

OFHEO

FY 2008 Performance Budget



December 19, 2007

OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

FY 2008 Performance Plan

INTRODUCTION

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992, (P. L. 102-550, Section 1313(a)), Title XIII of the Housing and Community Development Act of 1992 (1992 Act), established OFHEO as an independent office in the Department of Housing and Urban Development (HUD) to supervise the two largest government-sponsored enterprises – Fannie Mae and Freddie Mac. The Act mandates annual examinations of Fannie Mae and Freddie Mac by OFHEO to determine the condition of each Enterprise for the purpose of ensuring financial safety and soundness. The statute also requires OFHEO to develop and administer capital requirements for the Enterprises and to conduct other research and financial analysis necessary for effective regulatory oversight. In so doing, OFHEO helps ensure the Enterprises are able to provide liquidity to the mortgage markets and promote homeownership.

Fannie Mae and Freddie Mac engage in two principal lines of business: the guaranteeing of securities backed by residential mortgages, and the buying and holding of residential mortgages and mortgage-backed securities. Those activities expose the Enterprises to interest rate, market, prepayment, credit, liquidity, operational, and systemic risks. When OFHEO started operating in 1993, the Enterprises owned or guaranteed slightly over \$1.1 trillion in mortgages and mortgage backed securities. Of their total mortgage business, about 21 percent were portfolio investments and 79 percent were guaranteed mortgage-backed securities.

Fourteen years of tremendous growth later, the Enterprises now own or guarantee \$5.0 trillion (in December 2007) in mortgages and guaranteed mortgage-backed securities. Mortgage portfolio investments now comprise 29 percent of their mortgage business while mortgage-backed securities account for 71 percent. This growth has resulted in the Enterprises having over a 39 percent share of the residential mortgage market at the end of calendar year 2006. Their share of new originations doubled since 2006, rising from 38 percent to 75.6 percent at the end of 2007. Today, because of their absolute size and their interdependencies with other financial markets, it is more important than ever for OFHEO to have the resources and tools to be an effective regulator.

The Enterprises are continuing to work hard at resolving their accounting and systems problems and are expecting to become timely filers of financial statements in February 2008. OFHEO will continue to focus its efforts on monitoring the Enterprises multi-billion dollar remediation efforts to ensure that the Enterprises meet their fiscal year 2008 financial reporting goals and recover completely from their serious missteps and deficiencies that were identified in our

examinations of their operations. With the recent disruptions in the market for sub-prime mortgages and the resulting focus on credit risk, OFHEO will be closely monitoring the mortgage portfolios at both Enterprises to ensure that they have a clear understanding of the risk contained in their portfolios and sufficient capital to weather any downturns in the credit quality in their portfolios.

This plan outlines OFHEO's expectations and goals for Fiscal Year 2008. Congress is currently working on legislation to create a new and stronger GSE regulator and make other changes to the financial regulation of government sponsored enterprises in the secondary mortgage market. If this legislation is enacted, OFHEO will become part of the new regulator and these plans will shift to align to the new mission and responsibilities.

Program Performance Overview

Mission: To promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.

Strategic Goal 1: Enhance supervision to ensure the Enterprises operate in a safe and sound manner, are adequately capitalized and comply with legal requirements.

OFHEO's primary duty as a regulator is to ensure the safety and soundness of the Enterprises so that they have the financial strength and operational capacity to fulfill their important role in the nation's housing finance system. Providing a comprehensive and effective oversight program requires attention to the Enterprises' operations and management, the risks inherent in their activities and the dynamic environment in which they operate. OFHEO will enhance and strengthen its oversight by applying meaningful risk-based standards, assessing the Enterprises' changing risk profiles, targeting resources to diagnose emerging issues, monitoring adherence to law and regulation, verifying that required improvements are made, taking remedial action, and following through on litigation that can result from enforcement actions.

Performance Goal 1.1:

The Enterprises comply with safety and soundness standards.

	<u>Measure</u>	<u>Target</u>
1.1(1)a PART	The percentage of Enterprises with CAMELSO ratings of 1, 2, or 3.	100%

1.1(1)b PART	The percentage of Enterprises with an overall GSE Enterprise Risk safety and soundness rating of “Limited Concerns” or better.	Establish baseline
1.1(2):a PART	For both Enterprises, the percentage of OFHEO’s five risk assessment categories (Governance, Market, Credit, Operational, Model) with a risk profile <u>not</u> rated high risk quantity and weak risk management quality.	90% for both Enterprises
1.1(2)b PART	For both Enterprises, the percentage of GSE Enterprise Risk categories (Governance, Solvency, Earnings, market, credit and operational risks) with a safety and soundness rating of “Limited Concerns” or better.	Establish baseline
1.1(3): PART	Average number of days to issue annual report of examinations to Enterprise Boards of Directors and meet with them after field work is complete.	90 days

Means & Strategies:

OFHEO conducts risk-based supervision and examinations at each Enterprise with a primary goal of ensuring that they operate in a safe and sound manner. OFHEO stimulates improvements at the Enterprises by identifying safety and soundness concerns, requiring a corrective action plan and monitoring its implementation. The findings from these examinations are presented to Enterprise management and/or to their Boards of Directors so that they can ensure that changes are made. OFHEO also makes its conclusions about the condition of the Enterprises public through its annual Report to Congress.

- OFHEO will continue to use a continuous supervision process that includes on-site examination and off-site monitoring and analysis.
- OFHEO will continue to use a horizontal examination strategy that ensures that both Enterprises are reviewed using the same standards.
- When risk or risk management issues are identified that warrant further investigation, OFHEO will conduct targeted examinations that focus in depth on a specific topic.

- OFHEO regularly reviews the financial performance of the Enterprises and related risk metrics. During the year, OFHEO will reassess the risk profile of each Enterprise continuously to focus its resources appropriately on the areas of most concern.
- OFHEO will continue to consider five broad categories of risk and evaluate the Enterprises on both the level of risk and the quality of risk management for these categories (governance, operational, credit, market and model risk) for the calendar year 2007.
- OFHEO will issue a numerical rating summarizing the condition of the Enterprises based on a CAMELSO approach for the calendar year of 2007. A rating of 1 indicates strong performance, while 5 indicates severe financial distress with a likelihood of failure. (CAMELSO stands for Capital adequacy, Asset quality, Management, Earnings, Liquidity, Sensitivity to market risk, and Operational risk.)
- OFHEO will begin utilizing new measures of safety and soundness called GSE Enterprise Risk with the calendar year 2007 examination. The new measures focus on Governance, Solvency, Earnings, and Enterprise Risk, which is composed of market, credit and operational risks. The new rating system better captures the risks that are central to an Enterprise safety and soundness assessment and is a combination of the bank-like measures used in prior years.
- OFHEO will continue to provide conclusions to Enterprise management and/or Enterprise Boards of Directors in an ongoing way to ensure that corrections and improvements are made timely.
- When circumstances warrant, OFHEO will use the enforcement authorities at its disposal, including entering into agreements with the Enterprises and issuing directives and supervisory letters.
- OFHEO will issue the annual Report of Examination, which consolidates findings and presents a comprehensive assessment of the Enterprise, to the Enterprises' Boards of Directors. OFHEO will also meet with the Boards to discuss their concerns. OFHEO anticipates issuing the Annual Report of Examination to the Boards and meeting with the Boards in March.
- OFHEO will focus closely in FY 2008 on continued remediation efforts by the Enterprises, given the issues each Enterprise has faced in these areas in the last several years. In FY 2008, OFHEO will also monitor the Enterprises compliance with supervisory letters on subprime and nontraditional mortgage products. OFHEO expects the Enterprises to

adopt industry standard best practices to operate in a safe and sound manner in the face of any new market, credit and operational challenges.

