MET	By Q2 FY 2025, determine that each Enterprise's mission-driven business in calendar year 2024, meets or exceeds 50 percent of total multifamily business	MET
2.4.2: Ensure that the Enterprises' Low-Income Housing Tax Credit investments support hard-to-fund projects	N/A	N/A	N/A	N/A	N/A	Investments made after an Enterprise's annual LIHTC portfolio reaches \$500 million must fund projects that have difficulty attracting investors.	MET

PERFORMANCE MEASURE 2.4.1:

Determine that the Enterprises have met the mission-driven requirements in Appendix A of the Conservatorship Scorecard

This measure indicates whether the Enterprises' multifamily loan purchases for the calendar year met U.S. Federal Housing's mission-driven requirements. The Enterprises submit their year-end multifamily volume reports to the Agency by January 15. In calendar year 2024, Fannie Mae achieved 63.0 percent and Freddie Mac achieved 64.8 percent in mission-driven multifamily business, successfully meeting their mission-driven requirements as outlined in Appendix A of the scorecard.

¹⁰ <https://www.fhfa.gov/nmdbdata>

PERFORMANCE MEASURE 2.4.2:

Ensure that the Enterprises' Low-Income Housing Tax Credit investments support hard-to-fund projects

The Enterprises invest in Low-Income Housing Tax Credits (LIHTC) to support the creation and preservation of affordable housing. U.S. Federal Housing sets a cap for Enterprise LIHTC investments and provides guidelines for those investments. The LIHTC cap is reassessed periodically based on market need. As of December 31, 2024, Fannie Mae had made \$767 million in LIHTC investments, with \$651 million being "hard-to-fund" investments and \$116 million being unrestricted investments. As of December 31, 2024, Freddie Mac had made \$1,009 million in LIHTC investments, with \$993 million being "hard-to-fund" investments and \$16 million being unrestricted investments.

Table 9: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 Result
3.2.1: Ensure FHFA's financial statements audit receives an unmodified opinion and contains no material weaknesses	MET	MET	MET	MET	MET	100 percent of the time	MET
3.2.3: Complete corrective actions to address FHFA Office of Inspector General recommendations in a timely manner	N/A	NOT MET	NOT MET	MET	MET	90 percent of the corrective actions to address FHFA Office of Inspector General recommendations are completed within the approved timeframe.	MET

PERFORMANCE MEASURE 3.2.1:

Ensure FHFA's financial statements audit receives an unmodified opinion and contains no material weaknesses

Financial statements provide information that is essential to evaluating U.S. Federal Housing's financial condition. The financial statements show where the Agency's money came from, where it went, and where it is now. The financial statements audit tests: (1) accuracy, consistency, and Agency 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 result indicates the use of proper accounting controls and the proper application of accounting standards, and that the financial statements are reliable, accurate, and complete. U.S. Federal Housing has received a clean audit every year since the creation of the Agency in 2008.

PERFORMANCE MEASURE 3.2.3:

Complete corrective actions to address FHFA Office of Inspector General recommendations in a timely manner

To satisfy this performance measure, U.S. Federal Housing 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 2025, the Agency completed 47 out of 47 (100 percent) OIG recommendations within the approved timeframe.

Table 10: Summary of Selected Performance Measures and Results

Performance Measure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Target	FY 2025 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: Conduct at least 20 Agency phishing simulations to effectively train personnel to combat attempted cyberattacks	N/A	N/A	N/A	N/A	N/A	Average strength of phishing simulations 4 out of 5 in a standard difficulty rating	MET
3.3.3: Automatically block network intrusion attempts with security defenses	N/A	N/A	N/A	N/A	N/A	95 percent of the time	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 U.S. Federal Housing uses to secure the Agency's information and systems. The FY 2025 Federal Information Security Modernization Act of 2014 audit identified no significant deficiencies.¹¹

PERFORMANCE MEASURE 3.3.2: Conduct at least 20 Agency phishing simulations to effectively train personnel to combat attempted cyberattacks

U.S. Federal Housing conducted 20 highly credible, simulated phishing email campaigns throughout the year designed to imitate bad actors attempting to deceive Agency staff into clicking malicious links. U.S. Federal Housing set the strength of these simulations, on a scale from zero to 5, at 4 or higher. These simulations adhered to guidelines set by the National Institute of Standards and Technology and leveraged cyber threat intelligence and real-world events, providing advanced and complex scenarios to enhance cybersecurity readiness across the Agency.

PERFORMANCE MEASURE 3.3.3: Automatically block network intrusion attempts with security defenses

U.S. Federal Housing actively monitors and analyzes network intrusion attempts in real time. Many of these attempts are automatically identified, validated, and blocked using advanced cyber threat intelligence and response technologies. Suspicious attempts that require further investigation are quarantined and manually reviewed by Agency personnel to confirm their validity. U.S. Federal Housing blocked at least 98 percent of malicious events. This exceeds the target of 95 percent of network intrusion attempts blocked.

¹¹ <https://www.fhfaog.gov/sites/default/files/AUD-2025-004.pdf>.

CHANGED AND DISCONTINUED MEASURES

Table 11: Performance Measures Discontinued in FY 2025¹²

FHFA FY 2025 Annual Performance Plan	
1.1.6: Conduct risk-focused supervision and examinations in the public interest areas of fair lending, diversity and inclusion, consumer protection, and the FHLBank Affordable Housing Programs	
Target: Complete at least three examinations by Q4 FY 2025	
1.1.7: Issue a final rule amending the unsecured credit provisions of the FHLBanks' capital regulation	
Target: Q3 FY 2025	
1.1.8: Issue a final rule addressing FHLBank System boards of directors and executive management	
Target: Q4 FY 2025	
1.2.2: Determine that the regulated entities have satisfactorily addressed MRAs relating to their public interest activities, in accordance with agreed-upon remediation plans and timeframes	
Target: 90 percent of the time	
1.3.1: Coordinate quarterly assessments of Enterprise and U.S. FinTech (CSS) performance against Scorecard objectives	
Target: 100 percent of the time	
1.4.1: Continue to refine the Enterprises' and FHFA's climate research agendas	
Target: Q4 FY 2025	
1.4.2: Assess each Enterprise's climate scenario analysis	
Target: Q4 FY 2025	
2.1.3: Issue a proposed rule amending the housing goals for the FHLBanks' Acquired Member Asset (AMA) programs	
Target: Q2 FY 2025	
2.1.5: Issue a proposed rule clarifying the mission of the FHLBank System	
Target: Q2 FY 2025	
2.2.1: Issue an Advisory Bulletin applicable to the regulated entities on Unfair or Deceptive Acts or Practices	
Target: Q4 FY 2025	
2.3.7: Publish a white paper on a potential multifamily property value index	
Target: Q4 FY 2025	
2.5.1: Hold a TechSprint focused on responsible innovation and financial technology (fintech) solutions in housing finance	
Target: Q4 FY 2025	
3.1.1: Increase positive ratings on the Federal Employee Viewpoint Survey's Employee Engagement Index	
Target: 70 percent positive	
3.1.2: Reduce the Average Time-to-Hire	
Target: 80 calendar days	
3.2.2: Increase amount of funds spent on contracts awarded to minority- and women-owned businesses consistent with legal standards and best-value assessments	
Target: Total amount spent is greater than the five-year average.	

¹² These measures were discontinued because they no longer aligned with Agency priorities.



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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present FHFA's consolidated financial statements and related footnotes for FY 2025.

The Agency's independent auditor, the U.S. Government Accountability Office, issued an unmodified opinion on U.S. Federal Housing's financial statements and internal controls. The audit results reflect the Agency's continued commitment to strong internal controls and effective financial management, as the Agency has received an unmodified audit opinion every year since its inception in 2008. Additionally, the Agency took action to remediate a deficiency related to internal controls over expense accruals that was identified during the FY 2024 audit. U.S. Federal Housing will remain focused on the continued maturation of the Agency's internal control program and introducing efficiency and automation in audit management processes.

The financial statements and footnotes, financial analysis, and performance results in this PAR demonstrate how U.S. Federal Housing uses its financial resources to ensure the operations and activities of each regulated entity prioritize their safety and soundness and foster liquid, efficient, competitive, and resilient national housing finance markets. The financial statements and footnotes reflect the latest reporting requirements under OMB A-136, *Financial Reporting Requirements*, including adoption of a single-year presentation format of financial statements and footnotes.

U.S. Federal Housing Director Pulte recently approved an FY 2026 operating budget that reflects the Agency's commitment to operating in an efficient and effective manner. Under Director Pulte's leadership, the Agency has significantly reduced its operating budget while sharpening its focus on core mission objectives, statutory obligations, and strong governance and accountability.

I appreciate the Agency's professionals who plan, manage, and track the Agency's resources. Their commitment to sound financial management and stewardship, and availability of timely and accurate financial information to Congress and the public serves as the cornerstone of our efforts to efficiently and responsibly maximize the Agency's resources.

