



# ANNUAL PERFORMANCE PLAN FOR FISCAL YEAR 2019

October 2018



Office of Budget and Financial Management

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**Mission**

Ensure the regulated entities operate in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance and community investment.

**Vision**

A reliable, stable, and liquid housing finance system.

**Values**

- Respect** We strive to act with respect for each other, share information and resources, work together in teams, and collaborate to solve problems.
- Excellence** We aspire to excel in every aspect of our work and to seek better ways to accomplish our mission and goals.
- Integrity** We are committed to the highest ethical and professional standards to inspire trust and confidence in our work.
- Diversity** We seek to promote diversity in our employment and business practices and those of our regulated entities.



## Scope of Responsibilities

The Federal Housing Finance Agency (FHFA) was established by the Housing and Economic Recovery Act of 2008 (HERA) and is responsible for the effective supervision, regulation, and housing mission oversight of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Bank System, which includes 11 Federal Home Loan Banks (FHLBanks or Banks) and the Office of Finance. The Agency's mission is to ensure that the regulated entities operate in a safe and sound manner so that they serve as a reliable source of liquidity and funding for housing finance and community investment. Since 2008, FHFA has also served as conservator of Fannie Mae and Freddie Mac (together, the Enterprises).

### I. FHFA's Regulatory Oversight of the Federal Home Loan Banks, Fannie Mae, and Freddie Mac

As part of the Agency's statutory authority in overseeing the Federal Home Loan Bank System and the Enterprises, the Federal Housing Enterprises Financial Safety and Soundness Act (the Safety and Soundness Act), as amended by HERA, requires FHFA to fulfill the following duties:

- (A) to oversee the prudential operations of each regulated entity; and
- (B) to ensure that--
  - (i) each regulated entity operates in a safe and sound manner, including maintenance of adequate capital and internal controls;
  - (ii) the operations and activities of each regulated entity foster liquid, efficient, competitive, and resilient national housing finance markets (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities);
  - (iii) each regulated entity complies with this chapter and the rules, regulations, guidelines, and orders issued under this chapter and the authorizing statutes;
  - (iv) each regulated entity carries out its statutory mission only through activities that are authorized under and consistent with this chapter and the authorizing statutes; and-



(v) the activities of each regulated entity and the manner in which such regulated entity is operated are consistent with the public interest.

12 U.S.C. § 4513(a)(1).

## II. FHFA's Role as Conservator of Fannie Mae and Freddie Mac

As part of HERA, Congress granted the Director of FHFA the discretionary authority to appoint FHFA as conservator or receiver of Fannie Mae, Freddie Mac, or any of the Federal Home Loan Banks, upon determining that specified criteria had been met. On September 6, 2008, FHFA exercised this authority and placed Fannie Mae and Freddie Mac into conservatorships. Since the Enterprises were placed into conservatorships, the U.S. Department of the Treasury (Treasury Department) has provided essential financial commitments of taxpayer funding under the Senior Preferred Stock Purchase Agreement (PSPAs) Fannie Mae and Freddie Mac have drawn a combined total of \$191.4 billion in taxpayer support under the PSPAs to date. As of June 30, 2018, the Enterprises have paid the Treasury Department a total of \$279.7 billion in dividends on senior preferred stock. Under the terms of the PSPAs, the Enterprises' dividend payments do not offset the amounts drawn from the Treasury Department. FHFA continues to oversee these conservatorships.

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

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

12 U.S.C. § 4617(b)(2)(D).

Carrying on the business of the Enterprises in conservatorships also incorporates the above-referenced responsibilities enumerated in 12 U.S.C. § 4513(a)(1). Additionally, under the Emergency Economic Stabilization Act of 2008, FHFA has a statutory responsibility in its capacity as conservator to "implement a plan that seeks to maximize assistance for homeowners and use its authority to encourage the servicers of the underlying mortgages, and considering net present value to the taxpayer, to take advantage of...available programs to minimize foreclosures." 12 U.S.C. § 5220(b)(1).



FHFA, acting as conservator and regulator, must follow the mandates assigned to it by statute and the missions assigned to the Enterprises by their charters until such time as Congress revises those mandates and missions.

## Relationship between the Strategic Plan and the Annual Performance Plan

The Fiscal Year (FY) 2019 Annual Performance Plan (APP) supports the *FHFA Strategic Plan: Fiscal Years 2018-2022 (Strategic Plan)*, which the Agency issued in January 2018. The APP sets out performance measures and targets in support of the goals in the Strategic Plan.

FHFA's APP has four components: (1) strategic goals; (2) performance goals; (3) performance measures and associated targets; and (4) means and strategies to accomplish the performance goals.

The **strategic goals**, which are outlined in the Strategic Plan, are the starting point for the FY 2019 APP. Aligning the APP with the Strategic Plan ties FHFA's annual priorities to the Agency's mission.