- OFHEO will continue to monitor the Enterprises' implementation of accounting developments and standards, including the Fair Value Option.
- Through ongoing supervision efforts, OFHEO will continue to monitor Enterprise disclosures and review key areas of executive compensation, including compliance with the executive compensation regulation on a case-by-case basis.
- OFHEO will continue to monitor the early-alert triggers described in the Prompt Supervisory Response regulation so that any needed regulatory response would be timely.

Performance Goal 1.2:

The Enterprises are adequately capitalized.

<u>Measure</u>	<u>Target</u>
1.2(1): The Enterprises meet OFHEO's PART determination of capital adequacy.	Meet capital requirement quarterly
1.2(2): Complete the market risk component of an alternative risk-based capital standard as a measure of adequate regulatory economic capital.	By the end of the fiscal year

Means & Strategies:

Capital adequacy is an essential component of Enterprise safety and soundness and their continued financial viability. OFHEO uses a multi-faceted approach to ensure that the Enterprises remain adequately capitalized: application of minimum and risk-based capital requirements, continuous monitoring and examination of each Enterprise's financial condition and operating environment, and market and industry research and analysis. In recent years, both Enterprises have been required to hold 30% more capital than the minimum amount to account for the accounting and internal control issues each Enterprise is in the process of correcting. OFHEO will continue to strengthen and enhance its capital supervision of the Enterprises.

- Throughout FY 2008, OFHEO will continue the timely, accurate assessment and reporting of the capital adequacy of each Enterprise, and will continue to make the capital classifications available on its web site.

- The Director will make a determination of capital adequacy at least quarterly based on the minimum and risk-based capital requirements, as required by law, and other risk factors that impact the Enterprises' capital or need for capital. The minimum capital standard is ratio-based and represents a statutorily-determined amount of capital needed to protect an Enterprise against broad categories of business risk. The risk-based capital requirement is based directly on the risks inherent in the Enterprises' portfolios and other obligations assessed against simulated stressful economic conditions in a stress test.
- OFHEO will continue to augment the required minimum and risk-based capital calculations with evaluation of factors that impact the Enterprises' capital, such as the effects of alternative interest rate scenarios and the Enterprises' performance on key capital assessment factors that cover a broad range of risks, such as capital projections, earnings, and access to markets.
- In FY 2008, OFHEO will complete the first stage in the development of an alternative risk-based capital standard that is based on a market valuation approach. This new model will include market, credit and operational risk components and will provide an additional economic capital perspective as a complement to the current cash flow-based RBC model and the minimum capital requirement in assessing capital adequacy. The development of an alternative risk-based capital standard is a multi-year project intended to result in a regulatory economic capital model that serves as a tool to assess the accuracy of the RBC model. In FY 2008, OFHEO will complete the market risk component of the new model and will make progress on the credit risk component, which should be completed in the next fiscal year.
- In FY 2008, OFHEO will begin to develop a methodology for a risk-based capital requirement for operational risk, as part of a multiyear risk-based project. Operational risk is the exposure to loss from inadequate or failed internal processes, people, and systems, or from external events and includes all direct and indirect economic losses including those related to consequences of operational events. Using data on operational risk, including external data and Enterprise internal data plus the results of Enterprise scenario analyses, OFHEO will apply statistical techniques to model economic capital for operational risk.
- In FY 2008, OFHEO will continue to make improvements to the capital regulation within OFHEO's current statutory authority, by updating the data, methodologies and components in the risk-based capital stress test.

- OFHEO will continue to review the impact of trends in market interest rates, house prices, mortgage product originations, and asset-liability management actions on the Enterprises' portfolio composition and capital requirements.

Performance Goal 1.3:

The Enterprises comply¹ with applicable laws, regulations, directives and agreements, including executive compensation, corporate responsibility and disclosure.

	<u>Measure</u>	<u>Target</u>
1.3(1):	Any identified instances of non-compliance with laws and regulations are resolved to OFHEO's satisfaction.	100%
1.3(2):	PART The percentage of actions required by formal regulatory agreements with the Enterprises that are resolved as planned.	95%
1.3(3)	The percentage of Matters Requiring Attention (MRA) and items related to OFHEO directives that are resolved to OFHEO's satisfaction.	95%

Means & Strategies

Compliance with applicable laws and regulations, as well as formal agreements and directives, is paramount to the safety and soundness of each Enterprise. OFHEO seeks an enforcement and compliance regime that is prompt, reasonable, effective and transparent. In FY 2008 OFHEO will continue to actively monitor and review compliance of the Enterprises through its supervision processes and follow through on enforcement actions, including litigation, stemming from the special examinations of Fannie Mae and Freddie Mac and undertake additional supervisory actions if new or additional violations of law or regulation are discovered at either Enterprise.

¹ Compliance indicates that the Enterprise has submitted the required item on time and OFHEO has validated it and finds it acceptable and sustainable. Compliance does not necessarily indicate that the Enterprise has fully resolved the underlying problem. Resolved to OFHEO's satisfaction indicates that the Enterprise has corrected the item and it has been validated by OFHEO.

- In recent years, OFHEO examinations have identified problems at each of the Enterprises related to financial reporting, accounting, internal controls and operational risk, and the Enterprises have agreed to address these issues through specific changes outlined in agreements with OFHEO.
- OFHEO expects these changes to take some time to fully implement and will continue to monitor the Enterprises efforts to make these improvements during FY 2008, tracking the Enterprises' progress against their implementation plans and timeframes.
- In FY 2008, OFHEO will continue enforcement actions focused on several former executives at Fannie Mae and Freddie Mac during the time period covered by the special examinations. These litigation activities assist OFHEO in prosecuting the charges against executives, developing arguments to counter those made by the defendants, conducting discovery, and responding in third-party actions.
- In FY 2008, OFHEO will conduct targeted examinations of the Enterprises to assess compliance with applicable laws, including the Enterprises' charters, regulations, directives, and other safety and soundness standards. Such examinations are focused on issues, transactions, or events identified through the supervision process within OFHEO or from other sources.
- In FY 2008, OFHEO will conduct a study of the comparability of executive compensation of Enterprise executive offices and will review the Enterprises for compliance with the executive compensation regulation on a case-by-case basis.
- OFHEO will require the Enterprises to resolve all non-compliance issues, including those that do not rise to the level of a formal agreement. When Enterprise non-compliance is identified, OFHEO may initiate appropriate enforcement actions to correct it and ensure satisfactory compliance on a continuous basis.
- Should another regulator or a judicial body determine a violation of law under a statute not within direct OFHEO enforcement authority, OFHEO may take supervisory action as necessary within its authorities relating to safety and soundness and the charter acts.