Sincerely,



Edom Aweke
Chief Financial Officer

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 year 2025 financial statements of the Federal Housing Finance Agency (FHFA), we found

- FHFA's financial statements as of and for the fiscal year ended September 30, 2025, 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, 2025; and
- no reportable noncompliance for fiscal year 2025 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 an emphasis-of-matter paragraph related to FHFA reporting entity, 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 sheet as of September 30, 2025; the related statements of net cost, changes in net position, and budgetary resources for the fiscal year 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, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

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

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

³Pub. 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, 2025, 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, 2025, based on criteria established under FMFIA. As discussed below in more detail, our 2025 audit identified a deficiency in FHFA's controls over its review of its financial statements for conformity with U.S. generally accepted accounting principles that represents 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 2025 financial statements.

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 its financial statements, 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 accounts payable accruals that we reported in our 2024 audit.⁵ To address this significant deficiency, FHFA updated its documented procedures to provide more detailed guidance and requirements for the review of year-end accounts payable accrual information. Based on our evaluation of these actions and the results of our audit of FHFA's fiscal year 2025 financial statements, we believe a significant deficiency no longer exists in this area as of September 30, 2025.

Significant Deficiency in Internal Control over Financial Statement Review Process

During our 2025 audit, we identified a deficiency in FHFA's controls over its review of its financial statements that represents a significant deficiency in internal control over financial reporting. Specifically, while FHFA has documented procedures for its review of its financial statements, such procedures did not include adequate guidance to consider the potential effect of significant changes in the magnitude or types of transactions, such as the deferred resignation program and voluntary separation incentive programs, on the presentation of its financial statements. Consequently, FHFA's initial review of its draft financial statements did not identify improper reporting of certain costs.

⁴A 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.

⁵GAO, *Financial Audit: Federal Housing Finance Agency's FY 2024 and 2023 Financial Statements*, GAO-25-107454 (Washington, D.C.: Nov. 15, 2024).

INDEPENDENT AUDITOR'S REPORT

Standards for Internal Control in the Federal Government states that management should design control activities to achieve objectives and respond to risks.⁶ This includes control activities to help ensure that financial information is properly reported when there are significant changes in the magnitude or types of transactions. Without such controls, FHFA increases the risk that misstatements in its financial statements will not be prevented, or detected and corrected, on a timely basis.

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.⁷ FHFA considers Fannie Mae and Freddie 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 information and information about FHFA's relationship with 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.

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;

⁶GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 2014).

⁷Pub. L. No. 102-550, title XIII, § 1367, 106 Stat. 3672, 3980, *classified as amended at 12 U.S.C. § 4617*.

INDEPENDENT AUDITOR'S REPORT

- 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 FFMIA; and
- its assessment about the effectiveness of internal control over financial reporting as of September 30, 2025, 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.

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 FFMIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FFMIA, 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

INDEPENDENT AUDITOR'S REPORT

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.

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 under standards issued 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

INDEPENDENT AUDITOR'S REPORT

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; U.S. Federal Housing's Mission and Vision, Performance Section, and Other Information.⁸ 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.

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 audit 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.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 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.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

⁸We refer to the audited entity by its legal name, "Federal Housing Finance Agency" or "FHFA," throughout our audit report. However, FHFA also uses "U.S. Federal Housing" as a shortened alternate name in its performance and accountability report.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

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 to 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.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

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.

Agency Comments

In commenting on a draft of this report, FHFA stated that it is pleased to accept GAO's unmodified opinion on its financial statements and maintains its commitment to strong internal controls and reliable financial reporting. The complete text of FHFA's response is reprinted in appendix I.

//SIGNED//

Anne Sit-Williams
Director
Financial Management and Assurance

January 13, 2026

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APPENDIX I: U.S. FEDERAL HOUSING RESPONSE TO AUDITOR'S REPORT



U.S. FEDERAL HOUSING

January 13, 2026

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. This report presents GAO's opinion on the consolidated financial statements of U.S. Federal Housing (Federal Housing Finance Agency or FHFA) for fiscal year 2025.

I am pleased to accept GAO's unmodified opinion on the FHFA consolidated financial statements. GAO also reported that FHFA had effective internal controls over financial reporting, and that there were no reportable instances of noncompliance with applicable laws and regulations.

FHFA maintains its commitment to strong internal controls and reliable financial reporting, both of which contribute to public confidence in the Agency's mission. I 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 Edom Aweke, Chief Financial Officer, at (202) 649-3264.

Sincerely,

William J. Pulte
Director

U.S. Federal Housing
(Federal Housing Finance Agency)

Consolidated Balance Sheet

As of September 30, 2025

(In Thousands)

		2025
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$	24,778
Investments, Net (Note 3)		302,817
Accounts Receivable, Net (Note 4)		-
Advances and Prepayments		650
Total Intragovernmental		328,245
Other than Intragovernmental:		
Accounts Receivable, Net (Note 4)		18
General and Right-to-Use Property, Plant, and Equipment, Net		183,959
Advances and Prepayments		6,199
Total Other than Intragovernmental		190,176
TOTAL ASSETS	\$	518,421
LIABILITIES (Note 6):		
Intragovernmental:		
Accounts Payable	\$	1,063
Advances From Others and Deferred Revenue		1,768
Other Liabilities, Net (Note 7)		1,613
Total Intragovernmental		4,444
Other than Intragovernmental:		
Accounts Payable		9,161
Federal Employee Salary, Leave, and Benefits Payable, Net		
Unfunded Accrued Annual Leave		14,821
Employer Contributions and Payroll Taxes Payable		407
Accrued Funded Payroll		8,482
Pensions, and Post-Employment Benefits Payable, Net		
FECA Actuarial Liability		1,088
Other Post Employment Benefits Due and Payable		907
Advances from Others and Deferred Revenue		66,908
Other Liabilities, Net (Note 7)		
Unfunded Lessee Lease Liability		213,012
Other Liabilities		10
Total Other than Intragovernmental		314,796
TOTAL LIABILITIES	\$	319,240
Commitments and Contingencies (Note 9)		
Net Position:		
Cumulative Results of Operations - Funds from Other Than Dedicated Collections		199,181
Total Cumulative Results of Operations		199,181
TOTAL NET POSITION	\$	199,181
TOTAL LIABILITIES AND NET POSITION	\$	518,421

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

U.S. Federal Housing
(Federal Housing Finance Agency)

Consolidated Statement of Net Cost

For the Fiscal Year Ended September 30, 2025

(In Thousands)

	2025
Gross Program Costs by Strategic Goals	
Safety and Soundness	\$ 180,790
Equitable Access to Affordable and Sustainable Housing	\$ 56,691
Responsibly Steward FHFA's Infrastructure	\$ 147,504
Gross Program Costs	384,985
Gross Costs Not Assigned to Programs	\$ 32,941
Less: Total Earned Revenue not Attributable to Strategic Goals	(439,758)
Net (Income From)/Cost of Operations	\$ (21,832)

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

U.S. Federal Housing
 (Federal Housing Finance Agency)

Consolidated Statement of Changes in Net Position

For the Fiscal Year Ended September 30, 2025

(In Thousands)

	2025
Cumulative Results of Operations:	
Beginning Balance	\$ 156,321
Imputed Financing	21,028
Net Income From/Cost of Operations	21,832
Net Change in Cumulative Results of Operations	42,860
Total Cumulative Results of Operations	\$199,181
NET POSITION	\$199,181

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

U.S. Federal Housing
 (Federal Housing Finance Agency)

Combined Statement of Budgetary Resources

For the Fiscal Year Ended September 30, 2025

(In Thousands)

	2025
Budgetary Resources	
Unobligated Balance From Prior Year Budget Authority, Net (Note 10)	\$ 134,589
Appropriations (Note 1.F.)	437,981
Spending Authority From Offsetting Collections	55,876
TOTAL BUDGETARY RESOURCES	\$ 628,446

Status of Budgetary Resources:

New Obligations and Upward Adjustments (Total)	\$ 444,951
Unobligated Balance, End of Year:	
Exempt From Apportionment, Unexpired Accounts	183,495
Unexpired Unobligated Balance, End of Year	183,495
Unobligated Balance, End of Year (Total)	183,495
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 628,446

Outlays, Net

Outlays, Net (Total)	\$ 373,296
Distributed Offsetting Receipts	(504,889)
AGENCY OUTLAYS, NET	\$ (131,593)

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

U.S. Federal Housing
(Federal Housing Finance Agency)

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2025

(Dollars in Tables are Presented in Thousands Unless Otherwise Noted)

Note 1. Reporting Entity and Summary of Significant Accounting Policies

A. REPORTING ENTITY

U.S. Federal Housing (Federal Housing Finance Agency, FHFA, or Agency) 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). U.S. Federal Housing 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), U.S. Fintech (formerly known as Common Securitization Solutions or CSS), and the FHLBanks' joint Office of Finance. U.S. Federal Housing 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 separate financial records 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 U.S. Federal Housing and FHFA OIG. Under the authority of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by HERA, U.S. Federal Housing 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. U.S. Federal Housing, as Conservator, assumed the power of stockholders, boards, and management. U.S. Federal Housing has assigned to the Enterprises' boards and management certain business and operational authority. U.S. Federal Housing personnel monitor the operations of the Enterprises. On March 17, 2025, and effective as of that date, U.S. Federal Housing Director William J. Pulte, and General Counsel Clinton Jones, were appointed to the Boards of Directors of the Enterprises with Director Pulte serving as the Chairman of the Board of Directors for both Enterprises.