The **performance goals** in the APP link directly to each strategic goal in FHFA's Strategic Plan. FHFA selected these performance goals because they are intermediate outcomes or outputs necessary to achieve its strategic goals.

The **performance measures** and associated targets represent activities that FHFA expects to achieve during FY 2019. In many cases, these performance measures represent incremental progress toward achieving the strategic goals. The performance measures are the best indicators to management that FHFA is making progress to achieve its performance goals.

The **means and strategies** are key activities and actions that the Agency undertakes to achieve each performance goal.



### Strategic and Performance Goals

The FY 2019 APP details a series of performance measures, as well as means and strategies, to support the following three strategic goals and nine performance goals:

Strategic Goal 1:		Performance Goals
Ensure Safe and Sound Regulated Entities	1.1	Assess the safety and soundness of regulated entity operations
	1.2	Identify risks to the regulated entities and set expectations for strong risk management
	1.3	Require timely remediation of risk management weaknesses
Strategic Goal 2:		Performance Goals
Ensure Liquidity, Stability, and Access in Housing Finance	2.1	Ensure liquidity in mortgage markets
	2.2	Promote stability in the nation’s housing finance markets
	2.3	Expand access to housing finance for qualified financial institutions of all sizes in all geographic locations and for qualified borrowers
Strategic Goal 3:		Performance Goals
Manage the Enterprises’ Ongoing Conservatorships	3.1	Preserve and conserve assets
	3.2	Reduce taxpayer risk from Enterprise operations
	3.3	Build, implement, and operate a new single-family securitization infrastructure and implement the Single Security Initiative

#### I. Strategic Goal 1: Ensure Safe and Sound Regulated Entities

As regulator of the FHLBank System and as regulator and conservator of the Enterprises, FHFA promotes safe and sound operations at the regulated entities through the Agency’s supervisory program. FHFA uses a risk-based approach to conducting supervisory examinations, which prioritizes examination activities based on the risk a given practice poses to a regulated entity’s safe and sound operation or to its compliance with applicable laws and regulations. FHFA conducts ongoing risk analysis, on-site examinations, and off-site review and monitoring. In addition, FHFA issues written standards in the form of advisory bulletins to the regulated entities, establishes expectations for strong risk management, identifies risks, and requires timely remediation of identified deficiencies.



**A. Performance Goal 1.1: Assess the Safety and Soundness of Regulated Entity Operations**

	Measure	Target	Goal Leader
1.1.1	Ensure that written risk-based supervisory strategies and examination plans are in place prior to the commencement of examinations for each of the FHLBanks and by January 31 for the Enterprises	100 percent of the time	Deputy Director, Division of Bank Regulation  Deputy Director, Division of Enterprise Regulation
1.1.2	Approval of reports of examination for regulated entities within 90 days of completing examination work for each of the FHLBanks and by March 31 for the Enterprises	100 percent of the time	Deputy Director, Division of Bank Regulation  Deputy Director, Division of Enterprise Regulation
1.1.3	Ensure a quarterly Market Value of Equity-to-par ratio greater than or equal to one for each FHLBank	100 percent of the time	Deputy Director, Division of Bank Regulation
1.1.4	Ensure each FHLBank is adequately capitalized and communicate quarterly capital classifications to the FHLBanks by the end of the following quarter	100 percent of the time	Deputy Director, Division of Bank Regulation
1.1.5	Ensure that supervisory correspondence to the Enterprises adheres to division guidance	100 percent of the time	Deputy Director, Division of Enterprise Regulation

**Means and Strategies for Performance Goal 1.1**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 1.1:

- Conduct examination work at each regulated entity in accordance with examination plans;
- Conduct targeted examinations on specific programs or operations of the regulated entities in accordance with examination plans;
- Perform ongoing monitoring and analysis of key risk areas, incorporating input from other FHFA divisions;
- Manage data submitted to FHFA by the regulated entities, or data available through other sources, and make it accessible to examiners and analysts for use in supervision;
- Document annual risk assessments of the Enterprises;





- Hold an annual supervision planning meeting to set priorities for the following year's risk-based examinations of the FHLBanks;
- Hold supervision planning and update meetings to set priorities for risk-based examinations of the Enterprises;
- Perform quality control of examination work, consistent with division guidance;
- Hold the annual FHFA Supervision Conference;
- Educate supervision staff on current and emerging risks through internal and external training programs; and
- Continue to strengthen the Housing Finance Examiner commissioning program.

### Data Validation and Verification for Performance Goal 1.1

**Measure 1.1.1** — FHFA develops its supervisory strategy for each FHLBank following the completion of each FHLBank's examination. FHFA approves supervisory strategies and examination plans for the Enterprises by January 31 annually. Supervisory strategies and examination plans are approved, dated, and maintained electronically.

**Measure 1.1.2** — FHFA approves its report of examination (ROE) for each FHLBank within 90 days after an examination's exit meeting. FHFA approves its ROE for each Enterprise by March 31. Documentation of a Deputy Director's approval and issuance of each ROE is maintained electronically.

