U.S. FEDERAL HOUSING

FY 2026 Performance and Accountability Report



TABLE OF CONTENTS

MESSAGE FROM THE DIRECTOR . . . 3

U.S. FEDERAL HOUSING'S MISSION AND VISION . . . 4

LIST OF ABBREVIATIONS . . . 5

MANAGEMENT'S DISCUSSION AND ANALYSIS . . . 6

- **About U.S. Federal Housing . . . 7**
- **U.S. Federal Housing Organization . . . 8**
- **Financial Summary . . . 11**
  - Analysis of Financial Statements . . . 11
  - How U.S. Federal Housing Aligns Costs with Strategic Goals . . . 14
  - Analysis of Systems, Controls, and Legal Compliance . . . 14
    - *U.S. Federal Housing Statements of Assurance* . . . 18

PERFORMANCE SECTION . . . 20

- **Validation and Verification of Performance Data . . . 21**
- **FY 2026 Selected Performance Measures . . . 22**

FINANCIAL SECTION . . . 34

- **Message from the Chief Financial Officer . . . 35**
- **Independent Auditor's Report . . . 36**
- **Appendix I: U.S. Federal Housing Response to Auditor's Report . . . 43**
- **Introduction to the Principal Financial Statements . . . 44**
- **U.S. Federal Housing Financial Statements . . . 45**
- **U.S. Federal Housing Financial Notes . . . 49**

OTHER INFORMATION . . . 67

- **Audits and Evaluations . . . 68**
- **Management Report on Final Actions . . . 70**
- **Office of Inspector General Management and Performance Challenges . . . 71**
- **Agency Response to OIG's FY 2027 Management and Performance Challenges . . . 85**
- **Summary of Financial Statements Audit and Management Assurances . . . 88**
- **Payment Integrity . . . 89**
- **Civil Monetary Penalty Adjustment for Inflation . . . 90**
- **Key Management Officials . . . 91**

MESSAGE FROM THE DIRECTOR

Thanks to President Trump's leadership, U.S. Federal Housing is helping to restore the American dream of homeownership for ALL Americans.

This year, we established the Agency Strategic Plan for 2026–2030.

- We Modernized Credit Scoring with more predictive models – so millions of Americans who responsibly pay rent can qualify for mortgages. We revised the Fannie and Freddie Housing Goals to ensure Full support for affordable housing and eliminate Biden-era market distortions that harmed the middle-class.

- We have proposed refocusing Fannie and Freddie's Duty to Serve requirements on supporting rural communities, manufactured housing, and affordable housing for middle America, in keeping with the original statute.

- Our Zero-Based Budgeting works to ensure that every budget item is appropriately benchmarked and justified. We have engaged an independent audit firm to ensure the highest standard of transparency and accountability.

- We welcome GAO's audit staff to review the Agency's key financial management controls to ensure the accuracy and reliability of financial records.

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.

Sincerely,



William J. Pulte
Director, U.S. Federal Housing
November 12, 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
Bank Act	Federal Home Loan Bank Act
CAMELSO	Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and Operational Risk
CY	Calendar Year
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®
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
GAGAS	Generally Accepted Government Auditing Standards

Abbreviation	Description
GAO	U.S. Government Accountability Office
HERA	Housing and Economic Recovery Act of 2008
LIHTC	Low-Income Housing Tax Credit
MBS	Mortgage- backed Security
MRA	Matter Requiring Attention
N/A	Not Available
OCFO	Office of the Chief Financial Officer
OF	Office of Finance (of the Federal Home Loan Bank System)
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
PIIA	Payment Integrity Information Act of 2019
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 Technology
U.S. GAAP	U.S. Generally Accepted Accounting Principles



MANAGEMENT'S DISCUSSION AND ANALYSIS

7 ABOUT U.S. FEDERAL HOUSING

8 U.S. FEDERAL HOUSING ORGANIZATION

11 FINANCIAL SUMMARY



ABOUT U.S. FEDERAL HOUSING

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).

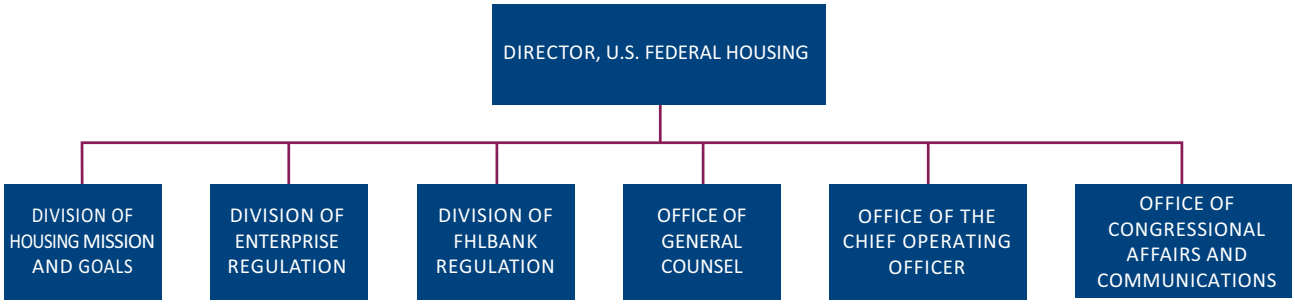
The Agency is responsible for the effective supervision, regulation, and mission oversight of the Federal National Mortgage Association (Fannie Mae); the Federal Home Loan Mortgage Corporation (Freddie Mac); U.S. Financial Technology, LLC (U.S. FinTech), originally founded as Common Securitization Solutions, LLC (CSS), a platform supporting mortgage-backed securities infrastructure for Fannie Mae and Freddie Mac; and the Federal Home Loan Bank System, which includes the 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 $269.4 million in Fiscal Year (FY) 2026 and has an approved budget of $269.4 million for FY 2027. The Agency's Office of Inspector General (OIG) operated with a FY 2026 budget of $51.7 million and has an approved budget of $20.0 million for FY 2027.

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

Table 1: U.S. Federal Housing Staffing Summary

	FY 2026 (Actual[a])	% by Functional Area	FY 2027 (Budget)	% by Functional Area
Mission Division[b]	346	68%	363	67%
Mission Support Offices[c]	165	32%	180	33%
Number of FHFA Employees	511	100%	543	100%
Number of OIG Employees	102	100%	-[d]	

[a] Actual employees on board as of September 30, 2026.

[b] Mission Divisions include: Division of Enterprise Regulation, Division of FHLBank Regulation, and Division of Housing Mission and Goals.

[c] Mission Support Offices include: Office of Congressional Affairs and Communications, Office of General Counsel, and Office of the Chief Operating Officer.

[d] As of September 30, 2026, the FY 2027 OIG headcount number is unavailable.

OVERVIEW

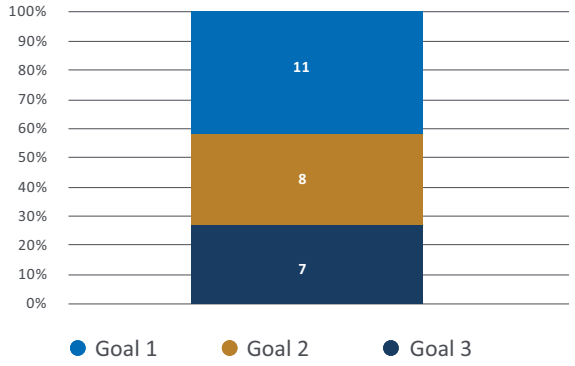
Strategic Goal 1: Responsibly Oversee Fannie Mae and Freddie Mac for the American People

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. The Enterprises buy mortgages from lenders and either hold these mortgages in their portfolios or package the loans into mortgage-backed securities (MBS) that may be sold. U.S. FinTech (an affiliate of the Enterprises) is the largest issuing agent and administrator of MBS in the United States.

The Agency uses a risk-focused approach that 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 assesses 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 also has a duty to preserve and conserve the assets and property of the regulated entity.[2]

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.

Figure 2: Number of FY 2026 Performance Targets Met by Strategic Goal



Strategic Goal 2: 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 FHLBanks provide liquidity to members mainly through advances, which are long- and short-term loans priced at a small spread over comparable U.S. Department of the Treasury (Treasury) obligations. The FHLBanks fund themselves principally by issuing consolidated obligations, which consist of bonds and discount notes (which have an original maturity of less than one year and are sold at a discount). Consolidated obligations are not guaranteed or insured by the federal government. However, the FHLBanks' status as government-sponsored enterprises accords certain privileges and enables the FHLBanks to raise funds at rates slightly above comparable obligations issued by the Treasury. Although each FHLBank is a separate corporate entity with its own management and board of directors, the FHLBanks are jointly and severally liable for all System consolidated obligation debt.

The Agency assesses the safe and sound operations of the FHLBanks and Office of Finance through continuous supervision consisting of targeted examinations and ongoing monitoring, as appropriate.[3]

[2] See Strategic Goal 1 of the Performance Section for more detail.
[3] See Strategic Goal 2 of the Performance Section for more detail.



Strategic Goal 3: Efficiently Manage U.S. Federal Housing Operations

U.S. Federal Housing ensures that its core operational processes result in timely, accurate, and cost-effective delivery of services that support the stability of the mortgage markets. The Agency leverages data, technology, and disciplined performance and financial management to proactively reduce risks and inefficiencies in operational processes, strengthen internal controls, and enhance the ability to meet the Agency's mission with agility and accountability. This includes stewardship of the Agency's resources by ensuring that expenditures align with the core statutory and mission functions and support the achievement of performance objectives. Additionally, the Agency ensures full compliance with all statutory reporting requirements, including publishing trends in house prices and reporting on the housing activities of the Enterprises.[4]

[4] See Strategic Goal 3 of the Performance Section for more detail.

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.

How is U.S. Federal Housing Financed?

Section 12 U.S.C. § 4516(a) authorizes U.S. Federal Housing to collect annual assessments from the Enterprises and the FHLBanks to provide for reasonable costs to perform 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 1206.3.

U.S. Federal Housing issues assessment notices to the regulated entities semiannually, with the collections occurring October 1 and April 1. In FY 2026, the Agency assessed the regulated entities a total of $321.1 million, including $51.7 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 2026, the Agency working capital fund had a balance of $185.4 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 2026 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.

ANALYSIS OF FINANCIAL STATEMENTS

Balance Sheet

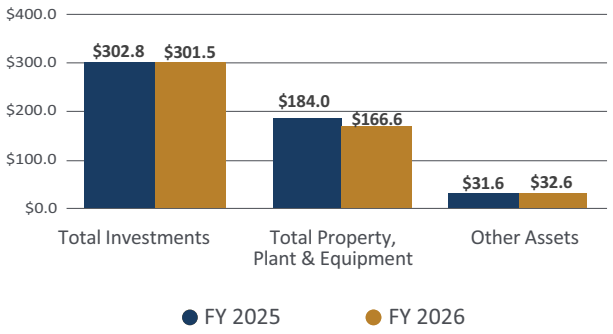
The Consolidated Balance Sheet presents U.S. Federal Housing's financial position as of September 30, 2026, consisting of three categories: Assets, Liabilities, and Net Position. Assets are the current and future economic benefits owned or available for use by U.S. Federal Housing. Liabilities are the 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, 2026, U.S. Federal Housing had $500.7 million in assets. U.S. Federal Housing's investments balance of $301.5 million was its largest asset as of September 30, 2026. 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, and equipment net book value totaled $166.6 million for FY 2026. 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 $162.6 million, net of accumulated amortization in accordance with the requirements of SFFAS 54, *Leases*. U.S. Federal Housing's other assets, totaling $32.6 million, include its Fund Balance with Treasury, Advances and Prepayments, and Accounts Receivable.