In September 2008, after the Enterprises were placed in conservatorships under U.S. Federal Housing, 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 U.S. Federal Housing'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 U.S. Federal Housing'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 U.S. Federal Housing'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 U.S. Federal Housing as their Conservator, entered into separate Senior Preferred Stock Purchase Agreements (SPSPAs) with Treasury on September 7, 2008, which have been amended on several occasions since that date. The SPSPAs commit Treasury to provide funding for each Enterprise, up to a maximum available funding commitment, to ensure that each Enterprise maintains a non-negative net worth, thereby avoiding a statutory requirement that an Enterprise be put in receivership. Under the SPSPAs, each Enterprise notifies U.S. Federal Housing 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. U.S. Federal Housing, 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. U.S. Federal Housing's financial exposure to the Enterprises is limited to its reliance on assessments from the regulated entities to fund its operations.

The SPSPAs also require the Enterprises to pay a dividend in exchange for the Treasury Department's investment. The August 17, 2012 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 U.S. Federal Housing'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.

U.S. Federal Housing is a component of the U.S government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. government entity. These items have been classified as intragovernmental throughout the financial statements and footnotes. These financial statements should be read with the realization that they are for a component of the U.S. government.

B. BASIS OF PRESENTATION

U.S. Federal Housing'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 U.S. Federal Housing, pursuant to OMB directives, which are used to monitor and control budgetary resources. The financial statements include the activities and balances of U.S. Federal Housing and 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 U.S. Federal Housing. 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.

C. BASIS OF ACCOUNTING

The Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the proprietary, 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. U.S. Federal Housing's financial statements conform with 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 GAAP for federal reporting entities.

D. SINGLE YEAR PRESENTATION

In FY 2025, pursuant to OMB Circular A-136, U.S. Federal Housing has implemented a single year presentation format for both financial statements and footnotes.

E. USE OF ESTIMATES

The preparation of the accompanying financial statements in accordance with 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 U.S. Federal Housing employees that are administered by the Office of Personnel Management (OPM), cost allocations among the strategic goals on the Statement of Net Cost, and in computing accounts payable for vendor service contracts. In FY 2025, U.S. Federal Housing estimated its vendor accounts payable accrual based on a historical percentage of open obligations determined to have been payable as of September 30 of the previous fiscal year and considers any changes to invoice payment timeframes that may affect current fiscal year assumptions.

F. REVENUES

Although assessments are reported as Appropriations in the Combined Statement of Budgetary Resources, U.S. Federal Housing is not subject to appropriations. Operating revenues of U.S. Federal Housing are obtained through assessments of the regulated entities. By law, U.S. Federal Housing 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.

U.S. Federal Housing develops its annual budget using a 'bottom up' approach. Each office within the Agency is asked to allocate their budget request between resources needed for the regulation of Fannie Mae and Freddie Mac and 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. The annual budget is approved by the U.S. Federal Housing Director in the fourth quarter of each fiscal year.

U.S. Federal Housing calculates the assessments for each Enterprise by determining the proportion of each Enterprise's total adjusted assets and 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. U.S. Federal Housing 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 approximately 30 days prior to the assessment due dates of October 1st and April 1st.

G. METHODOLOGY FOR ASSIGNING COSTS

U.S. Federal Housing tracks program costs to the strategic goals (responsibility segments) developed for U.S. Federal Housing's strategic plan. The FY 2025 statements and footnotes have been prepared using the Strategic Goals established for FY 2025: 1) Safety and Soundness; 2) Equitable Access to Affordable and Sustainable Housing; and 3) Responsibly Steward U.S. Federal Housing's Infrastructure. U.S. Federal Housing 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 U.S. Federal Housing. The Agency's OIG costs are allocated as part of U.S. Federal Housing's indirect program support element, and OIG's gross expenses for FY 2025 totaled \$54.1 million. Earned revenue is not tracked to strategic goals and is reported at the total level only.

Costs Not Assigned to Programs

In FY 2025, the Agency incurred costs related to the implementation of the Department of Government Efficiency's Workforce Optimization initiatives. These costs primarily consist of Voluntary Separation Incentive Payments (VSIP) made to employees retiring from federal service, pay and benefits paid to employees on administrative leave while participating in the government-wide voluntary Deferred Resignation Program (DRP), and severance pay to employees impacted by Reductions in Force (RIF). The table below summarizes the workforce optimization initiatives, number of participating employees and the associated costs.

Workforce Optimization Initiative	Number of Employees	Costs
VSIP	112	\$17,140
DRP	87	\$14,602
Severance Pay	17	\$1,199
Total Costs Not Assigned to Programs		\$32,941

H. FUND BALANCE WITH TREASURY

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

During the year, increases to U.S. Federal Housing'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. U.S. Federal Housing 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 U.S. Federal Housing to maintain a working capital fund. The working capital fund is defined in U.S. Federal Housing'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

U.S. Federal Housing has the authority to invest in Treasury securities with maturities suitable to U.S. Federal Housing'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). U.S. Federal Housing invests solely in Treasury securities. During FY 2025, U.S. Federal Housing invested in one-day certificates of indebtedness, a type of market-based GAS security issued by Treasury, which are reported net of amortized discounts and premiums. See Note 3, Investments, Net.

J. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2025, consists of amounts owed to U.S. Federal Housing by other than intragovernmental sources. Other than intragovernmental accounts receivable include reimbursements from employees, FOIA request fees, and an allowance for uncollectible accounts. An allowance for uncollectible other than intragovernmental accounts receivables 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 table contains the asset capitalization thresholds and useful life classifications:

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

U.S. Federal Housing has no real property holdings, stewardship, or heritage assets. Other property items and normal repairs and maintenance are expensed 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 U.S. Federal Housing as the result of a transaction or event that has already occurred. Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources.

U.S. Federal Housing reports its liabilities under two categories, Intragovernmental and Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another federal entity. Other than Intragovernmental liabilities 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. (See Note 6, Liabilities Covered and Not Covered by Budgetary Resources)

Liabilities Covered by Budgetary Resources

These represent 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. Liabilities Covered by Budgetary Resources primarily consist of the following items:

- *Accounts Payable*: Amounts owed to employees, vendors, or federal entities for travel-related expenses or goods/services received that have not been paid for.
- *Advances from Others and Deferred Revenue (Intragovernmental)*: Represents amounts received for goods or services to be delivered or performed in the future. Until the services or goods are provided these amounts have yet to be earned by U.S. Federal Housing.
- *Employer Contributions and Payroll Taxes Payable*: Represents liabilities for the employer portion of payroll taxes and benefit contributions, including the agency's contribution to the Thrift Savings Plan, health and life insurance.
- *Other Post Employment Benefits Due and Payable*: Primarily represents amounts due to former employees for severance benefits.
- *Other Intragovernmental Liabilities*: Represent liabilities with federal agencies such as OPM for the employer portion of payroll taxes and benefits contributions.
- *Accrued Funded Payroll*: Represent amounts owed to employees for salaries and leave that have been earned but are unpaid to the employee as of the reporting date.

Liabilities Not Covered by Budgetary Resources

These represent liabilities that are not funded by any other funding source. U.S. Federal Housing does not receive appropriated funds and therefore is not required to have budgetary resources for the full cost of all liabilities. Liabilities Not Covered by Budgetary Resources primarily consist of the following items:

- *Unfunded Accrued Annual Leave*: Represents annual leave earned by employees that has not yet been taken. Upon separation from federal employment, employees are paid for the balance of unused annual leave.
- *FECA Actuarial Liability*: FECA actuarial liability is an estimated actuarial liability for future workers' compensation benefits. The estimated actuarial liability for future workers' compensation benefits is based on 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 because of economic assumptions and other factors, but the model calculates a liability approximately 12 times the annual payment.
- *Unfunded Lessee Lease Liability*: Represents various future costs for the Constitution Center lease. The Constitution Center lease extends through January 2038. U.S. Federal Housing is required to report a right-to-use lease asset 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. U.S. Federal Housing 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.

Pursuant to SFFAS 54, U.S. Federal Housing 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 U.S. Federal Housing has concluded the primary purpose is reasonably attributable to the non-lease component. (See Note 8, Leases)

Liabilities Not Requiring Budgetary Resources

These represent liabilities that will not require the use of budgetary resources, and consist of the following item:

- *Advances from Others and Deferred Revenue (Other than Intragovernmental):* Represents assessments received prior to the October 1, 2025 due date from the regulated entities. The revenue is not considered to be earned until FY 2026.

