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Description of document:	Closing documents for twenty-eight (28) Federal Housing Finance Agency (FHFA) Inspector general (OIG) investigations, 2011-2014
Requested date:	19-February-2016
Released date:	31-March-2016
Posted date:	16-May-2016
Source of document:	Federal Housing Finance Agency FOIA Requester Service Center 400 7th Street, SW 8th Floor Washington, D.C. 20219 Fax: 202-649-1073 Email: <a href="mailto:FOIA@fhfa.gov">FOIA@fhfa.gov</a>

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## OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street, S.W., Washington DC 20024

March 31, 2016

By Electronic Mail:

RE: Freedom of Information Act

This letter responds to your February 19, 2016 request pursuant to the Freedom of Information Act (FOIA)/Privacy Act (PA), 5 U.S.C. §552, which was forwarded by the Federal Housing Finance Agency (FHFA) and received by the Federal Housing Finance Agency's Office of Inspector General (FHFA-OIG) on February 19, 2016 for separate processing and response in accordance with FHFA's FOIA regulations at 12 C.F.R. Part 1202. On March 14, 2016, we sent you an email notifying you that we were taking a ten working day extension on your request. Your request has been assigned the tracking number 2016-FOIA-00007 and seeks the following information:

- **A copy of the closing memo, final report, referral memo, referral letter and report of investigation (ROI) for the following FHFA OIG closed investigation:**
  - o **I-11-0012**
  - o **I-11-0021**
  - o **I-11-0022**
  - o **I-11-0025**
  - o **I-11-0037**
  - o **I-11-0041**
  - o **I-11-0050**
  - o **I-12-0095**
  - o **I-12-0112**
  - o **I-12-0126**
  - o **I-12-0131**
  - o **I-12-0135**
  - o **I-11-0018**
  - o **I-11-0049**
  - o **I-11-0076**
  - o **I-12-0058**
  - o **I-12-0062**
  - o **I-12-0071**
  - o **I-12-0093**
  - o **I-12-0098**
  - o **I-12-0109**
  - o **I-12-0112**
  - o **I-13-0210**
  - o **I-13-0238**
  - o **I-13-0299**
  - o **I-14-0332**
  - o **I-13-0276**
  - o **I-13-0282**

- **I-12-0173**
- **I-12-0159**

FHFA-OIG has conducted a search and has determined that it possesses **89** pages of records responsive to your request. These are attached. Please note, I-12-0131 is still an ongoing and open investigation, therefore it is being withheld in full in its entirety under b(7)(A).

Certain information contained in these records have been exempt and withheld under the following FOIA Exemptions:

- (b)(2), Permits withholding of records related solely to internal rules and practices.
- (b)(3)(A), Allows the withholding of information prohibited from disclosure by another federal statute provided that the statute requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue. The following statutes are: Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319 (Certain records pertaining to grand jury proceedings) and 31 U.S.C. §§ 3729 and 3730 (qui tam provisions).
- (b)(4), Permits withholding of records related to trade secrets and other confidential business information.
- (b)(5), Permits withholding information under the deliberative process privilege, including the pre-decisional documents, or information that could be withheld under civil discovery, attorney-client, or attorney-work product privileges.
- (b)(7)(A), Permits withholding of records when interference with law enforcement proceedings can be reasonably expected.
- (b)(7)(C), Permits withholding of records when an unwarranted invasion of personal privacy could reasonably be expected.
- (b)(7)(D), Permits withholding of records when revealing a confidential source or information provided by a confidential source could reasonably be expected.
- (b)(7)(E), Permits withholding of records when techniques and procedures for law enforcement investigations or process would be disclosed or provided such disclosure could reasonably be expected to risk circumvention of law.

This is the final decision on your request. If you believe this decision denies your request in whole or in part, you may appeal it in writing within 30 days, per 12 C.F.R. § 1202.9, by writing directly to the FOIA Appeals Officer via electronic mail, mail, delivery service, or facsimile. Your appeal must cite the applicable tracking number(s) for the request(s) you contend to have been denied. Your appeal must include a copy of the request(s) you contend to have been denied, a copy of the decision letter, and a statement of circumstances, reasons, or arguments you believe support disclosure of the requested record(s). Your appeal must also be clearly marked "FOIA Appeal: FHFA-OIG." The electronic mail address is: [foia@fhfa.gov](mailto:foia@fhfa.gov). For mail or delivery service, the mailing address is: FOIA Appeals Officer, Federal Housing Finance Agency, 400 7<sup>th</sup> Street, SW, Washington, DC 20024. The facsimile number is: (202) 649-1073.

Sincerely,



Katarina Hake  
FOIA/Privacy Act Officer



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



**Report of Investigation (ROI)**

Title (*Name and Address*):

FHLB of Pittsburgh

Type of Investigation (*type one or more: Criminal, Civil, Administrative*): Criminal

Type of Report (*type one: Final, Interim, Supplemental*): Final

Period of Investigation:

**Basis for Investigation**

Federal Home Loan Bank (FHLB) of Pittsburgh sued JP Morgan Chase and other for losses suffered in connection with nine Residential Mortgage Backed Securities (RMBS) purchased in 2006-2007. (b)(5)

**Allegations and Focus of Investigation**

The bank alleges that the losses were caused by fraud, and the U.S. Attorney's office in Pittsburgh is

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,  
Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(A)

**Prosecutive Disposition**

(b)(7)(A)

**Systemic Implications**

Undetermined at this time.

**Details of Investigation**

(b)(7)(A)

*Distribution:* No.  
Inspector General  
Ass't U.S. Attorney  
Other (*specify below*)

Case No. I-11-0018

Signature of Person Making Report

Signature of Person Examining Report

Title Special Agent in Charge

Div. Office

(b)(7)(C)

Office (*city*) New York

Date of Report 04/17/2013

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**Report of Investigation** *continued*

Case Title:

Case Reference No.:

Title: LANDMARK  
Number: L11-0021  
Agent: (b)(7)(C)  
Status: Closed

## Investigation Complete Information

Investigation Completion Date

Investigation Complete Memo:

I spoke with assigned AUSA Kapff on 8/28/2012 to find the status of investigation. He stated he indicted one individual on wire fraud. He also stated the original allegation did not turn out as the subject was luring elderly investors to invest in properties that did not return any money as expected. The subject had consulted with a well known real estate attorney in Phoenix, AZ and relied on his knowledge in purchasing the properties. There was no effect on either Freddie or Fannie. The AUSA also commented on the lack of consistent investigative support he charged the case through the DA's office and he will not pursue this matter further. It is requested this case be closed based on the aforementioned facts.

Closure Date

09/18/2012

## Closure Information

Case Result:

Allegation(s) Disproven or Unsubstantiated, Case Closed.

Case Impact?

N

## Closure File

Date Opened	Date Submitted	Case Summary	Approver	Date Closed
04/27/2011	08/31/2012	Closure File	CONLON, PAUL	09/18/2012

**FEDERAL HOUSING FINANCE AGENCY**  
**OFFICE OF THE INSPECTOR GENERAL**

**MEMORANDUM OF INVESTIGATIVE ACTIVITY**

On April 26, 2011 Special Agent ("SA") (b)(7)(C) Federal Housing Finance Agency ("FHFA"), Office of the Inspector General ("OIG") telephonically coordinated with Senior Fraud Investigator ("Investigator") (b)(7)(C) Fraud Investigation Unit ("FIU"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") regarding the FIU referral of an investigation into a company called, We Are Finance, Detroit, Michigan ("MI").

(b)(7)(C) said there was no law enforcement involvement on the investigation. She presented the case to several agencies but has been unable to entice a law enforcement agency to accept the investigation. (b)(7)(C) believed the reason behind law enforcement's unwillingness to accept the investigation was because the loans We Are Finance was involved with were mostly produced in 2007, with the last loan Freddie Mac has being 2008. (b)(7)(C) believed that law enforcement agencies viewed the loans as "stale".

(b)(7)(C) said We Are Finance was doing business as ("dba") First Mortgage of Michigan ("First Mortgage"). (b)(7)(C) said during her investigation, 70 loans held by Freddie Mac were identified as having loan level misrepresentations including income, down payment fraud and property "flipping". (b)(7)(C) interviewed the (b)(7)(C) (ph) and he denied any wrong doing. (b)(7)(C) noted to the reporting agent that she felt (b)(7)(C) was evasive during the interview.

Through review of the records maintained by Freddie Mac (b)(7)(C) was able to identify a number of loans where the seller was (b)(7)(C) (ph). (b)(7)(C) said (b)(7)(C) was (b)(7)(C) Financial Warehouse. (b)(7)(C) was no longer involved with First (C) Mortgage and Financial Warehouse was closed because (b)(7)(C) went to prison for bankruptcy fraud.

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Activity: Coordination with Investigator (b)(7)(C)

By: (b)(7)(C)

Date Prepared: April 28, 2011  
Location: Washington D.C.  
Case No.: I-11-0022





FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



HOTLINE AND INVESTIGATIVE COMPLAINT FORM

Date (mm:dd:yyyy) : 04:28:2011	Time (hh:mm) : 12:50 PM	Complaint Format: Referral
Hotline Number:	Case Number: 1-11-0022	
Complaint Taken By: (b)(7)(C)	Office: Office of Investigations, Washington D.C.	
<b>COMPLAINANT RELEASE INFORMATION (Check one ✓)</b>		
Waive confidentiality and agree to release name and information to OIG and/or non-OIG personnel in order to investigate this complaint. <input type="checkbox"/>	Confidentiality Requested (Explain OIG Policy) <input type="checkbox"/>	
Anonymous <input type="checkbox"/>	Not applicable <input checked="" type="checkbox"/>	
<b>COMPLAINANT INFORMATION</b>		
Last Name: (b)(7)(C)	First Name: (b)(7)(C)	Middle Initial: Sex: Female
Address: 8200 Jones Branch Drive		
City: McLean	State: VA	Zip: 22102
Home #:	Work #: (b)(7)(C)	Cell #: (b)(7)(C) Email: (b)(7)(C)
Employer: Fraud Investigation Unit, Freddie Mac		Title: Senior Fraud Investigator
Complainant Type: FHFA/Government Employee <input type="checkbox"/>	Contractor <input type="checkbox"/>	
Freddie/Fannie/FHLB Employee <input checked="" type="checkbox"/>	Public Citizen <input type="checkbox"/>	
How did you hear about us? : OIG Poster <input type="checkbox"/> Semi Annual Report <input type="checkbox"/> Web Search <input type="checkbox"/> Other <input type="checkbox"/>		
<b>PROGRAM AREA (Check any and all that apply ✓)</b>		
Freddie Mac <input checked="" type="checkbox"/> Fannie Mae <input type="checkbox"/> FHLB <input type="checkbox"/> FHFA <input type="checkbox"/> Other <input type="checkbox"/>		
<b>COMPLAINT TYPE (Check any and all that apply ✓)</b>		
Bribery/Conflict of Interest <input type="checkbox"/>	Computer Crime <input type="checkbox"/>	
Contract, Grant, or Procurement Fraud <input type="checkbox"/>	Contract, Grant, or Procurement Fraud <input type="checkbox"/>	
Credit Card Fraud <input type="checkbox"/>	Employee Misconduct/Personnel Abuses <input type="checkbox"/>	
False Claims/False Statements <input type="checkbox"/>	Harassment/Discrimination <input type="checkbox"/>	
Mismanagement <input type="checkbox"/>	Misuse of Government Property <input type="checkbox"/>	
Mortgage Fraud <input checked="" type="checkbox"/>	Program Fraud <input type="checkbox"/>	
Securities Fraud <input type="checkbox"/>	Theft/Embezzlement <input type="checkbox"/>	
Time and Attendance Fraud <input type="checkbox"/>	Travel Fraud <input type="checkbox"/>	
Whistleblower Abuse <input type="checkbox"/>	Other <input type="checkbox"/>	

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# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

**ALLEGATION(S)**

*(Who, What, When, Where, Why, Which, Whose, How, How Much/Many/Long, and Impact)  
Identify Attachments, Available Documentation, and Other Witnesses*

The Federal Home Loan Mortgage Corporation ("Freddie Mac") Fraud Investigation Unit ("FIU") provided the Federal Housing Finance Agency ("FHFA"), Office of the Inspector General ("OIG") with an open investigation referral list which identified We Are Finance doing business as ("dba") First Mortgage of Michigan ("First Mortgage"), Detroit, Michigan ("MI").

The FIU identified approximately 70 loans originated by First Mortgage that were in some state of default. A closer review of the loan files revealed multiple issues including:

- a. Occupancy misrepresentations
- b. Income misrepresentations
- c. Borrower funds misrepresentations
- d. Inflated appraisal values

The complainant said during her investigation, 70 loans held by Freddie Mac were identified as having loan level misrepresentations. The target of the FIU investigation (b)(7)(C) (ph) was interviewed and he denied any wrong doing.



# FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL



**IDENTIFIABLE CRIMINAL, CIVIL, OR ADMINISTRATIVE VIOLATION(S):**

Yes



No



*(If yes, identify specific laws, regulations, orders, contract clauses)*

Citation & Title

**1. Title 18 U.S.C. § 1014. Loan and credit applications generally**

Whoever knowingly makes any false statement or report, or willfully overvalues any land, property or security, for the purpose of influencing in any way the action of the Federal Housing Administration, the Farm Credit Administration, Federal Crop Insurance Corporation or a company the Corporation reinsures, the Secretary of Agriculture acting through the Farmers Home Administration or successor agency, the Rural Development Administration or successor agency, any Farm Credit Bank, production credit association, agricultural credit association, bank for cooperatives, or any division, officer, or employee thereof, or of any regional agricultural credit corporation established pursuant to law, or a Federal land bank, a Federal land bank association, a Federal Reserve bank, a small business investment company, as defined in section 103 of the Small Business Investment Act of 1958 (15 U.S.C. 662), or the Small Business Administration in connection with any provision of that Act, a Federal credit union, an insured State-chartered credit union, any institution the accounts of which are insured by the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, any Federal home loan bank, the Federal Housing Finance Agency, the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the Farm Credit System Insurance Corporation, or the National Credit Union Administration Board, a branch or agency of a foreign bank (as such terms are defined in paragraphs (1) and (3) of section 1(b) of the International Banking Act of 1978), an organization operating under section 25 or section 25(a) of the Federal Reserve Act, or a mortgage lending business, or any person or entity that makes in whole or in part a federally related mortgage loan as defined in section 3 of the Real Estate Settlement Procedures Act of 1974, upon any application, advance, discount, purchase, purchase agreement, repurchase agreement, commitment, loan, or insurance agreement or application for insurance or a guarantee, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both. The term "State-chartered credit union" includes a credit union chartered under the laws of a State of the United States, the District of Columbia, or any commonwealth, territory, or possession of the United States.

**2. Title 18 U.S.C. § 1344. Bank fraud**

Whoever knowingly executes, or attempts to execute, a scheme or artifice—

(1) to defraud a financial institution; or

(2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises;

**OTHER NOTES**

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**FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL**



(b)(7)(C) • On April 26, 2011 SA [ ] coordinated with Investigator [ ] FIU, Freddie Mac. (b)(7)(C)

**COMPLAINT DISPOSITION**

**Recommended Action:** Close ☐ Open Case ☒ Refer to Audits ☐  
Refer to Evaluations ☐ Refer to FHFA for: Information ☐ Response ☐  
Other : \_\_\_\_\_ ☐

**Final Decided Action:**

**Final Action Date (mm:dd:yyyy):** 04:28:2011

**Approving Supervisor:** (b)(7)(C) \_\_\_\_\_



# REPORT OF INVESTIGATION



<b>Title (Name and address):</b> Student Intern Program - Nepotism Washington, DC 20552	<b>Type of Investigation:</b> <input type="checkbox"/> Criminal <input type="checkbox"/> Civil <input checked="" type="checkbox"/> Administrative	<b>Type of Report:</b> <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
<b>Period of Investigation:</b> 07/06/2011 – 08/30/2011		

## BASIS FOR INVESTIGATION

An Investigative Complaint Form was prepared on June 23, 2011 regarding nepotism in the hiring of summer student interns. David Bloch, Investigative Counsel for FHFA-OIG advised he received information from FHFA Examination (b)(7)(C) that she was concerned with FHFA inappropriately hiring relatives of current FHFA employees. (b)(7)(C) reported there was favoritism granted to relatives regardless of merit when obtaining employment through the FHFA summer internship program. (b)(7)(C) was contacted for additional information, but she declined to provide further information. The investigation was initiated on 07/06/2011.