**Measure 1.1.3** — FHFA will use the Call Report System to verify that the Market Value of Equity-to-par ratio is greater than or equal to one at each FHLBank at quarter end. FHFA will summarize the FHLBanks' MVE data each quarter in a memorandum that is maintained electronically.

**Measure 1.1.4** — FHFA monitors the capital positions of the FHLBanks and their compliance with capital regulations. Capital compliance is determined automatically by way of the FHFA Call Report System, or by Director discretion. A letter to each FHLBank communicates the capital classification by the end of the following quarter. Letters to the FHLBanks are maintained electronically. Also, as required by statute, FHFA will provide written notice of its quarterly capital classification determination to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives.



**Measure 1.1.5** — In accordance with internal guidance, DER conducts quality control reviews of all conclusion and remediation letters prior to transmission to the Enterprises. Quality control reviews and the supporting examination work papers are documented and maintained electronically.

**B. Performance Goal 1.2: Identify Risks to the Regulated Entities and Set Expectations for Strong Risk Management**

	Measure	Target	Goal Leader
1.2.1	Issue guidance to the FHLBanks and Enterprises on operational risk management	Fiscal Year 2019	Deputy Director, Division of Bank Regulation  Deputy Director, Division of Enterprise Regulation

**Means and Strategies for Performance Goal 1.2**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 1.2:

- Review existing FHFA standards for operational risk management;
- Consider other regulatory agencies' standards for operational risk management in the financial services industry; and
- Use a collaborative, inclusive review process to consider input from all stakeholders prior to finalizing guidance.

**Data Validation and Verification for Performance Goal 1.2**

**Measure 1.2.1** — One or more advisory bulletins on operational risk management will be posted on FHFA’s website by September 30, 2019.



**C. Performance Goal 1.3: Require Timely Remediation of Risk Management Weaknesses**

	Measure	Target	Goal Leader
1.3.1	FHFA determines that the regulated entities have satisfactorily addressed safety and soundness Matters Requiring Attention in accordance with agreed upon remediation plans and timeframes	90 percent of the time	Deputy Director, Division of Bank Regulation  Deputy Director, Division of Enterprise Regulation

**Means and Strategies for Performance Goal 1.3**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 1.3:

- Issue written communication to boards of directors for the FHLBanks and to senior management and to Audit Committee Chairs for the Enterprises about examination findings and conclusions;
- Engage with the regulated entities’ management to discuss identified weaknesses and supervisory expectations for risk management during the course of ongoing monitoring and targeted examinations;
- Issue Matters Requiring Attention (MRAs) and that require the board of directors and/or management to take corrective action to address a critical supervisory matter or deficiency in accordance with FHFA and divisional guidance; and
- Monitor, review, and evaluate the regulated entities’ implementation of corrective actions within agreed-upon timeframes.

**Data Validation and Verification for Performance Goal 1.3**

**Measure 1.3.1** — Where there is a significant supervisory concern at one of the regulated entities, FHFA may issue an MRA that requires the board of directors and/or management to take corrective action to address a critical supervisory matter or deficiency. FHFA tracks the remediation of MRAs to ensure that the regulated entities address critical supervisory matters or deficiencies.

FHLBanks: Pursuant to FHFA’s annual examination cycle for the FHLBanks, FHFA will complete its review of FHLBank remediation of MRAs. During this review, FHFA will determine whether MRAs outstanding prior to the examination were addressed by the FHLBank



within agreed upon timeframes or if the FHLBank is sufficiently on track to address them within the established remediation plan.

Enterprises: The Enterprises address MRAs by submitting proposed remediation plans to FHFA for review and non-objection. Each non-objectioned remediation plan includes a timeframe for completion. Enterprise management executes the actions required in the remediation plan and submits documentation to the Enterprise's internal audit function for validation. For all MRAs for which an Enterprise submits to FHFA a closure package (which includes the internal audit function's validation) between June 1 of the prior fiscal year and May 31 of the current fiscal year, FHFA will review the Enterprise's actions and the internal audit function's validation by the end of the fiscal year to determine whether the Enterprise has satisfactorily addressed the MRA.

FHFA maintains MRAs and associated documentation electronically.

## **II. Strategic Goal 2: Ensure Liquidity, Stability, and Access in Housing Finance**

For both the FHLBank System and the Enterprises, FHFA has the statutory obligation to foster liquid, efficient, competitive, and resilient national housing finance markets, while ensuring that the regulated entities meet their fundamental safety and soundness obligations. FHFA uses a multi-faceted approach to achieve these objectives. FHFA works with the Enterprises to implement risk measurement and risk management guidelines to promote liquidity and stability in the housing finance markets. FHFA monitors and reports on trends in housing and mortgage markets, such as trends in house prices, guarantee fees, and consumer sentiment, to enable FHFA to respond appropriately to developments in the housing finance market and to promote market stability. In addition, FHFA works with the Enterprises to develop and monitor programs that expand access to housing finance to all qualified financial institutions and qualified borrowers, including efforts to comply with Duty to Serve and housing goal requirements.



