



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
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NEWS RELEASE

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OFHEO PROPOSES REGULATION TO REQUIRE FANNIE MAE AND FREDDIE MAC TO REPORT MORTGAGE FRAUD

WASHINGTON, D.C. – The Office of Federal Housing Enterprise Oversight (OFHEO) is proposing a regulation to require Fannie Mae and Freddie Mac to report mortgage fraud or possible mortgage fraud to OFHEO in a timely fashion. The regulation would also require the Enterprises to establish internal controls, procedures and training programs to detect and report mortgage fraud.

“This rule will ensure that Fannie Mae and Freddie Mac do their part to help combat mortgage fraud,” said Armando Falcon, Jr., OFHEO Director. “The Enterprises will now have a clear obligation to report fraud and help prevent a repeat of cases like the First Beneficial matter,” Falcon said.

The rule, which is open for public comment, states that an Enterprise must notify OFHEO if the Enterprise is requiring the repurchase of a mortgage backed security or other instrument, or if it is declining to purchase an instrument because of suspected fraud. The proposed rule cites recent examples of fraud or alleged fraud involving First Beneficial Mortgage Corporation, Olympia Mortgage Corporation, and United Homes LLC.

According to the proposal, failure to comply with the requirements of the regulation may subject the Enterprise or its Board members, officers, or employees to supervisory actions by OFHEO, including the issuance of cease-and-desist proceedings and civil money penalties.

The public comment period on the proposed regulation is set at 30 days after publication in the *Federal Register*.

Separately, OFHEO also issued a Director’s Advisory, requiring the Enterprises to notify OFHEO of investigations, legal proceedings, or civil or criminal actions by any governmental authority or private party. The guidance provides for establishment of procedures and deadlines for making such notifications and goes into effect immediately.

(more)

Complete text of the **proposed regulation** can be found at:
<http://www.ofheo.gov/media/pdf/mortfraudregproposed.pdf>

and the **Policy Guidance**:
<http://www.ofheo.gov/media/pdf/guidance05001lawsuits.pdf>.

Note: On March 21, 2005 -

COMMENT PERIOD FOR MORTGAGE FRAUD EXTENDED FOR ONE WEEK
<http://www.ofheo.gov/media/pdf/mortfraudextensionperiod.pdf>

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