## ALLEGATIONS & FOCUS OF INVESTIGATION

The focus of the investigation concerned the FHFA summer internship hiring practice in 2011 and FHFA policy for the hiring of relatives of current FHFA employees. The investigation concentrated on possible actions of employees which advocated a relative's employment to a position in FHFA over which he/she exercised jurisdiction or control in violation of the Code of Federal Regulations. The personnel contacted and interviewed were Human Resources Management (b)(7)(C)

Distribution	No.	Case Number:	Signature of Person Making Report:
Inspector General		I-11-0041	(b)(7)(C)
Assistant U.S. Attorney		Signature of Person Examining	(b)(7)(C)
		(b)(7)(C)	
Other (Specify):		Title: Special Agent in Charge	Office(City): Washington, DC
		Division Office: Investigations	Date of Report: 12/14/2011

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## REPORT OF INVESTIGATION

### INVESTIGATIVE FINDINGS

The following FHFA employees were interviewed regarding the student internship program or interns employed and under their supervision during the 2011 calendar year. Each manager interviewed stated there was no oversight or line of authority issue between their department and that of the relative of the intern they supervised. Additionally each denied that anyone within FHFA influenced his/her decision making process or advocated for the hiring of an intern.

#### HUMAN RESOURCES MANAGEMENT

(b)(7)(C) is the FHFA (b)(7)(C) was interviewed along with (b)(7)(C) who is employed as FHFA (b)(7)(C) Office of Human Resources Management (b)(7)(C) and (b)(7)(C) provided an overview of the FHFA summer internship program. (b)(7)(C) has been managing the Intern program for FHFA since October 2008 and had twelve prior years with the Intern Program at another federal agency. (b)(7)(C) provided the following overview of the intern program. (b)(7)(C) reported an

(b)(2)

(b)(7)(C) advised the second step

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(b)(7)(C)

stated

(b)(7)(C) commented the

(b)(2)

(b)(7)(C) remarked she believed

(b)(5)

(b)(5)

(b)(2)

(b)(2)

(b)(7)(C) stated the manager of a department

(b)(2)

(b)(2)

Both

(b)(7)(C)

admitted some

managers

(b)(5)

and other managers will

(b)(2)

(b)(2)

(b)(7)(C)

stated she is

(b)(2)

(b)(2)

(b)(7)(C) then

(b)(2)

(b)(2)

The Form 306 Declaration for

Case Title: Student Intern Program - Nepotism

Case Number:

I-11-0041

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## REPORT OF INVESTIGATION

Federal Employment is also completed. (b)(7)(C) declared (b)(2) (b)(2) (b)(7)(C) reported this is an U. S. Office of Personnel Management program of excepted appointment with no required competitive service procedures.

(b)(7)(C) advised they follow Title 5 of the Code of Federal Regulations regarding the hiring of relatives of current employees. (b)(7)(C) stated the hiring of relative is not prohibited unless the relative is in the direct chain of command of a family member. (b)(7)(C) commented the intern would not be assigned to the same department as the family member. (b)(7)(C) stated there was no specific policy about an intern being hired multiple times (summer sessions), with (b)(7)(C) remarking

(b)(5)

(b)(5)

(b)(7)(C) continued that sometimes it is

(b)(5)

Both (b)(7)(C) denied ever being approached by a FHFA employee advocating directing, influencing, or coercing them to hire a family member for the internship program. (b)(7)(C) admitted there are employees each year that contact her about the internship program requesting information. (b)(7)(C) reported they have never contacted (b)(7)(C) for an ethics question regarding the hiring of an intern. (b)(7)(C) stated they were not aware of any collaboration among FHFA managers to hire a family member of another manager, or preferential treatment of particular applicants, noting such actions would violate Merit System Principles. They did acknowledge the name of the applicant may be familiar to the hiring manager who would know or presume the applicant was related to a FHFA co-worker. (b)(7)(C) stated there were (b)(2)

(b)(2)

(b)(2)

(b)(2) (b)(7)(C) indicated there were also (b)(2)

(b)(2)

There is also another program called Student Career Experience Program where the intern can be converted to a permanent position. (Exhibit W1-1 & W2-1 MOA Interview (b)(7)(C) 07/15/2011).

Thirty two interns were hired in 2011 under the Student Educational Employment program. (b)(7)(C) provided the personnel files for review. (b)(7)(C)

(b)(7)(C) Each HR file of the hired intern contained Form 306 Declaration for Federal Employment which indicated the applicant had a relative that worked for FHFA (Exhibit W2-3 Form 52 & Form 306) (Exhibit W2-2 List of 2011 Interns). (b)(7)(C) reported Human Resources Management followed the guideline of the U.S. Office of Personnel Management for Student Educational Employment Program and the Code of Federal Regulations - Part 213 concerning the student internship program. (b)(7)(C) provided these documents for review as well as the 2011 Student Intern Announcement and section 5CFR, Part 310 for Ethics.

Case Title: Student Intern Program - Nepotism

Case Number:  
I-11-0041

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## REPORT OF INVESTIGATION

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A review of announcement number FHFA-1101 indicated it was for a FHFA Student Intern vacancy for temporary employment not to exceed 5 months. The minimum requirement for the applicant was 16 years of age or older, attending school, and various educational requirements to qualify for one of three grade levels. The announcement stated FHFA anticipated a large response to the vacancy and they would only consider the first 300 applications and the announcement would close once the goal was reached regardless of the indicated closing date of March 4, 2011.

The OPM Student Educational Employment Program document revealed it provided an introduction and background for the program, general information, and Q&A's for human resources practitioners. The regulations guiding the program are in the Code of Federal Regulations, 5 CFR 213. The Q&A section addressed several issues related to the investigation and are restated below:

There is no limit on the number of times a student may be appointed as long as he/she meets the eligibility requirements for the appointment.

There is no longer a restriction that would bar a student from working at the same agency as his/her parent. The only requirement is that the parent and student have no direct reporting relationship and that the relative not advocate the employment, promotion or advancement of the student.

Applicants are exempt from the usual competitive examining procedures, however agencies may want to establish a ranking procedure to place themselves in a better position to explain and defend their decisions.

The Code of Federal Regulation Title 5 addressed provisions for temporary, intermittent, or seasonal appointments. Section 213.3202 provided for provisions of the Student Educational Employment Program. Several sections related to the investigation and are restated below:

Section 213.3202 (3) revealed students may work full-time or part-time schedules at any time during the year. There are no limitations on the number of hours a student can work per week.

Section 213.3202 (7) stated that in accordance with part 310 of this chapter, a student may work in the same agency with a relative when there is no direct reporting relationship and the relative is not in a position to influence or control the student's appointment, employment, promotion or advancement with the agency.

Section 213.3202 (10) (ii) reported the nature of the duties does not have to be related to the student's academic/career goals.

Section 213.3202 (12) stated students may be evaluated either by agency-developed standards or by the OPM qualification requirements for the position to which appointed.

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<b>Case Title:</b> Student Intern Program - Nepotism	<b>Case Number:</b> I-11-0041
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## REPORT OF INVESTIGATION

Subpart A of 5 CFR, Part 310 (Ethics-Nepotism) lists the restrictions on employment of relatives and applies to appointment, employment, promotion, or advancement in competitive and excepted service. The restrictions are that a public official shall not advocate one of his relatives for appointment, employment, promotion, or advancement to a position in his agency or in an agency over which he exercises jurisdiction or control. Additionally the public official is deemed to have advocated for the relative if he recommends a relative, or refers a relative for consideration by a public official standing lower in the chain of command. This section stated the line of supervisory personnel that runs from a public official to the head of the agency is considered the chain of command. This section also defined the meanings of relative which all pertained to persons who are related by blood or marriage.

### MANAGEMENT CONTACTS

(b)(7)(C) (b)(7)(C) for the Office of (b)(7)(C) Her office is located at (b)(7)(C) (b)(7)(C) supervised intern (b)(7)(C) (b)(7)(C) candidly commented the internship was (b)(2),(b)(5) She stated there is a (b)(2) (b)(7)(C) specified (b)(7)(C) was initially hired by (b)(7)(C) and placed in (b)(7)(C) department. (b)(7)(C) said (b)(7)(C) explained that (b)(7)(C) was originally slated to work in another department, but due to a lack of work, (b)(7)(C) asked if (b)(7)(C) would accept him as a summer intern (b)(7)(C) advised that somewhere along the way of supervising (b)(7)(C) she learned (b)(7)(C) was FHFA employee (b)(7)(C) (b)(7)(C) stated she was (b)(7)(C) and met him for the first time in September 2010 at a training exercise (b)(7)(C) commented it was fairly common to have interns related to an FHFA employee, although (b)(7)(C) was the first intern she had supervised at FHFA related to another employee (b)(7)(C) also thought that (b)(7)(C) had been a summer intern in 2010 (b)(7)(C) remarked that she considered (b)(5),(b)(7)(C) (b)(5) (b)(7)(C) reported the daily activities of (b)(7)(C) are managed by (b)(7)(C) (b)(7)(C) is employed as FHFA (b)(7)(C) (Exhibit W3-1 MOA Interview (b)(7)(C) 08/08/2011)

(b)(7)(C) Office of (b)(7)(C) (b)(7)(C) Her office is located at 1700 G Street NW (b)(7)(C) Washington, DC 20552. (b)(7)(C) supervised intern (b)(7)(C) stated she could not recall who referred (b)(7)(C) (b)(7)(C) to her and commented that (b)(7)(C) is usually involved in the intern hiring process. With the referral of (b)(7)(C) she reviewed his resume and noticed he had an IT background, which (b)(5) (b)(7)(C) stated that when she received the resume from HR she recognized (b)(7)(C) as being (b)(7)(C) FHFA employee (b)(7)(C) (b)(7)(C) said she made the decision to hire (b)(7)(C) without ever talking to

Case Title: Student Intern Program - Nepotism

Case Number:  
I-11-0041

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## REPORT OF INVESTIGATION

(b)(7)(C) (b)(7)(C) is employed as FHFA (b)(7)(C) (b)(7)(C) department. (Exhibit W4-1 MOA Interview (b)(7)(C) 07/29/2011)

(b)(7)(C) is a FHFA (b)(7)(C) for the (b)(7)(C) (b)(7)(C) His office is located at 1700 G Street NW (b)(7)(C) Washington, DC 20552 (b)(7)(C) reported he supervised intern (b)(7)(C) (b)(7)(C) stated he initially notified HR he did not want an intern for this year. This decision was due to an issue about office space (b)(7)(C) was under the impression the intern would be sharing (b)(7)(C) office, which was not desirable to him. He later learned he would not have to share office space (b)(7)(C) reported (b)(7)(C) (b)(7)(C) contacted him near the end of March 2011 and asked him to look at (b)(7)(C) resume and consider hiring her as a summer intern (b)(7)(C) commented he was originally supposed to have (b)(7)(C) as his intern, but this was changed by (b)(7)(C) recalled that (b)(5), (b)(7)(C) (b)(7)(C) was assigned as his intern instead of (b)(7)(C) stated he did not initially realize when he was reviewing (b)(7)(C) file that she was related to FHFA employee (b)(7)(C) (b)(7)(C) is employed as FHFA (b)(7)(C) (Exhibit W5-1 MOA Interview (b)(7)(C) (b)(7)(C) 07/29/2011)

(b)(7)(C) is currently a FHFA (b)(7)(C) Office (b)(7)(C) (b)(7)(C) advised that from August 2008 until July 2011 his job title was (b)(7)(C) (b)(7)(C) (b)(7)(C) His office is located at 1750 Pennsylvania Avenue NW (b)(7)(C) Washington, DC 20552 (b)(7)(C) supervised interns (b)(7)(C) and (b)(7)(C) commented the internship program (b)(2), (b)(5) (b)(2), (b)(5) He stated (b)(2), (b)(5) (b)(2), (b)(5) (b)(7)(C) explained (b)(2) (b)(2) (b)(7)(C) reported (b)(2) According to (b)(7)(C) FHFA employees in the past have expressed and vouched for certain students and he (b)(2) (b)(7)(C) stated that in 2010 he had specific (b)(2) (b)(7)(C) indicated he had no need for an intern on 2011 with specific skills and commented that (b)(5) (b)(5)

(b)(7)(C) reported he knew intern (b)(7)(C) FHFA employee (b)(7)(C) because he supervised him for several years (b)(7)(C) stated (b)(7)(C) was re-assigned to another department in December 2010 during FHFA reorganization (b)(7)(C) remarked that (b)(7)(C) (b)(7)(C) mentioned that (b)(7)(C) was looking for a summer job and approximately a month later (b)(7)(C) observed (b)(7)(C) name in the pool of applicants (b)(7)(C) was adamant that (b)(7)(C) did not ask that (b)(7)(C) hire (b)(7)(C) (b)(7)(C) reported he

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## REPORT OF INVESTIGATION

was aware of (b)(5),(b)(7)(C) He considered (b)(5)

(b)(2),(b)(5)

(b)(7)(C) reported his intern in 2010 was (b)(7)(C) who is also (b)(7)(C) of FHFA employee (b)(7)(C) In 2010 he was supervising (b)(7)(C) and (b)(7)(C) stated he checked with HR about the situation and was told it was okay to have an intern related to (b)(7)(C) whom he supervised because the wages of (b)(7)(C) were not paid by FHFA. (b)(7)(C) was compensated by Harvard, where (b)(7)(C) was attending school. (b)(7)(C) was utilized as an (b)(2) (b)(7)(C) father (b)(7)(C) is currently employed as the FHFA (b)(7)(C) (b)(7)(C) (Exhibit W6-1 MOA Interview (b)(7)(C) 08/26/2011)

(b)(7)(C) is the FHFA (b)(7)(C) for the (b)(7)(C) (b)(7)(C) His office is located at 1625 Eye St., NW (b)(7)(C) Washington, DC 20006 (b)(7)(C) supervised interns (b)(7)(C) reported he chose to interview potential intern candidates to find a few good matches for his office. (b)(7)(C) said he chose (b)(7)(C) because (b)(7)(C) (b)(7)(C) (b)(7)(C) stated (b)(7)(C) did not have the same skill set as (b)(7)(C) but he believed (b)(5) (b)(7)(C) (b)(7)(C) stated he also thought (b)(5),(b)(7)(C) (b)(5),(b)(7)(C)

(b)(7)(C) revealed FHFA employee (b)(7)(C) sent him an email inquiring whether his (b)(7)(C) was in the pool of intern candidates (b)(7)(C) denied (b)(7)(C) did anything more than inquire about the applicant pool and contended (b)(7)(C) did not actively advocate that (b)(7)(C) hire (b)(7)(C) did acknowledge he is familiar with (b)(7)(C) because he had filed an (b)(7)(A) by (b)(7)(C) office (b)(7)(C) said the (b)(7)(A) (b)(7)(C) stated the only additional contact with (b)(7)(C) is through a group formed as the result of (b)(7)(C) reaching out to various FHFA departments (b)(5) (b)(5) (b)(7)(C) is the FHFA (b)(7)(C) (Exhibit W7-1MOA Interview (b)(7)(C) 07/27/2011)

(b)(7)(C) is the FHFA (b)(7)(C) for the Agency (b)(7)(C) Her office is located at 1700 G Street NW (b)(7)(C) Washington, DC 20554 (b)(7)(C) supervised intern (b)(7)(C) stated (b)(7)(C) was previously her intern in 2010 and she knew (b)(7)(C) was in the 2011 pool of applicants provided to the manager (b)(7)(C) advised (b)(7)(C) that (b)(2),(b)(5),(b)(7)(C) (b)(2),(b)(5),(b)(7)(C) (b)(7)(C) commented (b)(5) (b)(2),(b)(5)

Case Title: Student Intern Program - Nepotism

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## REPORT OF INVESTIGATION

(b)(7)(C) (b)(2) (b)(7)(C) recalled (b)(7)(C) also worked for FHFA during the 2010 Christmas holiday.