Figure 3: Distribution of Total Assets for FY 2025 and FY 2026
(in millions)

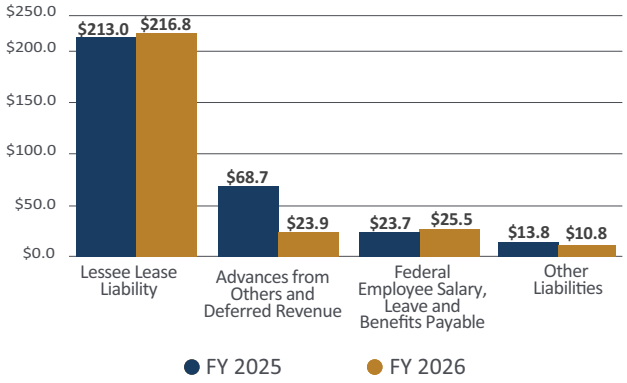


Liabilities

As of September 30, 2026, U.S. Federal Housing had $277.0 million in liabilities compared to $319.2 in liabilities as of September 30, 2025. The primary cause of the decrease in liabilities in FY 2026 compared to FY 2025 is a decrease in deferred revenue associated with assessments received prior to the October 1 due date from the regulated entities. 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 $216.8 million, representing 78.3 percent of U.S. Federal Housing's total liabilities as of September 30, 2026. 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 $23.9 million in FY 2026, including deferred revenue of $22.3 million from various FHLBanks providing FY 2027 assessments to U.S. Federal Housing prior to October 1, 2026. These assessments will be recognized as revenue by U.S. Federal Housing in FY 2027. Federal Employee Salary, Leave and Benefits Payable as of year-end, was $25.5 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 2026 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, 2026. U.S. Federal Housing's other liabilities, totaling $10.8 million, include its Accounts Payable, FECA Actuarial Liabilities, Other Post Employment Benefits Payable, and Other Liabilities.

Figure 4: Distribution of Total Liabilities for FY 2025 and FY 2026
(in millions)



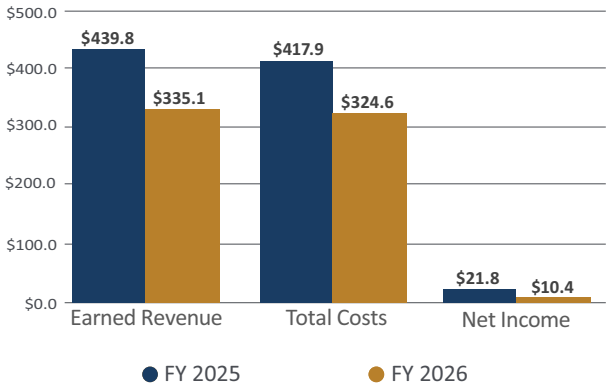
Net Position

U.S. Federal Housing's net position as of September 30, 2026, was $223.7 million. U.S. Federal Housing's net position is made up entirely of Cumulative Results of Operations. Cumulative Results of Operations increased by $24.5 million from a beginning balance of $199.2 million due to Imputed Financing of $14.1 million and Net Income (Cost) from Operations of $10.4 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 2026 were $324.6 million. Total costs were offset by total earned revenues of $335.1 million, for a net income from operations of $10.4 million for FY 2026. U.S. Federal Housing's summary costs and revenue as reflected in the Statements of Net Cost for FY 2026 are presented.

Figure 5: Net Costs for FY 2025 and FY 2026
(in millions)



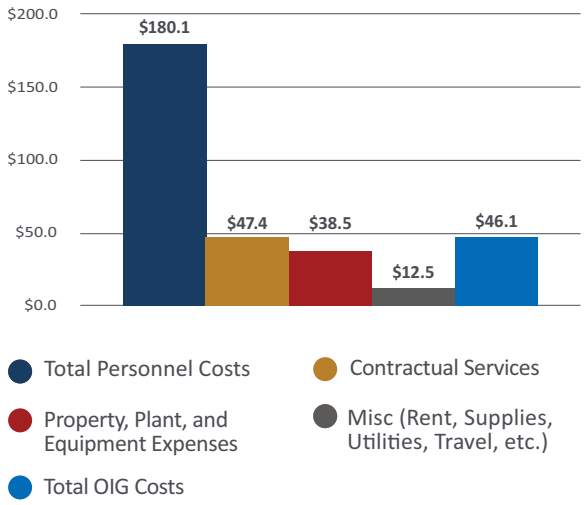
Total Costs

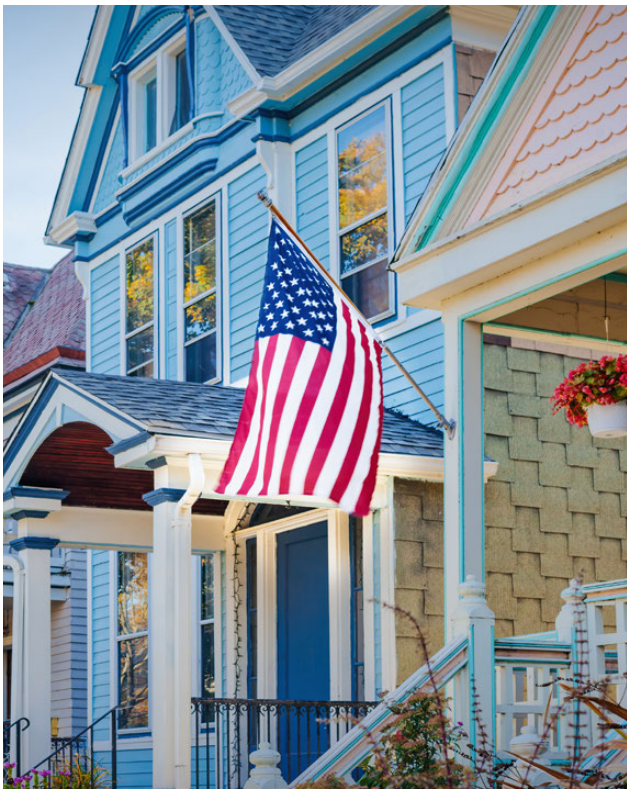
U.S. Federal Housing costs largely consist of personnel, contractual services, and property, plant, and equipment (PP&E) expenses. Personnel expenses, comprising salary, benefits, and other employee-related expenses, totaled $180.1 million during the fiscal year. Salary expenses totaled $119.1 million, while employer contributions to benefits expenses totaled $61.0 million.

The decrease in costs in FY 2026 compared to FY 2025 is primarily associated with a decrease in personnel costs, as the agency realized cost savings associated with prior year implementation of Workforce Optimization initiatives. Other cost reductions are associated with a decrease in contract spending across the agency.

Contracting Services and Inter-Agency Agreement expenses totaled $47.4 million, including $43.2 million to non-federal vendors. PP&E expenses totaled $38.5 million. Other miscellaneous expenses related to activities such as rent, utilities, supplies, and travel totaled $12.5 million. FHFA OIG's total expenses for FY 2026 were $46.1 million.

Figure 6: FY 2026 Total Costs by Type of Expense
(in millions)



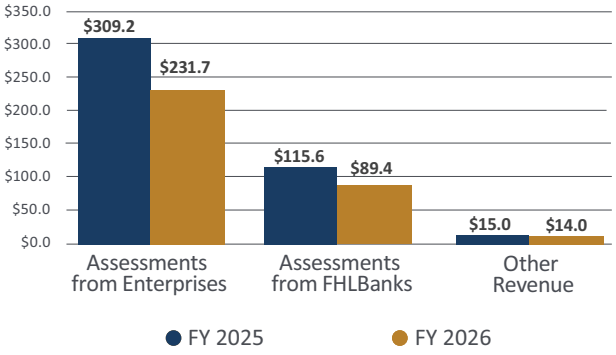


Earned Revenue

In accordance with HERA, U.S. Federal Housing collected $321.1 million in earned revenue through the semiannual assessment process during FY 2026, which included a $51.7 million assessment for costs related to the operations of the FHFA OIG. In FY 2026, regulated-entity assessments accounted for approximately 95.8 percent of Agency revenues. Assessments paid by the Enterprises totaled $231.7 million, while assessments paid by the FHLBanks totaled $89.4 million. The reduction in earned revenue and assessments paid is primarily attributed to the decrease in FHFA's operating budget, which resulted in decreased assessments.

An additional $14.0 million of earned revenue was primarily generated from interest earned on overnight investments and reimbursable agreements with other federal agencies.

Figure 7: Total Earned Revenue by Funding Source for FY 2025 and FY 2026
(in millions)



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

U.S. Federal Housing tracks program costs to the strategic goals (responsibility segments) established by the Agency's 2026-2030 Strategic Plan. The Strategic Goals are: 1) Responsibly Oversee Fannie Mae and Freddie Mac for the American People; 2) Supervise the Federal Home Loan Bank System; and 3) Efficiently Manage U.S. Federal Housing Operations. 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 (FMFIA)

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 2026, U.S. Federal Housing adhered to the internal control requirements of FMFIA and the guidance provided by the OMB Circular A-123: Management's Responsibility for Internal Control, as well as by the Agency's Audit, Risk, and Control Committee (ARCC).

To meet the requirements, the following activities were undertaken during FY 2026:

FHFA OIG

To ensure compliance with the internal control requirements of FMFIA and in accordance with A-123, 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 the Chief Financial Officer (OCFO) conducted an independent assessment of the Agency's controls over financial reporting using a risk-based approach. OCFO 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. Division management officials reviewed the completed assessments. OCFO 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 OCFO 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.

FHFA is committed to fulfilling its statutory audit obligations under HERA, with a goal of ensuring that the Agency's use of federal resources is reasonable, defensible, and transparent. In FY 2026, FHFA requested additional information regarding the Government Accountability Office's (GAO) proposed audit fee of approximately $1.24 million, as it exceeds market-based estimates by more than $1 million. FHFA requested further cost support from GAO as the current proposed fee is not considered a reasonable expense in line with the requirements of 12 U.S.C. § 4516(a). While awaiting resolution on this issue, FHFA engaged an independent audit firm, Brown & Company, to conduct an annual financial statement audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) through a Treasury-established blanket purchase agreement (BPA) for approximately $143,000. The BPA enables customers of the U.S. Treasury's Bureau of the Fiscal Service to obtain independent financial statements audit services in accordance with GAGAS using a streamlined process. FHFA procured these services to comply with the Accountability of Tax Dollars Act of 2002 and to demonstrate the Agency's continued commitment to complying with 12 U.S.C. § 4516(h) and maintaining the reporting timelines established by OMB Circular A-136, *Financial Reporting Requirements*. The independent audit firm's opinion is available in this report. On October 9, 2026, GAO notified the Agency that it had initiated a performance audit to review the Agency's key financial management controls to ensure the accuracy and reliability of financial records. FHFA is coordinating with GAO audit staff to begin the audit work. GAO's performance audit, in conjunction with the independent audit opinion available in this report, will provide Congress and the public with the visibility into the Agency's financial statements and controls.

Effectiveness and Efficiency of Operations

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

Assessment Reporting

The ARCC reviewed the assessment and recommended unmodified statements of assurance. In compliance with FMFIA and HERA (12 U.S.C. § 4516(g)), the 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, 2026, were operating effectively and that no material weaknesses were found in the design or operation of the internal controls.

Federal Management Information Systems Strategy

HERA (12 U.S.C. § 4516(g)) 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 system. U.S. Federal Housing began using the new G-Invoicing platform for interagency agreements as mandated by the 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 HERA (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. GAGAS. 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 OMB and Cybersecurity and Infrastructure Security Agency (CISA) FY 2026 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.[5]

The auditor reviewed and verified corrective actions taken by U.S. Federal Housing and FHFA OIG during the FY 2026 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 federal agencies to 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 2026, U.S. Federal Housing processed 1,886 invoices totaling $75.1 million that were subject to prompt payment. Of these invoices, 99.52 percent were paid on time. During FY 2026, U.S. Federal Housing paid a total of $257.90 in interest penalties, or .0003 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.

[5] https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53r5.pdf

U.S. Federal Housing Statements of Assurance

U.S. FEDERAL HOUSING

November 12, 2026

Federal Managers' Financial Integrity Act
Statements of Assurance
Fiscal Year 2026

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

- Reliability of (financial and non-financial) reporting;
- Compliance with applicable laws and regulations[1]; 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 Internal Control*. Based on the results of the assessment, 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, 2026, were operating effectively and no material weaknesses were found in the design or operation of the internal controls.