N. EMPLOYEE LEAVE AND BENEFITS

All full-time U.S. Federal Housing 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. Employees may also receive credit for leave accrual purposes for relevant private sector experience. Employees in non-supervisory and non-manager positions may carry over up to 240 hours of annual leave each year. Supervisors and managers (EL-15 and below) may carry over up to 480 hours of annual leave each year. The U.S. Federal Housing Leadership Level's equivalent to the Senior Executive Service employees are known as executives and may accrue annual leave of eight (8) hours each pay period, consistent with the government-wide rules for Senior Executive Service level and may carry over up to 720 hours of annual leave annually. 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 carry over amount for all future years unless they are or become U.S. Federal Housing executives.

Accrued annual leave is treated as an unfunded expense with an offsetting liability when earned. This is discussed in Note 1M, *Liabilities Not Covered by Budgetary Resources*. The accrued liability is reduced when the annual leave is used by employees. 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.

U.S. Federal Housing, 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 U.S. Federal Housing and its employees. U.S. Federal Housing 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. Employees earning over \$200 thousand in a calendar year pay an additional Medicare tax. U.S. Federal Housing begins to withhold the additional 0.9 percent Medicare tax in the pay period in which compensation to the employee exceeds \$200 thousand.

O. RETIREMENT PLANS

U.S. Federal Housing and FHFA OIG 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 Contribution Rates for Regular Employees (Effective October 1, 2023)

FERS		FERS-RAE (Revised Annuity Employees)		FERS-FRAE (Further Revised Annuity Employees)	
Hired prior to January 1, 2013		Hired between December 31, 2012 – December 31, 2013		Hired after December 31, 2013	
Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage
0.8%	18.4%	3.1%	16.5%	4.4%	16.5%

FERS Contribution Rates for Law Enforcement Officers (LEO) (Effective October 1, 2023)

FERS LEO		FERS-RAE LEO (Revised Annuity Employees)		FERS-FRAE LEO (Further Revised Annuity Employees)	
Hired prior to January 1, 2013		Hired between December 31, 2012 – December 31, 2013		Hired after December 31, 2013	
Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage
1.3%	38.2%	3.6%	36.4%	4.9%	36.4%

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. U.S. Federal Housing matches any FERS employee contribution up to an additional 4.0 percent of pay. For FERS and CSRS Offset participants, U.S. Federal Housing also contributes the employer's share of Social Security. The 2025 maximum taxable wage base for Social Security is \$176,100.

U.S. Federal Housing expenses its contributions to the retirement plans of covered employees as the expenses are incurred. As discussed in Note 1.R, U.S. Federal Housing 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 U.S. Federal Housing and are reflected in the Consolidated Statements of Changes in Net Position and in Note 15, *Reconciliation of Net Cost of Operations to Net Outlays*. Disclosure of imputed cost in the Statement of Net Cost is intended to provide information regarding the full cost of U.S. Federal Housing's program in conformity with GAAP.

U.S. Federal Housing'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, U.S. Federal Housing offers a supplemental 401(K) plan. All CSRS and FERS employees are eligible to contribute to the 401(K). In FY 2025, eligible employees that participate will receive matching contributions from U.S. Federal Housing up to 5.0 percent of the employee's salary. Qualified employees may participate in the TSP and/or U.S. Federal Housing's 401(K) Savings Plan, up to the annual Internal Revenue Code limitations established for salary deferral and annual additions.

P. CONTINGENCIES

U.S. Federal Housing recognizes contingent liabilities, in the accompanying Balance Sheet and Statement of Net Cost, when they are both probable and can be reasonably estimated. U.S. Federal Housing discloses contingencies in the notes to the financial statements when a loss from the outcome of future events is at least reasonably possible 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

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 FBWT (i.e., unfilled customer orders). The funds in the working capital fund were fully invested during FY 2025.

Fund Balance with Treasury, by status, is as follows as of September 30, 2025:

	FY 2025
Status of Fund Balance with Treasury:	
Unobligated Balance	\$ 250,403
Obligated Balance Not Yet Disbursed	77,192
Investments	(302,817)
Total Status of Fund Balance with Treasury	\$ 24,778

Note 3. Investments, Net

Intragovernmental Investments as of September 30, 2025

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities:					
Non-Marketable					
Market-Based	\$ 302,817	\$ -	\$ -	\$ 302,817	\$ 302,817

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. U.S. Federal Housing is currently investing in one-day certificates issued by Treasury. There were no amortized premiums/discounts on investments as of September 30, 2025. Interest earned on investments was \$13.2 million for FY 2025.

Note 4. Accounts Receivable, Net

Other than Intragovernmental accounts receivable totaled \$18 thousand and are considered fully collectible as of September 30, 2025.

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

FY 2025					
Category	Acquisition Cost		Accumulated Amortization/Depreciation		Net Book Value
Equipment	\$ 24,920	\$	23,183	\$	1,737
Leasehold Improvements	36,282		32,520		3,762
Internal-Use Software	3,678		2,241		1,437
Machinery & Equip Under Lease	274		274		-
Right-to-Use Lease Asset (Note 8)	207,636		30,689		176,947
Construction-in-Progress	76		-		76
Total	\$ 272,866	\$	88,907	\$	183,959

Refer to Note 1.K for useful life information.

Note 6. Liabilities Covered, Not Covered by, and Not Requiring Budgetary Resources

U.S. Federal Housing has no current liabilities (i.e., liabilities that are required to be paid within a year) that are not covered by budgetary resources. Refer to Note 1.M for a description of the types of liabilities contained in the table below.

Liabilities Covered, Not Covered by, and Not Requiring Budgetary Resources consisted of the following as of September 30, 2025:

2025		
Intragovernmental Liabilities		
Accounts Payable		\$ 1,063
Advances from Others and Deferred Revenue		1,768
Other Intragovernmental Liabilities		1,613
Total Intragovernmental Liabilities	\$	4,444
Other than Intragovernmental		
Accounts Payable		\$ 9,161
Unfunded Accrued Annual Leave		14,821
Other Post Employment Benefits Due and Payable		907
FECA Actuarial Liabilities		1,088
Employer Contributions and Payroll Taxes Payable		407
Accrued Funded Payroll		8,482

2025		
Advances from Others and Deferred Revenue		66,908
Unfunded Lessee Lease Liability (Note 8)		213,012
Other Liabilities		10
Total Other than Intragovernmental Liabilities	\$	314,796
Total Liabilities Not Covered by Budgetary Resources	\$	228,921
Total Liabilities Covered by Budgetary Resources		23,411
Total Liabilities Not Requiring Budgetary Resources		66,908
Total Liabilities	\$	319,240

Note 7. Other Liabilities, Net

As of September 30, 2025, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other than Intragovernmental Other Liabilities are presented below.

2025		
Intragovernmental Liabilities		
Benefit Program Contributions Payable	\$	1,139
Employer Contributions and Payroll Taxes Payable		474
Total Intragovernmental Other Liabilities	\$	1,613
Other than Intragovernmental		
Employee Related Refunds Due	\$	10
Unfunded Lessee Lease Liability (Note 8)		213,012
Total Other than Intragovernmental Other Liabilities	\$	213,022

Note 8. Leases

NON-FEDERAL LEASES:

U.S. Federal Housing has a right-to-use lease asset and related lease liability with a non-federal entity for the office space at 400 7th Street Southwest in Washington D.C. This space is used for the U.S. Federal Housing headquarters. The lease was extended in April 2024 through January 31, 2038.

Other than Intragovernmental Unfunded Lease Liabilities – Future Payments as of September 30, 2025:

Year	Change in Lease Liability (Increase)/Decrease	Interest	Future Payments
Fiscal Year 2026	\$ (3,753)	\$ 9,486	\$ 5,733
Fiscal Year 2027	\$10,082	\$9,297	\$19,379
Fiscal Year 2028	\$14,160	\$8,763	\$22,923
Fiscal Year 2029	\$15,240	\$8,122	\$23,362
Fiscal Year 2030	\$16,378	\$7,432	\$23,810
Subsequent 5 Years (2031 to 2035)	\$101,134	\$24,943	\$126,077
Subsequent 5 Years (2036 to 2038)	\$59,771	\$3,239	\$63,010
Total Future Lease Payments	\$ 213,012	\$ 71,282	\$284,294

The discount rate used to discount U.S. Federal Housing's lease liabilities to present value is 4.375%. Total right-to-use leased assets and related accumulated amortization are \$207.6 million and \$30.7 million respectively.

Other than Intragovernmental Leases Data as Lessee: FY 2025 Right-to-Use Lease Expenses:

Amortization Expense of the Right-to-Use Lease Assets	Interest Expense on the Lease Liabilities	Total
\$14,347	\$9,036	\$23,383

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 four-months' notice. The FY 2025 lease expense for the FHFA OIG offices spaces is \$0.7 million.

Note 9. Commitments and Contingencies

In addition to leases disclosed in Note 8, *Leases*, U.S. Federal Housing is committed under obligations for goods and services which have been ordered but not yet received as of September 30, 2025 (see Note 13, *Undelivered Orders at Year End*). U.S. Federal Housing did not have any material contingencies that met disclosure requirements as of September 30, 2025.