(b)(7)(C) commented she knew (b)(7)(C) is FHFA employee (b)(7)(C) but commented she did not socialize with him. (b)(7)(C) stated it was common for FHFA employees to contact her about an internship. (b)(7)(C) commented the FHFA employees (b)(5) (b)(5) (b)(7)(C) father (b)(7)(C) is employed as FHFA (b)(7)(C) (Exhibit W8-1 MOA Interview (b)(7)(C) 08/08/2011)

(b)(7)(C) is a FHFA (b)(7)(C) (b)(7)(C) (b)(7)(C) Her office is located at 1700 G Street NW (b)(7)(C) Washington, DC 20552. (b)(7)(C) supervised intern (b)(7)(C) (b)(7)(C) stated she initially did not respond to HR about needing an intern. (b)(7)(C) received an email from FHFA employee (b)(7)(C) (b)(7)(C) who advised she was reaching out to various departments about (b)(7)(C) (b)(7)(C) who was in the intern application pool. (b)(7)(C) said she received (b)(7)(C) resume and found his background was suitable to the needs of her office. She also noticed and was influenced (b)(7)(C) Clemson University, where (b)(7)(C) goes to college. (b)(7)(C) then contacted (b)(7)(C) and told her she now wanted a summer intern and requested (b)(7)(C) (b)(7)(C) reported (b)(7)(C) had performed (b)(5) (b)(5) (b)(5), (b)(7)(C) (b)(7)(C) stated she was aware that (b)(7)(C) was being considered for hiring by other departments when she reviewed his resume. (b)(7)(C) is employed as FHFA (b)(7)(C) (b)(7)(C) for the Office of Budget & Financial Management. (b)(7)(C) revealed she knew (b)(7)(C) (b)(7)(C) having previously worked with (b)(7)(C) (b)(7)(C) stated she had infrequent contact with (b)(7)(C) concerning budget issues and attended various functions, which (b)(7)(C) also attended. (Exhibit W9-1 MOA Interview (b)(7)(C) 07/29/2011)

(b)(7)(C) is the FHFA (b)(7)(C) His office is located at 1700 G Street NW (b)(7)(C) Washington, DC 20552. (b)(7)(C) supervised interns (b)(7)(C) (b)(7)(C) commented he does not (b)(2) (b)(2) (b)(7)(C) reported (b)(7)(C) was a summer intern in 2009, who also worked during the 2010 Christmas holiday. In 2011 (b)(7)(C) suggested an intern, but (b)(7)(C) knew (b)(7)(C) was in the pool of interns and therefore requested him. (b)(7)(C) commented he did not know (b)(7)(C) FHFA employee (b)(7)(C) until after (b)(7)(C) was hired. (b)(7)(C) vaguely recollected that (b)(7)(C) originally recommended the hiring of (b)(7)(C) in 2009. He stated (b)(7)(C) is currently the (b)(7)(C) and was previously the (b)(7)(C) (b)(7)(C) commented he went to (b)(7)(C) for a second intern and received (b)(7)(C) (b)(7)(C) advised he was well acquainted with (b)(7)(C) because (b)(7)(C). Although (b)(7)(C) reported

Case Title: Student Intern Program - Nepotism

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## REPORT OF INVESTIGATION

no one influenced his decision making process for hiring (b)(7)(C) he commented that in 2010 (b)(7)(C) advocated that intern (b)(7)(C) (b)(2) (b)(7)(C) stated the request (b)(5) but granted the request and wondered why there was such involvement by (b)(7)(C) concerning a summer intern (b)(7)(C) final comment was that an internship can be of value to both FHFA and intern. (Exhibit W10-1 MOA Interview (b)(7)(C) 08/08/2011)

### ETHIC OFFICIAL CONTACT

(b)(7)(C) is the FHFA (b)(7)(C) and the FHFA (b)(7)(C) (b)(7)(C) His office is located at 1700 G Street NW, Room (b)(7)(C) Washington, DC 20552 (b)(7)(C) stated his review of employment practices revealed FHFA does (b)(2) (b)(7) discussed 5 CFR Part 310 of the Office of Human Capital Management and commented (b)(2),(b)(5) (b)(5) 5 CFR, Part 310 (b)(7)(C) advised that to

(b)(2),(b)(5)

According to (b)(7)(C) an

(b)(2),(b)(5)

However (b)(7) commented this action

(b)(5)

Additionally (b)(7) commented that (b)(5)

(b)(5)

(b)(7)

remarked that

(b)(5)

(b)(5)

(b)(7)(C) stated an (b)(2),(b)(5)

(b)(2),(b)(5)

The job announcement is open for a relatively short period of time (b)(7)(C) opinion on (b)(2),(b)(5)

(b)(2),(b)(5)

(b)(2),(b)(5)

(b)(7)(C) observed that

(b)(5)

(b)(7)(C) advised

(b)(5)

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## REPORT OF INVESTIGATION

(b)(5)

(b)(5)

according to

(b)(7)(C)

remarked the

(b)(5)

(b)(5)

(b)(5)

(Exhibit W11-1 MOA Interview

(b)(7)(C)

08/30/2011)

### PROSECUTIVE DISPOSITION

No evidence was uncovered in the investigation to warrant a criminal referral for prosecution.

### SYSTEMIC IMPLICATIONS

Based on information uncovered during the investigation it appears

(b)(5)

(b)(5)

Case Title: Student Intern Program - Nepotism

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I-11-0041

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I-11-0041

WITNESS

W1

(b)(7)(C)

Deputy Chief Operating Officer  
1625 Eye Street, Room xxxx  
Washington, DC 20006

W2

(b)(7)(C)

1625 Eye Street, Room xxxx  
Washington, DC 20006

W3

(b)(7)(C)

(b)(7)(C)

W4

(b)(7)(C)

1700 G Street NW, Room (b)(7)(C)  
Washington, DC 20552

**WITNESS LIST**

EXHIBIT #    DESCRIPTION

W1-1            MOA Interview (b)(7)(C) 07/15/2011

W2-1            MOA Interview (b)(7)(C) 07/15/2011  
W2-2            List of 2011 interns  
W2-3            HR intern files, Forms 52 & 306  
W2-4            Announcement of Student Intern vacancy  
W2-5            OPM - Student Educational Employment Program  
W2-6            Code of Federal Regulations, Part 213  
W2-7            Title 5 CFR, Part 310 Ethics

W3-1            MOA Interview (b)(7)(C) 08/08/2011

W4-1            MOA Interview (b)(7)(C) 07/29/2011



W5

(b)(7)(C)

1700 G Street NW, Room (b)(7)(C)  
Washington, DC 20552

W5-1

MOA Interview (b)(7)(C) 07/29/2011

W6

(b)(7)(C)

1750 Pennsylvania Ave., NW Room (b)(7)(C)  
Washington, DC 20552.

W6-1

MOA Interview (b)(7)(C) 08/26/2011

W7

(b)(7)(C)

1625 Eye St., NW, Room (b)(7)(C)  
Washington, DC 20006

W7-1

MOA Interview (b)(7)(C) 07/27/2011

W8

(b)(7)(C)

1700 G Street NW, Room (b)(7)(C)  
Washington, DC 20552

W8-1

MOA Interview (b)(7)(C) 08/08/2011

W9

(b)(7)(C)

1700 G Street NW, Room (b)(7)(C)  
Washington, DC 20552

W9-1

MOA Interview (b)(7)(C) 07/29/2011

W10

(b)(7)(C)

1700 G Street NW, Room (b)(7)(C)  
Washington, DC 20552

W10-1

MOA Interview (b)(7)(C) 08/08/2011

W11

(b)(7)(C)

1700 G Street NW, Room (b)(7)(C)  
Washington, DC 20552

W11-1

MOA Interview (b)(7)(C) 08/30/2011



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address): Fannie Mae (b)(7)(C) Investigation

Type of Investigation: Criminal, Civil & Administrative

Type of Report: Final

Summary of Investigation

The FHFA-OIG investigation found that Fannie Mae employees (b)(7)(C) working at the direction of (b)(7)(C) (b)(7)(C) (b)(7)(C) in violation of the U.S. Department of the Treasury covenant with Fannie Mae. (b)(7)(C) Fannie Mae equity was given to the (b)(7)(C) This was accomplished by

(b)(7)(C)

(b)(7)(C)

(b)(7)(C)

(b)(7)(C)

The

investigation determined

(b)(7)(C)

(b)(5),(b)(7)(C)

(b)(5),(b)(7)(C)

Distribution: No.

Case No. I-11-0076

Inspector General

Signature of Person Making Report

(b)(7)(C)

Ass't U.S. Attorney

Signature of Person Examining Report

Other (specify below)

Title DIGI

Office (city): Washington, DC

Fannie Mae OGC & FHFA OGC

Div. Office Investigations/Mid-Atlantic

Date of Report 07/15/2013

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**Report of Investigation** *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation  
Case Reference No.: I-11-0076

**Allegations and Focus of Investigation**

The investigation was initiated in January 2011,

(b)(7)(C)

Allegedly,

(b)(7)(C)

**Details of Investigation**

**Background**

(b)(7)(C)

(b)(7)(C)

(b)(4),(b)(7)(C)

Report of Investigation *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation

Case Reference No.: I-11-0076

During the process at various times (b)(7)(C) met with FHFA staff and provided them with several PowerPoint presentations. In those presentations,<sup>3</sup> (b)(7)(C) informed FHFA of a number of aspects about the effort, including:

(b)(4),(b)(7)(C)

However, FHFA-OIG has determined that many of these assertions were in fact ignored by the (b)(7)(C). During the course of the FHFA-OIG investigation some of the findings were presented in interviews with knowledgeable senior FHFA staff.

When interviewed by FHFA-OIG, these senior FHFA staff maintained (b)(5)

(b)(5)

(b)(5)

(b)(7)(C)

(b)(5)

Acting Director DeMarco. Indeed Fannie

Mae is obligated by the U.S. Department of the Treasury to not dispose of assets at below fair market value<sup>4</sup>.

The OIG was not provided with, nor did it find, any explicit written or otherwise documented approval of the (b)(7)(C) on the part of FHFA officials.

(b)(7)(C)

(b)(7)(C)

Within Fannie Mae the (b)(7)(C) was approved by Fannie Mae (b)(7)(C)

(b)(4),(b)(7)(C)

<sup>5</sup> The key

provisions are as follows:

<sup>3</sup> PowerPoint presentations— (b)(4),(b)(7)(C)

<sup>4</sup> Fannie Mae must certify that it "...has not, and has not permitted any of its subsidiaries, to sell, transfer, lease, or otherwise dispose of (in one transaction or a series of related transactions) all or any portion of its assets ... other than dispositions for fair market value; (a) assets and properties in the ordinary course of business, consistent with past practice...."

(b)(4),(b)(7)(C)

**Report of Investigation** *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation

Case Reference No.: I-11-0076

- 
- 
- 
- 

(b)(4),(b)(7)(C)

**Execution of the** (b)(7)(C)

*Conflicts of Interest*

Throughout 2010, negotiations were underway between

(b)(4),(b)(7)(C)

Despite informing FHFA and senior Fannie Mae management

(b)(4),(b)(7)(C)

(b)(4),(b)(7)(C)

Meanwhile, throughout this process, (b)(5) emails show much discussion

(b)(4),(b)(7)(C)

Emails

(b)(4),(b)(7)(C)

(b)(4)

Report of Investigation *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation

Case Reference No.: I-11-0076

(see Appendix A and Appendix B). For example,

(b)(7)(C)

(b)(4),(b)(7)(C)

(b)(5),(b)(7)(C)

such as one comment by

(b)(7)(C)

(b)(4)

(b)(7)(C) asserted to Fannie Mae and FHFA

(b)(4),(b)(7)(C)

(b)(4),(b)(7)(C)

7  
8

(b)(7)(C)



**Report of Investigation** *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation

Case Reference No.: I-11-0076

(b)(4),(b)(7)(C)

(b)(4),(b)(7)(C)

9  
10

(b)(7)(C)

**Report of Investigation** *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation

Case Reference No.: I-11-0076

(b)(4),(b)(7)(C)

(b)(4),(b)(7)(C)

(b)(7)(C)

**Report of Investigation** *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation

Case Reference No.: I-11-0076

(b)(4),(b)(7)(C)

(b)(4),(b)(7)(C)

(b)(7)(C)

**Report of Investigation** *continued*

Case Title: Fannie Mae (b)(7)(C) Investigation  
Case Reference No.: I-11-0076

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**Prosecutive Disposition**

The investigation began under the direction of the Criminal Division of the United States Attorney's Office for the Eastern District of Virginia, Alexandria, Virginia. In May 2012, the direction of the investigation was shifted to the Department of Justice, Civil Division, Fraud Section, and the Civil Division of the United States Attorney's Office for the District of Columbia who declined to intervene in the Qui Tam filed on this case.

The case was referred to FHFA Office of General Counsel (OGC) for administrative review. OGC coordinated with Fannie Mae and concurred with Fannie Mae's

(b)(7)(C)

(b)(5)

(b)(5)

will be closed by the Office of Investigations.



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation

Title (Name and Address)

Aggressive Mortgage  
6806 Paragon Place  
Richmond, VA 23230

Type of Investigation

- ☒ Criminal  
☐ Civil  
☐ Administrative

Type of Report

- ☒ Final  
☐ Interim  
☐ Supplemental

Period of Investigation: June 6, 2011 through August 23, 2012

Basis for Investigation

This investigation was initiated based on a referral from the Federal National Mortgage Association (hereinafter "Fannie Mae"). The referral identified a mortgage origination scheme where Aggressive Mortgage Loan Officers (b)(7)(C) originated mortgage loans for straw borrowers in the Richmond, VA area. (b)(7)(C) plead guilty to Mail Fraud charges. Additionally, (b)(7)(C) Aggressive Mortgage (b)(7)(C) was implicated in the mortgage origination scheme.

Fannie Mae was estimated to have a total exposure of approximately \$110 million.

Allegations and Focus of Investigation

The focus of this investigation was to identify the extent of the mortgage origination scheme and any additional Aggressive Mortgage Loan Officers that were co-conspirators in the scheme. The investigation implicated the following Aggressive Mortgage Loan Officers as implicit in the scheme:

(b)(7)(C)

Through the course of this investigation FHFA-OIG was able to determine that Fannie Mae had a real loss in 18 mortgage loans which totaled approximately \$2.1 million. The Federal Home Loan Mortgage Corporation ("Freddie Mac") indicated no losses were sustained as a result of the scheme.

Distribution

No.

Case No. I-12-0012

Inspector General

Signature of Person Making Report

Assistant U.S. Attorney

Signature of Person Examining Report

Other (specify)

Title Special Agent-In-Charge Office (city) Washington, D.C.

Division Office WFO/OI Date of Report August 23, 2012

(b)(7)(C)

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**Report of Investigation**  
*continued*

**Details of Investigation**

This investigation was a joint investigation by the United States Postal Inspection Service ("USPIS"), Federal Bureau of Investigation ("FBI") and Housing and Urban Development, Office of Inspector General ("HUD-OIG"). Prior to FHFA-OIG's involvement in this investigation the case had been presented for prosecution to the United States Attorney's Office ("USAO"), Eastern District of Virginia ("EDVA") and was accepted for prosecution. Search warrants were executed on two office locations and records were seized by the FBI. Those records were reviewed by the investigative team and proffers were scheduled with Aggressive Mortgage Loan Officers implicated in the scheme. The FHFA-OIG case agent contacted AUSA Michael Moore, EDVA and informed him that FHFA-OIG was interested in joining the investigation due to the exposure to Fannie Mae. AUSA Moore indicated the investigation had ample investigative resource and no additional support was needed. FHFA-OIG was later contacted by the USPIS for support identifying loss figures for Fannie Mae loans implicated in the investigation which were provided, but despite efforts to further coordinate a more material roll in participating in this investigation FHFA-OIG has not been afforded the opportunity to materially participate. This investigation is being referred for closure based on the fact there is no need for FHFA-OIG investigative resources at this time.