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

FHFA management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal controls

[1] See Compliance with Laws and Regulation section within the Management's Discussion and Analysis.

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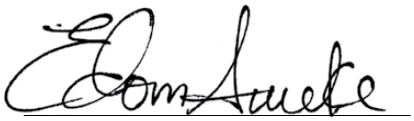
relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. FHFA conducted its assessment of the effectiveness of internal controls over financial reporting, including complementary user entity controls and entity 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, 2026, 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, 2026.

Sincerely,



William J. Pulte
Director



Edom Aweke
Chief Financial Officer



PERFORMANCE SECTION

21 VALIDATION AND VERIFICATION OF PERFORMANCE DATA

22 FY 2026 SELECTED PERFORMANCE MEASURES



VALIDATION AND VERIFICATION OF PERFORMANCE DATA

To ensure that the information reported in U.S. Federal Housing's FY 2026 Performance and Accountability Report (PAR) is complete and reliable, the Agency identifies, verifies, and validates the data for each performance measure. 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, verifying and validating supporting data and documents for completeness, clarity, relevance, and accuracy.

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 2026 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 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.

STRATEGIC GOAL 1: RESPONSIBLY OVERSEE FANNIE MAE AND FREDDIE MAC FOR THE AMERICAN PEOPLE

Currently, U.S. Federal Housing is both the regulator and conservator for 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-focused approach that 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 assesses the safe and sound operations of the Enterprises through examinations, continuous supervision, and off-site reviews, as appropriate. While the Enterprises are in conservatorship, U.S. Federal Housing also has a duty to preserve and conserve the assets and property of each Enterprise.



Strategic Objective 1.1: Ensure the safety and soundness of the Enterprises and U.S. FinTech through risk-focused supervision

Table 2 – Strategic Objective 1.1: Ensure the safety and soundness of the Enterprises and U.S. FinTech through risk-focused supervision

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
1.1.1: Approve reports of examination for the Enterprises and U.S. FinTech	MET	MET	MET	MET	MET	April 15	MET
1.1.2: 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
1.1.3: Conduct reviews of the Enterprises' compliance with Enterprise Regulatory Capital Framework (ERCF) public disclosure requirements	MET	MET	MET	MET	MET	Quarterly	MET

PERFORMANCE MEASURE 1.1.1:
Approve reports of examination for 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 Division of Enterprise Regulation (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.

PERFORMANCE MEASURE 1.1.2:
Determine that the Enterprises 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 2026, U.S. Federal Housing determined that the Enterprises addressed safety and soundness MRAs in accordance with agreed-upon remediation plans and timeframes 100 percent of the time.

PERFORMANCE MEASURE 1.1.3:
Conduct reviews of the Enterprises' compliance with Enterprise Regulatory Capital Framework (ERCF) public disclosure requirements

Each Enterprise is required to publish its ERCF disclosure report on its website no later than 10 business days after filing its Form 10-Q or 10-K. Public ERCF disclosures ensure that market participants have access to sufficient information on capital adequacy, capital structure, and risk mitigation to make informed investment decisions. 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 Securities and Exchange Commission (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.

Strategic Objective 1.2: Ensure the Enterprises fulfill all legal and statutory responsibilities

Table 3 – Strategic Objective 1.2: Ensure the Enterprises fulfill all legal and statutory responsibilities

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
1.2.1: Issue final determination letters for each Enterprise's Housing Goals performance	MET	MET	MET	MET	MET	Q1 FY 2026	MET
1.2.2: Issue ratings for each Enterprise's Duty to Serve performance	MET	MET	MET	MET	MET	Q1 FY 2026	MET

PERFORMANCE MEASURE 1.2.1:
Issue final determination letters for each Enterprise's Housing Goals performance

The Safety and Soundness Act, as amended by HERA, requires the setting of annual housing goals for Fannie Mae and Freddie Mac and the monitoring of performance in achieving these goals. The Agency issued final determination letters on each Enterprise's performance in meeting the established goals on October 9, 2025.

PERFORMANCE MEASURE 1.2.2:
Issue ratings for each Enterprise's Duty to Serve performance

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 2025, U.S. Federal Housing published its annual evaluations for each Enterprise's 2024 DTS performance as part of the Agency's Annual Housing Report.

Strategic Objective 1.3: Manage the conservatorships on behalf of the American people

Table 4 – Strategic Objective 1.3: Manage the conservatorships on behalf of the American people

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
1.3.1: Conduct annual assessments of the Enterprises' performance against Scorecard objectives	MET	MET	MET	MET	MET	Q2 FY 2026	MET
1.3.2: Communicate annual conservator decisions on the Enterprises' administrative expenses	MET	MET	MET	MET	MET	Q2 FY 2026	MET

PERFORMANCE MEASURE 1.3.1:
Conduct annual assessments of the Enterprises' performance against Scorecard objectives

Each calendar year, FHFA issues a Conservatorship Scorecard (Scorecard) to each Enterprise that communicates FHFA's priorities, as conservator, for the Enterprises. At the end of the calendar year, FHFA assesses each Enterprise's progress on the projects included in that year's Scorecard. Based on this assessment, FHFA issues an aggregate rating (or factor) to each Enterprise, which is used to determine a portion of the at-risk deferred compensation for certain executives at the Enterprises and is disclosed in their public financial statements. FHFA communicated the 2025 Scorecard ratings to each Enterprise on February 3, 2026, ahead of the March 31, 2026 target.

PERFORMANCE MEASURE 1.3.2:
Communicate annual conservator decisions on the Enterprises' administrative expenses

Under the terms of the Letters of Instruction, the Enterprises are required to submit their proposed annual operating budgets, including detailed administrative expenses, for the Agency's approval. The Agency communicated the 2026 administrative expense approvals to Freddie Mac on March 5, 2026 and to Fannie Mae on March 30, 2026, ahead of the March 31, 2026 target.

Strategic Objective 1.4: Identify and combat fraud and misconduct

Table 5 – Strategic Objective 1.4: Identify and combat fraud and misconduct							
Performance Measure	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026 Target**	**FY 2026 Result**
1.4.1: Review advisory bulletins and other guidance to the Enterprises related to fraud reporting and other financial crimes and misconduct	N/A	N/A	N/A	N/A	N/A	Q4 FY 2026	MET

PERFORMANCE MEASURE 1.4.1:

Review advisory bulletins and other guidance to the Enterprises related to fraud reporting and other financial crimes and misconduct

In FY 2026, the Agency reviewed each Advisory Bulletin (AB) applicable to the Enterprises that related to financial crimes and misconduct and made appropriate changes for legal sufficiency, form, and policy.

Strategic Objective 1.5: Reduce unnecessary regulatory burdens

Table 6 – Strategic Objective 1.5: Reduce unnecessary regulatory burdens							
Performance Measure	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026 Target**	**FY 2026 Result**
1.5.1: Publish a proposed rule updating the Duty to Serve regulation	MET	MET	MET	MET	MET	Q4 FY 2026	MET

PERFORMANCE MEASURE 1.5.1:

Publish a proposed rule updating the Duty to Serve regulation

Streamlining and burden reduction are core administration priorities. The Duty to Serve (DTS) program is a statutory requirement to serve three underserved markets. By providing liquidity, investment, and outreach to these markets, the Enterprises take action to serve their statutory purpose. On June 24, 2026, U.S. Federal Housing published a proposed rule in the Federal Register and on the Agency's website recommending updates to the DTS regulation to better serve the needs of very low-, low-, and moderate-income families in the manufactured housing, affordable housing preservation, and rural housing markets through greater innovation and with less administrative burden.

Strategic Objective 1.6: Support efforts to expand housing supply to meet national demand

Table 7 – Strategic Objective 1.6: Support efforts to expand housing supply to meet national demand

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
1.6.1: Publish final housing goals rule to ensure middle-class Americans have access to a liquid secondary mortgage market	MET	MET	MET	MET	MET	Q1 FY 2026	MET
1.6.2: Ensure that the Enterprises' Low-Income Housing Tax Credit (LIHTC) investments support hard-to-fund projects	N/A	N/A	N/A	N/A	MET	Investments made after an Enterprise's annual LIHTC portfolio reaches $1 billion must fund projects that have difficulty attracting investors	MET

PERFORMANCE MEASURE 1.6.1:
Publish final housing goals rule to ensure middle-class Americans have access to a liquid secondary mortgage market

On December 23, 2025, the Agency issued a final rule on the housing goals for Fannie Mae and Freddie Mac for 2026 through 2028 as required by the Safety and Soundness Act. The rule establishes benchmark levels for the housing goals for 2026 through 2028. The 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 1.6.2:
Ensure that the Enterprises' Low-Income Housing Tax Credit (LIHTC) investments support hard-to-fund projects

The Enterprises' LIHTC investments 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, 2025, Fannie Mae had made $1,292 million in LIHTC investments, with $1,193 million being "hard-to-fund" investments and $98 million being unrestricted investments. As of December 31, 2025, Freddie Mac had made $1,207 million in LIHTC investments, with $1,148 million being "hard-to-fund" investments and $59 million being unrestricted investments.

STRATEGIC GOAL 2: SUPERVISE THE FEDERAL HOME LOAN BANK SYSTEM

As regulator of the FHLBank System, U.S. Federal Housing has a statutory duty to promote safe and sound operations at the Agency's regulated entities through its supervisory programs. The Agency assesses the safe and sound operations of the FHLBanks and Office of Finance through continuous supervision consisting of targeted examinations and ongoing monitoring, as appropriate.

Strategic Objective 2.1: Ensure the safety and soundness of the FHLBanks and Office of Finance through risk-focused supervision

Table 8 – Strategic Objective 2.1: Ensure the safety and soundness of the FHLBanks and Office of Finance through risk-focused supervision

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
2.1.1: Approve reports of examination for the FHLBanks or the Office of Finance	MET	MET	MET	MET	MET	Three per quarter	MET
2.1.2: Ensure each FHLBank is adequately capitalized	MET	MET	MET	MET	MET	Quarterly	MET
2.1.3: 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 2.1.1:
Approve reports of examination for the FHLBanks or the Office of Finance

Reports of Examination (ROEs) summarize the Agency's examination conclusions and principal findings, communicating them to the FHLBank and outlining supervisory expectations. The Division of Federal Home Loan Bank Regulation (DBR) Deputy Director approves an ROE for each FHLBank and the OF annually. DBR assesses this measure's status each quarter, typically with three ROEs approved per quarter. During FY 2026, the DBR Deputy Director approved three ROEs each quarter.

PERFORMANCE MEASURE 2.1.2:
Ensure each FHLBank is adequately capitalized

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 2026, U.S. Federal Housing deemed all FHLBanks "adequately capitalized" for the prior quarter and communicated these classifications to the FHLBanks via letter.

PERFORMANCE MEASURE 2.1.3:

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

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 2026, U.S. Federal Housing determined that the FHLBanks satisfactorily addressed safety and soundness MRAs in accordance with agreed-upon remediation plans and timeframes 94 percent of the time.

Strategic Objective 2.2: Ensure the FHLBanks fulfill all legal and statutory responsibilities

Table 9 – Strategic Objective 2.2: Ensure the FHLBanks fulfill all legal and statutory responsibilities

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
2.2.1: Issue final determination letters for each FHLBank's housing goals performance	MET	MET	MET	MET	MET	Q4 FY 2026	MET

PERFORMANCE MEASURE 2.2.1:

Issue final determination letters for each FHLBank's housing goals performance

HERA amended the Federal Home Loan Bank Act (Bank Act) to require FHFA to establish housing goals with respect to the FHLBanks' purchase of mortgages. During FY 2026, the Agency issued an annual determination letter to each FHLBank subject to the housing goals regulation for its performance in calendar year 2025.