**A. Performance Goal 2.1: Ensure Liquidity in Mortgage Markets**

	Measure	Target	Goal Leader
2.1.1	Issue a final Capital Regulation for the Enterprises	Fiscal Year 2019	Deputy Director, Division of Housing Mission & Goals

**Means and Strategies for Performance Goal 2.1**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 2.1:

- Review and consider public comments on the proposed rule on Enterprise capital requirements and use a collaborative, inclusive review process to develop a final rule;
- Continue to provide oversight of the Enterprises’ implementation of the Conservatorship Capital Framework;
- Continue to provide oversight of the Enterprises’ implementation of financial requirements for nonbank seller/servicers and assess whether liquidity requirements for non-bank seller-servicers should be updated;
- Provide oversight of the Enterprises’ implementation of PMIERS 2.0;
- Assess the current mortgage servicing business model by reviewing challenges facing the mortgage servicing market and, as a result of this assessment, identify and propose improvements for more efficient mortgage servicing functions; and
- Monitor the Enterprises’ acquisitions relative to FHFA’s multifamily production cap and make adjustments, as appropriate, according to FHFA’s standard process outlined in the Conservatorship Scorecard.

**Data Validation and Verification for Performance Goal 2.1**

**Measure 2.1.1** — FHFA will issue a final Capital Regulation for the Enterprises for publication in the Federal Register, and the final rule will be published on FHFA’s website.



**B. Performance Goal 2.2: Promote Stability in the Nation’s Housing Finance Markets**

	Measure	Target	Goal Leader
2.2.1	Continue publication of 12 monthly and 4 quarterly FHFA House Price Indices	Fiscal Year 2019	Deputy Director, Division of Housing Mission & Goals
2.2.2	Continue conducting the quarterly National Survey of Mortgage Originations	Fiscal Year 2019	Deputy Director, Division of Housing Mission & Goals

**Means and Strategies for Performance Goal 2.2**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 2.2:

- Calculate and publish monthly and quarterly House Price Index (HPI) information on FHFA’s website;
- Conduct the nationally representative National Survey of Mortgage Originations (NSMO) every quarter, and publish a public-use NSMO data on FHFA’s website at the end of each calendar year;
- Produce and certify the quarterly update of National Mortgage Database (NMDB), and make the data available to FHFA and the Bureau of Consumer Financial Protection (BCFP) in a production environment;
- Continue to publish the monthly and quarterly FHFA Foreclosure Prevention Report and FHFA Refinance Report which monitor the Enterprises’ foreclosure prevention and refinance activities; and
- Analyze and define the characteristics and needs of prospective mortgage borrowers to improve access to credit in a safe and sound manner.

**Data Validation and Verification for Performance Goal 2.2**

**Measure 2.2.1** — The HPI releases will occur on dates that have been pre-announced by the Agency and published on the FHFA website. Prior to index publication, an internal team will review and validate the HPI values, including validation of the underlying data, to ensure that the indices are published using the standard “repeat-transactions” methodology. FHFA will publish



the HPI monthly on the FHFA website, and four of these releases will also contain a quarterly update.<sup>1</sup>

**Measure 2.2.2** – FHFA will make the quarterly data available to FHFA and the Bureau of Consumer Financial Protection (BCFP) in a partitioned production environment. The NSMO survey is conducted and the data is processed on a quarterly basis. By the end of the fiscal year, an internal team will review the data and certify that the data processing and documentation steps have been fulfilled. At that time, an internal team will also assess and validate that the data to be released to the public poses acceptable privacy risk. Once the data is certified for public release, FHFA will publish the data on FHFA’s website subject to concurrence by BCFP. Results will be maintained electronically.

**C. Performance Goal 2.3: Expand Access to Housing Finance for Qualified Financial Institutions of All Sizes in All Geographic Locations and for Qualified Borrowers**

	Measure	Target	Goal Leader
2.3.1	Conduct diversity and inclusion examinations of the Enterprises and the FHLBanks	10 examinations during Fiscal Year 2019	Director, Office of Minority and Women Inclusion
2.3.2	Monitor the Enterprises’ performance in Duty to Serve initiatives related to manufactured housing, affordable housing preservation, and rural markets	Fiscal Year 2019	Deputy Director, Division of Housing Mission & Goals
2.3.3	Establish a Mortgage Translations Clearinghouse for borrowers with limited English proficiency	Fiscal Year 2019	Deputy Director, Division of Housing Mission & Goals

**Means and Strategies for Performance Goal 2.3**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 2.3:

- Continue to assess opportunities to address responsible access to credit and develop recommendations for improvements where appropriate;

<sup>1</sup> [www.fhfa.gov/DataTools/Downloads/pages/house-price-index.aspx](http://www.fhfa.gov/DataTools/Downloads/pages/house-price-index.aspx)