**Prosecutive Disposition**

This investigation was accepted for criminal prosecution by Assistant United States Attorney Michael Moore, Eastern District of Virginia.

**Systemic Implications**

No systemic implications were identified through the course of this investigation.



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: Cambridge Home Capital (I-12-0058)

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: October 17, 2011 – February 18, 2015

Basis for Investigation

The Federal Housing Finance Agency – OIG (FHFA-OIG) authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 (“HERA”), 12 U.S.C. 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App.3.

Allegations and Focus of Investigation

This immediate case was initiated on October 17, 2011. Cambridge Home Capital (CHC) (b)(7)(C) were subjects to a Civil Injunction by the United States Attorney’s Office for the Southern District of New York (SDNY). A criminal referral was made as a result of the Civil case. Inquiry of Fannie Mae open investigations revealed CHC originated 50 loans with Borrower/Appraisal issues on Fannie Mae’s inventory.

(b)(7)(C) Buy A Home LLC. (b)(7)(C) was (b)(7)(C) Buy-A-Home. (b)(7)(C) directed Buy-A-Home employees to falsify records to ensure unqualified buyers qualified for FHA loans. Most of the FHA Insured properties were eventually foreclosed upon. (b)(7)(C) defrauded many unsophisticated borrowers and unloaded a significant amount of debt onto them. In furtherance of the scheme (b)(7)(C) facilitated increasing the buyers’ creditworthiness by paying off debts, falsifying gift letters, etc. Moreover, (b)(7)(C) made the first few mortgage payments on behalf of unqualified borrowers to circumvent a possible putback request made by FHA to the original lending institution. As part of a related civil matter against Buy-A-Home (b)(7)(C) was held in Contempt of Court, as well as committed perjury before Honorable Kevin

Distribution: No.  
Inspector General  
Ass’t U.S. Attorney  
Other (specify below)

Case No. I-12-0058

Signature of Person Making Report

Signature of Person Examining Report

Title SAC

Div. Office Northeast Region

(b)(7)(C)

Office (city) Newark, New Jersey

Date of Report February 18, 2015

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## Report of Investigation *continued*

Case Title: Cambridge Home Capital

Case Reference No.: I-12-0058

Castel, SDNY. The scheme cheated the government sponsored enterprises (GSEs, Fannie Mae and Freddie Mac) as well.

### Details of Investigation

On July 16, 2012, (b)(7)(C) were Indicted out of the SDNY on four counts, including (1) conspiracy to commit bank, mail, and wire fraud (18 USC 1349); (2) conspiracy to make a false statement to HUD (18 USC 1010); (3) conspiracy to make a false statement to FHA and FDIC-insured bank (18 USC 1014); and (4) perjury (18 USC 1623(a)). On July 17, 2013, (b)(7)(C) were arrested by FHFA-OIG and HUD-OIG agents.

On December 27, 2012, (b)(7)(C) pleaded guilty to one count each of conspiracy to commit bank, mail, and wire fraud (18 USC 1349), as well as perjury (18 USC 1623 (a)). On April 26, 2013, (b)(7)(C) was sentenced before Honorable Denise Cote, United States District Court Judge for SDNY, to the following terms: 70 months imprisonment; 3 years supervised release; \$7,515,966 in forfeiture; and ordered to pay \$1,574,259.43 in restitution to HUD-FHA. On May 3, 2013, (b)(7)(C) was referred for debarment by HUD-OIG.

On January 10, 2013, (b)(7)(C) pleaded guilty to one count of conspiracy to commit bank, mail, and wire fraud (18 USC 1349). On May 23, 2013, (b)(7)(C) was sentenced before Honorable Denise Cote to 24 months imprisonment; 36 months supervised release; \$2,416,597 in forfeiture; and \$117,922.19 restitution to HUD-FHA. On May 29, 2013, (b)(7)(C) was referred for debarment by HUD-OIG.

### Prosecutive Disposition

All defendants – (b)(7)(C) – were sentenced and debarred by HUD. No additional defendants remain.

### Systemic Implications

None to report.



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



**Report of Investigation (ROI)**

Title (*Name and Address*): NYS AG Trustee Investigation  
Type of Investigation (*type one or more: Criminal, Civil, Administrative*): CIVIL  
Type of Report (*type one: Final, Interim, Supplemental*): FINAL  
Period of Investigation: 10/18/2011 to 11/07/2013

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**Basis for Investigation**

Case was opened 10/18/2011 concentrated on failures in the Securitization Trustee to protect investors in the securities market. Specific focus was placed on harm caused to the GSE's investment in private-label mortgage backed securities (PLMBS).

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**Details of Investigation**

Investigation obtained records from the GSE's and subpoenaed loan files from Wells Fargo. However, as per the Investigative Counsel of FHFA-OIG, the New York State Attorney General's Office declined to pursue a case against Wells Fargo or US Bank. As a result, further investigation is not warranted.

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**Prosecutive Disposition**

In coordination with the New York State Attorney General's Office and per Investigative Counsel of FHFA-OIG, a case was not pursued against the entities party to this investigation.

*Distribution:*  
Inspector General  
Ass't U S Attorney  
Other (*specify below*)

*No.*

Case No. I-12-0062

Signature of Person Making Report

Signature of Person Examining Report

Title *SAC*

Div. Office *MID-Atlantic*

(b)(7)(C)

Office (*city*) *Washington, DC*

Date of Report 11/4/2013

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FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title:

(b)(7)(C)

30 Corporate Park #405  
Irvine, CA 92614

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: October 20, 2011 through May 13, 2013

Basis for Investigation

**BASIS FOR INVESTIGATION**

This case was initiated by Special Agent (b)(7)(C) based upon a referral from the United States Attorney's Office, Chief of the Major Fraud Unit, Beong Kim. This is a mail fraud and telemarketing scheme in which thousands of victims lost millions of dollars. The scheme started with mass mailings that appeared to be an official government notice described as a "legal settlement notification" telling the recipient that he or she "would become a named plaintiff" in a lawsuit. Recipients calling the telephone number on the notice would speak to telemarketers who made numerous false representations. It was believed that many of these homeowners possessed Freddy Mac or Fannie Mae Loans and defaulted on these loans in part because they were victimized by this scheme.

Allegations and Focus of Investigation

On or about October 20, 2011, information was received by (b)(7)(C) Special Agent with the Los Angeles office of the Federal Housing Finance Agency, Office of Inspector General from the California State Bar (State Bar) alleging that attorneys (b)(7)(C) conspired with telemarketer (b)(7)(C) to obtain upfront fees from distressed homeowners with the promise of loan modifications under the guise of a mass joinder law suit against the homeowner's

Distribution: No.  
Inspector General  
Ass't U.S. Attorney  
Other (specify below)

Case No. I-12-0071  
Signature of Person Making Report  
Signature of Person Examining Report  
Title  
Div. Office

Office (city)  
Date of Report

(b)(7)(C)

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Case Title: (b)(7)(C)  
Case Reference No.: I-12-0071

lender. Furthermore, it was alleged that (b)(7)(C) made false representations regarding their affiliation with Federal programs administered by Government Sponsored Enterprises (GSE's) regulated by the Federal Housing Finance Agency, to include the Home Affordable Modification Program (HAMP) and the Making Home Affordable (MHA) initiative. The suspects were:

(b)(7)(C)

The investigation focused on violations of the following statutes: Title 18 U.S.C. 1341, Mail Fraud, Title 18 U.S.C. 1349, Conspiracy (mail/wire fraud), Title 18 U.S.C. 1344, Bank Fraud, Title 18 U.S.C. 7201, Tax Evasion and Title 18 U.S.C. 1956, Money Laundering.

### Details of Investigation

This was a joint investigation between the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), Federal Housing Finance Agency-Office of Inspector General (FHFA-OIG), United States Postal Inspection Service (USPSIS) and Internal Revenue Service Criminal Investigation (IRSCI) (collectively "Agents"). California State Bar (State Bar) Investigator (b)(7)(C) advised Agents that he had initiated an investigation into the activities of (b)(7)(C) based on numerous complaints from homeowners. The State Bar determined that (b)(7)(C) (b)(7)(C) were managing a network of marketing chiefs, sales affiliates and telemarketers (Network) to solicit an upfront fee from distressed homeowners in order to be named as a plaintiff in a mass joinder law suit against their home mortgage lender. The Network promised distressed homeowners the proceeds of litigation settlements, foreclosure relief and reductions in loan principal, interest and monthly payments (Scheme). Furthermore, it was alleged that (b)(7)(C) made false representations regarding their affiliation with Federal programs, to include Home Affordable Modification Program (HAMP) and the Making Home Affordable (MHA) initiative.

Around August 2011, the State Bar obtained a temporary restraining order prohibiting (b)(7)(C) from further solicitation of fees and freezing their assets. The State Bar seized records and computer hard drives from the offices of the attorneys and a Court appointed receiver seized the records and hard drives of the primary telemarketers involved with this Scheme. A majority of the records seized were considered attorney-client communication and therefore privileged. Agents were given access only to those records deemed non-privileged.

The Agents reviewed the non-privileged records obtained by the State Bar, interviewed (b)(7)(C) various participants in the Network, and homeowners. The investigation found that in September 2009, (b)(7)(C) began working together for the purpose of mass marketing loan modifications to California home

**Report of Investigation** *continued*

Case Title:

Case Reference No.:

owners through a network of telemarketers. In October 2010, [redacted] was introduced (b)(7)(C) to [redacted] who was litigating a mass joinder lawsuit against Bank of America (BOA), (b)(7)(C) and its subsidiaries, on behalf of numerous homeowners (Plaintiffs). The suit, (b)(7)(C) v. BOA, was filed on August 2, 2010 and challenged the validity of mortgage notes and the security behind the notes. Prior to (b)(7)(C) involvement, [redacted] added (b)(7)(C) Plaintiffs to the suit on a contingency basis offering homeowners who joined the suit the potential proceeds of litigation settlements, foreclosure relief and reductions in loan principal, interest and monthly payments.

(b)(7)(C) became involved with (b)(7)(C) and the mass joinder law suit because at that time BOA had suspended foreclosures on Plaintiffs named in the suit. (b)(7)(C) wanted to help some of his loan modification clients who were facing foreclosure by adding them to this suit. (b)(7)(C) agreed to add these initial clients to the suit without an up-front fee. Subsequently, BOA withdrew its offer to forestall foreclosure. By that time, (b)(7)(C) changed the focus of their marketing from loan modifications to mass joinder law suits and were charging clients an up-front fee in order to be a plaintiff in the suit. By November 2010, (b)(7)(C) filed additional suits against five other home mortgage lenders and their subsidiaries: Wells Fargo, Wachovia; One West Bank Group, et. al.; Citibank; JP Morgan Chase Bank, et. al.; and Ally Bank (formerly GMAC) and expanded their marketing to include potential clients nationwide.

Based on the Agents review of non-privileged records, it appears that most of the misrepresentations pertaining to Federal programs were by entities believed to be associated with the Subjects and occurred during an 11 month period when (b)(7)(C) (b)(7)(C) were engaged in loan modifications. (b)(7)(C) was distantly involved with (b)(7)(C) for approximately 9 months and then he either withdrew or was displaced from the Network. The mass joinder suits were legally filed in the Los Angeles County Superior Court and the United States District Court for the Central District of California. With the exception of the suit against One West Bank Group, et. al. which was dismissed, the remaining cases are still under review by the Court with new counsel representing the plaintiffs.

On March 1, 2013, Agents met with Assistant United States Attorney (AUSA) Emily Allen who enumerated [redacted] (b)(5)

[redacted] (b)(5)

[redacted] (b)(5) AUSA Allen also had [redacted] (b)(5)

[redacted] (b)(5)

[redacted] (b)(5) AUSA Allen opined

[redacted] (b)(5)

(b)(7)(C) was not part of the original loan modification scheme nor did he have a lead role in establishing the Scheme or Network. (b)(7)(C) has already been indicted for securities fraud in a separate and unrelated investigation and is facing confinement.

**Report of Investigation** *continued*

Case Title: (b)(7)(C)

Case Reference No.: I-12-0071

The California Attorney General's office is currently pursuing legal action to disbar (b)(7)(C) for the following actions:

- (1) Making or causing to be made untrue or misleading statements to consumers, in connection with any proposed or actual lawsuit or settlement with their home mortgage lender; soliciting potential clients in connection with a proposed or actual lawsuit.
- (2) Soliciting potential clients in connection with a proposed or actual lawsuit or settlement with their lenders in communications that contain or refer to guarantees or warranties regarding the outcome or statements that the attorney can generally obtain quick settlements.
- (3) Failing to disclose in advertising on behalf of an attorney the business relationship, past or present, between the attorney and the person paying for the advertisement.

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**Prosecutive Disposition**

Most of the alleged misrepresentations regarding Federal programs and loan modifications occurred over a one year period prior to October 2010 and may not be attributed to the marketing for the legally filed mass joinder law suits. Based on available evidence, SIGTARP, IRSCI, USPIS and FHFA-OIG determined that further investigative resources should not be expended and closed their investigations pending any new developments.

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**Systemic Implications**

No systemic implications have been identified as a result of this investigation.

**Report of Investigation** *continued*

Case Title:

Case Reference No.:



# REPORT OF INVESTIGATION



<b>Title (Name and address):</b>  <b>SUN CAPITAL INC.</b> <b>BIRMINGHAM, AL</b>	<b>Type of Investigation:</b> <input checked="" type="checkbox"/> Criminal <input type="checkbox"/> Civil <input type="checkbox"/> Administrative	<b>Type of Report:</b> <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
<b>Period of Investigation:</b> DECEMBER 2011 to APRIL 2013		

## BASIS FOR INVESTIGATION

The Federal Housing Finance Agency – OIG authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 ("HERA"), 12 U.S.C. § 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3.

## ALLEGATIONS & FOCUS OF INVESTIGATION

This investigation was initiated based on a referral from managers at the Federal National Mortgage Association ("FANNIE MAE") during a periodic coordination meeting. The following information was related to FHFA-OIG:

Fannie Mae identified Sun Capital, Inc. as the mortgage originator/broker company on at least 53 loans that were purchased by Fannie Mae. During a quality control review of the 53 loans, a trend of misrepresentation of income and creditworthiness was substantiated in 45 of the 53 loans identified.

Fannie Mae's known exposure in this scheme was identified as 53 loans with an unpaid principal balance ("UBP") OF \$22,298,933.

<b>Distribution</b>	<b>No.</b>	<b>Case Number:</b>	<b>Signature of Person Making Report:</b>
Inspector General		I-12-0093	(b)(7)(C)
Assistant U.S. Attorney		<b>Signature of Person Examining Report:</b>	
		(b)(7)(C)	
<b>Other (Specify):</b>		<b>Title:</b> SPECIAL AGENT IN CHARGE	<b>Office (City):</b> D.C.
		<b>Division Office:</b> INVESTIGATIONS – SE REGION	<b>Date of Report:</b> 04/17/2013

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## REPORT OF INVESTIGATION

### DETAILS OF INVESTIGATION

On December 8, 2011, SA (b)(7)(C) requested access via demand letter to all records in possession of Fannie Mae regarding Sun Capital Investments, Fannie Mae case (b)(4). The request was sent via email to (b)(7)(C) Regulatory Affairs, Fannie Mae.

On July 17, 2012, SA (b)(7)(C) contacted SA (b)(7)(C) of the US Department of Housing and Urban Development – OIG, to seek information about the status of the case and to inform SA (b)(7)(C) that the case will be reassigned to SA (b)(7)(C). SA (b)(7)(C) informed SA (b)(7)(C) that the case was already presented to the AUSA in Birmingham and the USAO was negotiating a plea bargain with (b)(7)(C) Sun Capital Inc. (b)(7)(C).

On July 18, 2012, the case was reassigned to SA (b)(7)(C). SA (b)(7)(C) contacted SA (b)(7)(C) in order to have access to the case file.

On November 13, 2012, SA (b)(7)(C) contacted FBI SA (b)(7)(C). SA (b)(7)(C) informed SA (b)(7)(C) was charged via Information with one count of 18 USC 1001. According to the information, the HUD-1 reflected false information since the true owner of the property receiving the cash to seller was in fact (b)(7)(C) and not the listed seller in the HUD-1. SA (b)(7)(C) provided SA (b)(7)(C) with a copy of the information and plea agreement.