Strategic Objective 2.3: Identify and combat fraud and misconduct

Table 10 – Strategic Objective 2.3: Identify and combat fraud and misconduct

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
2.3.1: Review advisory bulletins and other guidance to the FHLBanks related to fraud reporting and other financial crimes and misconduct	MET	MET	MET	MET	MET	Q4 FY 2026	MET

PERFORMANCE MEASURE 2.3.1:

Review advisory bulletins and other guidance to the FHLBanks related to fraud reporting and other financial crimes and misconduct

During FY 2026, U.S. Federal Housing reviewed financial crimes- and misconduct-related guidance documents for legal sufficiency, form, and policy.

Strategic Objective 2.4: Reduce unnecessary regulatory burdens

Table 11 – Strategic Objective 2.4: Reduce unnecessary regulatory burdens							
Performance Measure	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026 Target**	**FY 2026 Result**
2.4.1: Submit to OMB a draft notice of proposed rulemaking repealing the FHLBank New Business Activities rule	N/A	N/A	MET	MET	MET	Q4 FY 2026	MET
2.4.2: Assess FHLBank Advisory Bulletins	N/A	N/A	N/A	N/A	N/A	Q4 FY 2026	MET

PERFORMANCE MEASURE 2.4.1:
Submit to OMB a draft notice of proposed rulemaking repealing the FHLBank New Business Activities rule

U.S. Federal Housing submitted to OMB a draft notice of proposed rulemaking repealing the FHLBank New Business Activities rule on November 30, 2025. The Notice of Proposed Rulemaking was published in the Federal Register on July 13, 2026.

PERFORMANCE MEASURE 2.4.2:
Assess FHLBank Advisory Bulletins

Regular review of active ABs helps ensure the Agency's guidance to the FHLBanks remains relevant and aligned with Agency priorities. Prompt rescission of outdated ABs promotes clear communication of Agency expectations and reduces regulatory burden associated with adherence to obsolete guidance. During FY 2026, the Agency completed its assessment of FHLBank ABs and either rescinded ABs determined to be outdated, or, where applicable, submitted proposed rescissions to OMB.

Strategic Objective 2.5: Encourage efforts to expand housing supply to meet national demand

Table 12 – Strategic Objective 2.5: Encourage efforts to expand housing supply to meet national demand							
Performance Measure	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026 Target**	**FY 2026 Result**
2.5.1: Conduct quarterly monitoring of the Affordable Housing Program	N/A	N/A	N/A	N/A	N/A	Q4 FY 2026	MET

PERFORMANCE MEASURE 2.5.1:
Conduct quarterly monitoring of the Affordable Housing Program

The Bank Act requires each FHLBank to operate an Affordable Housing Program (AHP) to support low- and moderate-income households. Through the AHP, FHLBank members receive funding or discounted advances to finance the purchase, construction, or rehabilitation of affordable owner-occupied or rental housing. Since the General Fund's inception in 1990, the FHLBanks have awarded $7.4 billion in funding to over 20,700 projects supporting more than 848,000 units. During FY 2026, the Agency conducted three monitoring engagements to discuss, monitor, and provide technical assistance related to the use of AHP funds to create or preserve new affordable housing units.

STRATEGIC GOAL 3: EFFICIENTLY MANAGE U.S. FEDERAL HOUSING 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 also 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 and the FHLBanks.

Strategic Objective 3.1: Ensure sound governance and good stewardship of taxpayer resources

Table 13 – Strategic Objective 3.1: Ensure sound governance and good stewardship of taxpayer resources

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
3.1.1: Ensure FHFA's audited financial statements receive an unmodified opinion and contain no material weaknesses	MET	MET	MET	MET	MET	100 percent of the time	MET
3.1.2: Review and assess standard operating procedures for human resources quarterly	N/A	N/A	N/A	N/A	N/A	Two reviews per quarter	MET
3.1.3: Complete corrective actions to address FHFA Office of Inspector General recommendations in a timely manner	MET	MET	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 3.1.1: Ensure FHFA's audited financial statements receive an unmodified opinion and contain 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 3.1.2: Review and assess standard operating procedures for human resources quarterly

During FY 2026, U.S. Federal Housing reviewed at least two human resources standard operating procedures per quarter to determine if they remained in alignment with Executive Orders and other guidance from OMB and the Office of Personnel Management (OPM).

PERFORMANCE MEASURE 3.1.3:
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 the approved timeframe. In FY 2026, the Agency completed 64 out of 67 OIG recommendations (95.5 percent) within the approved timeframe.

Strategic Objective 3.2: Deliver and support a modern IT infrastructure that ensures security and agility

Table 14 – Strategic Objective 3.2: Deliver and support a modern IT infrastructure that ensures security and agility

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
3.2.1: Automatically block network intrusion attempts with security defenses	N/A	N/A	N/A	MET	MET	95 percent of the time	MET
3.2.2: Conduct Agency phishing simulations to effectively train personnel to combat attempted cyberattack	N/A	N/A	N/A	MET	MET	At least 15 credible email phishing simulations	MET

PERFORMANCE MEASURE 3.2.1:
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 more than 99 percent of malicious events, exceeding the target of 95 percent of network intrusion attempts blocked.

PERFORMANCE MEASURE 3.2.2:
Conduct Agency phishing simulations to effectively train personnel to combat attempted cyberattacks

U.S. Federal Housing conducted 15 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.

Strategic Objective 3.3: Fulfill statutory reporting requirements

Table 15 – Strategic Objective 3.3: Fulfill statutory reporting requirements

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Target	FY 2026 Result
3.3.1: Publish Annual Housing Report	N/A	N/A	N/A	N/A	N/A	Q1 FY 2026	MET
3.3.2: Publish FHFA House Price Indexes (FHFA HPI®)	MET	MET	MET	MET	MET	Quarterly	MET

PERFORMANCE MEASURE 3.3.1:
Publish Annual Housing Report

The Safety and Soundness Act, as amended by HERA, requires the Agency to annually submit a report to Congress describing certain specified activities of the Enterprises.[6] The Report summarizes FHFA's final assessment of the Enterprises' housing goals and DTS performance. It provides data on the distribution of single-family loans by race and ethnicity, sex, and census tract income, along with information on mortgage product types, payment structures, loan-to-value ratios, and credit scores. It also outlines each Enterprise's affordable housing allocations and FHFA's efforts to survey mortgage markets and release loan-level data. Finally, the Report reviews subprime, nontraditional, and higher-priced mortgage lending. On October 30, 2025, FHFA published the Annual Housing Report, which covers CY 2024 activities of the Enterprises.

PERFORMANCE MEASURE 3.3.2:
Publish FHFA House Price Indexes (FHFA HPI®)

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 2026, U.S. Federal Housing successfully published 12 monthly and four quarterly HPI releases.[7]

[6] 12 U.S.C. § 4544.
[7] FHFA HPI data are available at **https://www.fhfa.gov/HPI**.



FINANCIAL SECTION

35 MESSAGE FROM THE CHIEF FINANCIAL OFFICER

36 INDEPENDENT AUDITOR'S REPORT

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

44 INTRODUCTION TO THE PRINCIPAL FINANCIAL STATEMENTS

45 U.S. FEDERAL HOUSING FINANCIAL STATEMENTS

49 U.S. FEDERAL HOUSING FINANCIAL NOTES

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present FHFA's consolidated financial statements and related footnotes for FY 2026. The financial statements and footnotes, financial analysis, and performance results in this PAR demonstrate how U.S. Federal Housing manages its financial resources to carry out its statutory responsibilities.

The Agency's independent auditor issued an unmodified opinion on U.S. Federal Housing's financial statements in FY 2026. 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. U.S. Federal Housing remains focused on strengthening and maturing the Agency's internal control program while enhancing efficiency and automation in audit management processes.

The financial statements and footnotes reflect the latest reporting requirements under OMB A-136, *Financial Reporting Requirements*, including restoring the two-year presentation format of financial statements and footnotes.

The approved FY 2027 operating budget reflects the Agency's continued commitment to fiscal responsibility, operational efficiency, and sound stewardship of its resources. In FY 2026, the Agency maintained a zero-based budgeting approach to critically evaluate resource requirements, validate expenditures, and ensure funding is aligned with mission-critical priorities and statutory obligations. These efforts reinforce the Agency's commitment to responsible financial management while ensuring that resources are effectively allocated to support its statutory mission.

I appreciate the Agency's dedicated professionals who plan, manage, and oversee its financial resources. Their commitment to sound financial management, accountability, and the timely and accurate reporting of financial information to Congress and the public is essential to maintaining the Agency's strong financial foundation. As we look ahead, we remain committed to strengthening efficiencies and exercising prudent stewardship of the resources entrusted to us.

Sincerely,



Edom Aweke
Chief Financial Officer
November 12, 2026

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Federal Housing Finance Agency
Washington, D.C.

In our audits of the fiscal year 2026 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, 2026, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;[1] and
- no reportable noncompliance for fiscal year 2026 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, which includes a section on required supplementary information (RSI)[2] and a section on other information included with the financial statements;[3] (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FHFA's financial statements. FHFA's financial statements comprise the balance sheets as of September 30, 2026; 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, 2026, and its net costs of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

[1] 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. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
[2] The RSI consists of Management's Discussion and Analysis and the Statement of Budgetary Resources, which are included with the financial statements.
[3] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

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INDEPENDENT AUDITOR'S REPORT

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards (GAGAS), the standards applicable to financial audits contained in *Government Auditing Standard*s issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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 audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter — FY 2025 Financial Statements Audited by Other Auditors

The financial statements of FHFA as of and for the year ended September 30, 2025, and for the year then ended were audited by other auditors, whose report dated January 13, 2026, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for:

- the preparation and fair presentation of these 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 (PAR) and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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 (2) issue an auditor's report that includes our opinion. 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 conducted in accordance with (GAGAS), and OMB Bulletin No. 24-02 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.

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

In performing an audit in accordance with U.S. GAGAS and OMB Bulletin No 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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, but not for the purpose of expressing an opinion on the effectiveness of FHFA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- 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.

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 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 PAR. The other information comprises the following sections: a detailed statement of management assurances and other information that is applicable in the annual report. 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.

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on Internal Control over Financial Reporting

In connection with our audits of FHFA's financial statements, we considered FHFA's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[4] or to express an opinion on the effectiveness of FHFA's internal control over financial reporting. Given these limitations, during our 2026 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to FHFA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

FHFA management is responsible for 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.

Auditor's Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of FHFA's financial statements as of and for the fiscal year ended September 30, 2026, in accordance with U.S. generally accepted government auditing standards, we considered FHFA's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FHFA's internal control over financial reporting. Accordingly, we do not express an opinion on FHFA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

[4]. 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.

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FHFA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of FHFA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

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

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

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 2026 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 and OMB audit guidance.

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

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

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

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 applicable 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.

Status of Prior Year Findings and Recommendation

U.S. Government Accountability Office (GAO) reported a significant deficiency in fiscal year 2025 related to FHFA's financial statement review process and recommended that FHFA strengthen its procedures for identifying and evaluating the financial reporting effects of significant changes in the nature or magnitude of transactions. During fiscal year 2026, FHFA provided information to auditors supporting that sufficient procedures were in place to address the closure of the prior-year recommendation. Based on audit procedures performed, we concluded that FHFA adequately addressed the prior-year recommendation. Accordingly, the recommendation is considered closed. Details of the prior-year finding and recommendation are presented in Exhibit A.

Brown & Company

Greenbelt, Maryland
November 12, 2026

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

EXHIBIT A

Status of Prior Year's Findings and Recommendation

The following table provides the status of the FHFA's financial statement audit prior year recommendation.

Status of Fiscal Year 2025 Prior Year's Audit Recommendations	Status as of September 30, 2026
Recommendation 1. The Director of FHFA should update FHFA's financial statement review procedures to include specific guidance for financial reporting personnel to consider the potential effect of significant changes in the magnitude or types of transactions on the presentation of information in FHFA's financial statements.	Closed

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

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

U.S. FEDERAL HOUSING

November 12, 2026

Ms. Gail Jenifer
Member, Brown & Company Certified Public Accountants and Management Consultants, PLLC
6401 Golden Triangle, Suite 310
Greenbelt, Maryland 20770

Dear Ms. Jenifer:

Thank you for the opportunity to respond to the Brown and Company (B&C) draft audit report. This report presents B&C's opinion on the consolidated financial statements of U.S. Federal Housing (Federal Housing Finance Agency or FHFA) for fiscal year 2026.