- Monitor and evaluate the FHLBanks' and the Office of Finance's outreach efforts to advance diversity and inclusion on their respective boards of directors;
- Provide training and technical assistance to the regulated entities and the Office of Finance on the Minority and Women Inclusion regulatory requirements at 12 CFR 1223<sup>2</sup>;
- Conduct examinations of the regulated entities' diversity and inclusion programs;
- Prepare three quarterly and one annual dashboard updates on Enterprises' DTS initiatives related to manufactured housing, affordable housing preservation, and rural markets for 2018 and 2019;
- Develop a final rule for the Federal Home Loan Bank Affordable Housing Program; and
- Issue a proposed rule for the FHLBank affordable housing goals.

### Data Validation and Verification for Performance Goal 2.3

**Measure 2.3.1** — FHFA will issue summaries documenting each diversity and inclusion examination, which will be integrated into written communications and ROEs issued in accordance with the Enterprises' and FHLBanks' examination cycles. Diversity and inclusion examination summaries are approved and maintained electronically.

**Measure 2.3.2** — FHFA will monitor the Enterprises' DTS performance data and other results against the targets set in the DTS 2018-2020 plans. FHFA will prepare and complete dashboard updates according to an established schedule. FHFA DTS monitoring dashboards will be maintained electronically.

**Measure 2.3.3** — During FY 2019, FHFA will develop a Mortgage Translations Clearinghouse and publish it on the FHFA website.

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<sup>2</sup> [www.gpo.gov/fdsys/pkg/CFR-2013-title12-vol9/pdf/CFR-2013-title12-vol9-part1207.pdf](http://www.gpo.gov/fdsys/pkg/CFR-2013-title12-vol9/pdf/CFR-2013-title12-vol9-part1207.pdf)





**III. Strategic Goal 3: Manage the Enterprises’ Ongoing Conservatorships**

Strategic Goal 3 focuses on managing the Enterprises’ ongoing conservatorships to preserve and conserve the assets of the Enterprises for the benefit of the taxpayers, reduce taxpayer risk from Enterprise operations, and support the development, implementation, and operation of a single-family securitization infrastructure for the Enterprises.

**A. Performance Goal 3.1: Preserve and Conserve Assets**

Measures		Target	Goal Leader
3.1.1	Maintain a qualified board of directors and Chief Executive Officer for each Enterprise to oversee the implementation of conservator objectives	95 percent of vacancies filled within 120 days	Deputy Director, Division of Conservatorship
3.1.2	Provide the 2019 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions to the Enterprises	December 31, 2018	Deputy Director, Division of Conservatorship
3.1.3	Communicate conservator decisions on the Enterprises’ administrative expenses for Calendar Year 2019	January 31, 2019	Deputy Director, Division of Conservatorship
3.1.4	Monitor and rate the Enterprises’ performance against current Scorecard objectives	Complete quarterly assessment within 30 days of the end of each quarter	Deputy Director, Division of Conservatorship
3.1.5	Provide timely responses on items submitted to FHFA for conservator decision.	95 percent of conservatorship decisions on matters requiring Agency approval are made and communicated within 90 days of receipt	Deputy Director, Division of Conservatorship

**Means and Strategies for Performance Goal 3.1**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 3.1:

- Provide clear expectations to Enterprise boards and management;
- Support Enterprise efforts to fill vacancies for boards and chief executive officers on a timely basis;



- Set goals in the 2019 Scorecard to implement the *2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac*,<sup>3</sup>
- Evaluate performance of the Enterprises and the Common Securitization Solutions on the 2018 and 2019 Scorecards on a quarterly basis;
- Ensure that FHFA has an effective process in place to respond promptly to matters that are submitted by the Enterprises for conservator decisions;
- Continue to undertake legal actions that preserve Enterprise assets, protect conservatorship and Agency interests, and recover Enterprise losses;
- Require each Enterprise to submit a proposed budget to FHFA in time to allow FHFA to reach a conservator decision by January 31, 2019; and
- Monitor internal risk reporting across the single-family, multifamily, and retained portfolio/capital markets functions, capturing key risks as reported by the Enterprises and FHFA, and summarize the risks in a standard report.

### Data Validation and Verification for Performance Goal 3.1

**Measure 3.1.1** — FHFA tracks and reports on the current status of chief executive officers and board position vacancies and actions taken by the Enterprises to fill the positions. Communications from the Enterprises and information posted on Enterprise websites and Securities and Exchange Commission reports verify when vacancies open up and when they are filled.

**Measure 3.1.2** — FHFA develops and issues the 2019 Scorecard. The 2019 Scorecard will be transmitted to the Enterprises and posted on the FHFA website.<sup>4</sup>

**Measure 3.1.3** — FHFA, in its role as conservator, reviews the Enterprises' proposed annual budgets. FHFA will transmit the decision regarding calendar year 2019 proposed budgets to the Enterprises. Conservator decisions will be transmitted to the Enterprises and maintained electronically.