On November 14, 2012, SA (b)(7)(C) requested information from Fannie Mae regarding the two properties included in the information. On November 14, 2012, Fannie Mae confirmed the losses on the two properties included in the information. The losses to Fannie Mae are \$82,984.37.

Since FHFA-OIG joined the investigation at the end, when the information and plea agreements were already in negotiation by the USAO/FBI and (b)(7)(C); and since no significant investigative activity was conducted by FHFA-OIG agents, management has decided not to claim the judicial actions. As such, it is recommended that this case be closed.

Case Title:  
Sun Capital, Inc.

Case Number:  
I-012-0093

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FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



**Report of Investigation (ROI)**

Title (Name and Address): North American Funding  
(b)(7)(C)  
Las Vegas, NV 89145

Type of Investigation (type one or more: Criminal, Civil, Administrative): Criminal

Type of Report (type one: Final, Interim, Supplemental): Final

Period of Investigation: December 2011 to November 2012

**Basis for Investigation**

This investigation was initiated based on a referral made by the Federal Home Loan Mortgage Corporation (Freddie Mac) during a monthly coordination meeting with FHFA-OIG.

A mortgage company in Las Vegas Nevada named NORTH AMERICAN FUNDING was engaged in a mortgage origination scheme that included numerous misrepresentations at origination to include but not limited to: Misrepresentation of income, assets and liabilities, creditworthiness, and employment of borrower(s). Freddie Mac identified 130 loan files in their inventory that were linked to North American Funding and during a quality control review were able to substantiate misrepresentations in 38 of those loan files.

**Allegations and Focus of Investigation**

Mortgage Fraud  
Loan and Credit Applications 18 USC 1014  
Bank Fraud 18 USC 1344

**Details of Investigation**

Special Agent (SA) (b)(7)(C) requested the production of documents pertaining to this scheme. The documents were provided and SA (b)(7)(C) reviewed the documents provided, spoke to Freddie Mac investigator (b)(7)(C) concerning her investigation and reviewed additional reports provided to SA (b)(7)(C) by Ms. (b)(7)(C) and SA (b)(7)(C).

Distribution: No.  
Inspector General M. Stephens  
Ass't U.S. Attorney N/A  
Other (specify below)

Case No. I-12-0095  
Signature of Person Making Report  
Signature of Person Examining Report  
Title Special Agent  
Div. Office Western Region

(b)(7)(C)  
Office (city) Los Angeles  
Date of Report 05/22/2014

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## Report of Investigation *continued*

Case Title: North American Funding

Case Reference No.: I-12-0095

### Prosecutive Disposition

This case was transferred to SA (b)(7)(C) on June 20, 2012, and after reviewing the information received from SA (b)(7)(C) speaking with SA (b)(7)(C) of SIGTARP, and with input from the United States Attorney's Office (USAO) in Las Vegas it was decided that the case should be closed. The main reason was due to the time frames of the alleged fraud and the short statute of limitations. It was decided that the EHEA-OIG's resources, as well as the USAO in Las Vegas (b)(5)

(b)(5)

### Systemic Implications

None



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: (b)(3):Fed. R. Crim. P. 6(e), en I-12-0098

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: 2008 through 2011

Basis for Investigation

(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L.  
No. 95-78, 91 Stat. 319,(b)(7)(A)

Allegations and Focus of Investigation

The Federal Housing Finance Agency, Office of Inspector General,

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub.  
L. No. 95-78, 91 Stat. 319,(b)(7)(A)

(b)(7)(C)

Title: Special Agent in Charge  
Investigations

Office: Washington DC

7/22/2013

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**Report of Investigation** *continued*

[Redacted]

I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6

(e), enacted by Act of July 30,

1977, Pub. L. No. 95-78, 91 Stat. \_\_\_\_

Details of Investigation

319,(b)(7)(A)

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L.  
No. 95-78, 91 Stat. 319,(b)(7)(A)

Report of Investigation *continued*

(b)(3):(A),(b)(3):Fe

I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub.  
L. No. 95-78, 91 Stat. 319,(b)(7)(A)

**Report of Investigation** *continued*

Case Title. **(b)(3):(A),(b)(3):Fed. R. Cri**

Case Reference No.: I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(A)

**Report of Investigation** *continued*

Case Title: (b)(3):(A),(b)(3):Fed. R.  
Crim. P. 6(e) enacted  
Case Reference No.: I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L.  
No. 95-78, 91 Stat. 319,(b)(7)(A)



**Report of Investigation** *continued*

Case Title: (b)(3):(A),(b)(3):Fe

Case Reference No.: I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,  
Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(A),(b)(7)(C)

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e),  
enacted by Act of July 30, 1977, Pub. L.

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub.  
L. No. 95-78, 91 Stat. 319,(b)(7)(A),(b)(7)(C),(b)(7)(D)

**Report of Investigation** *continued*

Case Title: **(b)(3):(A),(b)(3):Fed. R. Cri**

Case Reference No.: I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L.  
No. 95-78, 91 Stat. 319,(b)(7)(A),(b)(7)(C),(b)(7)(D)

**Report of Investigation** *continued*

Case Title: (b)(3):(A),(b)(3):F

Case Reference No.: I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub.  
L. No. 95-78, 91 Stat. 319,(b)(7)(A),(b)(7)(C),(b)(7)(D)

**Report of Investigation** *continued*

Case Title: (b)(3):(A),(b)(3):F

Case Reference No.: I-12-0098

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(A),(b)(7)(C),(b)(7)(D)

**Report of Investigation** *continued*

Case Title: **(b)(3):(A),(b)(3):Fed.**

Case Reference No.: I-12-0098

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**Prosecutive Disposition**

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,  
Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(A)

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977,  
Pub. L. No. 95-78, 91 Stat. 319,(b)(7)(A),(b)(7)(C),(b)(7)(D)

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub.  
L. No. 95-78, 91 Stat. 319,(b)(7)(A)

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**Systemic Implications**

None.



# REPORT OF INVESTIGATION



Title (Name and address):

(b)(7)(C)

Silver Spring, MD 20901

Type of Investigation:

Referral

Type of Report:

☒ Final

☐ Interim

☐ Supplemental

Period of Investigation: October 31, 2012 to November 26, 2012

## BASIS FOR INVESTIGATION

On February 6, 2012, the United States Attorney's Office for the District of Maryland – Northern Division requested the assistance of FHFA-OIG Investigative Counsel (b)(7)(C) in a mortgage fraud investigation. Shortly thereafter, IC (b)(7)(C) enlisted the assistance of FHFA-OIG Special Agent (b)(7)(C).

## ALLEGATIONS & FOCUS OF INVESTIGATION

(b)(7)(C) submitted several fraudulent loan applications to obtain over \$2.241 million to purchase or refinance homes.

## DETAILS OF INVESTIGATION

In early January 2006 (b)(7)(C) fraudulently obtained mortgage loans totaling \$342,000, to purchase a home at (b)(7)(C) Silver Spring, Maryland, 20901 by falsely claiming on the loan applications that he worked as a nurse and as a mover, earning a combined \$6,000 a month from both employers. In fact (b)(7)(C) was unemployed at the time and received social security disability payments of approximately \$1,000 a month. The loan was ultimately purchased by Freddie Mac.

A co-conspirator whom (b)(7)(C) met while he was purchasing the Silver Spring property worked as a loan officer at Bank of America. The co-conspirator arranged for (b)(7)(C) to purchase a property in Hyattsville, Maryland, obtaining a loan for \$384,750, and subsequently refinancing that loan, based upon fraudulent loan applications that falsely inflated (b)(7)(C) income. The loan was

Distribution	No.	Case Number:	Signature of Person Making Report	(b)(7)(C)
Inspector General		I-12-0109	Special Agent	(b)(7)(C)
Assistant U.S. Attorney		Signature of Person Examining Report:		
		(b)(7)(C)		
Other (Specify):		Title: Special Agent in Charge	Office(City): Washington, D.C.	
		Division Office: FHFA-OIG, Investigations	Date of Report: 1/16/13	

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## REPORT OF INVESTIGATION

ultimately purchased by Freddie Mac and fell into delinquency. While the co-conspirator and (b)(7)(C) were trying to sell the unoccupied Hyattsville property, the co-conspirator arranged to refinance the original loan, based upon a loan application that falsely stated that (b)(7)(C) earned \$8,528 a month.

In January 2006, the co-conspirator purchased a residence in Columbia, Maryland, by obtaining loans totaling \$1.595 million in (b)(7)(C) name (b)(7)(C) knew that the loan applications falsely inflated his income and assets, and that by signing the settlement documents he was facilitating a fraud.

In January 2006, the co-conspirator signed a contract to purchase a residence in Columbia, Maryland, for \$1,595,000. To assist in getting financing for the Columbia property, in March 2006, (b)(7)(C) agreed to co-sign a loan for the purchase of the property, at the request of the co-conspirator, with the understanding that the residence would be used exclusively by the co-conspirator. The co-conspirator submitted two loan applications in (b)(7)(C) name to a Rockville, Maryland mortgage originator, for the purchase of the Columbia property. Both loan applications falsely inflated the income and assets of (b)(7)(C) who at the time had no income other than Social Security disability payments. Both loan applications stated that (b)(7)(C) had monthly business income of \$37,950 from a fictitious company. In addition, both applications stated falsely that (b)(7)(C) intended to make the Columbia property his primary residence. The loan applications were subsequently approved for the amounts of \$1,196,250 for first trust financing and second trust financing for \$319,000. On May 3, 2006, at a title company in Rockville, Maryland, (b)(7)(C) signed the necessary documents. The deed transferred title to both (b)(7)(C) and the co-conspirator, but only (b)(7)(C) signed the promissory notes.

Eventually the loans on the Columbia property went into default. To forestall foreclosure, the co-conspirator sent a \$12,082.90 cashiers' check to the mortgage company in June 2008. In June 2010, to encourage the bank to accept a "short sale" that would have caused an immediate loss to the bank of \$625,000, (b)(7)(C) signed a letter, drafted by another co-conspirator, which falsely represented that (b)(7)(C) had fallen behind on the mortgage payments due to a medical disability that had occurred after he obtained the loans. In fact (b)(7)(C) was unemployed and receiving disability payments when he obtained the loans.

### DISPOSITION

On June 12, 2012, (b)(7)(C) pleaded guilty to conspiracy to commit bank fraud in connection with a scheme in which he submitted fraudulent loan applications to obtain over \$2.241 million to purchase or refinance homes. On January 14, 2013, (b)(7)(C) was sentenced to 21 months in prison and three years of supervised release. (b)(7)(C) was also ordered to pay restitution of \$625,000.

Case Title:

(b)(7)(C)

Case Number:

I-12-0109

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FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address) Colonial Homes, Stockton, CA

Type of Investigation Criminal

Type of Report Final

Period of Investigation: 2005 to February 2012

Basis for Investigation

Since 2005 and continuing to at least February 2012, (b)(7)(C) and others conspired to commit loan fraud by knowingly making false statements and reports for the purpose of influencing the actions of several financial institutions. The co-conspirators allegedly used their knowledge of the mortgage business to obtain home loans for their own profit. (b)(7)(C) (b)(7)(C) during the time of the conspiracy (b)(7)(C) are considered the main suspects.

HUD-OIG asked FHFA-OIG to assist with the investigation and determine losses attributable to the GSEs.

Allegations and Focus of Investigation

(b)(7)(C) was a licensed loan officer (b)(7)(C) Bank of America, Land/Home Financial Services, Inc. and Equity Home Loan Solutions. (b)(7)(C) (b)(7)(C) real estate business using several different names including Colonial Homes and Business Services. CHB Corporation, Golden State Ventures and PGC Ventures. The scheme involved the defrauding of mortgage lenders, Fannie Mae, Freddie Mac and FHA by using false information to obtain mortgage loans. The co-conspirators worked together to allegedly produce fraudulent documents (i.e. pay stubs and credit letters), present them to lenders, and provide

Distribution:	No	Case No. 1-12-0112
Inspector General		Signature of Person Making Report
Ass't U.S. Attorney		Signature of Person Examining Report
Other (specify below):		Title
		Div. Office

(b)(7)(C)

Date of Report May 21, 2014

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## **Report of Investigation** *continued*

Case Title Colonial Homes

Case Reference No I-12-0112

false information during verification attempts made by the lenders. The co-conspirators profited by obtaining actual properties and from commissions made from the funded fraudulent loans. The dollar amount of loans obtained was at least \$6.7MM. The amount of Fannie Mae and Freddie Mac loans was approximately \$1.7MM.

---

### **Details of Investigation**

FHFA-OIG was not informed of search and arrest warrant operation conducted for the investigation. Based on this, the case agent closed the investigation.

### **Prosecutive Disposition**

Case was prosecuted by USAO in Sacramento. FHFA OIG was not part of the prosecution phase of the investigation.

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### **Systemic Implications**

None

**FEDERAL HOUSING FINANCE AGENCY**  
**OFFICE OF THE INSPECTOR GENERAL**

**MEMORANDUM OF ACTIVITY**

On May 5, 2012, Special Agent (b)(7)(C) Federal Housing Finance Agency, Office of Inspector General, received an email from (b)(7)(C) (b)(7)(C) Harbour Portfolio Advisors, regarding (b)(7)(C) and their offer of an "inside deal". (b)(7)(C) relayed the following:

**Contacts:**

(b)(7)(C)

Harbour Portfolio Advisors

(b)(7)(C)

**Details of Interview**

(b)(7)(C) advised that he had received no further contact from subject (b)(7)(C)

(b)(7)(C)

**Closing of Investigation**

Based on a lack of prosecutorial merit and an identifiable crime, as well as a lack of any further investigative leads, this case is closed.

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Activity: Email from (b)(7)(C)

By: (b)(7)(C) Special Agent

Date Prepared: 05/30/12  
Location: Washington D.C.  
Case/Reference No.: I-12-0135

(b)(7)(C)  
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# REPORT OF INVESTIGATION



<b>Title (Name and address):</b> (b)(7)(C) For Fannie Mae, (b)(7)(C) Tampa, FL 33647	<b>Type of Investigation:</b> <input checked="" type="checkbox"/> Criminal <input type="checkbox"/> Civil <input type="checkbox"/> Administrative	<b>Type of Report:</b> <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
<b>Period of Investigation:</b> June 2012 to August 2013		

## BASIS FOR INVESTIGATION

The Federal Housing Finance Agency – OIG authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 ("HERA"), 12 U.S.C. § 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3.

## ALLEGATIONS & FOCUS OF INVESTIGATION

(b)(7)(C) Fannie Mae Fraud Programs contacted FHFA-OIG based on concerns regarding possible fraudulent activity Fannie Mae discovered through an analytical analysis of data regarding one of their contracted (b)(7)(C) in Tampa, Florida. According to (b)(7)(C) (b)(7)(C) and her business partner, (b)(7)(C) appeared to have manipulated the Multiple Listing Service database on numerous occasions. (b)(7)(C) allegedly manipulated the data by not listing property in the MLS in a timely fashion, which according to Fannie Mae, limited market exposure for the property. Fannie identified MLS issues with approximately 8 properties in a condominium complex located in Tampa Palms.