I am pleased to accept B&C's unmodified opinion on the FHFA consolidated financial statements.

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 B&C 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

400 7th Street, SW | Washington, D.C. 20219 | fhfa.gov

INTRODUCTION TO THE PRINCIPAL FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations of U.S. Federal Housing, pursuant to the requirements prescribed by OMB in Circular A-136, *Financial Reporting Requirements.*

Consolidated Balance Sheet

Provides information on assets, liabilities, and net position as of the end of the reporting period. Net position is the difference between assets and liabilities. It is a summary measure of the Agency's financial condition at the end of the reporting period. Intra-entity balances have been eliminated from the amounts presented.

Consolidated Statement of Net Cost

Reports the components of the net costs of U.S. Federal Housing's operations for the reporting period. The net cost of operations consists of the gross costs incurred by the agency less any earned revenue from our activities. Intra-entity balances have been eliminated from the amounts presented. U.S. Federal Housing implemented a new Strategic Plan in FY 2026 with three new strategic goals. Balances as presented by strategic goal in the FY 2025 Statement of Net Cost are not comparable to the FY 2026 Statement of Net Cost presentation. The current and prior year presentations of this statement are provided separately.

Consolidated Statement of Changes in Net Position

Reports the beginning net position, the transactions that affect net position for the reporting period, and the ending net position. Intra-entity transactions have been eliminated from the consolidated amounts presented.

Combined Statement of Budgetary Resources

Reports information on the sources and status of budgetary resources for the reporting period. Information in this statement is reported on the budgetary basis of accounting, which supports compliance with budgetary controls and controlling legislation.



U.S. Federal Housing

(Federal Housing Finance Agency)

Consolidated Balance Sheets

As of September 30, 2026 and 2025

(In Thousands)

	2026	2025
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 26,255	$ 24,778
Investments, Net (Note 3)	301,549	302,817
Advances and Prepayments	548	650
Total Intragovernmental	**328,352**	**328,245**
Other than Intragovernmental:		
Accounts Receivable, Net (Note 4)	196	18
General and Right-to-Use Property, Plant, and Equipment, Net (Note 5)	166,552	183,959
Advances and Prepayments	5,596	6,199
Total Other than Intragovernmental	**172,344**	**190,176**
TOTAL ASSETS	**$ 500,696**	**$ 518,421**
LIABILITIES (Note 6)		
Intragovernmental:		
Accounts Payable	$ 52	$ 1,063
Advances From Others and Deferred Revenue	1,583	1,768
Other Liabilities, Net (Note 7)	1,404	1,613
Total Intragovernmental	**3,039**	**4,444**
Other than Intragovernmental:		
Accounts Payable	8,707	9,161
Federal Employee Salary, Leave, and Benefits Payable, Net		
Unfunded Accrued Annual Leave	14,630	14,821
Employer Contributions and Payroll Taxes Payable	481	407
Accrued Funded Payroll	4,308	8,482
Other Unfunded Employment Related Liability	6,123	
Pensions, and Post-Employment-Related Benefits Payable, Net		
FECA Actuarial Liability	638	1,088
Other Post Employment Benefits Due and Payable		907
Advances from Others and Deferred Revenue	22,269	66,908
Other Liabilities, Net (Note 7)		
Unfunded Lessee Lease Liability	216,765	213,012
Other Liabilities	11	10
Total Other than Intragovernmental	**273,932**	**314,796**
TOTAL LIABILITIES	**$ 276,971**	**$ 319,240**
Commitments and Contingencies (Note 9)		
Net Position:		
Cumulative Results of Operations - Funds from Other Than Dedicated Collections	223,725	199,181
Total Cumulative Results of Operations	**223,725**	**199,181**
TOTAL NET POSITION	**$ 223,725**	**$ 199,181**
TOTAL LIABILITIES AND NET POSITION	**$ 500,696**	**$ 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 Years Ended September 30, 2026 and 2025

(In Thousands)

	2026	2025
Gross Program Costs by Strategic Goals		
Responsibly Oversee Fannie Mae and Freddie Mac	$ 122,717	N/A
Supervise the Federal Home Loan Bank System	$ 56,631	N/A
Efficiently Manage U.S. Federal Housing Operations	$ 145,277	N/A
Gross Program Costs	324,625	N/A
Less: Total Earned Revenue not Attributable to Strategic Goals	(335,056)	N/A
NET (INCOME FROM)/COST OF OPERATIONS	**$ (10,431)**	**N/A**

	2026	2025
Gross Program Costs by Strategic Goals		
Safety and Soundness	N/A	$ 180,790
Equitable Access to Affordable and Sustainable Housing	N/A	$ 56,691
Responsibly Steward FHFA's Infrastructure	N/A	$ 147,504
Gross Program Costs	N/A	384,985
Gross Costs Not Assigned to Programs	N/A	32,941
Less: Total Earned Revenue not Attributable to Strategic Goals	N/A	(439,758)
NET (INCOME FROM)/COST OF OPERATIONS	**N/A**	**$ (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 Years Ended September 30, 2026 and 2025

(In Thousands)

	2026	2025
Cumulative Results of Operations:		
Beginning Balance	$ 199,181	$ 156,321
Imputed Financing	14,113	21,028
Net Income From/Cost of Operations	10,431	21,832
Net Change in Cumulative Results of Operations	24,544	42,860
TOTAL CUMULATIVE RESULTS OF OPERATIONS	**$ 223,725**	**$ 199,181**
NET POSITION	**$ 223,725**	**$ 199,181**

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

U.S. Federal Housing

(Federal Housing Finance Agency)

Statement of Budgetary Resources

For the Fiscal Years Ended September 30, 2026 and 2025

(In Thousands)

	2026	2025
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net (Note 11)	$ 196,221	$ 134,589
Appropriations (Note 1.F.)	333,546	437,981
Spending Authority From Offsetting Collections	43,985	55,876
TOTAL BUDGETARY RESOURCES	**$ 573,752**	**$ 628,446**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	$ 334,201	$ 444,951
Unobligated Balance, End of Year:		
Exempt From Apportionment, Unexpired Accounts	239,551	183,495
Unexpired, Unobligated Balance, End of Year	239,551	183,495
Unobligated Balance, End of Year (Total)	239,551	183,495
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 573,752**	**$ 628,446**
Outlays, Net		
Outlays, Net (Total)	$ 288,698	$ 373,296
Distributed Offsetting Receipts	(288,907)	(504,889)
AGENCY OUTLAYS, NET	**$ (209)**	**$ (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 Years Ended September 30, 2026, and 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 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). 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 established an Office of Inspector General, 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 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 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 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.

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 liabilities 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. CHANGE IN PRESENTATION

In FY 2026, pursuant to OMB Circular A-136, U.S. Federal Housing has implemented a two-year presentation format for the 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. As of September 30, 2026, and September 30, 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, 2025, and September 30, 2024, respectively.

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 semiannual 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 1 and April 1.

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. A new strategic plan with updated Strategic Goals was published in FY 2026 and the FY 2026 Statement of Net Cost has been prepared using the Strategic Goals established for FY 2026:

1) Responsibly Oversee Fannie Mae and Freddie Mac for the American People;
2) Supervise the Federal Home Loan Bank System; and
3) Efficiently Manage U.S. Federal Housing Operations.

The FY 2025 Statement of Net Cost has been prepared using the Strategic Goals in existence 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.

Additionally, 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 2026 totaled $46.1 million and for FY 2025 totaled $54.1 million. Earned revenue is not tracked to strategic goals and is reported at the total level only.

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 2026 and 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, 2026, and September 30, 2025, consisted 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 management determines that collection is unlikely to occur after a review of outstanding accounts and the failure of all collection efforts.

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 or with a period of performance of less than one year are 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, liabilities that are not covered by budgetary resources, and liabilities that do not require 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:* Represents liabilities with federal agencies such as OPM for the employer portion of payroll taxes and benefits contributions.
- *Accrued Funded Payroll:* Represents 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.
- *Other Unfunded Employment Related Liability:* Represents estimated performance-based bonuses earned by employees in FY 2026 and agreed to by management that have not yet been paid. The performance-based bonuses will be paid with funds available in FY 2027.
- *Federal Employees' Compensation Act (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 the Department of Labor's (DOL) 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 and accrued lease interest. 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.

  1) Pursuant to the FASAB SFFAS 62, Transitional Amendment 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. In FY 2027, FHFA expects to continue to account for contracts or agreements that contain both lease components and non-lease components, that serve a primary purpose attributable to the non-lease components, as non-lease contracts under a new federal financial accounting standard that will be effective for reporting periods after September 30, 2026. (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 October 1, 2026, and October 1, 2025, due dates from the regulated entities. The revenue is not considered to be earned until FY 2027 and FY 2026, respectively.

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 1.M., *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 health and life insurance coverage to its employees 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

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)

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 2026 maximum taxable wage base for Social Security is $184,500.

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 16, *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 2026, 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 2026 and FY 2025.

Fund Balance with Treasury, by status, is as follows as of September 30, 2026, and 2025:

	FY 2026	FY 2025
Status of Fund Balance with Treasury:		
Unobligated Balance	$ 261,820	$ 250,403
Obligated Balance Not Yet Disbursed	65,984	77,192
Investments	(301,549)	(302,817)
Total Status of Fund Balance with Treasury	**$ 26,255**	**$ 24,778**

Note 3. Investments, Net

Intragovernmental Investments as of September 30, 2026					
	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value
Intragovernmental Securities:					
Non-Marketable					
Market-Based	$ 301,549	$ -	$ -	$ 301,549	$ 301,549

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, 2026, or 2025. Interest earned on investments was $12.4 million and $13.2 million for FY 2026 and 2025, respectively.

Note 4. Accounts Receivable, Net

Other than Intragovernmental accounts receivable totaled $196 thousand and $18 thousand and are considered fully collectible as of September 30, 2026, and September 30, 2025, respectively.

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

FY 2026			
Category	**Acquisition Cost**	**Accumulated Amortization/ Depreciation**	**Net Book Value**
Equipment	$ 24,901	$ 23,601	$ 1,300
Leasehold Improvements	36,282	35,054	1,228
Internal-Use Software	3,678	2,891	787
Machinery & Equip Under Lease	274	274	-
Right-to-Use Lease Asset (Note 8)	207,636	45,036	162,600
Construction-in-Progress	637	-	637
Total	**$ 273,408**	**$ 106,856**	**$ 166,552**

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

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, 2026, and 2025:

	2026	2025
Intragovernmental Liabilities		
Accounts Payable	$ 52	$ 1,063
Advances from Others and Deferred Revenue	1,583	1,768
Other Intragovernmental Liabilities	1,404	1,613
Total Intragovernmental Liabilities	**$ 3,039**	**$ 4,444**
Other than Intragovernmental		
Accounts Payable	$ 8,707	$ 9,161
Unfunded Accrued Annual Leave	14,630	14,821
Other Post Employment Benefits Due and Payable -	-	907
FECA Actuarial Liabilities	638	1,088
Employer Contributions and Payroll Taxes Payable	481	407
Accrued Funded Payroll	4,308	8,482
Other Unfunded Employment Related Liability	6,123	-
Advances from Others and Deferred Revenue	22,269	66,908
Unfunded Lessee Lease Liability (Note 8)	216,765	213,012
Other Liabilities	11	10
Total Other than Intragovernmental Liabilities	**$ 273,932**	**$ 314,796**
Total Liabilities Not Covered by Budgetary Resources	$ 238,156	$ 228,921
Total Liabilities Covered by Budgetary Resources	16,546	23,411
Total Liabilities Not Requiring Budgetary Resources	22,269	66,908
Total Liabilities	**$ 276,971**	**$ 319,240**

The only current liability not covered by budgetary resources as of September 30, 2026, is Other Unfunded Employment Related Liability for accrued performance-based bonuses earned during the FY 2026 performance year (Note 1.M). There were no current liabilities not covered by budgetary resources as of September 30, 2025.