Performance goal 1.4:

Strengthen regulatory infrastructure to enhance the supervision of the Enterprises.

<u>Measure</u>	<u>Target</u>
1.4(1): Revise and implement policies, guidances and regulations for the Enterprises to augment current regulatory infrastructure.	Meet quarterly milestones for 2008
1.4(2): Percentage of quality assurance recommendations implemented in the supervision program.	Establish baseline
1.4(3): Final Call Report regulation issued	July 31, 2008
1.4(4) Revisions made to Prompt Supervisory Response and Corrective Action regulation	September 30, 2008

Means & Strategies:

OFHEO will enhance its regulatory infrastructure in 2008 to provide for more comprehensive and in-depth supervision of the Enterprises to prevent problems from arising or worsening and to facilitate quick resolutions. OFHEO is building on lessons learned from the special examinations and other regulators to improve its external guidance and internal operations.

- OFHEO will develop and expand its published regulations, policy statements, guidances and directives on a variety of topics to improve the transparency of the supervision process to augment its current regulatory infrastructure.
- OFHEO will complete a plan for its efforts in this area and will hold itself accountable for achieving this plan. It will include new or updated policy guidance on corporate governance and accountability at the Enterprises, mortgage fraud and capital, as well as proposed regulations related to conservatorship, an Enterprise call report and changes to the Prompt Supervisory Response and Corrective Action regulation.
- OFHEO will develop and issue guidance to assess operational risk at the Enterprises, including the Enterprises' ability to measure and manage this risk. Operational risk is the exposure to loss from inadequate or failed internal processes, people, and systems, or from external events and include all direct and indirect economic losses including those related to consequences of operational events. OFHEO will review the Enterprises to be sure that they appropriately report and manage their operational events and losses.

- Using the quality assurance function developed in last year, OFHEO will review itself for compliance with internal policies and procedures. Through this function, OFHEO will make continuous improvements to its examination and supervision program and supervision policy, guidelines, procedures, supervisory handbook development and oversight.
- In 2008, OFHEO will implement a uniform call report to provide more consistent reporting and disclosure of information by the Enterprises. OFHEO will issue a Notice of Proposed Rulemaking to consider public comments on the call report. The call report will primarily be used to facilitate OFHEO's monitoring and analysis of the Enterprises, but OFHEO may release limited call report items. OFHEO also plans to conduct comparative analysis of key financial performance and risk measurement factors related to the Enterprises using this and other data. OFHEO will work with the Enterprises based on preliminary versions of the call report regulation to ensure that they are knowledgeable about the requirements and ready to report when the regulation is final.
- OFHEO will continue to expand the implementation of its automated supervisory tool to enhance the planning, organization, management, and documentation of its enforcement and supervision activities in an integrated way.
- OFHEO will further enhance its supervision of the Enterprises by incorporating applied research and analysis of a wide range of safety and soundness issues, including systemic risk. This applied research informs all aspects of the supervision function, including capital requirements and examination processes, and assists OFHEO in determining where more in-depth evaluation is needed.
- OFHEO will enhance its knowledge and understanding of GSE mission and affordable housing requirements as they relate to the business operations of the Enterprises and their safety and soundness. This will give OFHEO a stronger ability to validate claims by the Enterprises of a need to engage in certain business activities.
- As part of enhancement of policies related to the risks the Enterprises face, OFHEO will perform analysis and research of new products, activities and operations and develop benchmarks based on the best practices of other institutions with similar products and activities.

Strategic Goal 2: Provide support for statutory reforms to strengthen our regulatory powers.

OFHEO's ability to ensure the financial safety and soundness of the Enterprises faces certain limitations within current law. As OFHEO has identified problems through its special examinations of both Enterprises, the agency has had to rely on consent agreements with each Enterprise to affect change. Going forward, OFHEO needs the full set of regulatory powers similar to the tools available to bank regulators so it may act quickly to address problems. OFHEO will continue to work with both the Administration and the Congress to identify and support appropriate changes to its statutory authorities to strengthen OFHEO's ability to carry out its mission.

Performance Goal 2.1:

Support efforts to strengthen OFHEO's authorities.

<u>Measure</u>	<u>Target</u>
2.1(1): Conduct and disseminate research and analysis to identify issues and areas requiring legislative change.	As needed
2.1(2): Make recommendations to Congress about legislative changes OFHEO needs to accomplish its mission.	At least annually
2.1(3): Respond to all Congressional inquiries.	Within 10 business days

Means & Strategies:

To accomplish its mission, OFHEO needs legislation that strengthens its regulatory powers. Since OFHEO's inception, the agency has not had the authorities and resources to match the responsibility assigned to it. Together, the Enterprises represent a 40 percent share of the residential mortgage market, a share that has doubled since 1990. This unconstrained growth led to significant operational problems, mismanagement and earnings manipulation. A key reason that these companies have continued to grow is that the credit markets have not provided normal market discipline to offset shareholders' pressure to grow. Another way to look at this growth is that between 1990 and 2006, the nation's GDP doubled, the mortgage market quadrupled, the Enterprises' guarantees quintupled, and their portfolios grew ten-fold. Unconstrained growth has caused market, credit and operational risks and, most importantly, systemic risk due to the level of interdependencies between the Enterprises and the market.

Given these issues OFHEO, as the regulator of Fannie Mae and Freddie Mac, must have stronger powers. Using as a guide Basel II, the proposed

international regulatory rules for banks, there are three pillars for ensuring sound financial institutions. They are: 1) strong capital rules; 2) a strong regulator; and 3) market discipline. Unfortunately, with the Enterprises, the market discipline pillar doesn't exist and the other two are weak. The weakness of the regulatory framework helped contribute to the Enterprises' problems, and it is why the current statutory framework needs to be reformed.