## DETAILS OF INVESTIGATION

This investigation was assigned to SA (b)(7)(C) FHFA-OIG in June 2012. This investigation was initially opened in an effort to (b)(7)(E). After multiple telephone conference calls with DAIG Peter Emerzian and SAC Paul Conlon, both

<b>Distribution</b>	<b>No.</b>	<b>Case Number:</b> I-12-0159	<b>Signature of Person Making Report:</b> (b)(7)(C)
<b>Inspector General</b>		<b>Signature of Person Examining Report:</b> (b)(7)(C)	
<b>Assistant U.S. Attorney</b>			
<b>Other (Specify):</b>		<b>Title:</b> Special Agent in Charge	<b>Office (City):</b> D.C.
		<b>Division Office:</b> Tampa, Florida	<b>Date of Report:</b> 09/23/2013

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## REPORT OF INVESTIGATION

FHFA-OIG, it was determined the circumstances of the case never offered a viable means to (b)(7)(E) (b)(7)(E) At the time, FHFA-OIG was looking for a case that presented a good opportunity to (b)(7)(E) at the onset of an investigation. Unfortunately, after multiple conference calls with Fannie Mae and FHFA-OIG Senior Staff, it was determined this case did not present FHFA-OIG with the opportunity it was searching (b)(7)(E) Fannie Mae wanted to initiate action to terminate (b)(7)(C) as an REO contractor to avoid any additional manipulation REO properties in the MLS database, if FHFA-OIG could not (b)(7)(E)

(b)(7)(E)

Coordination with Fannie Mae revealed (b)(7)(C) was terminated from (b)(7)(C)

(b)(7)(C)

A review of the initial information provided by Fannie Mae revealed 8 properties identified as having been manipulated in the MLS data base were sold to a company named GSP Capital LLC. The condominiums were located in a complex named Jade at Tampa Palms, Florida. (b)(7)(C) GSP Capital LLC was identified as (b)(7)(C) was also identified as the (b)(7)(C) of the Homeowners Association for the Jade at Tampa Palms condominium. Although GSP Capital purchased 8 REO properties, there was no sufficient evidence available indicating GSP Capital did anything illegal. The Fannie Mae allegations reflected (b)(7)(C) didn't enter the REO data in the MLS in a timely manner.

A review of local sales records in the Hillsborough County property appraiser database reflected GSP Capital purchased 8 REO properties. The sale prices appeared to be similar to other REO properties sold around the same time frame.

The fact that Fannie Mae terminated (b)(7)(C) removed any potential for her to manipulate additional Fannie Mae REO properties via the MLS database.

Due to the lack of investigative resources and other ongoing significant investigations it is recommended this investigation be closed. The time and resources necessary to fully pursue this matter would be extensive and provides no guarantee criminal charges would be proven for prosecutorial action. It is recommended this matter be closed to focus on more significant and substantial dollar loss investigations.

This investigation is recommended for closure.

Case Title:  
Natalie Wilson, REO Broker for Fannie Mae

Case Number:  
I-12-0159

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# REPORT OF INVESTIGATION



<b>Title (Name and address):</b>  ALSTON INVESTMENTS INC PLANTATION, FL	<b>Type of Investigation:</b> <input checked="" type="checkbox"/> Criminal <input type="checkbox"/> Civil <input type="checkbox"/> Administrative	<b>Type of Report:</b> <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
<b>Period of Investigation:</b> August 2012 – July 2013		

## BASIS FOR INVESTIGATION

The Federal Housing Finance Agency – OIG authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 ("HERA"), 12 U.S.C. § 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3.

## ALLEGATIONS & FOCUS OF INVESTIGATION

FBI received a complaint on Alston Investments Inc. (AI), a Plantation, FL based company operating as an alleged foreclosure relief company. According to the complaint, AI solicited business via a flyer claiming they could save the complainant home from foreclosure. AI will sign documents taking control of the property, rent it on a rent to own agreement, and will not continue making the monthly mortgage payments but collecting the monthly rental payments.

## DETAILS OF INVESTIGATION

On June 20, 2012, SAC Olga Acevedo requested access via demand letter to all records in possession of Fannie Mae and Freddie Mac regarding AI. The request was sent via email to (b)(7)(C) (b)(7)(C) - Fannie Mae and (b)(7)(C) - Freddie Mac.

On July 3, 2012, the FBI interviewed (b)(7)(C) purchased a property in Ft. Lauderdale, FL. Initially, the property served as (b)(7)(C) main residence. After the loan adjusting to current interest rates (adjustable mortgage) (b)(7)(C) could not afford the property anymore. (b)(7)(C) moved out of the property and tried renting it, but the tenants did not pay the rent when

<b>Distribution</b>	<b>No.</b>	<b>Case Number:</b>	<b>Signature of Person Making Report:</b>
Inspector General		I-12-0173	(b)(7)(C)
Assistant U.S. Attorney		<b>Signature of Person Examining Report:</b>	
		(b)(7)(C)	
<b>Other (Specify):</b>		<b>Title:</b> SPECIAL AGENT IN CHARGE	<b>Office (City):</b> D.C.
		<b>Division Office:</b> INVESTIGATIONS – SE REGION	<b>Date of Report:</b> 07/5/2013

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## REPORT OF INVESTIGATION

due. Eventually the property went into foreclosure. (b)(7)(C) received numerous flyers from AI before calling and making an appointment with AI. At AI (b)(7)(C) met with a salesman named (b)(7)(C). AI and (b)(7)(C) offered to negotiate with the bank a short sale. (b)(7)(C) also told (b)(7)(C) that AI will rent the property to cover the legal expenses of the short sale process. According to (b)(7)(C) he signed a memorandum of option with Alston Investments (AI) giving AI possession of the property and first option to buy the property. According to (b)(7)(C) after signing with AI, he received several letters regarding the foreclosure process of his property until the last letter, which said that the property was foreclosed and taken by the bank. (b)(7)(C) visited the AI after the foreclosure to ask the money owed to him. AI gave (b)(7)(C) a print out with all the rents collected (\$7,000) and a check in the amount of \$300.00. When (b)(7)(C) asked why he did not receive the \$10,000 AI promised him he was told he would only get it if AI "saved" the house.

On August 1, 2012, SA (b)(7)(C) (FHFA-OIG) met with SA (b)(7)(C) (FBI) to discuss the AI case. During the meeting, SA (b)(7)(C) briefed SA (b)(7)(C) about the alleged scheme. SA (b)(7)(C) provided SA (b)(7)(C) with a CD that contained several bank accounts related to AI and copies of the 302's of interviews completed. Copies of the 302's are in the case file.

On August 8, 2012, SA (b)(7)(C) (FBI) and SA (b)(7)(C) (FHFA-OIG) interviewed (b)(7)(C). (b)(7)(C) was a relator and real estate investor in New York. He moved to Florida around 2004 and began to invest in real estate in the Deerfield Beach, FL area. After purchasing several properties (b)(7)(C) was unable to keep up payments on all of his investment properties and banks started to foreclose on them. (b)(7)(C) received several flyers from AI before calling to arrange a meeting with (b)(7)(C). (b)(7)(C) told (b)(7)(C) that AI would negotiate short sale with the banks for (b)(7)(C) properties. During the negotiation, AI would rent out the properties and keep all of the rents. AI would pay (b)(7)(C) \$10,000 for each property sold as a short sale. (b)(7)(C) signed up three of his properties with AI. After several months without any notice or money from AI, in approximately January 2012 (b)(7)(C) visited AI offices and met with (b)(7)(C). (b)(7)(C) told (b)(7)(C) that he wanted to cancel his memorandum of options. (b)(7)(C) convinced (b)(7)(C) to stay with AI and promised (b)(7)(C) that AI will start paying him in monthly increments. Since then, (b)(7)(C) has been receiving monthly checks from AI ranging from \$500 - \$600. None of (b)(7)(C) three properties with AI have been foreclosed or sold via short sale. It was (b)(7)(C) understanding that AI was not going to be making the monthly mortgage payments with rent collected from the properties. (b)(7)(C) never paid any fees or made advance payments to AI.

On August 13, 2012, SA (b)(7)(C) (FBI) and SA (b)(7)(C) (FHFA-OIG) interviewed (b)(7)(C). (b)(7)(C) purchased an investment property in Margate, FL. (b)(7)(C) initially rented the property but the tenants eventually moved out. (b)(7)(C) could not subsequently rent the property and stopped making the monthly mortgage payments when due. Sometime in June 2010, (b)(7)(C) started receiving flyers from AI. AI offered (b)(7)(C) to buy his negative equity for \$10,000 - \$25,000. A week from receiving the flyers (b)(7)(C) called the AI offices and set up an appointment. At AI (b)(7)(C) met with a (b)(7)(C). (b)(7)(C) told (b)(7)(C)

Case Title:  
Alston Investments Inc.

Case Number:  
I-012-0173

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## REPORT OF INVESTIGATION

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that AI will lease the property and negotiate a short sale with the bank. (b)(7)(C) understating of AI was that they were going to rent the property and (b)(7)(C) was to receive \$10,000 from the rents collected by AI. (b)(7)(C) property hasn't been foreclosed or sold via short sale. (b)(7)(C) has not received any payments from AI. It was (b)(7)(C) understanding that AI was not going to make the monthly mortgage payments with the rent collected from the property. (b)(7)(C) never paid any fees or made advance payments to AI.

On August 12 – 14, 2012, SA (b)(7)(C) served IG subpoenas on Wells Fargo Bank, Bank of America and CitiMortgage. The subpoenas seek loan files, payment histories and foreclosure negotiation information related to the AI investigation.

On September 4, 2012, SA (b)(7)(C) served IG subpoenas on Ally Financial and Nationstar Mortgage. The subpoenas seek loan files, payment histories and foreclosure negotiation information related to the AI investigation.

On September 11, 2013, SA (b)(7)(C) (FBI) and SA (b)(7)(C) (FHFA-OIG) interviewed (b)(7)(C) purchased a property in Miramar, FL. The Miramar property initially served as (b)(7) main residence but (b)(7) later moved out and rented the property. After renting the property for two years, the tenants stopped making rent payments to (b)(7). Without rent income (b)(7) stopped making the monthly mortgage payments and the bank started foreclosing on the property. Sometime after the house going into foreclosure, (b)(7) started receiving flyers from AI. AI was located in Plantation, FL. (b)(7) called the number in the flyers and made an appointment to see someone at AI. At AI, (b)(7) met with a lady named (b)(7)(C) and AI offered (b)(7) to negotiate a short sale with the bank. Once sold (b)(7) was to receive \$10,000. AI wanted to put a tenant in the property and collect rent while negotiating a short sale, but (b)(7)(C) declined the idea since it looked inappropriate. (b)(7) property hasn't been foreclosed or sold via short sale. (b)(7) has not received any payments from AI. (b)(7) never paid any fees or made advanced payments to AI.

On September 20, 2012, SA (b)(7)(C) (FBI) and SA (b)(7)(C) (FHFA-OIG) interviewed (b)(7)(C) had invested in three properties located in the Ft. Lauderdale area. After initially renting the properties (b)(7) lost her tenants and was unable to keep up with her monthly mortgage payments. As result, the banks began foreclosure process on the three properties. In or around April 2011, (b)(7) received advertising in the mail promising her \$10,000 for her underwater property. The advertising came from AI. (b)(7) visited AI office in Plantation, FL and met with AI salesman named (b)(7)(C) told (b)(7) that AI will manage the properties and rent them out while negotiating short sales with the banks. (b)(7) was to receive \$10,000 for each of the houses that sold in short sale. AI offered 1/3 of the rents collected. (b)(7) declined the AI management and rental program but signed up for AI to short sale her properties. After a year waiting (b)(7) went back to AI and opted out of the memorandum of option contracts. (b)(7) never paid any fees or made advance payments to AI. (b)(7) never received any money from AI.

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Case Title:  
Alston Investments Inc.

Case Number:  
I-012-0173

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## REPORT OF INVESTIGATION

On December 18, 2012, SA (b)(7)(C) (FBI) and SA (b)(7)(C) (FHFA-OIG) met with AUSA Kim Selmore. The meeting was done to brief AUSA Selmore in the investigative activities and evidence obtained. AUSA Selmore (b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by (b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act

(b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e), enacted by Act of July 30, 1977, Pub. L. No. 95-78, 91 Stat. 319

On April 22, 2013, SA (b)(7)(C) (FHFA-OIG) met with Economic Crimes Assistant State Attorney Don TenBrook, Ft. Lauderdale State Attorney's Office. SA (b)(7)(C) presented the possibility (b)(5)

ASA TenBrook declined the case.

On May 13, 2013, SA (b)(7)(C) (FBI) received a case declination from AUSA Kim Selmore, Section Chief, Mortgage Fraud. SA Ostroman indicated that the FBI will be closing the case.

During the period of investigation, SA (b)(7)(C) reviewed the bank accounts associated with Alston Investments (b)(3):(A),(b)(3):Fed. R. Crim. P. 6(e) and documents provided by witnesses (b)(7)(E) (b)(7)(E)

Due to lack of evidence to support the initial complaint; and due to both the US Attorney's Office and State Attorney's Office declining to move further without the necessary evidence, it is recommended that this case be closed.

Case Title:  
Alston Investments Inc.

Case Number:  
I-012-0173

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**OFFICE OF INSPECTOR GENERAL**  
Federal Housing Finance Agency

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400 7th Street, S.W., Washington DC 20024  
Phone: (202) 730-0384 Fax: (202) 318-8604

**CLOSING MEMORANDUM**

**DATE:** 13 March 2013  
**TO:** Steven Perez, Special Agent in Charge  
**FROM:** (b)(7)(C) Special Agent  
**SUBJECT:** Conversion/Closing Memorandum File #I-13-0210

(b)(3):31 U.S.C. §§ 3729 and 3730,(b)(7)(A)



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address):

(b)(7)(C)

Arlington, VA 22201

Type of Investigation (type one or more: Criminal, Civil, Administrative): Administrative

Type of Report (type one: Final, Interim, Supplemental): Final

Period of Investigation: December 19, 2012 through March 14, 2013

Basis for Investigation

(b)(7)(C)

Allegations and Focus of Investigation

At the request of FHFA-OIG's Executive Office, the Office of Investigations (OI) opened an investigation to determine if the source of the (b)(7)(C) was an FHFA-OIG employee. The authors of the FHFA-OIG report were (b)(7)(C). The investigation focused (b)(7)(C) FHFA-OIG's Executive Office (b)(7)(C).

Details of Investigation

On December 19, 2012, OI reviewed the leaked non-public FHFA-OIG report (b)(7)(C). (b)(7)(C) OI also collected (b)(7)(C), (b)(7)(E). The review indicated that various versions of the report and corresponding attachments were emailed to personal email addresses by several FHFA-OIG employees. (b)(7)(C) OI found that the versions of the report were worked on at home and emailed back to the office email the next day. None of

Distribution: No. 1  
Inspector General  
Ass 1 U.S. Attorney  
Other (specify below) Case File

Case No. I-13-0238  
Signature of Person Making Report  
Signature of Person Examining Report  
Title Special Agent-in-Charge  
Div. Office Mid-Atlantic Region

(b)(7)(C)

Office Washington, DC  
Date of Report 08/22/2013

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Report of Investigation continued

Case Title: (b)(7)(C) WASHINGTON, DC  
Case Reference No.: I-13-0238

these emails included the version of the document (b)(7)(C)

On (b)(7)(C) reported to Emilia DiSanto, FHFA-OIG Chief of Staff, that he was contacted by (b)(7)(C)

(b)(7)(C) left a voicemail for (b)(7)(C)

On (b)(7)(C) approached an Office of Audits employee to discuss (b)(7)(C)

(b)(7)(C) In the course of the conversation (b)(7)(C) revealed that he was friends with (b)(7)(C) told the Office of Audit's employee that if there was anything that employee wanted exposed that he or she call (b)(7)(C) (b)(7)(C)

On (b)(7)(C) of (b)(7)(C)

(b)(7)(C)

(b)(7)(C)

(b)(7)(C)

(b)(7)(C)

(b)(7)(C) acknowledged receipt of the voicemail message from (b)(7)(C)

stated that (b)(7)(C)

(b)(7)(C)

(b)(7)(C)

Records obtained from (b)(7)(C) personal cellular telephone provider, revealed that (b)(7)(C) made 22 outgoing calls to (b)(7)(C) phone number. The calls occurred between October 23, 2012 and January 3, 2013. Most of the calls were made in December 2012, with the most frequent number of calls occurring the day (b)(7)(C) (b)(7)(C)

### Systemic Implications

It was noted that work product documents were sent to personal email addresses by several FHFA-OIG employees for work at home, despite the availability of FHFA-OIG assigned laptop computers.



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



**Report of Investigation (ROI)**

Title (*Name and Address*): CitiMortgage Vendor Management, O'Fallon, MO

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: March 2013 – June 2013

**Basis for Investigation**

The attorney for the complainant notified the U.S. Attorney's office (ED MO) that his client, former CitiMortgage employee, had some information that may be of interest. (b)(7)(C)

(b)(7)(C)

**Allegations and Focus of Investigation**

An interview was conducted and documents were reviewed. The complainant alleged that CitiMortgage was violating RESPA rules because of their revenue share agreement with CitiBank along with CitiMortgage was strong arming loan origination vendors to make their deposits with CitiBank.