Note 7. Other Liabilities

As of September 30, 2026, and September 30, 2025, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other than Intragovernmental Other Liabilities are presented below.

	2026	2025
Intragovernmental Liabilities		
Benefit Program Contributions Payable	$ 1,162	$ 1,139
Employer Contributions and Payroll Taxes Payable	236	474
Liability to the Gen Fund of the U.S. Government for Custodial	6	-
Total Intragovernmental Other Liabilities	**$ 1,404**	**$ 1,613**
Other than Intragovernmental		
Employee Related Refunds Due	$ 11	$ 10
Unfunded Lessee Lease Liability (Note 8)	216,765	213,012
Total Other than Intragovernmental Other Liabilities	**$ 216,776**	**$ 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, 2026:

Fiscal Year	Change in Lease Liability	Interest	Future Payments
2027	$ 10,082	$ 9,297	$ 19,379
2028	$14,160	$8,763	$22,923
2029	$15,240	$8,122	$23,362
2030	$16,378	$7,432	$23,810
2031	$ 17,574	$ 6,692	$24,266
2032 to 2036	$108,117	$20,380	$128,497
2037 to 2038	$35,214	$1,109	$36,323
Total Future Lease Payments	**$ 216,765**	**$ 61,795**	**$278,560**

The Change in Lease Liability total includes future payments of $199,508 of principal and $17,257 of accrued interest. The discount rate used to discount U.S. Federal Housing's lease liabilities to present value is 4.375%.

Other than Intragovernmental Leases Data as Lessee:

FY 2026 Right-to-Use Lease Assets:

Costs	Accumulated Amortization	Net Book Value
$207,636	$45,036	$162,600

FY 2026 Right-to-Use Lease Expenses:

Amortization Expense of the Right-to-Use Lease Assets	Interest Expense on the Lease Liabilities	Total
$14,347	$9,486	$23,833

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 2026 lease expense for the FHFA OIG office spaces is $429 thousand.

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, 2026 and September 30, 2025 (see Note 14, *Undelivered Orders at the End of the Period*). FHFA is a party to various legal proceedings for which an unfavorable outcome is considered probable or reasonably possible. As of September 30, 2026, management is unable to reasonably estimate the amount or range of potential loss associated with these matters; therefore, no liability has been accrued for such contingencies.

Note 10. Non-Production Costs

Non-Production Costs

FHFA did not incur material non-production costs in FY 2026.

During FY 2025, the Agency incurred material non-production costs related to several employment separation programs. These costs include the Voluntary Separation Incentive Payments (VSIP) made to employees retiring from federal service, pay and benefits provided to employees on leave while participating in the government-wide Deferred Resignation Program (DRP), and severance pay.

FY 2025 Non-Production Costs		
Separation Program	**Number of Employees**	**Dollar Amount**
VSIP	112	$17,140
DRP	87	$14,602
Severance Pay	17	$1,199
Total	**216**	**$32,941**

Note 11. 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 2026 and FY 2025 composition of this line.

	2026	2025
Unobligated Balance Brought Forward, October 1	$ 183,495	$ 109,643
Recoveries of Prior Year Obligations	11,783	24,215
Other Changes in Unobligated Balance	943	731
Unobligated Balance from Prior Year Budget Authority, Net $	**$ 196,221**	**$ 134,589**

Note 12. Legal Arrangements Affecting Use of Unobligated Balances

HERA requires that any balance that remains unobligated at the end of the fiscal year, except for amounts assessed for contribution to 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, 2026, and September 30, 2025, the unobligated balance was $239.6 million and $183.5 million, respectively. Within U.S. Federal Housing's authority is the ability to retain the portion of the FY 2026 unobligated balance of $54.2 million which is not designated as working capital fund. The authority allows retention for operating expenses, to increase the working capital fund, or for conservatorship/Enterprise-related expenses during FY 2027. U.S. Federal Housing retained the FY 2025 unobligated balance for conservatorship/Enterprise-related expenses during FY 2026.

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

A comparison was performed between the amounts reported in the FY 2025 Statement of Budgetary Resources and the actual FY 2025 amounts reported in the FY 2027 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 2025 differences are explained in the Summary of FY 2025 Reconciling items table below. The President's Budget that will report actual amounts for FY 2026 has not yet been published and will be made available on OMB's President's Budget website.[8]

[8] **https://www.whitehouse.gov/omb/budget/**.

Summary of FY 2025 Reconciling Items
(In Millions)

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary				
Resources	$ 628	$ 445	$ 505	$ 373
Budget of the U.S. Government	$ 629	$ 445	$ 505	$ 373
Difference	$ (1)	$ -	$ -	$ -
Explanation	Rounding			

Note 14. Undelivered Orders at the End of the Period

The following table summarizes total budgetary resources obligated for Undelivered Orders as of September 30, 2026:

	Federal	Non-Federal
Paid Undelivered Orders	$ 548	$ 5,596
Unpaid Undelivered Orders	2,372	49,077
Total Undelivered Orders	**$ 2,920**	**$ 54,673**

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 15. 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 immaterial, with $8 thousand collected for the year ended September 30, 2026, and $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 16. 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, 2026, and 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, 2026	Intragovernmental	Other than Intragovernmental	Total
Net (Income From)/Cost of Operations	**$ 53,009**	**$ (63,440)**	**$ (10,431)**
Components of Net Cost Not Part of the Budgetary Outlays			
General and Right-to-Use Property, Plant, and Equipment, Net	-	(4,413)	(4,413)
Amortization of Right-to-Use Lease Asset	-	(14,347)	(14,347)
Accrued Interest on Lease Liability	-	(3,753)	(3,753)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	178	178
Securities and Investments	-	-	
Advances and Prepayments	(102)	(603)	(705)
(Increase)/Decrease in Liabilities:			
Accounts Payable	1,010	454	1,464
Advances from Others and Deferred Revenue	185	44,639	44,824
Federal Employee Salary, Leave, and Benefits Payable, Net	-	(1,832)	(1,832)
Pensions, and Post Employment-Related Benefits	-	1,357	1,357
Other Liabilities, Net	209	-	209
Financing Sources:			
Imputed Cost	(14,113)		(14,113)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (12,811)**	**$ 21,680**	**$ 8,869**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	1,353	1,353
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**$ -**	**$ 1,353**	**$ 1,353**
Miscellaneous Items			
Distributed Offsetting Receipts	(12,417)	(276,490)	(288,907)
Appropriated Receipts for Trust/Special Funds	12,417	276,490	288,907
Custodial/Non-Exchange Revenue	8	(8)	-
Principal Payments on Right to Use Lease Liability	-	-	-
Total Other Reconciling Items	**$ 8**	**$ (8)**	**$ -**
Total Net Outlays (Calculated Total)	**$ 40,206**	**$ (40,415)**	**$ (209)**
Budgetary Agency Outlays, Net			
Agency Outlays, Net			**$ (209)**

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)
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
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 Net Outlays (Calculated Total)	**$ 52,389**	**$ (183,982)**	**$ (131,593)**
Budgetary Agency Outlays, Net			
Agency Outlays, Net			**$ (131,593)**



OTHER INFORMATION

68 AUDITS AND EVALUATIONS

70 MANAGEMENT REPORT ON FINAL ACTIONS

71 OFFICE OF INSPECTOR GENERAL MANAGEMENT AND PERFORMANCE CHALLENGES

85 AGENCY RESPONSE TO OIG'S FY 2027 MANAGEMENT AND PERFORMANCE CHALLENGES

88 SUMMARY OF FINANCIAL STATEMENTS AUDIT AND MANAGEMENT ASSURANCES

89 PAYMENT INTEGRITY

90 CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

91 U.S. FEDERAL HOUSING KEY MANAGEMENT OFFICIALS

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 its projects, policies, and programs. FHFA OIG conducts performance audits, compliance reviews, and evaluations of Agency systems and programs. The U.S. Government Accountability Office (GAO) conducts 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 72-85.

Table 16: Audits and Evaluations

FHFA OIG Reports

	Report Title	Report ID	Report Date
1	The Office of General Counsel Provided Sufficient Oversight of the Suspended Counterparty Program But Did Not Document Certain Controls in Its Operating Procedures	AUD-2026-009	2026-09-29
2	DER Designed and Implemented Effective Oversight of the Enterprises' Multifamily Credit Risk Transfer Programs	AUD-2026-008	2026-09-29
3	FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats	AUD-2026-007	2026-09-29
4	FHFA's Design and Implementation of Select Security Controls for its eGRC Cloud System Were Not Fully Effective	AUD-2026-006	2026-09-28
5	Assessment of DBR's Oversight of the FHLBank System Corporate Governance	AUD-2026-005	2026-09-17
6	Risk Assessment of FHFA's Charge Card Programs April 1, 2025 – March 31, 2026	OIG-RA-2026-001	2026-09-09
7	Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2026	AUD-2026-004	2026-07-30
8	DBR's Quality Control Program Did Not Detect a Documentation Deficiency in Its Oversight of the FHLBank System's Information Security and Cybersecurity Risk Management	AUD-2026-003	2026-05-13
9	DER Effectively Oversaw Fannie Mae's Multifamily Lenders and Loan Monitoring Activities, But Should Improve Documentation of its Sampling Approach	AUD-2026-002	2026-03-31
10	FHFA Did Not Consistently Comply with Policies and Procedures for Paying Employee Reimbursements and Stipends	EVL-2026-002	2026-03-31
11	FHFA's Controls Over Legal Service Payments Were Generally Effective But Did Not Ensure Compliance With All Contractual Requirements	AUD-2026-001	2026-02-17
12	FHFA Continues to Monitor and Assess the Adequacy of Fannie Mae's Allowance for Loan Losses in Its Multifamily Line of Business	EVL-2026-001	2026-01-06

Table 16: Audits and Evaluations

GAO Reports

	Report Title	Report ID	Report Date
1	Federal Home Loan Banks: Role in Providing Liquidity and Actions Related to the Spring 2023 Bank Failures	GAO-26-109282	July 21, 2026
2	Regulatory Reporting Reform: Financial Data Transparency Act Requires Initial Steps Toward Government-wide Data Standards	GAO-26-108420	May 14, 2026
3	Federal Housing Finance Agency: Improvements Needed in Controls over Financial Statement Review Process	GAO-26-108895	Apr 23, 2026
4	Nonbank Mortgage Companies: Ginnie Mae and FHFA Could Enhance Financial Monitoring	GAO-26-107436	Feb 10, 2026
5	Financial Audit: Federal Housing Finance Agency's FY 2025 Financial Statements	GAO-26-108276	Jan 23, 2026
6	Federal Home Loan Banks: Role During Financial Stress and Members' Borrowing Trends and Outcomes	GAO-26-107373	Dec 17, 2025
7	Property Technology for Homebuying: Products Present Benefits and Risks Amid Evolving Federal Oversight	GAO-25-107201	Dec 1, 2025

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 17, 18, and 19 provide information on final action taken by management on audit reports for FY 2026.

Table 17: Management Report on Final Action on Audits with Disallowed Costs for FY 2026

	Audit Report	Number of Reports	Disallowed Costs
A	Management decisions—final action not taken at beginning of period	1	$95,768
B	Management decisions made during the period	2	$70,898
C	Total reports pending final action during the period (A and B)	3	$166,666
D	Final action taken during the period:		
	1. Recoveries:		
	(a) Collections and offsets	1	$5,208
	(b) Other	2	$161,458
	2. Write-offs	0	$0
	3. Total of 1(a), 1(b), and 2	2	$166,666
E	Audit reports needing final action at the end of the period	1	$0

Table 18: Management Report on Final Action on Audits with Recommendations to Put Funds to Better Use for FY 2026

	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 19: Audit Reports Without Final Actions but with Management Decisions Over One Year Old for FY 2026

Report No. and Issue Date	Recommendation	Management Action
–	0	0

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 2027

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

October 14, 2026

MEMORANDUM

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

FROM: James Hodge, Acting Principal Deputy Inspector General, Performing the Duties of the Inspector General /s/

SUBJECT: Fiscal Year 2027 Management and Performance Challenges

Pursuant to the Reports Consolidation Act of 2000 (P.L. 106-531), this memorandum identifies the most serious management and performance challenges facing the Federal Housing Finance Agency (FHFA or the Agency) in fiscal year (FY) 2027 and the Agency's progress in addressing them. 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 four risk areas identified in prior years that continue to constitute serious management and performance challenges in FY 2027.