- In FY 2008, OFHEO will continue to have ongoing interaction with Members of Congress, congressional staff, and with staff and policy officials at federal agencies, with respect to what authorities are needed to ensure stronger regulation of the Enterprises.
- The agency will continue to conduct public outreach and public speaking with relevant groups in order to inform and educate them. OFHEO staff will meet with industry stakeholders to discuss and receive input from the industry.
- OFHEO will conduct historical, financial and comparative analysis and research on the products, activities and operations of the Enterprises, and develop benchmarks based on other institutions with similar responsibilities, including bank regulators.
- OFHEO will continue to rely on the results of its research and analysis conducted for its ongoing supervision of the Enterprises to clarify where legislative change is necessary to achieve its mission.
- In order to educate the public, relevant stakeholders and the Congress, OFHEO staff will research issues relating to the Enterprises, including those surrounding current GSE reform legislative proposals such as issues pertaining to independence and removal from the appropriations process; receivership; portfolio limits; flexible capital requirements and safety and soundness powers equivalent to other federal financial regulators.
- OFHEO will also make recommendations on legislation as requested by Congress and the Administration at least annually through its annual Report to Congress. These recommendations are called for in OFHEO's enabling legislation and are important to ensuring that OFHEO has the powers and authorities it needs to ensure the safety and soundness of the Enterprises.
- The key to providing support to Congress for statutory reform is to be proactive in anticipating requests and respond in a timely manner to all Congressional inquiries. OFHEO has a goal of responding to Congressional inquiries within 10 business days.

Strategic Goal 3: Continue to support the national policy of an efficient secondary mortgage market which promotes homeownership and affordable housing.

Fostering an efficient secondary mortgage market is the best way to ensure that there is a steady stream of funds for homeownership and affordable housing. The market has become increasingly dynamic and complex, and the Enterprises comprise a large share of that market. The Enterprises contribute to the smooth operation of the markets by providing liquidity and stability and meeting affordable housing goals. For any market to work efficiently, its participants must have access to reliable information to make decisions. OFHEO will work with other Federal agencies to coordinate efforts that could affect the secondary mortgage market, and will provide information and analysis to the public for informed decision-making to encourage market efficiency.

Performance Goal 3.1:

Promote an efficient secondary mortgage market by increasing transparency of mortgage market developments, and Enterprise risks and activities.

<u>Measure</u>	<u>Target</u>
3.1(1): Enhance OFHEO's House Price Index Report by publishing a monthly HPI.	By March 31, 2008
3.1(2): Report on OFHEO activities, examination results and conclusions, and the secondary mortgage market in the OFHEO annual Report to Congress.	By April 11, 2008
3.1(3): Publish reports to enhance understanding of mortgages, mortgage markets and the nation's housing finance system.	6 reports

Means & Strategies:

In FY 2008, OFHEO will continue to provide information to promote an efficient secondary mortgage market. The presentation of accurate and timely information is critical to understanding mortgages, mortgage markets and the Enterprises' risks and activities. OFHEO is uniquely positioned to serve as a resource to the public about these issues. As in previous years, OFHEO will publish a variety of data and reports throughout the year in order to increase the transparency of mortgage market developments, as well as Enterprise risks and activities.

- OFHEO will continue to calculate and release its quarterly House Price Index (HPI), which documents changes in house prices for the nation, the states, the nine census regions, and the metropolitan statistical areas (MSAs), and post this information on OFHEO's web site.
- In FY 2008, OFHEO will begin to publish a monthly HPI and will continue to publish a quarterly purchase-only HPI. These products will enhance the industry's understanding of changes in house prices and help draw inferences on many aspects of the housing finance market and the safety and soundness of the Enterprises.
- OFHEO will issue the annual Report to Congress two months earlier than required by law, as the agency did last year. The annual Report to Congress summarizes the results and conclusions of OFHEO's annual examinations of the Enterprises and provides information on the agency's activities, housing markets and developments in the secondary mortgage market, including a comprehensive set of supporting historical data on Enterprise-related activities.
- OFHEO will also publish, in FY 2008, a number of reports and papers aimed at developing an improved public understanding of mortgages, mortgage markets and the nation's housing financial system, covering topics related to the economic environment, measuring risks and supervisory policies. Generally, these reports, working papers, research papers and mortgage market notes are created in support of OFHEO's supervision of the Enterprises.
- OFHEO will continue its research on issues related to OFHEO's house price index, operational risk measurement, capital regulation, loan purchase goals and analysis of the retained mortgage portfolios of the Enterprises. OFHEO purchases external data on subprime loans and operational risk to conduct this research.

Performance Goal 3.2:

Communicate effectively with all stakeholders on Enterprise risks and activities, mortgage markets, the nation's housing finance system and regulatory issues.

	<u>Measure</u>	<u>Target</u>
3.2(1):	Percentage of survey respondents visiting OFHEO's website who find it a useful resource.	Greater than average of 2 prior years
3.2(2):	Respond to all public inquiries.	Within 15 business days

3.2(3): Meet with industry stakeholders to address Quarterly current topics and receive input from the industry.

Means & Strategies:

Communication with stakeholders is key to OFHEO's support of an efficient secondary mortgage market. Through its web site, OFHEO provides the public with information on the Enterprises, the risks they face, the economic environment in which they operate, and policy issues facing OFHEO. The OFHEO web site features detailed information about the OFHEO House Price Index (HPI), including an HPI calculator, speeches and testimony, policies and guidelines that apply to the Enterprises, Enterprise capital classifications, research and working papers, and news releases.

- Last year OFHEO significantly revamped and expanded its web site to provide better service to the public featuring more information on housing statistics. During FY 2008, OFHEO will continue to conduct a user survey in order to ensure that the web site is user-friendly and information is accessible and will consider comments to make further improvements.
- OFHEO will continue to include a comprehensive range of OFHEO products on its website to ensure that members of the public find it a valuable resource.
- In FY 2008, OFHEO will continue to expand its outreach and educational efforts to the industry and stakeholders by holding meetings with industry stakeholders, Congress and the news media on mortgage market developments and the policy positions and activities of the agency to ensure that stakeholders develop an improved understanding of the financial condition of the Enterprises, as well as the agency's operations, proposals, and regulatory activities.
- OFHEO's representatives will continue to speak at industry forums and to participate in meetings with regulatory groups, interagency groups and industry organizations, providing information about the secondary mortgage market, the Enterprises, and OFHEO's regulatory role.
- OFHEO will continue to participate in panel discussions that enhance the awareness and understanding of developments in the nation's housing finance system, and facilitates the sharing of information that identifies issues and trends important to the industry as a whole.
- OFHEO will continue to respond to inquiries from the public in a consistent, courteous, accurate, and timely manner and will seek to ensure appropriate transparency in its responses to public inquiries

regarding the Enterprises, as well as to those inquiries that relate to OFHEO's operations, its proposals and regulatory activities.

Performance Goal 3.3:

Cooperate with other Federal agencies on mortgage markets and the nation's housing finance system and regulatory issues.

<u>Measure</u>	<u>Target</u>
3.3(1): Meet with HUD to discuss issues related to the regulation of the Enterprises, including affordable housing goals.	At least quarterly
3.3(2): Respond to requests from other Federal agencies for information about housing finance markets and the Enterprises.	Within 30 days
3.3(3): Meet with other Federal financial regulators to discuss issues related to the regulation of the Enterprises and the housing finance system.	At least quarterly

Means & Strategies:

Another important way OFHEO will work to promote an efficient secondary mortgage market is by working with other Federal agencies and stakeholders to share information and discuss issues of common interest. OFHEO promotes regular liaison among regulators and will work with them as they develop regulatory standards that are aimed at improving financial safety and soundness. OFHEO considers coordination with HUD, the Enterprises' mission regulator, a critical link in meeting OFHEO's safety and soundness mission and ensuring an efficient secondary mortgage market.