**Prosecutive Disposition**

The U.S. Attorney's Office in the Eastern District of Missouri determined that the allegations were largely regulatory in nature and also may relate to other ongoing investigations. The complaint was forwarded to the U.S. Attorney's Office in the Eastern District of New York as well as the SAC of the FHFA-OIG office in Los Angeles (b)(7)(A)

**Systemic Implications**

To be determined

*Distribution:* No.  
Inspector General  
Ass't U.S. Attorney  
Other (*specify below*)

Case No. I-13-0276

Signature of Person Making Report \_\_\_\_\_

Signature of Person Examining Report \_\_\_\_\_

Title Special Agent in Charge

Div. Office Investigations

Office (*city*) New York

Date of Report June 13, 2013

(b)(7)(C)

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**Report of Investigation** *continued*

Case Title: CitiMortgage Vendor Management  
Case Reference No.: I-13-0276

**Details of Investigation**

In approximately March of 2013, a complaint was received by the U.S. Attorney's Office of the Eastern District of Missouri by the attorney of [REDACTED]

(b)(7)(C)

On May 10, 2013, the complainant was interviewed and various records were reviewed. The complaint largely focused on allegations that CitiMortgage was violating RESPA regulations because of their revenue sharing agreement with CitiBank and strong arm actions that CitiMortgage placed on their vendors to have the vendors deposits placed with CitiBank. Additional information pertaining to CitiMortgage and their relationship with vendors was provided and is outlined in the memorandum of the interview.

After interviewing the complainant and reviewing records it was determined that the complaint was largely regulatory in nature and may possibly be relevant to other investigations or audits being conducted.

On May 28, 2013, notification of the complaint along with a copy of the interview with the complainant was forwarded to the U.S. Attorney's Office in the Eastern District of New York as well as the SAC of the FHFA-OIG office in Los Angeles [REDACTED]

(b)(7)(A)

Since no action is anticipated by the U.S. Attorney in the Eastern District of Missouri regarding this complaint, this investigation is being closed.



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (b)(7)(C)  
Saint Louis, MO

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: 2013

Basis for Investigation

This investigation was opened to determine if (b)(7)(C) Committed fraud in relation to mortgage loans.

(b)(7)(C) are previous convicted felons who were convicted in federal court (Eastern District of Missouri) with an investment scheme. On March 2, 2001, (b)(7)(C) were sentenced and ordered to pay \$14.5 million in restitution in connection with the prior scam.

(b)(7)(C) is currently being investigated for another investment scam in which he is suspected of soliciting large payments for commercial investment property in southern Missouri and instead of using the proceeds toward a real estate development, he is allegedly using the funds to support his gambling habit.

Allegations and Focus of Investigation

Fannie Mae – Mortgage Loan Fraud

Details of Investigation

This investigation revealed that (b)(7)(C) omitted certain debts when obtaining two mortgage loans in 2007 and 2008.

On or about July 18, 2006, (b)(7)(C) purchased (b)(7)(C) from U.S. Bank. On or about March 14, 2007, (b)(7)(C) sold (b)(7)(C) to (b)(7)(C). (b)(7)(C) admitted that she was used as a straw buyer and seller for (b)(7)(C).

On or about March 28, 2007, (b)(7)(C) purchased another property (b)(7)(C) from hard money lender (b)(7)(C).

Both properties (b)(7)(C) were sold to (b)(7)(C). The transactions were closed about one month apart. (b)(7)(C) purchased (b)(7)(C) on December 21, 2007, and he purchased (b)(7)(C) on January 24, 2008. Both properties were purchased

Distribution: No.  
Inspector General

Case No. I-13-0282

Signature of Person Making Report

Signature of Person Examining Report

Title SAC

Div. OI

(b)(7)(C)

Office New York, NY

Date of Report Sept 25, 2013

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**Report of Investigation** *continued*

Case Title: (b)(7)(C)  
Case Reference No.: I-13-0282

for the sale price of \$220,000.

Both transactions were funded via Fannie Mae loans. A review of the loan documents obtained from Fannie Mae revealed that material information was omitted on the loan application. The loan applications also indicated that (b)(7)(C) intended to use both properties as his primary residence when in fact he did not move into either of the two properties. (b)(7)(C) loan application indicated that he did not have any federal debts. In fact (b)(7)(C) signed a certification that included language indicating he did not have any federal debts. (At the time (b)(7)(C) still owed money on the \$14.5 million dollar restitution.) (b)(7)(C) also failed to disclose other debts that he had with hard money lender (b)(7)(C) and he also failed to report ownership (b)(7)(C) when he purchased (b)(7)(C).

Both loans were brokered through Precision Lending and they were eventually sold to Fannie Mae. Both loans became delinquent and were eventually foreclosed on and resold by Fannie Mae. After selling the properties, Fannie Mae forced the lenders to repurchase the loans because of irregularities in the loan origination. The lenders at the time of the foreclosures were Nationstar for (b)(7)(C) and JP Morgan Chase for (b)(7)(C).

**Prosecutive Disposition**

(b)(7)(A),(b)(7)(C)  
(b)(7)(C) and is not suspected to be part of the investment fraud with (b)(7)(C).

The facts of this investigation were discussed with AUSA Steve Holtshouser who has declined the mortgage fraud case against (b)(7)(C) (b)(7)(A)  
(b)(7)(A),(b)(7)(C)

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Since this case has been declined for prosecution and Fannie Mae has not lost money (because of the forced repurchase), it is recommended that this case be closed.



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address):

(b)(7)(C) (Fannie Mae)

3900 Wisconsin Ave., NW  
Washington, D.C.

Type of Investigation: ADMINISTRATIVE

Type of Report: FINAL

Period of Investigation: 8/2/13 – 9/11/13

Basis for Investigation

The Federal Housing Finance Agency – OIG authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 ("HERA"), 12 U.S.C. § 4517(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3.

Allegations and Focus of Investigation

This case was opened upon the Inspector General's receipt of an anonymous complaint alleging the (b)(7)(C) for Fannie Mae (b)(7)(C) repeatedly acted in an abusive and unprofessional manner toward his staff on the Fannie Mae team. These allegations also included

(b)(7)(C)

Details of Investigation

On 8/5/13, SA (b)(7)(C) interviewed (b)(7)(C) at his office at Fannie Mae, Washington, D.C.

(b)(7)(C)

(b)(7)(C) also denied the following:

(b)(7)(C)

Distribution:  
Inspector General  
Ass't U.S. Attorney  
Other (specify below)

No.

Case No. I-13-0299

Signature of Person Making Report

Signature of Person Examining Report

Title SAC

Div. Office Mid-Atlantic

(b)(7)(C)

Office (city) Washington, DC

Date of Report 10/16/13

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**Report of Investigation** *continued*

Case Title: (b)(7)(C)

Case Reference No.: I-13-0299

(b)(7)(C) stated he attempted to treat all his employees as family.

(b)(7)(C) stated he had a problem employee (b)(7)(C) (b)(7)(C)  
(b)(7)(C)  
(b)(7)(C) (b)(7)(C)

On 9/2/13, SA (b)(7)(C) interviewed (b)(7)(C) stated he has never witnessed any of the acts described in the anonymous complaint, nor had he heard any such instances.

(b)(7)(C) did state he had loaned (b)(7)(C) his POV on one occasion in order to attend a meeting at FHFA-HQ, but did not feel pressured to do so – he did it as a courtesy to a fellow employee.

(b)(7)(C) added that he considered (b)(7)(C) a good manager and had learned a lot from him.

(b)(7)(C) stated there had been problems with (b)(7)(C)  
(b)(7)(C)

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**Prosecutive Disposition**

As the allegation was not criminal in nature and no criminal predicate was developed, this case was not presented to the U.S. Attorney's Office for the District of Columbia. No further investigation is recommended.



FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title (Name and Address):

(b)(7)(C)

CONFLICT OF INTEREST; DC

400 7<sup>TH</sup> Street SW

Washington, DC 20024

Type of Investigation (type one or more: Criminal, Civil, Administrative): Administrative

Type of Report (type one: Final, Interim, Supplemental): Final

Period of Investigation: June 19, 2013 to September 24, 2013

Basis for Investigation

The Federal Housing Finance Agency – OIG authority to investigate is set forth in the Housing and Economic Recovery Act of 2008 ("HERA"), 12 U.S.C. § 475(d), and the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3.

Allegations and Focus of Investigation

This investigation was opened in response to an

(b)(7)(C)

(b)(7)(C)

examining the hiring of (b)(7)(C)

(b)(7)(C)

(b)(7)(C) The article alleged an inherent conflict of interest between

(b)(7)(C)

Details of Investigation

On June 21, 2013 (b)(7)(C) was interviewed and denied directly hiring (b)(7)(C)

stated that (b)(7)(C) was (b)(7)(C)

(b)(7)(C)

and FHFA. (b)(7)(C) explained that (b)(7)(C)

was managed by FHFA attorneys (b)(7)(C) denied

knowing (b)(7)(C) prior to a June 13-14, 2013 widely attended industry meeting at FHFA

Distribution: No.

Inspector General

Ass't U.S. Attorney

Other (specify below)

Case No. I-14-0332

Signature of Person Making Report

Signature of Person Examining Report

Title

Div. Office

(b)(7)(C)

Office (city)

Date of Report

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**Report of Investigation** *continued*

Case Title: (b)(7)(C) CONFLICT OF INTEREST; DC  
Case Reference No.: I-14-0332

where he was introduced to (b)(7)(C) by FHFA staff attorneys. (b)(7)(C) denied that (b)(7)(C) lobbies FHFA and confirmed that (b)(7)(C) (b)(7)(C) further denied that (b)(7)(C) prior to FHFA's request for consulting services and denied that (b)(7)(C) was involved in FHFA's decision to (b)(7)(C). Finally, (b)(7)(C) denies any outside relationship with (b)(7)(C).

On July 2, 2013 FHFA (b)(7)(C) was interviewed. (b)(7)(C) confirmed that (b)(7)(C) was hired through an existing (b)(7)(C) (b)(7)(C) legal services retainer agreement in order to (b)(7)(C) (b)(7)(C) stated he approved a request by (b)(7)(C) or an expert from (b)(7)(C) and that they provided (b)(7)(C) denied that he (b)(7)(C) or a staff member specifically requested (b)(7)(C) or have an outside relationship with him. (b)(7)(C) denied managing (b)(7)(C) stating (b)(7)(C) worked with (b)(7)(C) directly. (b)(7)(C) denied (b)(7)(C) lobbied staff on behalf of clients and categorized (b)(7)(C) consulting as technical advice. Finally, (b)(7)(C) denied that (b)(7)(C) was involved in FHFA's decision (b)(7)(C) (b)(7)(C).

On July 3, 2013 FHFA (b)(7)(C) was interviewed and confirmed that she had requested outside assistance in November 2012 on housing insurance issues. According to (b)(7)(C) FHFA had (b)(5) (b)(7)(C) stated that she requested assistance from (b)(7)(C) through an existing legal services retainer agreement and that (b)(7)(C) provided her (b)(7)(C) denied (b)(7)(C) was hired (b)(7)(C) as a result of her request stating that he was already employed at the time. (b)(7)(C) denied (b)(7)(C) (b)(7)(C) and that any staff had relationships with him prior to his hire. (b)(7)(C) described (b)(7)(C) as a (b)(5) (b)(5) and technical expert and confirmed (b)(7)(C) first met (b)(7)(C) at the aforementioned June 13-14, 2013 FHFA meeting.

On July 2, 2013 and July 5, 2013, (b)(7)(C) provided copies of various documents related to (b)(7)(C) including the (b)(7)(C) Legal Services Retainer Agreement, a summary of (b)(7)(C) billable activities, and the agenda for the June 13-14, 2013 meeting at FHFA. A review of the materials revealed the execution date of the (b)(7)(C) (b)(7)(C) Legal Services Retainer Agreement is January 7, 2011, predating the procurement of (b)(7)(C) services by almost a year and (b)(7)(C). Additionally, the billing detail showed that (b)(7)(C) charged FHFA approximately \$31,521.25

**Report of Investigation** *continued*

Case Title: (b)(7)(C) CONFLICT OF INTEREST; DC  
Case Reference No.: I-14-0332

from January 2013 through April 2013. (b)(7)(C) explained that (b)(7)(C) billing trailed actual activity by a few months. This amount accounts for a minor portion of the total monthly charges FHFA received during that period. His activity was minimal. Finally, the June 13 – 14, 2013 meeting agenda displayed a diverse group of panelists representing both government and the private sector. Attendance was over 100 making it a widely attended event.

On August 7, 2013, (b)(7)(C) (b)(7)(C) provided this agent with a detailed description of the process (b)(7)(C) uses for deconfliction of attorneys and clients. (b)(7)(C) confirmed that established conflicts procedures were followed and that (b)(7)(C) (b)(7)(C) did not believe any conflict exists with (b)(7)(C) work at FHFA.

On August 8, 2013, (b)(7)(C) (b)(7)(C) (b)(7)(C) was interviewed and stated that she provided FHFA with (b)(7)(C) at FHFA's request. Prior to that request she did not know (b)(7)(C) and received his name upon requesting a referral for an insurance industry technical expert from (b)(7)(C) (b)(7)(C) (b)(7)(C) confirmed that (b)(7)(C) services were billed under the existing legal services retainer agreement. (b)(7)(C) denied hiring (b)(7)(C) specifically to work FHFA projects, denies managing (b)(7)(C) and denies knowledge of his past and current clients. (b)(7)(C) estimated that (b)(7)(C) total billings to be around \$30,000 which she characterized as an extremely minor amount compared against the total monthly billing (b)(7)(C) produces for FHFA.

Also on August 8, 2013, (b)(7)(C) was interviewed. (b)(7)(C) stated that he started at (b)(7)(C) or (b)(7)(C) (b)(7)(C) (b)(7)(C) and (b)(7)(C) confirmed that he advises (b)(7)(C) (b)(7)(C) also confirmed he is a (b)(7)(C) (b)(7)(C) (b)(7)(C) stated he has over (b)(7)(C) experience. (b)(7)(C) denies knowing that (b)(7)(C) maintained FHFA as a client at the time he was hired stating he only learned about FHFA when (b)(7)(C) contacted him in November or December 2012.

(b)(7)(C) explained that he provided (b)(7)(C) with technical advice and that he had only met with (b)(7)(C) once at the June 13-14, 2013 meeting. (b)(7)(C) stated that he has worked relatively little on FHFA matters and believed his billable hours to be low over the several months he has consulted. (b)(7)(C) FHFA stating that he responded to (b)(7)(C) (b)(7)(C) (b)(7)(C) denied outside relationships with FHFA

**Report of Investigation** *continued*

Case Title: (b)(7)(C) CONFLICT OF INTEREST; DC  
Case Reference No.: I-14-0332

staff, denied (b)(7)(C) hired him to work FHFA matters, denied (b)(7)(C)  
(b)(7)(C) denied representing clients before FHFA staff, and denied  
(b)(7)(C)

Finally, on August 8, 2013, (b)(7)(C) was reinterviewed and confirmed (b)(7)(C) was hired on  
(b)(7)(C) and was recruited to the firm by (b)(7)(C) stated (b)(7)(C) was not  
hired to work FHFA actions. (b)(7)(C)

(b)(7)(C) stated  
that the firm continuously vets attorneys for conflicts when engaging them in new work and that  
(b)(7)(C) was certified by the conflicts department of (b)(7)(C) as being clear of any  
issues with respect to FHFA work.

Based on the information revealed in this investigation, there does not appear to be evidence to  
support the allegations (b)(7)(C) As FHFA-OIG inquiry did not  
support the underlying complaint, and there are no outstanding fraud, waste, and abuse  
allegations, this matter should be closed.

PLEASE REFER TO Z-13-0822 FOR DOCUMENTS RELATED TO THIS INVESTIGATION.

**Prosecutive Disposition**

None.