Note 10. Net Adjustments to Unobligated Balance Brought Forward, October 1

This budgetary resource line consists of the unobligated balance, brought forward as of October 1, as increased or decreased by current fiscal year activity related to the unobligated balance brought forward. The table below displays the FY 2025 composition of this line.

	2025
Unobligated Balance Brought Forward, October 1	\$ 109,643
Recoveries of Prior Year Obligations	24,215
Other Changes in Unobligated Balance	731
Unobligated Balance from Prior Year Budget Authority, Net	\$ 134,589

Note 11. 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 U.S. Federal Housing'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, 2025, the unobligated balance was \$183.5 million, of which \$41.2 million was not designated as working capital fund. Within U.S. Federal Housing's authority is the ability to retain the portion of the FY 2025 which is not designated as working capital fund for operating expenses, to increase the working capital fund, or for conservatorship/Enterprise-related expenses during FY 2026. U.S. Federal Housing retained the FY 2024 unobligated balance for conservatorship/Enterprise-related expenses during FY 2025.

Note 12. Budgetary Resource Comparisons to the Budget of the United States Government

A comparison was performed between the amounts reported in the FY 2024 Statement of Budgetary Resources and the actual FY 2024 amounts reported in the FY 2026 Budget of the U.S. government for SBR lines *Total Budgetary Resources*; *New Obligations and Upward Adjustments*; *Distributed Offsetting Receipts*, and *Net Outlays*. The FY 2024 differences are explained in the Summary of FY 2024 Reconciling items table below. The President's Budget that will report actual amounts for FY 2025 has not yet been published and will be made available on OMB's President's Budget website.¹³

Summary of FY 2024 Reconciling Items

(In Millions)

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 559	\$ 450	\$ 415	\$ 375
Budget of the U.S. Government	\$ 560	\$ 450	\$ 415	\$ 374
Difference	\$ (1)	\$ -	\$ -	\$ 1
Explanation	Rounding			Rounding

¹³ <https://www.whitehouse.gov/omb/budget/>

Note 13. Undelivered Orders at the End of the Period

The following table summarizes total budgetary resources obligated for Undelivered Orders as of September 30, 2025:

	Federal	Non-Federal
Paid Undelivered Orders	\$ 650	\$ 6,199
Unpaid Undelivered Orders	4,080	51,557
Total Undelivered Orders	\$ 4,730	\$ 57,756

Note 14. Incidental Custodial Collections

U.S. Federal Housing'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. U.S. Federal Housing's custodial collections are de minimis at less than one thousand dollars per year, with \$459 for the year ended September 30, 2025. Custodial collections are transferred to the Treasury General Fund on September 30 and are not reflected in the financial statements of the Agency.

Note 15. Reconciliation of Net Cost of Operations to Net Outlays

In accordance with the requirements of SFFAS 7, *Accounting for Revenue and Other Financing Sources*, as amended by SFFAS 53, *Budget and Accrual Reconciliation*, the schedules presented below bridge the gap between the net operating costs presented on the Statement of Net Cost and the net outlays presented on the Statement of Budgetary Resources for the fiscal year ended September 30, 2025. Net cost is calculated on an accrual basis while net outlays consist of the receipt and use of cash on a budgetary basis. This reconciliation assures the integrity of relationships between proprietary and budgetary accounting.

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 Year Ended September 30, 2025	Intragovernmental	Other than Intragovernmental	Total
Net (Income From)/Cost of Operations	\$ 73,690	\$ (95,522)	\$ (21,832)
Components of Net Cost Not Part of the Budgetary Outlays			
General and Right-to-Use Property, Plant, and Equipment, Net	-	(4,259)	(4,259)
Amortization of Right-to-Use Lease Asset	-	(14,347)	(14,347)
Accrued Interest on Lease Liability	-	(9,062)	(9,062)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(338)	2	(336)
Securities and Investments	-	-	-
Advances and Prepayments	73	939	1,012
(Increase)/Decrease in Liabilities:			
Accounts Payable	243	2,897	3,140
Advances from Others and Deferred Revenue	(68)	(66,908)	(66,976)
Federal Employee Salary, Leave, and Benefits Payable, Net	-	2,231	2,231
Pensions, and Post Employment-Related Benefits	-	(1,010)	(1,010)
Other Liabilities, Net	(252)	(7)	(259)
Financing Sources:			
Imputed Cost	(21,027)	-	(21,027)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (21,369)	\$ (89,524)	\$ (110,893)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	67	1,039	1,106
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ 67	\$ 1,039	\$ 1,106
Miscellaneous Items			
Distributed Offsetting Receipts	(13,207)	(491,682)	(504,889)
Appropriated Receipts for Trust/Special Funds	13,207	491,682	504,889
Custodial/Non-Exchange Revenue	1	(1)	-
Principal Payments on Right to Use Lease Liability	-	26	26
Total Other Reconciling Items	\$ 1	\$ 25	\$ 26
Total Net Outlays (Calculated Total)	\$ 52,389	\$ (183,982)	\$ (131,593)
Budgetary Agency Outlays, Net			
Agency Outlays, Net			\$ (131,593)



OTHER INFORMATION

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AUDITS AND EVALUATIONS

Every year, U.S. Federal Housing 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 U.S. Federal Housing and periodically conducts other assessments or reviews of the Agency. OIG also issues an annual assessment of U.S. Federal Housing's Management and Performance Challenges, presented on pages 66-79.

Table 12: Audits and Evaluations

FHFA OIG Reports			
Report Title	Report ID	Report Date	
1 <u>The Division of Federal Home Loan Bank Regulation Needs to Improve Controls Over Internal Model Risk</u>	AUD-2025-009	2025-09-29	
2 <u>FHFA Followed Federal Requirements in Supporting Its Decision for the Enterprises' Use of Bi-Merge Credit Reporting</u>	AUD-2025-008	2025-09-29	
3 <u>Vulnerabilities in FHFA's Public-Facing Systems Risk Unauthorized Access to Non-Public Data</u>	AUD-2025-007	2025-09-25	
4 <u>FHFA and FHLBank Coordination with Regulators Improved After the Spring 2023 Bank Failures, but Several FHLBanks Faced Challenges Obtaining Timely Supervisory Information</u>	EVL-2025-005	2025-09-18	
5 <u>Audit of the Federal Housing Finance Agency's Privacy and Data Protection Program Fiscal Year 2025</u>	AUD-2025-006	2025-08-27	
6 <u>DHMG's Oversight of the Enterprises' Compliance with Duty to Serve Requirements Was Not Fully Effective Due to Incomplete Evaluation Documentation and Outdated Guidance</u>	AUD-2025-005	2025-08-28	
7 <u>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2025</u>	AUD-2025-004	2025-07-30	
8 <u>FHFA's Review of Fannie Mae's Compensation Proposals Based on Executive Performance</u>	EVL-2025-004	2025-07-14	
9 <u>Risk Assessment of FHFA's Charge Card Programs April 1, 2023 – March 31, 2024</u>	OIG-RA-2025-001	2025-05-21	
10 <u>FHFA Did Not Adequately Document its Support for Recruitment Bonuses but Adhered to Most Requirements for Monetary Awards and Retention Allowances during Fiscal Year 2023</u>	EVL-2025-003	2025-05-13	
11 <u>DBR's Oversight Was Sufficient to Ensure That FHLBanks Managed Mortgage Servicer Risks But Examiners Did Not Follow Steps Outlined in Its 2023 Supervisory Priorities</u>	AUD-2025-003	2025-03-28	
12 <u>FHFA's Controls Over Background Investigations and Adjudications Were Ineffective</u>	AUD-2025-002	2025-03-28	
13 <u>Inspection: FHFA Oversight of Freddie Mac's Issuance of Suspicious Activity Reports</u>	COM-2025-005	2025-03-27	
14 <u>DBR Provided Sufficient Oversight of the FHLBanks' Use of Market Risk Modeling</u>	AUD-2025-001	2025-03-26	

Table 12: Audits and Evaluations

15	<u>FHFA Followed Its Procedure for Reviewing Enterprise Employee Retention Award Proposals</u>	COM-2025-004	2025-03-20
16	<u>2025 Update of Mortgage Insurers as Enterprise Counterparties</u>	WPR-2025-001	2025-03-19
17	<u>FHFA Has Taken Supervisory Actions to Address Multifamily Risk Management Deficiencies at Freddie Mac, but Current Market Conditions Present Challenges</u>	EVL-2025-002	2025-03-06
18	<u>FHFA Should Document Its Updated Procedure Requirement for Implementing Binding Operational Directives for IT Security</u>	COM-2025-003	2025-01-22
19	<u>Inspection: Whether FHFA Adhered to Its Consumer Communications Procedures</u>	COM-2025-002	2024-12-09
20	<u>Freddie Mac Did Not Follow State Instructions When Filing Complaints Against Residential Real Estate Appraisers</u>	EVL-2025-001	2024-12-09
21	<u>FHFA's Office of the Ombudsman Did Not Meet Two Deadlines When Processing Incoming Submissions</u>	COM-2025-001	2024-11-12