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<sup>3</sup> <https://www.fhfa.gov/AboutUs/Reports/Pages/2014-Conservatorships-Strategic-Plan.aspx>

<sup>4</sup> [www.fhfa.gov/Conservatorship/Pages/Reports.aspx](http://www.fhfa.gov/Conservatorship/Pages/Reports.aspx)



**Measure 3.1.4** — FHFA evaluates the Enterprises’ progress against the goals contained in the Scorecard. Scorecard objectives are generally rated quarterly and a final year-end rating is provided in December. All rating decisions will be maintained electronically.

**Measure 3.1.5** — While FHFA as conservator authorizes the Enterprises’ boards of directors and senior management to oversee and carry out the day-to-day operations of the companies, FHFA has identified actions of the Enterprises that require an advance decision by the conservator. FHFA provides timely responses to the Enterprises on actions that require Agency approval. Conservator decisions will be transmitted to the Enterprises, and maintained electronically.

**B. Performance Goal 3.2: Reduce Taxpayer Risk from Enterprise Operations**

	Measure	Target	Goal Leader
3.2.1	Oversee reduction in retained portfolios consistent with the Senior Preferred Stock Purchase Agreement target of \$250 billion	December 31, 2018	Deputy Director, Division of Conservatorship
3.2.2	Require the Enterprises to execute single-family mortgage credit risk-sharing transactions	Transfer a meaningful portion of credit risk on at least 90 percent of the unpaid principal balance of newly acquired single-family mortgages in loan categories targeted for credit risk transfer, subject to FHFA target adjustments as may be necessary to reflect market conditions and economic considerations.	Deputy Director, Division of Housing Mission & Goals
3.2.3	Require the Enterprises to execute multifamily mortgage credit risk-sharing transactions	Transfer a meaningful portion of the credit risk on newly acquired multifamily mortgages, subject to FHFA target adjustments as may be necessary to reflect market conditions and economic considerations.	Deputy Director, Division of Housing Mission & Goals

**Means and Strategies for Performance Goal 3.2**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 3.2:



- Oversee the Enterprises' execution of FHFA-approved retained portfolio plans to reduce the size of the Enterprises' legacy retained portfolios;
- Provide oversight and direction for the Enterprises' ongoing implementation of their credit risk transfer programs that reduce taxpayer risk by attracting private capital. This includes setting volume and risk transfer targets for the single-family and multifamily mortgage credit risk-sharing programs and holding Enterprise management accountable for meeting those targets;
- Continue to publish the FHFA *Credit Risk Transfer Progress Report* which monitors the Enterprises' CRT transactions;
- Continue to provide direction and oversight for the Enterprises' sales of non-performing loans and re-performing loans;
- Continue to publish the FHFA Enterprise Non-Performing Loan Sales Report; and
- Continue to explore different types of credit risk transfer structures for multifamily mortgages.

### Data Validation and Verification for Performance Goal 3.2

**Measure 3.2.1** — FHFA tracks and evaluates weekly, monthly, and quarterly retained portfolio reports from the Enterprises to monitor compliance with the Senior Preferred Stock Purchase Agreements and FHFA guidance. As part of the PSPA-related letter agreements, FHFA receives and evaluates weekly reports of sales and provides the reports to the Treasury Department. For every \$4 billion of less liquid asset sales, FHFA provides the Treasury Department a briefing on the sales. FHFA will verify this measure by using the monthly volume summary for each Enterprise and comparing the Unpaid Principal Balance to the Retained Portfolio cap. Documentation will be maintained electronically.

**Measure 3.2.2** — This measure will be aligned with the corresponding measure in the 2018 Scorecard. FHFA and the Enterprises will track quarterly progress towards the annual goals using the Scorecard monitoring process. These results are maintained electronically.

**Measure 3.2.3** — This measure will be aligned with the corresponding measure in the 2018 Scorecard. FHFA and the Enterprises will track quarterly progress towards the annual goals using the Scorecard monitoring process. These results are maintained electronically.



**C. Performance Goal 3.3: Build, Implement, and Operate a New Single-family Securitization Infrastructure and Implement the Single Security Initiative.**

	Measure	Target	Goal Leader
3.3.1	Issue a progress report on the status of the Single Security Initiative and the Common Securitization Platform	June 30, 2019	Deputy Director, Division of Conservatorship
3.3.2	The Enterprises and Common Securitization Solutions implement Release 2 of the Common Securitization Platform and begin issuing Uniform Mortgage-Backed Securities	June 3, 2019	Deputy Director, Division of Conservatorship

**Means and Strategies for Performance Goal 3.3**

During FY 2019, FHFA will use the following means and strategies in support of Performance Goal 3.3:

- Continue to work with the Enterprises to obtain and appropriately incorporate public and industry input;
- Provide updated information to the public about the Single Security Initiative and the Common Securitization Platform (CSP); and
- Oversee and monitor the Enterprises’ and Common Securitization Solutions’ (CSS) testing of both Enterprise and CSS systems and operations.