**Systemic Implications**

None.

**FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL**

**Report of Investigation (ROI)**

Title:

Address:

(b)(7)(A)

Type of Investigation

Type of Report

☒

Criminal

☐

Civil

☐

Administrative

☒

Final

☐

Interim

☐

Supplemental

Period of Investigation: 8/22/2011 to 10/19/2012

**Basis for Investigation**

This investigation was initiated based on a referral from the Housing and Urban Development, Office of Inspector General (HUD-OIG), Chicago, IL as a

(b)(7)(A)

(b)(7)(A),(b)(7)(C)

The majority of the companies used to carry out the scheme were incorporated in Illinois.

Borrowers in both condominium development projects appeared to be offer excessive seller contributions, which were not disclosed to Federal National Mortgage Association "Fannie Mae" or the Federal Home Loan Mortgage Corporate "Freddie Mac."

Distribution: No \_\_\_\_\_ No.: 0 Case No.: I-11-0049

Inspector General: No \_\_\_\_\_

Signature of Person Making Report: \_\_\_\_\_

(b)(7)(C)

Assistant U.S. Attorney: ND of Illinois \_\_\_\_\_

Signature of Person Examining Report: \_\_\_\_\_

Other (specify): HUD-OIG, FBI \_\_\_\_\_

Title: SAC Rene Febles \_\_\_\_\_

Office (city): Chicago, IL \_\_\_\_\_

Division Office: Chicago, IL \_\_\_\_\_

Date of Report: October 19, 2012 \_\_\_\_\_

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## Report of Investigation *Continued*

### Allegation and Focus of Investigation

The allegation included undisclosed excessive seller contributions, through down payment and rental income programs. Various programs the developer offered resulted in undisclosed borrower abatements. It appeared the developer through various corporations managed operations and directed funds, generated from the sale of condominium units within both projects, to promote the builder bailout scheme.

**(b)(7)(A)** However, the corporate structure and scheme appeared to be the same for both condominium developments.

### Prosecutive Disposition

The United States Attorney's Office, of the Northern District of Illinois has accepted prosecution

**(b)(7)(A)**

**(b)(7)(A),(b)(7)(E)**

**(b)(7)(A),(b)(7)(E)**

### Systemic Implications

**(b)(7)(A)**

EHFA-OIG Investigation final ROI. Note: As of the date of this report the final ROI for

**(b)(7)(A)**

has not been published

**(b)(7)(A),(b)(7)(E)**

**(b)(7)(A),(b)(7)(E)**

Case Title:

**(b)(7)(A)**

Case No.: I-11-0049

## Report of Investigation *Continued*

### Details of Investigation

Investigative efforts included various borrowers interviewed, documents reviewed, GSE documents reviewed, and public records reviewed. The continued investigative efforts on the potential targets have been and will continue to be documented under (b)(7)(A), FHFA-OIG Investigation (b)(7)(A)

Case Title: (b)(7)(A)

Case No.: I-11-0049





# REPORT OF INVESTIGATION



<b>Title (Name and address):</b> (b)(7)(A),(b)(7)(C)	<b>Type of Investigation:</b> Referral	<b>Type of Report:</b> <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
<b>Period of Investigation:</b> August 29, 2011 to February 15, 2012		

## BASIS FOR INVESTIGATION

In June 2011, the Reporting Agent (RA) reached out to the Internal Revenue Service – Criminal Investigation Division (IRS) to provide information regarding the existence, jurisdiction and mission of the Federal Housing Finance Agency – Office of Inspector General (FHFA-OIG). Around August 22, 2011, Special Agent (b)(7)(C) of IRS contacted the RA regarding allegations of mortgage fraud, money laundering and violations of the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. § 1705 against (b)(7)(A),(b)(7)(C)

## ALLEGATIONS & FOCUS OF INVESTIGATION

(b)(7)(A)

(b)(7)(A),(b)(7)(C)

<b>Distribution</b>	<b>No.</b>	<b>Case Number:</b>	<b>Signature of Person Making Report:</b>	(b)(7)(C)
Inspector General		I-11-0050	Special Agent	(b)(7)(C)
Assistant U.S. Attorney		<b>Signature of Person Examining Report:</b>		
		(b)(7)(C)		
Other (Specify):		<b>Title:</b>	Office(City):	
		Special Agent in Charge	Washington, D.C.	
		<b>Division Office:</b>	Date of Report:	
		FHFA-OIG, Investigations	11/29/12	

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## REPORT OF INVESTIGATION

### DETAILS OF INVESTIGATION

On August 25, 2011, the RA submitted document demands to Fannie Mae and Freddie Mac. The document demand to Freddie Mac requested information on 16 properties and 4 individuals. Freddie Mac had no information on any of the properties or the individuals. The document demand to Fannie Mae requested information on over 40 properties and 4 individuals. Fannie Mae responded that all but 5 of the Fannie Mae loans that had been affiliated with the properties had been paid off long ago. For the currently existing 5 loans, Fannie Mae directed me to obtain the information from the servicers. Because IRS and DOJ [REDACTED] (b)(7)(E)

[REDACTED] (b)(7)(E)

On September 8, 2011, the RA was formally invited to participate in the investigation by U.S. Department of Justice Attorney Matthew Klecka.

The RA met with IRS agents several time to review land records and financial documents received pursuant to subpoenas. After December, 2011, the RA received no new information from IRS and had difficulty contacting [REDACTED] (b)(7)(C)

On February 1, 2012, [REDACTED] (b)(7)(C) informed [REDACTED] (b)(7)(C) [REDACTED] (b)(7)(C). The case was reassigned to Special Agent [REDACTED] (b)(7)(C) of IRS-CID. [REDACTED] (b)(7)(C) a former colleague of the RA, had been assisting with the investigation and [REDACTED] (b)(7)(C). At this time, the RA placed the investigation in a suspended status.

Around November 14, 2012, the RA spoke with [REDACTED] (b)(7)(C) specifically the FBI has taken

[REDACTED] (b)(7)(A),(b)(7)(C),(b)(7)(E)

### DISPOSITION

The FBI has taken the over primary investigative role in this case [REDACTED] (b)(7)(A),(b)(7)(E) [REDACTED] (b)(7)(A),(b)(7)(E). The mortgage fraud aspects of the case are not being pursued at all and Fannie Mae has not suffered any losses on these properties. Based on the aforementioned information, further investigative action of this matter is not warranted at this time.

Case Title:

[REDACTED] (b)(7)(A),(b)(7)(C)

Case Number:

I-11-0050

Page 2

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# REPORT OF INVESTIGATION



<b>Title (Name and address):</b> (b)(7)(C) Arlington, VA 22204	<b>Type of Investigation:</b> Complaint	<b>Type of Report:</b> <input checked="" type="checkbox"/> Final <input type="checkbox"/> Interim <input type="checkbox"/> Supplemental
<b>Period of Investigation:</b> March 27, 2012 to June 19, 2012		

## BASIS FOR INVESTIGATION

On March 27, 2012, (b)(7)(C) of the Securities and Exchange Commission - Division of Enforcement (SEC) forwarded to the Federal Housing Finance Agency – Office of Inspector General (FHFA-OIG) a complaint the SEC had received regarding a communication between a hedge fund trader and (b)(7)(C) a Federal Housing Finance Agency (FHFA) employee.

## ALLEGATIONS & FOCUS OF INVESTIGATION

(b)(7)(C) In October 2011, (b)(7)(C) Millennium Partners (Millennium), reported to the SEC that a trader at Millennium had been contacted telephonically by (b)(7)(C) allegedly divulged to the trader information regarding impending actions by FHFA.

(b)(7)(C) conducted some research and concluded that (b)(7)(C) communications occurred around the same time that FHFA had announced changes to the HARP program, and therefore, must have been related to the HARP changes.

## DETAILS OF INVESTIGATION

A trader at Millennium contacted (b)(7)(C) and informed him that he had been contacted telephonically by an FHFA employee and was troubled by the communication. The FHFA employee had divulged to the trader information regarding impending actions by FHFA. (b)(7)(C) could not recall the substance of the information involved in the communication. (b)(7)(C) also could not readily recall the trader's name or the name of the FHFA employee who initiated the communication.

<b>Distribution</b>	<b>No.</b>	<b>Case Number:</b>	<b>Signature of Person Making Report</b>	(b)(7)(C)
Inspector General		I-12-0126	Special Agent	(b)(7)(C)
Assistant U.S. Attorney		<b>Signature of Person Examining Report:</b>		
		(b)(7)(C)		
Other (Specify):		<b>Title:</b> Deputy Inspector General for Investigation	<b>Office (City):</b> Washington, D.C.	
		<b>Division Office:</b> Office of Investigations	<b>Date of Report:</b> 6/19/12	

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## REPORT OF INVESTIGATION

(b)(7)(C) stated that the trader properly came to him to report the conversation within a day or two of its occurrence. (b)(7)(C) subsequently provided the information to the SEC, because he believed that the FHFA employee should have been more careful and that caution should be advised.

The trader had a direct telephonic conversation with the FHFA employee. No other traders were involved in the communication with the FHFA employee. The FHFA employee was attempting to solicit information from the trader but also divulged information in the process. (b)(7)(C) stated the FHFA employee seemed to be thinking through the policy implications of some actions FHFA was considering taking along the lines of "if we do this, then what will the market do?" In the process of the inquiry, the FHFA employee divulged actions FHFA was preparing to undertake.

(b)(7)(C) stated that the FHFA employee should have been more sensitive to the information they were revealing. (b)(7)(C) opined that the content of the information was enough to "turn on a warning light but not a red light." (b)(7)(C) (b)(5)  
His reaction to the information was not that the FHFA employee should be prosecuted, but that they should be sensitized. The SEC declined to pursue the matter.

(b)(7)(C) She was interviewed after voluntarily signing a Garrity waiver. (b)(7)(C) was informed that FHFA-OIG had been advised by the SEC that a trader at Millennium had expressed some concerns about a communication a trader had received from (b)(7)(C). (b)(7)(C) said she does not recall contacting any traders directly and she has never heard of Millennium or (b)(7)(C). (b)(7)(C) was asked to search for any documentation of possible contacts with Millennium.

On May 30, 2012, (b)(7)(C) contacted Capone by telephone and explained that she had searched for and located documents pertaining to her contact with Millennium. Capone requested (b)(7)(C) to provide the documents to (b)(7)(C), Director for IG Operations, for production to FHFA-OIG. On May 31, 2012, (b)(7)(C) provided (b)(7)(C) documents to FHFA-OIG by e-mail. Those documents consisted of an FHFA e-mail conference call/meeting invitation for a meeting on July 7, 2011, subject matter "HARP discussion with Millennium Management," location (b)(7)(C) office," an e-mail from (b)(7)(C) to FHFA employee (b)(7)(C), regarding arranging a conference call to discuss "HARP performance and its likely future" and suggesting "a call where FHFA representatives can ask whatever questions they might have about market perceptions and would expect a two-way dialogue, not just having FHFA staff respond to Millennium staff questions. (b)(7)(C) also produced one page of handwritten notes which appear to reflect discussions during the conference call.

(b)(7)(C)  
(b)(7)(C) These calls were often set up by trade associations for Wall Street groups, such as the American Securitization Forum (ASF), Securities Industry and Financial Markets Association (SIFMA), and the Mortgage Bankers Association (MBA). During these calls,

Case Title:

(b)(7)(C)

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## REPORT OF INVESTIGATION

(b)(7)(C) presented changes that were made to the HARP Program and fielded questions. (b)(7)(C) stated that she does not conduct presentations to small groups because it is more efficient to have MBA, ASF, and/or SIFMA set up the conference call briefings.

On October 24, 2011, FHFA released an announcement regarding changes to the HARP Program. FHFA Acting Director Edward DeMarco conducted a press call to answer questions about the changes and a press release was also issued. FHFA made changes to the HARP Program because lenders were independently imposing harsher restrictions than those called for by HARP. (b)(7)(C) stated she contacted lenders to determine why they imposed these restrictions so that she could develop policy regarding helping more borrowers to access HARP. (b)(7)(C) expressed FHFA's concerns to the lenders and she would also address problems existent in the industry but she would not ask for specific feedback.

(b)(7)(C)

(b)(7)(C)

(b)(7)(C) Her normal contacts in private industry were those that addressed the primary market: Title insurance companies, lenders, mortgage companies, and mortgage insurance companies. (b)(7)(C) does not know if anyone at FHFA is tasked with communicating with Wall Street.

### DISPOSITION

(b)(7)(C) complaint to the SEC appears to have been cautionary in nature. He has extensive experience in the industry and his considered opinion was that the communication in question bore the earmarks of an innocent mistake. (b)(7)(C) could not recall the exact nature of the statements alleged to have been made by (b)(7)(C) nor could he recall the name of the trader who reported the communication to him. Additionally, the SEC declined to pursue the matter. Based on the aforementioned information, further investigative action of this matter is not warranted at this time.

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FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



**Report of Investigation (ROI)**

Title (*Name and Address*): SDNY- Deutsche Bank MortgageIT  
Type of Investigation (*type one or more: Criminal, Civil, Administrative*): CIVIL  
Type of Report (*type one: Final, Interim, Supplemental*): FINAL  
Period of Investigation: 6/22/11 until 12/14/2012

**Basis for Investigation**

Case opened 6/22/2011 based on an case development initiative started by the United States Attorney's Office for the Southern District of New York focusing on fraudulent mortgage origination practices affecting the United States Department of Housing and Urban Development and the Government Sponsored Enterprises.

**Details of Investigation**

The case initially focused on FHA mortgages and the false representations MortgageIT and National City Mortgage made to Federal regulators in order to qualify for a Department of Housing and Urban Development program. The defendants allegedly failed to select quality mortgages to be insured, repeatedly ignored the program requirements, providing false information about the quality of the underwriting operation, and consequently passed on the costs of hundreds of millions of dollars of defaults-to the Government.

FHFA-OIG obtained loan origination and loan loss information for consideration by the United States Attorney's Office for the Southern District of New York.

**Prosecutive Disposition**

The investigation was closed as the SDNY focused on FHA loans on this particular case. The case was originally flagged in CMS as completed and then closed and the required ROI was not completed at the time.

Distribution: No.  
Inspector General  
Ass't U.S. Attorney  
Other (*specify below*)

Case No. I-11-0037  
Signature of Person Making Report  
Signature of Person Examining Report  
Title  
Div. Office

(b)(7)(C)

Office (*city*)  
Date of Report 05/21/2014

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FEDERAL HOUSING FINANCE AGENCY  
OFFICE OF INSPECTOR GENERAL



Report of Investigation (ROI)

Title: (b)(7)(A)

Type of Investigation: Criminal

Type of Report: Final

Period of Investigation: 4/28/2011 through 11/13/2012

Basis for Investigation

Special Agent (SA)	(b)(7)(A)	(b)(7)(A)
(b)(7)(A)		

Allegations and Focus of Investigation

(b)(7)(A),(b)(7)(C)
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Details of Investigation

SA (b)(7)(C) and Criminal Investigator (C)	(b)(7)(A)
(b)(7)(A)	

Distribution: No.  
Inspector General  
Ass't U.S. Attorney  
Other (specify below)

Case No. I-11-0025  
Signature of Person Making Report  
Signature of Person Examining Report  
Title Investigative Counsel  
Div. Office LA

(b)(7)(C)
Office-Los Angeles
Date of Report 5-22-2014

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**Report of Investigation** *continued*

Case Title: (b)(7)(A)

Case Reference No.: I-11-0025

(b)(7)(A) Cl (b)(7) (b)(7)(A)

(b)(7)(A)

**Prosecutive Disposition**

(b)(7)(A)

(b)(7)(A)

SA

(b)(7)(C)

(b)(7)(A)

(b)(7)(A)

(SAUSA Emily Allen)

(b)(7)(A)

SAUSA Allen

(b)(7)(A), (b)(7)(E)

(b)(5), (b)(7)(A), (b)(7)(E)

(b)(5), (b)(7)(A), (b)(7)(E)

(b)(5), (b)(7)(A), (b)(7)(E)

(b)(5), (b)(7)(A), (b)(7)(E)

**Systemic Implications**

There are no systemic implications related to this investigation.