GAO Reports

Report Title	Report ID	Report Date
1 <u>Federal Housing Finance Agency: Improvements Needed in Certain Internal Controls over Financial Reporting</u>	GAO-25-107981	2025-04-30
2 <u>Bank Regulation: Agencies Should Finalize Rulemaking on Incentive Compensation</u>	GAO-25-107032	2025-02-20
3 <u>Nonbank Mortgage Companies: Greater Ginnie Mae Involvement in Interagency Exercises Could Enhance Crisis Planning</u>	GAO-25-107862	2025-01-31
4 <u>Federal Housing Finance Agency: 2025–2027 Enterprise Housing Goals</u>	B-336974	2025-01-14
5 <u>Federal Housing Finance Agency—Applicability of the Congressional Review Act to FHFA Bi-Merge Requirement and Determination on Two New Credit Score Models</u>	B-336260	2024-01-10
6 <u>Financial Audit: Federal Housing Finance Agency's FY 2024 and FY 2023 Financial Statements</u>	GAO-25-107454	2024-11-15

MANAGEMENT REPORT ON FINAL ACTIONS

As required under amended Section 5 of the Inspector General Act of 1978, U.S. Federal Housing must report information on final action taken by management on certain audit reports. Tables 13, 14, and 15 provide information on final action taken by management on audit reports for FY 2025.

Table 13: Management Report on Final Action on Audits with Disallowed Costs for FY 2025¹⁴

	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	1	\$95,768
C	Total reports pending final action during the period (A and B)	1	\$95,768
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 14: Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use for FY 2025

	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 15: Audit Reports Without Final Actions but with Management Decisions Over One Year Old for FY 2025

Report No. and Issue Date	Recommendation	Management Action
FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats	Recommendations 1,11,12,13,15,16,21	Actions are expected to be completed in Fiscal Year 2026.

¹⁴ The OIG reported unsupported costs of \$95,768 in the Compliance Review, *FHFA Did Not Adequately Document its Support for Recruitment Bonuses but Adhered to Most Requirements for Monetary Awards and Retention Allowances during Fiscal Year 2023* (EVL-2025-003). The Agency identified additional documentation which fully supported \$20,000 of the identified unsupported costs.

OFFICE OF INSPECTOR GENERAL MANAGEMENT AND PERFORMANCE CHALLENGES

Federal Housing Finance Agency
Office of Inspector General



Federal Housing Finance Agency Management and Performance Challenges for Fiscal Year 2026



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

September 29, 2025

MEMORANDUM

TO: William J. Pulte, Director, Federal Housing Finance Agency

FROM: John Allen, Acting Inspector General /s/

SUBJECT: Fiscal Year 2026 Management and Performance Challenges

Pursuant to the Reports Consolidation Act of 2000 (P.L. 106-531), we are providing our perspective on the most serious management and performance challenges facing the Federal Housing Finance Agency (FHFA or the Agency) in fiscal year (FY) 2026 and the Agency's progress in addressing those challenges. This memorandum is based on Office of Inspector General (OIG) work and a review of public and non-public information, including data obtained from Fannie Mae and Freddie Mac (the Enterprises) and the 11 Federal Home Loan Banks (FHLBanks) (collectively, the regulated entities).¹ It includes risk areas identified in prior years that continue to constitute serious management and performance challenges, as well as one new risk area that merits attention.

The following are the most serious management challenges identified for FY 2026:

1. Managing risks in the Enterprises' multifamily lines of business;
2. Managing vulnerability within FHFA's information security programs and at the regulated entities;
3. Addressing human capital risk at FHFA (previously reported as "people risk");
4. Overseeing the regulated entities' reliance on counterparties and third parties; and

¹ The Office of Finance is a part of the FHLBank System, which includes the 11 FHLBanks. The U.S. Financial Technology, LLC (U.S. FinTech), previously known as Common Securitization Solutions, LLC, is an affiliate of the Enterprises. References to the "regulated entities" in this document should be read to also apply to the Office of Finance and U.S. FinTech.

Fiscal Year 2026 Management and Performance Challenges

5. Creating and maintaining records justifying key management decisions (new challenge).

Please note that two challenges reported in our prior year memorandum are no longer considered topmost concerns in FY 2026. First, we have removed “supervising the regulated entities’ model risk management” as a primary challenge. We have done so because FHFA’s examinations and reviews conducted by independent entities retained by the Enterprises have not identified weaknesses attributable to shortcomings in model risk governance that expose the Enterprises to material financial losses. Second, we have removed the challenge related to “achieving certain supervisory goals for the FHLBank System and member credit risk management,” as we have determined that this challenge has abated. Specifically, we found that following high-profile bank failures in the spring 2023, FHFA engaged with FHLBanks to emphasize the importance of managing credit risk by ensuring that member banks have the ability to repay advances through operating earnings, rather than providing advances primarily based on collateral. This engagement has addressed the primary impediment to the achievement of the credit risk management supervisory goal.

While certain challenges may be inherent to FHFA’s mission, this memorandum highlights the more significant difficulties noted from our oversight work, as well as the Agency’s progress in addressing those challenges.

Challenge 1: Managing Risks in the Enterprises’ Multifamily Lines of Business

The Enterprises’ multifamily businesses provide liquidity to the mortgage market and contribute to the achievement of FHFA’s affordable housing goals and conservatorship objectives. As of second quarter 2025, the combined multifamily portfolios exceeded \$976 billion. The Enterprises’ new business volumes for the year 2024 totaled \$120.2 billion. FHFA’s 2024 Report to Congress acknowledged that, at the end of calendar year 2024, both Enterprises lacked adequate capital to support the risks associated with their business models and did not meet minimum regulatory capital requirements established by FHFA.

Fraud is a serious risk in the multifamily market. Investigations conducted by the OIG Office of Investigations (OI) and partner law enforcement agencies identified a range of fraud schemes focused on multi-family financing. For example, in FY 2025, OI, working with other law enforcement partners, successfully prosecuted a significant multifamily case involving real estate investors who deceived lenders into fraudulently funding multifamily and commercial mortgage loans; filed charges in additional multifamily investigations; and initiated several new cases concerning allegations of fraudulent loans purchased by the Enterprises to finance multifamily properties. Steps taken by the Enterprises also reflect increased awareness of fraud in the multifamily market. For example, Fannie Mae’s 10-K for 2024 disclosed a multifamily provision for credit losses of \$752 million that management attributed, in part, to potential

Fiscal Year 2026 Management and Performance Challenges

mortgage fraud. Similarly, other lenders have reported increasing provisions for credit losses and charge-offs associated with suspected multifamily mortgage fraud.

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 to Congress in June 2025 that the Agency identified several areas "that require further improvement," and listed multifamily risk management among those areas.

Why This is a Challenge

Multifamily transactions currently account for billions of dollars a year in business for the Enterprises. According to FHFA, multifamily markets continue to have a heightened fraud risk because of the economic pressure from tighter markets, higher expenses, and higher interest rates. Yet, despite the elevated risks, the capital of both Enterprises remains below FHFA's regulatory requirements. It is also at a time when FHFA considers the Enterprises' risk management practices to be unsatisfactory. This environment presents a serious challenge to FHFA's ability to ensure that the Enterprises operate in a safe and sound manner.

FHFA's Progress in Addressing this Challenge

In 2024, the Division of Enterprise Regulation (DER) examined a number of multifamily-related topics at the Enterprises, including multifamily asset management, multifamily spread risk, multifamily mortgage fraud risk management, multifamily business automation, multifamily counterparty risk, and multifamily seller/servicer oversight. DER's 2025 supervision plan has scheduled examination work in the areas of, among other things, multifamily credit risk management, multifamily enterprise risk management, and multifamily servicer risk management. DER has issued adverse examination findings and monitored the Enterprises' remediation of those findings.

Select OIG Report Related to the Enterprises' Multifamily Businesses:

[FHFA Has Taken Supervisory Actions to Address Multifamily Risk Management Deficiencies at Freddie Mac, but Current Market Conditions Present Challenges](#) (EVL-2025-002, March 6, 2025)

Select OIG Criminal Investigation on Multifamily Fraud:

[Four Real Estate Investors Sentenced in Multimillion-Dollar Loan Scheme](#) (Press Release, April 1, 2025)

Fiscal Year 2026 Management and Performance Challenges

Challenge 2: Managing Vulnerability within FHFA's Information Security Programs and at the Regulated Entities

FHFA's regulated entities are important components of the U.S. housing finance system and interconnect with other financial institutions and counterparties. As part of their business processes, the regulated entities 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 continue to face the threat 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 an operational risk. Similarly, the Agency assessed that operational risk levels remained moderately elevated 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 and perform a denial-of-service attack or gain unauthorized access to modify systems and data. Vulnerabilities that remain unremediated over an extended period increase the exposure and likelihood that the confidentiality, integrity, and availability of systems and data can be compromised.