**Data Validation and Verification for Performance Goal 3.3**

**Measure 3.3.1** — FHFA will develop and publish a progress report on the status of the Single Security Initiative and CSP. The Agency will publish the progress report on the [FHFA website](#).<sup>5</sup>

**Measure 3.3.2** — The Enterprises and CSS will submit evidence of implementation of Release 2 and issuance of Uniform Mortgage-Backed Securities electronically to FHFA. Supporting documentation will include communications from the Enterprises and announcements posted on each Enterprises’ website.

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<sup>5</sup> [www.fhfa.gov/Conservatorship/Pages/Reports.aspx](http://www.fhfa.gov/Conservatorship/Pages/Reports.aspx)



## **IV. Resource Management: Supporting the Effective Operations of the Agency**

Strategic goals and target outcomes cannot be achieved without prudent and effective management of resources to ensure that the right people, funds, security, supplies, physical space, and technology are in place. In addition, achieving FHFA's goals requires communication, collaboration, and coordination by all staff and across all offices and divisions within FHFA.

### **Human Capital**

The Office of Human Resources Management (OHRM) provides personnel and payroll services for FHFA. In addition, OHRM provides leadership and employee development training through the FHFA Learning Academy.

### **Financial and Performance Management**

The Office of Budget and Financial Management maintains FHFA's integrated accounting, financial, and contracting management systems. To ensure that resources are managed effectively and efficiently, FHFA will use financial, contracting, and performance information to manage program operations and make improvements.

### **Diversity and Inclusion**

The Office of Minority and Women Inclusion (OMWI) ensures diversity and inclusion in all employment, management, and business activities at FHFA, as well as programs to monitor the inclusion of minorities, women, and individuals with disabilities at the regulated entities and the Office of Finance. OMWI also ensures FHFA compliance with Equal Employment Opportunity laws and regulations.

### **Communications**

The Office of Congressional Affairs and Communications is responsible for FHFA's external and internal communications activities. To increase awareness and understanding of Agency goals and programs, FHFA will continue to respond to inquiries from consumers, the media, members of Congress, industry stakeholders, the public, and FHFA staff.

### **Information Technology**

The Office of Technology and Information Management (OTIM) supports FHFA's mission by maintaining the Agency's information technology (IT) infrastructure. OTIM oversees the IT



security program, develops and maintains custom applications and data repositories, and manages technology resources, investments, acquisitions, and assets.

**Facilities**

The Office of Facilities Operations Management provides day-to-day operational support in the form of physical security, environmentally friendly facilities management, mail services, emergency management, continuity planning, event coordination, supply management, transportation, and parking services.

**A. Resource Management: Supporting the Effective Operations of the Agency**

	Measure	Target	Goal Leader
RM 1	Ensure FHFA’s financial statements audit receives an unmodified opinion with no material weaknesses	100 percent	Chief Financial Officer
RM 2	Ensure FHFA’s Federal Information Security Modernization Act (FISMA) audit identifies no significant deficiencies	100 percent	Chief Information Officer
RM 3	Ensure FHFA’s infrastructure systems are continuously available for use by FHFA staff	99.5 percent of the time	Chief Technology Officer
RM 4	Increase the dollar amount of FHFA contracts awarded to minority- and women-owned businesses consistent with legal standards	Total dollar amount of contracts greater than the five year average	Director, Office of Minority and Women Inclusion  Chief Financial Officer
RM 5	Staff responses to the Federal Employee Viewpoint Survey reflect that “the [Agency] workforce has the job-related knowledge and skills necessary to accomplish organizational goals.”	Positive responses higher than government-wide average	Director, Office of Human Resources Management



## Means and Strategies for Resource Management

During FY 2019, FHFA will use the following means and strategies in support of Resource Management:

### Human Capital

- Institute consistent application of human resources practices by reviewing, revising, and implementing Human Resources policies and procedures;
- Collaborate with managers to provide consultation and advice on staffing, retention, succession planning, and performance management practices;
- Enhance recruitment processes and programs through diversity and inclusion/EEO action plans to recruit and retain highly qualified and diverse employees. There will be special emphasis on using available hiring authorities to seek out underrepresented employee populations, such as individuals with disabilities; and
- Collaborate with FHFA offices to identify, deliver, and evaluate the impact of targeted, competency-based learning events and organizational effectiveness engagements.

### Financial and Performance Management

- Ensure that financial statements fairly present FHFA's financial position, its net cost of operations, changes in net position, and budgetary resources in accordance with U.S. generally accepted accounting principles;
- Assess the effectiveness of internal control over financial reporting, the efficiency and effectiveness of Agency operations, and compliance with applicable laws and regulations to evaluate and strengthen FHFA's internal control environment, as appropriate;
- Identify and set annual performance measures and targets that are meaningful; and
- Track contracting actions to ensure timely completion.