- OFHEO will continue its cooperative working relationship with HUD and will work with the Secretary of HUD to raise any safety and soundness implications of proposed changes to the Secretary's goals regarding Enterprise purchases of mortgages that finance affordable housing.
- As a member of the HUD GSE Working Group, OFHEO will continue to actively participate in policy discussions with HUD regarding other safety and soundness issues impacting the Enterprises, such as charter and affordable housing issues.
- In FY 2008, OFHEO will maintain a dialogue with the Federal Reserve Board, the Treasury Department, the Securities and Exchange Commission, and other appropriate agencies about broad public policy

issues affecting housing finance markets and the Enterprises, such as subprime mortgages and mortgage fraud.

- Building upon the Memorandums of Understanding with other financial regulators that OFHEO has established in recent years, OFHEO will keep them informed about OFHEO's regulatory activities and solicit their views about issues related to the Enterprises. OFHEO will evaluate this information and take it into account when making decisions consistent with its mission.
- OFHEO will enter formal agreements with other financial regulators to share resources, information, ideas and draft documents while maintaining the integrity, examiner privilege and confidentiality of the information.
- OFHEO will contribute to Federal efforts to address policy issues such as systemic risk, adequate financial disclosure, consistent supervisory standards, the development of capital requirements for other Federally-regulated financial institutions, and the security and emergency preparedness of the nation's financial system.
- As described under Strategic Goal 2, OFHEO will also work with the Congress to provide information on the effect of any proposed legislation relating to the Enterprises or the markets in which they operate.
- OFHEO will continue to participate in a number of interagency task forces, forums and groups such as the Interagency Task Force on Nondiscrimination in Lending, the Bank Fraud Working Group, the Mortgage Fraud Working Group, the Interagency Task Force on National Flood Insurance, the Federal Financial Regulators Results Act Working Group, the Financial and Banking Information Infrastructure Committee, and the Federal Financial Institutions Examination Council (FFIEC) Information Systems Subcommittee. OFHEO will also continue to meet informally with members of these groups and others, such as the Council of State Bank Supervisors, to keep informed of issues and topics of note.

Resource Management Strategy: Manage effectively OFHEO's human capital and resources to support our mission.

OFHEO's success in achieving its strategic goals depends on the effective management of resources and seamless financial, administrative and information technology support functions. OFHEO's management philosophy reflects the government-wide management goals outlined in the President's Management Agenda. In FY 2007, OFHEO issued its Information Technology Management Strategic Plan and its first Human Capital Strategic Plan. These plans will provide a framework for OFHEO to manage its IT resources to achieve OFHEO's

strategic goals, and to develop leaders, managers and staff, and more closely tie individual performance to overall agency performance goal achievement. The size of the budget in relation to its mission requires OFHEO to use limited resources efficiently and ensures that resources are tied directly to the achievement of the mission. As a small but growing agency, OFHEO relies on staff and management to accomplish its goals through cross-organizational teams that are results-oriented. OFHEO managers use timely information for decision-making that links strategic planning, program performance, budget, and operational strategies. OFHEO invests in the talents of its staff, relies on effective information technology solutions, and uses appropriate competitive sourcing to provide efficient and cost-effective services.

Performance Goal 4.1:

Maintain a diverse workforce that is skilled, flexible, and performance-oriented to fulfill the goals of the agency.

	<u>Measure</u>	<u>Target</u>
4.1(1)	Percent of vacancies filled within OPM's 45-day time-to-hire standard.	70%
4.1(2)	Close technical and leadership competency gaps for critical competencies that align to OFHEO's mission and strategic goals.	Develop a plan to close critical competency gaps identified in 2007
4.1(3)	The percentage of employees responding favorably to the annual employee survey.	Improved over 2007 baseline
4.1(4)	Maintain a diverse workforce by increasing the number of minority, women and disabled applicants for open vacancy announcements.	Increase by 10% over 2007 baseline

Means & Strategies:

OFHEO's workforce is its most valuable resource. OFHEO conducts outreach to hire a diverse staff with cutting-edge professional skills and a breadth and depth of knowledge in their fields. Their technical competence, skills, experience and ability to work in a team environment are crucial to ensuring the successful achievement of OFHEO's goals.

To ensure OFHEO effectively manages its most valuable resources, OFHEO has adopted the President's Management Agenda on Human Capital and in 2007 published its Human Capital Strategic Plan which addresses strategic alignment, workforce planning, leadership knowledge, results-oriented performance culture, talent management and accountability in the context of OFHEO's workforce and operating environment. OFHEO will continue to review its supervisory program and organizational alignments and make adjustments to improve effectiveness. OFHEO continues to effectively align staff by utilizing their competencies and skills where they are most needed. OFHEO will also continue to explore opportunities for competitive sourcing by reviewing whether commercial activities performed by the government can be more efficiently obtained by private sector service providers or Federal employees.

- In FY 2008, OFHEO will continue to hire skilled, knowledgeable employees as quickly as possible to ensure that the agency has the talent it needs to achieve its mission and goals, following the workforce planning strategy and succession plan established in 2007.
- OFHEO will establish a new program to hire and train new examiners utilizing a combination of on-the-job training, formal classroom instruction and rotational assignments. This more centralized training function will ensure a more efficient use of limited training resources and allow incoming examiners to acquire a broad set of examination skills, helping the agency to close competency gaps and provide for appropriate succession planning.
- OFHEO will engage in training and development in order to close leadership and technical competency gaps identified through a comprehensive assessment conducted last year.
- OFHEO will implement a revised individual performance management system that focuses on results and ties individual performance directly to agency goals.
- OFHEO will take steps to make improvements at OFHEO to address employee survey results established in 2007. During FY 2008, OFHEO will survey its staff to measure employees' perceptions of conditions that characterize successful organizations at OFHEO, such as leadership quality, performance culture and talent capacity, to ascertain if the improvements made an impact.
- To maintain a diverse and skilled workforce, OFHEO will hire a professional recruiter and continue to advertise our mission-critical jobs in print and electronic publications frequented by relevant professionals and attend minority job fairs and professional conventions of under-represented groups in order to attract a qualified and diverse staff.

Performance Goal 4.2:

Provide effective information resource management services to OFHEO managers and staff to support the goals of the agency.