Why This is a Challenge

Regulated Entities

In its 2024 Report to Congress, FHFA reported that "Fannie Mae's exposure to information security risk persisted because of both elevated levels of cyber threats and opportunities for improvement in information security risk management." Additionally, Freddie Mac continues to work on matters related to information security, data management, and model risk. While both Enterprises employ information security programs, operational risks remain elevated given increased exposure to cybersecurity threats. In addition to the Enterprises, the FHLBanks continued to face moderately elevated cyber and information security risk. FHFA examiners

[Fiscal Year 2026 Management and Performance Challenges](#)

identified areas that exhibited or could exhibit unacceptable operational risks in identity and access management controls, insufficient data center failover testing, and application security management, among other cybersecurity areas.

FHFA

Pursuant to Federal Information Security Modernization Act of 2014 (FISMA),² OIG contracts with an independent public accountant (IPA) to conduct independent evaluations of FHFA's information security programs and practices. Since FY 2023, FHFA has not completed remediation of several previously identified and past-due exploitable vulnerabilities. In the FY 2023 evaluation, the IPA noted that FHFA did not fix 1,716 out of 2,820 vulnerabilities within 14 days of discovery, as required by the Cybersecurity and Infrastructure Security Agency (CISA) and FHFA's Vulnerability Management Process. FHFA acknowledged its failure to correct most of the identified vulnerabilities. By FY 2025, the IPA reported that FHFA was tracking the remediation of past due exploitable vulnerabilities on a quarterly basis but with no estimated completion dates.

In other audit work, we noted that exploitable vulnerabilities persist. Our FY 2024 audit of the Agency's security controls found that they were ineffective for protecting FHFA's network and information systems against internal threats. Penetration testing demonstrated that the Agency's network has serious vulnerabilities that increase the likelihood that hacking attempts will succeed. Our auditors were able to gain access to a privileged user account that allowed them to view, edit, or save files on the local drives of any user's laptop or desktop, including FHFA executives at the highest levels. The auditors were also able to elevate a standard user account to a domain administrator and take full control of FHFA's network. In all, we identified a total of 3,318 potentially exploitable vulnerabilities on FHFA's servers, workstations, and other devices of which 64 percent were critical.

In another audit, we found that FHFA did not effectively plan its FY 2025 Disaster Recovery Exercise for recovering one of its systems. In addition to FHFA's contingency planning documents missing required elements or including outdated information, the Agency did not encrypt its backup data-at-rest residing at its alternate site and did not have documented compensating controls. Without encryption of data-at-rest, FHFA's information residing at its alternate site could be at risk of unauthorized disclosure and modification. Furthermore, this could expose the system to cyber threats, including data breaches, identity theft, and other cybercrimes, which can have severe legal and financial consequences.

² 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.

In addition to remediating weaknesses identified in audits, FHFA faces challenges in migrating data to a new cloud-based infrastructure. FHFA established a cloud platform and initiated the migration of critical data from aging onsite hardware to the new cloud-centric infrastructure. The cloud platform utilizes new data management standards to improve data storage, data discoverability, performance, and scalability. FHFA acknowledged challenges with migrating data to the new cloud platform in its FY 2024 Performance and Accountability Report noting that an infrastructure upgrade and data migration of this magnitude involves challenges that accompany a legacy system redesign as well as a range of potential risks such as data loss, information technology system or network unavailability, and increased cybersecurity risk.

FHFA's Progress in Addressing this Challenge

Regulated Entities

As reported in FHFA's 2024 Report to Congress, the Enterprises continue to address and improve operational matters to include, among other things, information technology risk, information security, and data management. FHFA encourages the regulated entities to pursue various avenues for discovering and mitigating vulnerabilities such as engaging in penetration testing exercises, establishing frameworks to perform threat modeling, and participating in a vulnerability disclosure program to learn of vulnerabilities through external parties.

The Enterprises each continued to implement technology solutions to protect the security and confidentiality of sensitive information and to respond to emerging cybersecurity threats. 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

As noted above, FHFA's Office of the Chief Information Officer started tracking past due exploitable vulnerabilities on a quarterly basis in FY 2025. Despite these efforts, FHFA still carries many unresolved vulnerabilities with no estimated completion dates for remediation. Some vulnerabilities now span three fiscal years, demonstrating persistent challenges in remediating them. In addition, implementation of recommendations to address recent audit findings, including the FY 2024 audits of the Agency's security controls and its Disaster Recover Exercise, remain in progress.

Select OIG Reports Related to Vulnerability Management:

[Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2025](#) (AUD-2025-004, July 30, 2025)

Fiscal Year 2026 Management and Performance Challenges

[FHFA's Disaster Recovery Exercise for Its General Support System Needs Improvement](#)
(AUD-2024-010, September 25, 2024)

[FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats](#) (AUD-2024-007, August 12, 2024)

[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 3: Addressing Human Capital Risk at FHFA

In order to achieve FHFA's broader mission, the Agency must have a workforce that possesses the requisite skills. It is imperative to recruit, develop, and maintain a workforce that possesses the skills to, among other things, satisfy statutory requirements (for example, establish capital requirements, set annual housing goals, and conduct annual onsite examinations) and achieve the strategic goals established by the FHFA Director.

Why This is a Challenge

One of FHFA's strategic goals is to position the Agency as a model of operational excellence by strengthening its workforce and infrastructure. In prior years, we have reported on needed improvements to FHFA's workforce planning, particularly related to its examination function, and instances in which FHFA may not have the workforce needed to discharge certain statutory responsibilities.

The Agency's ability to fulfill its mission, meet its strategic goals and objectives, and achieve operational success depends on its personnel and their collective skills. Like other federal agencies, FHFA has reduced the size of its workforce as required under applicable executive orders. This reduction in personnel included executives, managers, and other staff directly involved in mission-related activities. FHFA management now faces serious challenges as it adapts the organization's operations and practices to the Agency's smaller size and change in composition. This challenge is a follow-on to the prior year's management and performance challenge, *Addressing People Risk at FHFA and at the Regulated Entities*.

Although human capital management within FHFA presents a significant challenge, we do not consider human capital management at the regulated entities to be as serious a challenge for the Agency in FY 2026 as reported in our prior year memorandum. While there have been changes in personnel, including the Chief Executive Officer at Freddie Mac, management teams at the

[Fiscal Year 2026 Management and Performance Challenges](#)

regulated entities are largely intact. Moreover, these teams were not the subject of serious adverse examination findings as of June 2025.

FHFA's Progress in Addressing this Challenge

FHFA previously advised us that it had initiated actions designed to improve the Agency's workforce planning and completed actions to address hiring issues. The Agency's organizational structure has changed over the past year, and management personnel have changed as well. In addition, our audit recommendation to FHFA's Division of Federal Home Loan Bank Regulation (DBR) to perform an Affordable Housing Program workforce planning analysis to determine current and future examination needs and address any identified staffing gaps remains open. It is premature to assess the Agency's progress beyond these actions at this time. We note that FHFA has a Workforce Planning Policy in place that established a process to ensure alignment with strategic objectives, identify workforce gaps, and develop and implement strategies to recruit, hire, develop, engage, and retain high quality talent.

Select OIG Reports Issued Related to Addressing Human Capital Management

[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, February 9, 2023)

[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, September 27, 2022)

[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, March 25, 2020)

[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, February 25, 2020)

Challenge 4: Overseeing the Regulated Entities' Reliance on Counterparties and Third Parties

FHFA continues to face challenges overseeing the regulated entities' reliance on counterparties for business-critical matters. The regulated entities are exposed to counterparty risk when they

[Fiscal Year 2026 Management and Performance Challenges](#)

engage in business transactions with institutions such as sellers, servicers, mortgage insurers and reinsurers, among others. Further, regulated entities are exposed to counterparty risk when they outsource critical operational and information technology functions to third-party providers.

Counterparty risk occurs when (a) a counterparty deteriorates in creditworthiness before a transaction settles, or defaults on amounts owed (also known as counterparty credit risk); or (b) a third-party provider does not perform as expected.

Why This is a Challenge

The regulated entities' continued reliance upon counterparties and third parties presents a persistent challenge because FHFA lacks statutory authority to supervise those parties directly. Some challenges to note:

- Institutional counterparty defaults on its obligations could negatively impact a regulated entity's ability to operate.
- The private mortgage insurance industry, which accounts for the largest portion of the Enterprises' counterparty risks, is concentrated in a few monoline providers which face risk due to a lack of diversification.
- The regulated entity's reliance on nonbank seller/servicers presents risk from the monoline nature of their activities, heavy reliance on the availability of external financing, and lack of strong regulatory oversight.
- The regulated entities rely on third-party service providers for a wide range of services, some of which are critical to their operations. These third-party service providers are subject to risks that arise from factors such as: the complexity of the arrangement, the volume or type of product or service provided, the criticality of service provided, access and/or storage of sensitive data, and a third-party's potential use of subcontractors ("fourth parties").
- OIG's criminal investigations have included numerous cases over time of alleged fraud by various counterparties and third parties, reinforcing the need to ensure strong controls to prevent fraud.