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 and the Enterprises; and

4. Overseeing the regulated entities' reliance on counterparties and third parties.

[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.

I want to emphasize that my office's oversight of high risk and challenging areas has been negatively impacted by FHFA's substantial reduction in the funding of the OIG. [2] Most significantly, challenge 1, "Managing Risks in the Enterprises' Multifamily Lines of Business," will be hindered as this dramatic funding decrease essentially eliminates OIG's capacity to identify, investigate, and develop the evidence necessary to prosecute fraud schemes involving the multifamily mortgage market.[3] These activities have been the historical function of my office, and not FHFA, and are relied upon by Congress, law enforcement partners, and other stakeholders.

Furthermore, we are no longer reporting the prior year challenge, "Creating and Maintaining Records Justifying Key Management Decisions," as a primary challenge. Keeping records of key management decisions and their justifications in accordance with statute and Agency policy is critical. We acknowledge improvements that the Agency has made in this regard, in part through implementing OIG recommendations.[4] As warranted, we will consider record-keeping practices in performing our oversight.

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 June 30, 2026, the combined multifamily portfolios totaled almost $1.05 trillion. The Enterprises' new business volumes for the year 2025 totaled $150 billion. FHFA's 2025 Report to Congress acknowledged that, at the end of calendar year 2025, 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

[2] To Be Good Financial Stewards, FHFA Inspector General's Budget Will Match the Budgets of Peer Agencies | FHFA.

[3] Funding Notification Letter to Congress 9.30.26.

[4] *See DHMG's Oversight of the Enterprises' Compliance with Duty to Serve Requirements Was Not Fully Effective Due to Incomplete Evaluation Documentation and Outdated Guidance*, (AUD-2025-005) (Aug. 28, 2025) and *The Division of Federal Home Loan Bank Regulation Needs to Improve Controls Over Internal Model Risk*, AUD-2025-009 (Sept. 29, 2025). Corrective actions for other FHFA-OIG recommendations regarding documentation and record-keeping are underway.

focused on multifamily financing. For example, in January 2026, OI and law enforcement partners successfully prosecuted a significant multifamily case involving real estate investors who carried out a scheme to fraudulently obtain loans for the purported sale and purchase of various residential and commercial properties.

Actions taken by the Enterprises also reflect increased awareness of fraud in the multifamily market. In 2025, Fannie Mae imposed remedies on several lenders, including loan repurchase, indemnification, and increased lender loss sharing, in response to fraudulent transactions. Freddie Mac also made repurchase requests in response to fraudulent activity. In early 2026, one of Freddie Mac's largest lenders completed an internal investigation into the origination of two portfolios of loans that revealed fraudulent documentation submitted by the borrowers. Furthermore, both Enterprises also made guide updates. Freddie Mac expanded its Multifamily Seller/Service Guide requirements on fraud prevention, detection, and reporting in July 2025, and Fannie Mae issued Guide Update 26-20: Potential Red Flags for Mortgage Fraud and Other Suspicious Activity, which went into effect in August 2026.

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 2026 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. In recent years, FHFA has expanded its cap on the Enterprises' multifamily loan acquisitions by 25 percent. For 2026, FHFA has allowed each Enterprise to purchase $88 billion in market-rate multifamily loans. The Enterprises' multifamily businesses are expected to grow when, according to FHFA, they continue to face heightened fraud risk. FHFA also considers their current risk management practices to be unsatisfactory. Further, the capital of both Enterprises remains below FHFA's regulatory requirements. These conditions heighten the Enterprises' exposure to potential credit losses and present a serious challenge to FHFA's ability to ensure that the Enterprises operate in a safe and sound manner.

Furthermore, dramatic reductions in funding to OIG will force the discontinuation of essentially all criminal investigations, including investigations of multifamily fraud schemes. Absent the criminal investigative capacity of OIG, the Agency cannot develop the evidence necessary to prosecute the fraudsters who engage in these schemes, which serves as a primary deterrent. This loss is critical, as FHFA itself lacks criminal investigative expertise and the law enforcement authorities, including the power to issue subpoenas, necessary to effectively identify and investigate multifamily fraud.

FHFA's Progress in Addressing this Challenge

In 2025, the Division of Enterprise Regulation (DER) examined several multifamily-related topics at the Enterprises, including multifamily credit risk management, enterprise risk management, seller/servicer risk management, small balance loans, and trading. FHFA's 2025 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions[5] communicated the Agency's priorities and expectations for the Enterprises, including:

- Explore establishing aligned and consistent standards for multifamily borrowers to reduce risk of fraud; and
- Strengthen multifamily asset management capabilities and responsiveness to property condition issues.

Additionally, DER's 2026 supervision plan scheduled examination work in the areas of, among other things, multifamily credit modeling, credit risk management, front-end processes, and loss mitigation.

In our FY 2026 audits, we found that DER effectively oversaw Fannie Mae's multifamily lenders and loan monitoring activities, but the examiners did not fully document their sampling approach for the selection of Fannie Mae loan files tested. This deficiency was remediated in FY 2026. We also determined that DER designed and implemented effective oversight of the Enterprises' multifamily credit risk transfer programs. Furthermore, our 2026 evaluation determined that Fannie Mae adjusted its allowance for loan losses to address suspected fraud found in its multifamily book of business.

Despite progress, the funding cuts to OIG and its ability to properly investigate and prosecute multifamily fraud represent a significant step backwards for FHFA in this area.

Select OIG Report Related to the Enterprises' Multifamily Businesses:

DER Designed and Implemented Effective Oversight of the Enterprises' Multifamily Credit Risk Transfer Programs (AUD-2026-008, September 29, 2026)

DER Effectively Oversaw Fannie Mae's Multifamily Lenders and Loan Monitoring Activities, But Should Improve Documentation of its Sampling Approach (AUD-2026-002, March 31, 2026)

FHFA Continues to Monitor and Assess the Adequacy of Fannie Mae's Allowance for Loan Losses in Its Multifamily Line of Business (EVL-2026-001, January 6, 2026)

[5] https://www.fhfa.gov/document/2025-Scorecard.pdf.

Select OIG Criminal Investigation on Multifamily Fraud:

Real Estate Investor Pleads Guilty to $230 Million Fraud Conspiracy (Press Release, May 21, 2026)

Grand Jury Indicts Owners of Real Estate Investment Group, Closing & Title Company Employees in More than $50 Million Bank Fraud Conspiracy (Press Release, January 14, 2026)

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

FHFA's regulated entities comprise central components of the U.S. financial system and electronically connect with other large financial institutions and counterparties. As part of their business processes, the regulated entities receive, store, and transmit highly sensitive private information about borrowers and businesses, including financial data and personally identifiable information (PII). Protecting this information is critically important and reflects an ongoing challenge to FHFA and the regulated entities. Unfortunately, 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, in a number of FHLBanks, the Agency identified examination concerns related to IT systems, including inadequate separation of IT systems, identity and access controls, and information security practices.

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 un-remediated over an extended period of time 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 2025 Report to Congress, FHFA continued to report 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 identified areas that exhibited or could exhibit unacceptable operational risks in vulnerability management, privileged access management, identity and access management controls, among other cybersecurity areas.

FHFA

Pursuant to Federal Information Security Modernization Act of 2014 (FISMA),[6] OIG contracted with an independent public accountant (IPA) to conduct 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 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 2026, the IPA reported that the remediation of past due exploitable vulnerabilities was in progress and FHFA provided estimated completion dates that have already passed.

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 us 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

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

3,318 potentially exploitable vulnerabilities on FHFA's servers, workstations, and other devices of which 64 percent were critical.

Furthermore, FHFA acknowledged in its FY 2025 Performance and Accountability report that Agency operations are in constant threat from cyberattacks, noting that they deploy technology to block network intrusion attempts. Our FY 2025 audit of the Agency's public-facing systems found vulnerabilities that exposed FHFA's information technology infrastructure and its non-public data to unauthorized access. Our auditors were able to obtain unauthorized access to non-public data and systems during testing. If a malicious actor had conducted this as a real-world attack, FHFA's mission, operations, and public trust could have suffered significant harm.

In our FY 2026 audit of the Agency's security controls over its internal network, we followed up on the vulnerabilities identified in the FY 2024 audit and found that these issues persist. In another audit, we determined FHFA's design and implementation of select security controls for its Enterprise Governance, Risk, and Compliance (eGRC) Cloud System were not fully effective to manage access and protect information. We found that FHFA did not consistently implement access controls for privileged and inactive accounts; did not fully document and implement data protection controls for sanitizing hotline complaints referred by the OIG; did not fully describe the controls applicable to the system in its security documentation; and did not fully implement identification and authentication controls to protect account passwords, enforce multifactor authentication, and uniquely identify users. These weaknesses reduce FHFA's ability to ensure that access is appropriate, complaint information is protected, and security controls are documented.

FHFA's Progress in Addressing this Challenge

Regulated Entities

As reported in FHFA's 2025 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. In our 2026 audit, we determined that the Division of Federal Home Loan Bank Regulation provided sufficient oversight of the FHLBank System's information security and cybersecurity risk management and generally complied with its guidance for conducting examination activities.

FHFA

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 estimated completion dates that have already passed. Some vulnerabilities now span four fiscal years, demonstrating persistent challenges in remediating them. In addition, implementation of recommendations to address recent audit findings, including the FY 2024, FY 2025, and FY 2026 audits of the Agency's security controls and the eGRC Cloud System, remains in progress.

Select OIG Reports Related to Vulnerability Management in Information Security Systems:

- *FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats* (AUD-2026-007, September 29, 2026)
- *FHFA's Design and Implementation of Select Security Controls for its eGRC Cloud System Were Not Fully Effective* (AUD-2026-006, September 28, 2026)
- *Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2026* (AUD-2026-004, July 30, 2026)
- *DBR's Quality Control Program Did Not Detect a Documentation Deficiency in Its Oversight of the FHLBank System's Information Security and Cybersecurity Risk Management* (AUD-2026-003, May 13, 2026)
- *Vulnerabilities in FHFA's Public-Facing Systems Risk Unauthorized Access to Non-Public Data* (AUD 2025-007, September 25, 2025)
- *Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2025* (AUD-2025-004, July 30, 2025)
- *FHFA's Security Controls Were Not Effective to Protect Its Network and Systems Against Internal Threats* (AUD-2024-007, August 12, 2024)

Challenge 3: Addressing Human Capital Risk at FHFA and the Enterprises

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. The Enterprises' ability to accomplish their missions and business objectives also requires a skilled and experienced workforce.

Why This is a Challenge

FHFA

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, increasing the risk of gaps in vital institutional knowledge. For example, in our FY 2026 compliance review of FHFA's compliance with reimbursements and stipends policy and procedures, we found that staff turnover over the last several years was the cause of the Agency's inability to locate records. FHFA management faces challenges as it continues to adapt the organization's operations and practices to the Agency's smaller size and change in composition.

Enterprises

In FY 2026, the Enterprises experienced significant leadership changes at management levels that have implications for human capital risk, including potential impacts on institutional expertise, workforce productivity, and organizational stability. Such leadership changes require FHFA's oversight to ensure the Enterprises manage these risks effectively and continue to execute their mission.

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.