<u>Measure</u>	<u>Target</u>
4.2(1): Increase compliance with OMB Enterprise Architecture Assessment Framework	Achieve an Enterprise Architecture score of 4 in the Completion Section and a score of 3 in either the "Use" or "Results" Sections
4.2(2) Percentage of help desk requests during the business day that are responded to within 4 hours.	95%
4.2(3): Percent of time OFHEO's IT systems are available for use by the OFHEO staff.	98%
4.2(4): Maintain or complete required Certification and Accreditation of OFHEO major information systems in production.	100%

Means & Strategies:

OFHEO's supervision of the Enterprises is highly dependent upon the strategic use of technology. The use of information technology (IT) is an integral part of achieving OFHEO's mission and of the Enterprise operations that the agency regulates. Without technology comparable to that used by other organizations with similar risk assessment and analytical requirements, OFHEO would not be able to provide independent analysis of safety and soundness issues to accomplish its mission. OFHEO issued a significantly revised Information Technology Management Strategic Plan that outlines the goals and objectives needed to support the mission and functions of OFHEO, and carries out the E-Gov goals of the President's Management Agenda. Each year, OFHEO reviews the plan to ensure that the annual component of the plan ties to the annual performance budget and positions the agency in achieving its long term goals.

- In FY 2008, OFHEO will continue to use the IT Investment Review Board (IRB), revamped last year, to make effective IT decisions. The IRB review ensures a cost-effective allocation of resources for IT capital investments that are consistent with OFHEO's Strategic Plan.
- OFHEO will develop and implement the Completion and Use components of the agency's Enterprise Architecture. The Enterprise Architecture plan

will ensure that the agency makes consistent choices in types of technology, fosters best use of IT resources, and reduces redundancy of IT systems.

- Last year, OFHEO completed Certification and Accreditation of its major systems. In FY 2008, OFHEO will ensure that the new systems also undergo this process in order to establish authority to operate, and will also update the Certification and Accreditation of existing systems.
- In FY 2008, OFHEO will continue to support the development and enhancement of the automated supervisory tool that facilitates the examination process and coordinates activities throughout the Office of Supervision, promoting information sharing and documenting the risk rating process.
- OFHEO will continue to support and maintain the risk-based capital stress test application, a large and complex computer model that simulates the cash flows of the assets and obligations of each Enterprise under stressful conditions.
- OFHEO will continue to support and maintain data sets and advanced technology needed to conduct research and financial analysis, including the asset-liability management model.
- To ensure maximum availability of OFHEO information resources, OFHEO will continue to enhance the security, reliability and capacity of OFHEO's IT infrastructure, consistent with the Federal Information Security Management Act (FISMA), including annual testing.

Performance Goal 4.3:

Maintain a strong internal control and risk management program.

<u>Measure</u>	<u>Target</u>
4.3(1): Percent of OFHEO's external audits or external reviews with an unqualified opinion and no material weaknesses.	100%

Means & Strategies:

To ensure that its resources are managed effectively and efficiently, OFHEO will continue to expand its use of financial and performance information in managing program operations, integrating its budget and performance development, and making program improvements. OFHEO must continue to maintain a strong internal control and risk management program. This includes financial management, information security and other management and operating

processes. These efforts continue to support the President's Management Agenda initiative of improved financial performance.

- In FY 2008, OFHEO will contract with an outside party to conduct an internal controls audit to assess the effectiveness and efficiency of operations, the reliability of reporting and compliance with applicable laws and regulations. The audit will focus on the plans, methods and procedures used to meet the performance and financial goals of the agency.
- OFHEO will continue to have an independent audit of its financial statements for FY 2008, as it has in prior years, and will revise its policies and procedures as necessary to ensure that the agency's resources are used to achieve its strategic and performance goals.
- OFHEO will continue to have an independent Federal Information Security Management Act (FISMA) review of its information security program during FY 2008. The OFHEO information security program will be enhanced in FY 2008 and provides for the additional protection of the agency's information assets, including the hardware and software used to create and maintain the information.
- During FY 2008, OFHEO will continue its program of information security monitoring and staff training, and will update risk assessments of its systems to ensure that the associated risks have been mitigated. Information security at OFHEO is a shared responsibility among the Chief Information Security Officer, information technology professionals, and the entire OFHEO staff.
- To ensure that OFHEO maintains its independent hiring authority and is appropriately recruiting the talent needed to accomplish its mission, OPM will audit OFHEO's human resource operations in FY 2008.

Performance Goal 4.4:

Ensure the continuity of OFHEO's business functions.

<u>Measure</u>	<u>Target</u>
4.4(1): Percentage of continuity of operations testing and after action reviews completed as outlined by Federal Preparedness Circular 65.	100%

Means & Strategies:

OFHEO is committed to the good business practice of business continuity planning, ensuring that the agency can continue to perform its essential functions during an unplanned event that would prevent normal business operations.

- Last year, OFHEO completed a major revision and updated its continuity of operations (COOP) plan that identifies essential functions and alternate plans in case of an emergency, including alternative work sites. The plan follows Federal Preparedness Circular 65, which provides guidance to Federal agencies about business continuity planning and outlines requirements for agency plans.
- As part of the COOP plan, in FY 2008 OFHEO will conduct a regular schedule of testing to assess and validate the plan and proactively identify any gaps or operational problem areas. This testing will include alert and notification procedures, recovery plans for vital systems and data, infrastructure systems such as computer systems and after-action reviews to ensure that lessons learned from testing are incorporated into the plan.

Performance Goal 4.5

OFHEO's internal operations effectively support the mission and goals of the agency.

<u>Measure</u>	<u>Target</u>
4.5(1) The composite score from an annual employee customer survey that asks how well internal services and processes help employees get their job done.	Establish baseline
4.5(2) Get to "green" on the <i>President's Management Agenda</i> (PMA) initiatives status scores.	Achieve a status score of "green" on 2 of 5 PMA initiatives

Means & Strategies:

OFHEO is committed to managing its internal functions and services in the most efficient way possible, while facilitating the accomplishment of the agency's strategic and performance goals. OFHEO's management philosophy reflects the government-wide management goals outlined in the President's Management Agenda and OFHEO has begun to implement plans to reach the standards outlined in the five major PMA initiatives.

- In FY 2008, OFHEO will administer an internal customer service survey to assess how well internal services provided to agency employees serve

their needs in accomplishing their work. The survey results will establish a baseline from which OFHEO can work to make improvements. The survey will be repeated annually to assess the impact of those improvements and may focus on one particular service or area as needed.

- Last year, OFHEO began to implement a formal plan to meet the standards of the five initiatives of the President's Management Agenda. In FY 2008, OFHEO expects to follow its plan for two initiatives, Improved Financial Performance and Strategic Management of Human Capital, and meet the criteria for a "green" score. OFHEO will also continue to work on the other three initiatives Competitive Sourcing, Expanded Electronic Government and Performance Improvement Initiative, to make progress throughout the year.

Program Evaluation

While OFHEO has not conducted a program evaluation in recent years, it expects to do so in FY 2008. OFHEO anticipates contracting for a program evaluation by an independent contractor or organization. The program evaluation will focus on assessing the effectiveness of OFHEO's supervision of Fannie Mae and Freddie Mac in ensuring that they are safe and sound and adequately capitalized.

