



Federal Housing Finance Agency

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FINAL SUSPENSION ORDER

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

1. Section 1313 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Housing and Economic Recovery Act of 2008, Pub. L. No. 110-289, 122 Stat. 2654 (codified as 12 U.S.C. § 4511 et seq.), (Safety and Soundness Act), which authorizes FHFA to exercise such incidental powers as may be necessary in the supervision and regulation of the regulated entities. *See* 12 U.S.C. § 4513(a)(2);
2. Section 1313B of the Safety and Soundness Act, which authorizes FHFA to establish standards for the regulated entities regarding prudential management of risks. FHFA is authorized to issue orders requiring the regulated entities to take any action that will best carry out the purposes of that section. *See* 12 U.S.C. § 4513b(b)(2)(B)(iii); and
3. Section 1319G of the Safety and Soundness Act, which authorizes FHFA to issue any orders necessary to ensure that the purposes of the Safety and Soundness Act are accomplished. *See* 12 U.S.C. § 4526(a).
4. 12 CFR § 1227.6, which outlines the grounds for issuance of a final suspension order and the factors that may be considered by the suspending official.

Consistent with these authorities, FHFA has determined it is appropriate to prohibit the regulated entities from engaging in any business relationship with Carlos M. Velez-Cruz.

This determination is based on the following findings:

1. Velez-Cruz was the president and owner of First Security Mortgage Inc. (“FSM”), a corporation organized under the laws of the Commonwealth of Puerto Rico and engaged in the business of originating residential mortgage loans in Puerto Rico.
2. On multiple occasions, Velez-Cruz falsely represented to financial institutions that FSM was the holder of certain promissory notes, which were payable to the holder of the notes, for the purpose of securing lines of credit from those financial institutions. However, as Velez-Cruz knew, FSM had either already sold the promissory notes to third parties or never executed the promissory notes, making them void.

3. In addition to the conduct described above, in December 2019, during the sale of a mortgage originated by FSM on a property affected by a prior mortgage, Velez-Cruz falsely represented to a state-chartered credit union that the original mortgage on the property had been paid off and that FSM was the holder of the new promissory note. However, Velez-Cruz knew that FSM had not in fact paid off the original mortgage on the property and that FSM did not hold the promissory note at the time of the transaction. Rather, FSM had already transferred the promissory note to a third party to serve as collateral for a line a credit. FSM received funds from the state-chartered credit union based on these misrepresentations.
4. Based on this misconduct and pursuant to a guilty plea, on June 13, 2023, Velez-Cruz was convicted by the United States District Court for the District of Puerto Rico of bank fraud and making false statements in relation to a loan application and was sentenced to 21 months of imprisonment and 4 years of supervised release.
5. The conduct underlying the conviction described above occurred in connection with a mortgage business.
6. The above-referenced conviction constitutes covered misconduct, as that term is defined at 12 CFR 1227.2, that is of a type that would be likely to cause significant financial or reputational harm to a regulated entity or otherwise threaten the safe and sound operation of a regulated entity.

With this Final Order, FHFA is directing each regulated entity to cease or refrain from engaging in any business relationship with Carlos M. Velez-Cruz indefinitely, beginning on December 24, 2025.

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

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

Clinton Jones,
Suspending Official