In 2026, we confirmed that FHFA's Division of Federal Home Loan Bank Regulation (DBR) performed an Affordable Housing Program (AHP) workforce planning analysis to determine current and future examination needs and address any identified staffing gaps. In this regard, DBR analyzed its workforce needs for oversight of AHP as part of its broader organizational changes. DBR determined that it no longer required a specialized team focused solely on AHP, and former AHP examiners were reassigned to the safety and soundness examination teams. DBR also concluded that its staffing levels are sufficient to fully execute all targeted examinations, including necessary AHP examinations.

However, workforce limitations continue to be a cause of findings in our oversight work, leaving agreed to recommendations unimplemented.

Select OIG Reports Issued Related to Addressing Human Capital Management

> *FHFA Did Not Consistently Comply with Policies and Procedures for Paying Employee Reimbursements and Stipends* (EVL-2026-002, March 30, 2026)
>
> *Vulnerabilities in FHFA's Public-Facing Systems Risk Unauthorized Access to Non-Public Data* (AUD-2025-007, September 25, 2025)

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 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:

- An institutional counterparty that 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 entities' 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. Further, in February 2026, the Government Accountability Office issued a report noting opportunities for FHFA to

enhance its assessment of the financial condition of non-bank seller/servicers.[7]

- 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"). Like third parties, fourth parties pose risks that must be managed; however, the regulated entities typically have limited or no visibility into the fourth parties' operations and related risks.

- The regulated entities' increasing reliance on super intelligence tools and services developed, maintained, or supported by third parties may expose the regulated entities to operational, cybersecurity, data protection, and intellectual property risks. These risks may be increased when the regulated entities have limited visibility into third-party development and deployment practices or where third parties use super intelligence in ways not authorized by the regulated entities.

- 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. The increasing use of super intelligence technologies may create additional opportunities for fraud schemes involving counterparties and third parties.

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 2025 Annual Report to Congress. With respect 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, FHFA exercises the Enterprises' contractual audit rights to obtain necessary information to fulfill its 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

[7] GAO-26-107436, Nonbank Mortgage Companies – Ginne Mae and FHFA Could Enhance Financial Monitoring (February 2026)

entities similar to that conferred upon the federal banking agencies through a provision in the Bank Service Company Act.

FHFA's Progress in Addressing this Challenge

FHFA continued supervisory and oversight activities to mitigate risks associated with the regulated entities' reliance on counterparties and third parties. Enhancing Enterprise counterparty risk controls and super intelligence risk management activities are included as evaluation criteria in the 2025 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions. For more than six years, DER has identified third-party oversight as a supervisory priority. Accordingly, third-party, fourth-party and counterparty risk management have been a point of emphasis in DER's 2026 supervisory planning. DER is planning both examination and non-examination activities on these topics, including oversight of developing super intelligence usage by the Enterprises. Single-family seller/servicers remain a focus of the Enterprises' counterparty risk oversight efforts because of the potential credit and operational risks associated with them. DBR has also planned targeted examinations and monitoring activities for relevant topics such as counterparty credit risk and supply chain management, and will monitor developing super intelligence usage in the FHLBank System.

To strengthen oversight of private mortgage insurer counterparties, the Enterprises issued updated Private Mortgage Insurer Eligibility Requirements (PMIERs) under FHFA's oversight in 2024 and 2026. PMIERs establish the requirements private mortgage insurers must meet to remain eligible to provide mortgage insurance on loans acquired by the Enterprises. This new guidance was phased in with an effective date of September 30, 2026.

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 76 suspension orders in FY 2026, which is far greater than the six suspension orders it issued in FY 2025. In FY 2023, FHFA 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 in FY 2025 to address a number of material changes deemed necessary; a subsequent proposal in FY 2026 intends to remove the term "reputational harm" from the rule. This rulemaking remains pending.

Select OIG Reports Related to Counterparty or Third-Party Issues

DER Effectively Oversaw Fannie Mae's Multifamily Lenders and Loan Monitoring Activities, But Should Improve Documentation of its Sampling Approach (AUD-2026-002, March 30, 2026)

FHFA Continues to Monitor and Assess the Adequacy of Fannie Mae's Allowance for Loan Losses in Its Multifamily Line of Business (EVL-2026-001, January 26, 2026)

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)

DER Provided Effective Oversight of the Enterprises' Nonbank Seller/Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities (AUD-2024-003, March 28, 2024)

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

Title Company Owner Sentenced for Embezzlement (Press Release, January 29, 2026)

St. Louis Man Sentenced to Five Years in Prison for Fraudulently Obtaining $1.2 Million in Mortgages (Press Release, September 8, 2025)

California Lawyer Sentenced to More Than Five Years in Federal Prison for Wire Fraud and Money Laundering (Press Release, March 7, 2025)

Conclusion

The primary goal of this memorandum is to provide FHFA with an objective assessment of key challenges and facilitate the mitigation of operational risks, both internal to the Agency and within the regulated entities. Continued vigilance by FHFA in these efforts is essential. To assist FHFA in addressing the management and performance challenges identified in this memorandum, OIG's FY 2027 oversight, to the extent our budget allows, will focus on these areas in addition to our statutorily mandated functions.

AGENCY RESPONSE TO OIG'S FY 2027 MANAGEMENT AND PERFORMANCE CHALLENGES

U.S. FEDERAL HOUSING

Agency Response to OIG's FY 2027 Report on Management and Performance Challenges

U.S. Federal Housing fully supports the independence and mission of the Agency's Office of Inspector General and provides the following in response to the identified management and performance challenges.

Regarding OIG funding, FHFA conducted regular benchmarking and peer comparisons to ensure assessments collected from regulated entities remain reasonable and consistent with 12 U.S.C. § 4516 and also do not exceed the amounts sufficient for the costs and expenses to support the Agency's responsibilities related to the regulated entities. As an independent oversight function, OIG is responsible for determining its priorities according to statutory requirements and allocating resources within its approved budget accordingly. In its recent letter to Congress, OIG wrote that it would focus its resources on meeting their statutorily-mandated obligations. The Agency agrees that fees assessed and collected from the regulated entities should be used to meet the statutorily-mandated requirements.

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

Agency Response: The Agency and the Enterprises maintain programs to monitor and mitigate risks within the Enterprises' Multifamily Lines of Business, including credit and fraud risks. As acknowledged in multiple recent OIG oversight reports, the Division of Enterprise Regulation (DER) has effectively supervised the Enterprises' multifamily operations and risk management practices. OIG recognized FHFA's effective oversight of the Enterprises' Multifamily Credit Risk Transfer (CRT) programs, Fannie Mae's multifamily seller/servicer and portfolio monitoring functions, and the Agency's review of multifamily allowance for credit losses, including fraud-related risks. Additionally, in 2025, OIG concluded that DER appropriately addressed multifamily risk management deficiencies at Freddie Mac and issued no recommendations.

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

Agency Response: The Agency continues to strengthen its information security posture through ongoing commitments in cybersecurity, risk management, and corrective action efforts. The Agency is actively addressing recommendations associated with identified information security reports and remains committed to protecting its systems, data, and operations against evolving

cyber threats. For example, the Agency remediated approximately 77 percent of information security-related recommendations from FY 2025. Similarly, the Agency has completed 16 of the 19 recommendations related to the OIG report, *Vulnerabilities in FHFA's Public-Facing Systems Risk Unauthorized Access to Nonpublic Data*, referenced in this section of the Management and Performance Challenges.

At the same time, FHFA has disagreed with certain OIG findings related to information security practices, including findings identified in the FY 2026 FISMA audit, where the Agency believes its controls, risk management activities, and security practices were not fully reflected in the conclusions reached.

Additionally, as recognized by OIG, FHFA has undertaken supervisory activity related to the information security programs at the Enterprises and FHLBanks. For example, in 2026 OIG determined that DBR provided sufficient oversight of the FHLBank System's information security and cybersecurity risk management and complied with its guidance for conducting examination activities.

Challenge 3: Addressing Human Capital Risk at FHFA and the Enterprises

Agency Response: FHFA manages its workforce in alignment with federal requirements and workforce management priorities while continuing to invest in initiatives that enhance organizational performance, accountability, and employee development. Consistent with Office of Personnel Management (OPM) guidance, in FY27 the Agency implemented an enhanced performance management framework and new OPM sponsored performance management information system designed to foster a high-performing and accountable workforce. In addition, FHFA continues to engage in workforce planning efforts in coordination with Agency senior leadership and the OPM to ensure that mission-essential positions are prioritized, approved, and filled in a timely manner. In fact, the Agency was successful in addressing workforce planning challenges by adhering to OPM's new staffing planning and strategic hiring committee requirements. Most impressive was the Agency's ability to fill many new mission essential positions, such as those in the examination series, while achieving a time-to-hire under the OPM governmentwide recommended 80 calendar-days.

Notably, OIG recently concluded that workforce planning within the Division of Bank Regulation (DBR) examination function sufficiently addressed prior findings. While OIG cited an isolated incident and certain records management challenges, FHFA does not believe these issues are indicative of broader human capital risks across the Agency. FHFA recognizes that the workforce reductions impacted the continuity and transition of certain records; however, internal controls have been strengthened and new efficiency-focused processes implemented including a centralized repository for documentation.

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

Agency Response: FHFA maintains comprehensive supervisory programs to monitor and assess risks arising from the regulated entities' reliance on counterparties and third parties. Through ongoing examinations, targeted reviews, and continuous supervisory activities, DER and DBR evaluate the effectiveness of risk management practices designed to identify, mitigate, and control these exposures.

As noted by OIG, FHFA has undertaken a range of supervisory and oversight activities to address risks associated with counterparties, including seller/servicers and third-party service providers. Further demonstrating the effectiveness of Agency oversight, a recent OIG audit of FHFA's Suspended Counterparty Program found that the Office of General Counsel provided sufficient oversight of the program, including the design and implementation of appropriate controls and administration of the program in accordance with statutory requirements and Agency guidance.

SUMMARY OF FINANCIAL STATEMENTS AUDIT AND MANAGEMENT ASSURANCES

Table 20: 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 21: Summary of Management Assurances						
Effectiveness of Internal Control Over Financial Reporting (Federal Managers' 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 Managers' 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 Managers' 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 22: Compliance with Section 803(a) of the Federal Financial Management Improvement Act (Federal Managers' 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, but PIIA does not apply to the Agency because its funds, by law, are not considered to be Government funds or public funds. As part of its sound internal control structure, the agency has established controls to detect and prevent improper vendor payments. U.S. Federal Housing uses Treasury's shared-service provider, Center for Financial Management 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 23: 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
Safety and Soundness Act - 12 U.S.C. § 4636(b)(2)	Second Tier	2008	2025	$72,876	90 FR 4607 – 4609
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
Safety and Soundness Act –12 U.S.C. § 4585(b)(1)	Maximum penalty for failure described in section 1345(a)(1), for each day that the failure occurs	2008	2026	$145,754	90 FR 59965
Safety and Soundness Act –12 U.S.C. § 4585(b)(2)	Maximum penalty for failure described in section 1345(a)(2), (3), or (4), for each day that the failure occurs	2008	2026	$72,876	90 FR 59965

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
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

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
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	90 FR 4607

U.S. FEDERAL HOUSING

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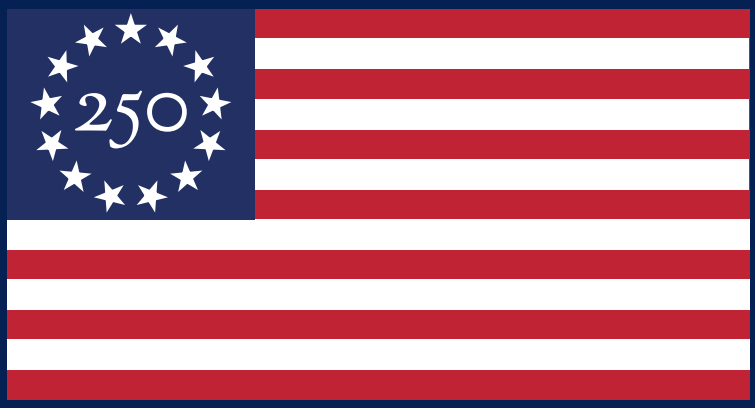
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