Performance Assessment Rating Tool

OFHEO was reviewed by its management and OMB using the Performance Assessment Rating Tool (PART) in FY 2006 and received a rating of "Adequate." OFHEO's 2006 PART improvement plan included using the CAMELSO and risk assessment measures, which OFHEO adopted in FY 2007 for the calendar year 2006 examinations, completing these PART action items. OFHEO has since developed an improved risk rating structure—GSE Enterprise Risk—where GSE stands for Governance, Solvency and Earnings, and Enterprise Risk encompasses credit, market and operational risks. The revised structure combines the two sets of ratings structures that OFHEO used for the 2006 and 2007 calendar year examinations.

For its current PART improvement plan, OFHEO will use the revised structure in tandem with the prior sets for the CY 2007 examination conclusions as a transition for this year—FY 2008. These conclusions will form a baseline for the new measures and will be reported in the Performance and Accountability Report at the end of FY 2008.

The PART improvement plan also continues to call for Congress to pass legislation to enhance OFHEO's authorities and powers. OFHEO's full PART assessment and updated improvement plan can be found at:

Link to OFHEO PART assessment released 2006:

<http://www.whitehouse.gov/omb/expectmore/summary/10006241.2006.html>

Link to PART Assessment detail with new improvement plans and completed actions as of Feb. 2008:

<http://www.whitehouse.gov/omb/expectmore/detail/10006241.2006.html>

In this performance budget, OFHEO is using all the performance measures described in the PART evaluation.

2007 - 2008 Resource Allocation Estimates*

2007 - 2008 Dollars in Millions

Year	Strategic Goal 1		Strategic Goal 2		Strategic Goal 3		Total
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
2007	\$63.6	94.2	\$1.6	2.5	\$2.2	3.3	\$67.4
2008	\$58.3	88.3	\$2.1	3.2	\$5.6	8.5	\$66.0

2007 - 2008 FTE

Year	Strategic Goal 1		Strategic Goal 2		Strategic Goal 3		Total
	FTE	Percent	FTE	Percent	FTE	Percent	FTE
2007	212	92.2	7	3.1	11	4.7	230
2008	231	88.1	7	2.7	24	9.2	262

2006 Dollars in Millions*

Year	Strategic Goal 1		Strategic Goal 2		Strategic Goal 3		Total
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars
2006	\$57.2	94.4	\$3.3	5.4	\$0.1	0.2	\$60.6

2006 FTE*

Year	Strategic Goal 1		Strategic Goal 2		Strategic Goal 3		Total
	FTE	Percent	FTE	Percent	FTE	Percent	FTE
2006	211	93.9	13	5.9	<1	0.2	225

* OFHEO's strategic goals changed with the 2006 – 2011 Strategic Plan published September 29, 2006. The 2006 figures are based on the old strategic goals in place during that fiscal year.

Prior Year Performance Information					
	2004	2005	2006	2007	2008
Strategic Goal 1	Enhance supervision to ensure the Enterprises operate in a safe and sound manner, are adequately capitalized, and comply with other legal requirements.				
Perf. Goal 1.1	The Enterprises comply with safety and soundness standards.				
<i>Actual Performance</i>	Both Enterprises met safety and soundness standards, however, OFHEO continued to monitor required remedial actions based on unsafe and unsound practices identified by OFHEO at Freddie Mac in FY 2003. OFHEO identified safety and soundness concerns at Fannie Mae and took remedial action.	Both Enterprises met safety and soundness standards, however, OFHEO found inadequate controls and improper accounting at Fannie Mae and took remedial action. OFHEO continued to monitor both Enterprises' progress in completing remedial action to address special examination findings.	Both Enterprises continue to pose supervisory concern including internal controls and accounting problems. Both Enterprises have remedial plans in place to address special examination findings and OFHEO continues to identify other issues requiring attention. Although both Enterprises are responding to OFHEO's concerns they have considerable work to do to correct their accounting and internal controls problems.	At the end of the CY 2006 examination OFHEO determined that both Enterprises had CAMELSO ratings of 3 or better; both continue to pose a significant supervisory concern. OFHEO also determined that both Enterprises had acceptable risk profiles in 4 of the 5 risk areas (governance, market, credit, operational and model risk) and had one area with high quantity of risk and weak risk management. Both Enterprises continue to make progress in addressing special examination findings in accounting and internal controls, but neither has completed all items identified in their consent orders. OFHEO completed the calendar year examinations on time and briefed the Enterprise Boards of Directors as quickly as possible, with an average of 71 days.	

	2004	2005	2006	2007	2008
<i>Perf. Goal 1.2</i>	<i>The Enterprises are adequately capitalized.</i>				
<i>Actual Performance</i>	<p>Freddie Mac: classified as adequately capitalized each quarter.</p> <p>Fannie Mae: classified as adequately capitalized for the quarters ending March 31, 2004 and June 30, 2004; and classified as significantly undercapitalized for the quarters ending December 31, 2003 and September 30, 2004.</p>	<p>Freddie Mac: classified as adequately capitalized each quarter.</p> <p>Fannie Mae: classified as adequately capitalized for three quarters and classified as significantly undercapitalized for the quarter ending December 31, 2004.</p>	Both Enterprises were classified as adequately capitalized each quarter, and were required to maintain a capital surplus 30% above the minimum capital requirement.	Both Enterprises were classified as adequately capitalized each quarter, and were required to maintain a capital surplus 30% above the minimum capital requirement.	
<i>Perf. Goal 1.3</i>	<i>The Enterprises comply with applicable laws, regulations and directives, including executive compensation, corporate responsibility and disclosure.</i>				
<i>Actual Performance</i>	OFHEO identified instances of unsafe and unsound practices at Freddie Mac, undertook supervisory actions, and required remedial steps.	Reviewed Enterprise compliance with applicable laws, regulations and directives, including corporate responsibility and disclosure requirements. Each Enterprise responded appropriately to issues identified by OFHEO.	Issued corporate governance regulation and mortgage fraud regulation. Issued examination guidance and a Director's Advisory. Reviewed Enterprise compliance with applicable laws, regulations and directives, including corporate responsibility, executive compensation and disclosure requirements. Each Enterprise responded appropriately to issues identified by OFHEO.	The Enterprises completed 90% of the items due as of June 30, 2007 that were outlined in the Consent Orders and formal agreements. They completed 94% of the OFHEO examination findings and conclusions that required resolution (Matters Requiring Attention) as of June 30, 2007. OFHEO reviewed compliance with applicable laws, regulations and directives. Each Enterprise responded appropriately to issues identified by OFHEO.	

	2004	2005	2006	2007	2008
<i>Perf. Goal 1.4</i>	<i>Strengthen regulatory infrastructure to enhance the supervision of the Enterprises. (New FY 2007 Performance Goal)</i>				
<i>Actual Performance</i>	N/A	N/A	N/A	Issued revised conforming loan limit guidance and new guidances for examinations on corporate governance, executive compensation and accounting practices. Issued a revised Supervisory handbook outlining the principles and standards for OFHEO's examinations of the Enterprises. Implemented a quality assurance function to ensure the integrity of the supervision program. Began to develop an Enterprise call report.	