### Diversity and Inclusion

- Implement a program for reviewing contractor compliance with the Good Faith Effort requirements included in Agency contracts in accordance with FHFA policies;
- Engage with organizations that serve and support minority-, women-, and disabled-owned businesses as potential FHFA contractors; and





- Implement guidance for executives, managers, and supervisors for meeting the Agency required diversity and inclusion competencies in support of principles, policies, and programs related to equal contracting opportunities.

### **Communications**

- Develop and implement communication strategies regarding major Agency announcements and initiatives to ensure Agency stakeholders have information that is important to them;
- Communicate with members of Congress, consumers, the media, and industry stakeholders with appropriate, accurate, and timely information to facilitate understanding of FHFA's mission, supervision, and conservatorship goals and activities;
- Ensure that the public is able to access accurate and useful information about FHFA and its regulated entities through the Agency's website, respond appropriately to consumers, and resolve cases by working with the regulated entities; and
- Facilitate internal FHFA communication with up-to-date information on announcements, developments and events relevant to the Agency employees.

### **Information Technology**

- Ensure critical computer systems are readily available to staff with minimal downtime and identify technologies and tools to increase the productivity of FHFA staff;
- Manage FHFA's technology resources, investments, and assets;
- Ensure security of the Agency's data and information systems; and
- Monitor and report Agency compliance with the Federal Information Security Modernization Act (FISMA).

### **Facilities**

- Maintain a safe, clean, and functional work environment;
- Maintain effective internal security controls within the FHFA controlled space; and
- Maintain a practical Continuity of Operations Plan to sustain the mission critical functions of FHFA.



## Data Validation and Verification for Resource Management

**Measure RM-1** — The Government Accountability Office’s (GAO) opinion on FHFA’s financial statements will reflect whether any material weaknesses or significant deficiencies have been noted for the year. FHFA will receive the Independent Auditor’s Report, which GAO also publishes on its website at [www.gao.gov](http://www.gao.gov).

**Measure RM-2** — The FHFA Office of the Inspector General’s (OIG) FISMA report will reflect whether any significant deficiencies have been noted for the year.

**Measure RM-3** — System availability will be determined over 2-minute intervals between 7am – 7pm using monitoring software. The monitoring tool calculates the target statistic, which will be verified by the Chief Technology Officer and maintained electronically.

**Measure RM-4** — FHFA will obtain and analyze Agency contracting data for the last five years and will compare the average value with fiscal year 2019 totals to determine if the percentage of the dollar value in contracting actions obligated to minority- and women-owned businesses increased. Contracting reports will be maintained electronically.

**Measure RM-5** — FHFA will compare the Agency’s results against the response to this question in the Federal Employee Viewpoint Survey (FEVS) for the entire federal government. The annual FEVS report is released by OPM annually around September, and FHFA will maintain the results electronically.



## Program Evaluations

FHFA management uses the budget formulation and execution processes to determine resource needs and reallocate resources to meet its strategic goals. FHFA's Executive Committee on Internal Controls meets quarterly to review the results of internal and external program evaluations. The committee tracks and evaluates audit findings to determine if remediation has been implemented for FHFA activities. Committee activities provide input to FHFA's determinations of the adequacy of internal controls under the Office of Management and Budget Circular A-123. The Office of Quality Assurance also performs internal reviews of various programs and functions.

Program evaluation is also an important feedback tool to ensure that FHFA's activities are meaningful and effective. FHFA will monitor and track program performance and conduct program evaluations to ensure that FHFA's goals are meaningful and the strategies for achieving them are effective. FHFA's quarterly reviews of the performance measures serve as an opportunity for the Agency to assess performance collectively and consider corrective measures where necessary.

Additionally, the FHFA OIG plays a role in program evaluation by conducting reviews of various aspects of Agency operations. Under the requirements of HERA, the GAO also conducts financial statement audits and other reviews of FHFA. FHFA uses the findings and/or recommendations from the OIG and GAO to implement improvements in its operations.

FHFA will also participate in new Office of Management and Budget initiatives to implement best practices designed to strengthen and improve performance across the federal government.



## Cross-Agency Collaboration

FHFA will continue to work closely with the Financial Stability Oversight Council and its member agencies to identify emerging risks and mitigate systemic threats to the financial system through ongoing market surveillance and timely dissemination of information. The Agency regularly collaborates and coordinates activities with:

- Board of Governors of the Federal Reserve System
- Consumer Financial Protection Bureau
- Federal Deposit Insurance Corporation
- National Credit Union Administration
- Office of the Comptroller of the Currency
- State housing finance authorities
- State insurance commissions
- U.S. Commodity Futures Trading Commission
- U.S. Department of Housing and Urban Development
- U.S. Department of the Treasury
- U.S. Securities and Exchange Commission