While FHFA oversees the regulated entities themselves, including, but not limited to, their risk management, it has no regulatory authority over counterparties and third parties. Therefore, FHFA has only a limited ability to oversee risks to the regulated entities arising from their reliance upon them. FHFA reported this limitation in its annual report to Congress. With respect

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to the Enterprises, FHFA relies on conservatorship authority to require that the Enterprises include provisions in their third-party contracts to grant FHFA access to information about service providers; and, as conservator, exercises the Enterprise's contractual audit rights to obtain necessary information to fulfill FHFA's statutory safety and soundness responsibilities. FHFA does not have similar authority with regard to the FHLBanks, as they are not in conservatorship. Both the Government Accountability Office and the Financial Stability Oversight Council recognized challenges related to third parties and have recommended that Congress provide FHFA authority to examine third parties that do business with the regulated entities similar to that conferred upon the federal banking agencies through a provision in the Bank Service Company Act.³

FHFA's Progress in Addressing this Challenge

FHFA acted to mitigate risks associated with the regulated entities' reliance on counterparties and third parties. For more than five years, DER has identified third-party oversight as a supervisory priority. Third-party risk management has been a point of emphasis in DER's supervisory planning, so each DER examination team's consolidated ongoing monitoring activity was to include work on that topic. According to FHFA, single-family seller/servicers remain a focus of Enterprises' counterparty risk oversight efforts because of the potential credit and operational risks associated with them. Further, DER timely addressed audit recommendations that it develop and implement written policies and procedures for conducting reviews of nonbank seller/servicers, and to guide the risk monitoring and analysis process.

The Agency continued its use of the 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. Under this program, FHFA may issue orders suspending an individual or entity from doing business with the regulated entities. FHFA reported having issued five suspension orders in FY 2025 so far, which is 80 percent less than the 24 suspension orders it issued in FY 2024. While FHFA staff continues to receive and process referrals, suspension orders have been temporarily delayed as FHFA conducts a comprehensive review of FHFA regulations, including suspended counterparty regulations, in response to recent court decisions and executive orders. It is anticipated that FHFA staff will finalize more suspension orders in the coming months. In FY 2023, FHFA had proposed to amend the existing Suspended Counterparty Program regulation to expand the categories of covered misconduct on which a suspension might be based, to include sanctions arising from certain forms of civil enforcement. After considering comments, the Agency published a second proposed rule to address a number of material changes deemed necessary. This rulemaking remains pending.

³ See <https://www.fhfa.gov/document/fhfa-2024-annual-report-to-congress.pdf>

Select OIG Reports Related to Counterparty or Third-Party Issues

[DBR's Oversight Was Sufficient to Ensure That FHLBanks Managed Mortgage Servicer Risks But Examiners Did Not Follow Steps Outlined in Its 2023 Supervisory Priorities](#)
(AUD-2025-003, March 28, 2025)

[2025 Update of Mortgage Insurers as Enterprise Counterparties](#) (WPR-2025-001, March 19, 2025)

Select OIG Criminal Investigations Related to Counterparty and Third-Party Matters

[Title-Company-Owner-Pleads-Guilty-To-Wire-Fraud](#) (Press Release, May 30, 2025)

[Kissimmee-Real-Estate-Broker-Sentenced-For-Bank-Fraud](#) (Press Release, April 30, 2025)

[Four-Real-Estate-Investors-Sentenced-in-Multimillion-Dollar-Loan-Scheme](#) (Press Release, April 1, 2025)

[Self-proclaimed “Short Sale Queen” and Associates Indicted in Federal Mortgage Fraud Scheme](#) (Press Release, December 3, 2024)

[Three-Bay-Area-Real-Estate-Professionals-Sentenced-to-Federal-Prison-for-Their-Roles-in-\\$55-Million-Mortgage-Fraud-Conspiracy.pdf](#) (Press Release, November 26, 2024)

Challenge 5: Creating and Maintaining Records Justifying Key Management Decisions (New)

FHFA's regulated entities control approximately \$9 trillion in assets, which the Agency bears significant responsibility for overseeing. FHFA conducts a broad range of regulatory and conservatorship activities and makes decisions that involve complex supervisory examinations and determinations to meet the Agency's strategic goals and objectives. Maintaining records of such decisions is not only a requirement but will improve accountability and transparency, among other things. As such, FHFA included accountability and transparency in its work as a core value.

Why This Is a Challenge

Over time, OIG has made findings and recommendations addressing gaps in the Agency's record-keeping practices covering a wide variety of Agency activities such as examinations, housing policy, personnel management, IT security, and conservatorship decisions. There were

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several underlying reasons that Agency documentation was found insufficient such as personnel's failure to follow existing policies and procedures; immature operating processes and lack of clarity in policies and procedures; staff turnover; or lack of a centralized document repository. Taken together, these matters present continuing challenges with the Agency's records management practices over time.

FHFA's Progress in Addressing This Challenge

FHFA has implemented several of OIG's recommendations leading to improvement in its records management in some areas. For example, the Agency has updated policies and procedures to enhance documentation requirements for certain supervision, conservatorship and IT security activities, and conducted training on related documentation and recordkeeping responsibilities. However, in recent reports (listed below), OIG continued to identify issues with the documentation of FHFA's activities and decisions, including specific deficiencies in examination documentation, and more general concerns with examination documentation standards. Corrective actions to address the recommendations in these reports remain outstanding. Accordingly, we believe that records management—and, by extension, accountability and transparency — remains a challenge for the Agency.

Select OIG Reports Related to FHFA's Creation and Maintenance of Records Justifying Key Management Decisions

[DBR's Oversight Was Sufficient to Ensure That FHLBanks Managed Mortgage Servicer Risks But Examiners Did Not Follow Steps Outlined in Its 2023 Supervisory Priorities](#)
(AUD-2025-003, March 28, 2025)

[Freddie Mac Did Not Follow State Instructions When Filing Complaints Against Residential Real Estate Appraisers](#) (EVL-2025-001, December 9, 2024)

[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, September 18, 2024)

Conclusion

A primary objective of this memorandum is to provide FHFA with an objective assessment of key challenges to inform its management and mitigation of operational risks, both internal to the Agency and within the regulated entities. We are encouraged by FHFA's commitment to addressing key challenges, and the progress it has made to mitigate or resolve some of the challenges we have identified in our previous year's challenges memorandum. Continued vigilance by FHFA in these efforts is essential. To assist FHFA in addressing the management

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and performance challenges identified in this memorandum, OIG's FY 2026 audits and evaluations will focus on these areas. We will strive to continue providing FHFA with constructive and actionable recommendations.⁴

⁴ See <https://www.flhaoig.gov/Reports/AuditAndEvaluationPlan>.

SUMMARY OF FINANCIAL STATEMENTS AUDIT AND MANAGEMENT ASSURANCES

Table 16: 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 17: 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

**Table 18: 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) U.S. Standard General Ledger 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).

U.S. Federal Housing, 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. U.S. Federal Housing uses Treasury's shared-service provider, Administrative Resource Center to provide 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 U.S. Federal Housing, as appropriate. U.S. Federal Housing 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 19: Civil Monetary Penalty Adjustment for Inflation

ENFORCEMENT REGULATIONS:					
Statutory Authority	Penalty	Year Enacted	Latest Year of Adjustment	Current Penalty Level	Location for Penalty Update Details
Safety and Soundness Act - 12 U.S.C. § 4636(b)(1)	First Tier	2008	2025	\$ 14,575	90 FR 4607 – 4609 (Jan. 16, 2025)
Safety and Soundness Act - 12 U.S.C. § 4636(b)(2)	Second Tier	2008	2025	\$ 72,876	90 FR 4607 – 4609 (Jan. 16, 2025)
Safety and Soundness Act - 12 U.S.C. § 4636(b)(4)	Third Tier – Entity affiliated party and regulated entity	2008	2025	\$ 2,915,057	90 FR 4607 – 4609 (Jan. 16, 2025)
ADMINISTRATIVE FALSE CLAIMS REGULATION:					
Statutory Authority	Penalty	Year Enacted	Latest Year of Adjustment	Current Penalty Level	Location for Penalty Update Details
Administrative False Claims Act of 2023 (formerly, Program Fraud Civil Remedies Act) - 31 U.S.C. § 3802(a)(1)	Maximum penalty per false claim	2009	2025	\$ 14,308	90 FR 4607 – 4609 (Jan. 16, 2025)
Administrative False Claims Act of 2023 (formerly, Program Fraud Civil Remedies Act) - 31 U.S.C. § 3802(a)(2)	Maximum penalty per false statement	2009	2025	\$ 14,308	90 FR 4607 – 4609 (Jan. 16, 2025)
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	2025	\$709	90 FR 4607 – 4609 (Jan. 16, 2025)
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	2025	\$ 204,428	9089 FR 4607 – 4609 (Jan. 16, 2025)

U.S. FEDERAL HOUSING

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Acting Deputy Director

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