	2004	2005	2006	2007	2008
Strategic Goal 2	Provide support for statutory reforms to strengthen our regulatory powers.				
<i>Perf. Goal 2.1</i>	<i>Support efforts to strengthen OFHEO's authorities.</i>			(New FY 2007 Performance Goal)	
<i>Actual Performance</i>	N/A	N/A	N/A	Presented OFHEO's legislative priorities in the 2007 annual Report to Congress. Provided technical assistance to Congress during consideration of GSE reform legislation. Responded to all Congressional Inquiries within 10 business days. Prepared analysis, presentations and research papers for internal use on topical issues.	
Strategic Goal 3	Continue to support the national policy of an efficient secondary mortgage market which promotes homeownership and affordable housing.				
<i>Perf. Goal 3.1</i>	<i>Promote an efficient secondary mortgage market by increasing the transparency of mortgage market developments, and Enterprise risks and activities.</i>				
<i>Actual Performance</i>	HPI Report issued quarterly. Research to meet the Director's priorities was completed. A report on the special examination of Freddie Mac and a report with findings to date on the Fannie Mae special examination were published. Other papers and reports on special topics were completed. Annual Report sent to Congress on June 15, 2004.	HPI Report issued quarterly. One research paper published as planned. Annual Report sent to Congress on June 15, 2005. Issued secondary mortgage market report for both 2003 and 2004.	HPI Report issued quarterly. Annual Report sent to Congress on June 15, 2005. Issued a research paper, a working paper and the Report of the Special Examination of Fannie Mae.	Issued HPI reports quarterly. Provided an expanded "purchase-only" index. Issued the Annual Report to Congress nearly two months earlier than required. Published five working papers, three research papers and initiated a new series, "Mortgage Market Note". Launched a revamped web site with a much-improved housing statistics section.	

	2004	2005	2006	2007	2008
<i>Perf. Goal 3.2</i>	<i>Communicate effectively with all stakeholders on Enterprise risks and activities, mortgage markets, the nation's housing finance system and regulatory issues.</i>				
<i>Actual Performance</i>	Responded to all inquiries from Congress within 14 days and responded to all public inquiries within 21 days.	Responded to all inquiries from Congress within 14 days and responded to all public inquiries within 21 days.	Responded to all inquiries from Congress within 14 days and all public inquiries within 21 days. Over 93% of respondents indicated they found OFHEO's website a valuable resource.	Responded to all public inquiries within 15 business days. Over 93% of respondents indicated they found OFHEO's website a valuable resource.	
<i>Perf. Goal 3.3</i>	<i>Cooperate with other Federal financial agencies on mortgage markets and the nation's housing finance system and regulatory issues.</i>				
<i>Actual Performance</i>	Cooperated with other Federal financial agencies on regulatory issues.	Worked with other Federal agencies on various issues, participated in interagency task forces and responded to Federal agencies' requests for information within the timeframe.	Worked with other Federal agencies on various issues, participated in interagency task forces and responded to Federal agencies' requests for information within the timeframe.	Met with HUD monthly on common issues. Entered into Memorandum of Understanding with HUD regarding sharing data, reports and other information relating to Fannie Mae and Freddie Mac. Responded to all requests from other Federal agencies for information about housing finance markets and the Enterprises within the timeframe.	

	2004	2005	2006	2007	2008
Resource Mgmt Strategy	Manage effectively OFHEO's human capital and other resources to support our mission.				
<i>Perf. Goal 4.1</i>	<i>Maintain a diverse workforce that is skilled, flexible, and performance-oriented to fulfill the goals of the agency.</i>				
<i>Actual Performance</i>	Completed annual revision of individual development plans for all staff members. Training and development ongoing.	Completed annual revision of individual development plans for all staff members. Training and development ongoing.	Completed annual revision of individual development plans for all staff members. Training and development ongoing	Published a workforce plan and succession plan as part of OFHEO's five-year Human Capital Strategic Plan. Conducted competency analysis for leadership skills and mission-critical technical skills. Conducted first annual agency-wide employee survey in July 2007 to establish a baseline. Revised employee performance management system to incorporate individual work plans tied to the agency's goals.	
<i>Perf. Goal 4.2</i>	<i>Provide effective information resource management services to OFHEO managers and staff to support the goals of the agency.</i>				
<i>Actual Performance</i>	Implemented all three projects outlined in the FY 2004 Component of 5-Year IT Strategic Plan.	Implemented all three projects outlined in the FY 2005 Component of 5-Year IT Strategic Plan.	Successfully implemented four of six projects outlined in the FY 2006 component of the five-year IT Strategic Plan. Substantially completed the remaining two projects and expect to have them completed in the first and second quarter of 2007.	Published the Five-Year IT Strategic Plan and completed all milestones for four major projects in the 2007 plan. Completed Certification and Accreditation for all six major systems. OFHEO IT systems availability to staff exceeded 97%.	

	2004	2005	2006	2007	2008
<i>Perf. Goal 4.3</i>	<i>Maintain a strong internal control and risk management program.</i>				
<i>Actual Performance</i>	Received an unqualified audit opinion on financial statements, internal controls and compliance with laws and regulations from an independent, external auditor. No material weaknesses were reported during the independent review of the OFHEO information security program. The HUD IG found OFHEO exceeded the requirements of the 2004 Appropriations Act to use no less than 60 percent of its 2004 funds for examination, supervision and capital oversight of the Enterprises.	Received an unqualified audit opinion on financial statements, internal controls and compliance with laws and regulations from an independent, external auditor. No material weaknesses were reported during the independent review of the OFHEO information security program. The HUD IG found OFHEO's allocation of resources, staffing and compensation was comparable to other regulators.	Received an unqualified audit opinion on financial statements, internal controls and compliance with laws and regulations from an independent, external auditor. No material weaknesses were reported during the independent review of the OFHEO information security program.	Received an unqualified audit opinion on 2007 financial statements, internal controls and compliance with laws and regulations from an independent, external auditor. No material weaknesses were reported during the independent review of the OFHEO information security program.	
<i>Perf. Goal 4.4</i>	<i>Ensure the continuity of OFHEO's business functions.</i>			<i>(New FY 2007 Performance Goal)</i>	
<i>Actual Performance</i>	N/A	N/A	N/A	Issued revised Preparedness and Response Program consolidating Continuity of Operations (COOP), Occupant Emergency Program (OEP), and Pandemic Plans into one comprehensive program to ensure employee safety and business continuity of the agency's essential functions.	

	2004	2005	2006	2007	2008
<i>Perf. Goal 4.5</i>	<i>OFHEO's internal operations effectively support the mission and goals of the agency</i>				
<i>Actual Performance</i>	N/A	N/A	N/A	N/A	New FY 2008 Performance Goal