

# **Federal Housing Finance Agency**



**FY 2011  
Annual Performance Plan  
March 14, 2011**

## Introduction

The Housing and Economic Recovery Act of 2008 (HERA) established the Federal Housing Finance Agency (FHFA) to oversee the financial safety and soundness and the housing mission compliance of the housing government sponsored enterprises (housing GSEs or regulated entities). These are Fannie Mae and Freddie Mac (the Enterprises), the 12 Federal Home Loan Banks (FHLBanks) and the FHLBanks' fiscal agent, the Office of Finance (OF).

FHFA established a regulatory framework to promote operations and activities at Fannie Mae, Freddie Mac, the FHLBanks, and the OF that contribute to a liquid, efficient, competitive, and resilient national housing market consistent with safe and sound operations. The APP identifies performance goals consistent with that framework along with means and strategies or the key activities, actions, processes, and technologies that FHFA will use in fiscal year 2011 to achieve each performance goal.

The FY 2011 APP supports FHFA's 2009 – 2014 Strategic Plan, which is available to the public on the FHFA website, [www.fhfa.gov](http://www.fhfa.gov).

## Overview of Annual Performance Plan 2011

The FY 2011 Annual Performance Plan details a series of performance goals and measures to support the following three strategic goals and resource management strategy:

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| <p style="text-align: center;"><b>Strategic Goal 1</b></p> <p>The housing GSEs operate in a safe and sound manner and comply with legal requirements.</p>  |
| <p style="text-align: center;"><b>Strategic Goal 2</b></p> <p>The housing GSEs support a stable, liquid, and efficient mortgage market including sustainable homeownership and affordable housing.</p>   |
| <p style="text-align: center;"><b>Strategic Goal 3</b></p> <p>FHFA preserves and conserves the assets and property of the Enterprises, ensures focus on their housing mission, and facilitates their financial stability and emergence from conservatorship.</p> |
| <p style="text-align: center;"><b>Resource Management Strategy</b></p> <p>FHFA has the personnel, resources and infrastructure to manage effectively and efficiently to achieve its mission and goals.</p>   |

Each performance goal is followed by a list of specific means and strategies that FHFA will employ during 2011 to accomplish the performance goals.

## Resource Allocation

The following table depicts FHFA's allocations of actual and budgeted resources (both FTE and dollar) for each strategic goal:

| <b>FY 2010 Actual Dollars in Millions (as of 9/30/2010)</b> |         |                  |         |                  |         |         |
|---|---------|------------------|---------|------------------|---------|---------|
| Strategic Goal 1  |         | Strategic Goal 2 |         | Strategic Goal 3 |         | Total   |
| Dollars   | Percent | Dollars          | Percent | Dollars          | Percent | Dollars |
| \$95.9  | 74.5%   | \$16.0           | 12.5%   | \$16.7           | 13.0%   | \$128.6 |
| <b>FY 2010 Actual FTE (as of 9/30/2010)</b>                 |         |                  |         |                  |         |         |
| Strategic Goal 1  |         | Strategic Goal 2 |         | Strategic Goal 3 |         | Total   |
| FTE   | Percent | FTE              | Percent | FTE              | Percent | FTE     |
| 326   | 74.5%   | 54               | 12.5%   | 57               | 13.0%   | 437     |
| <b>FY 2011 Budgeted Dollars in Millions</b>                 |         |                  |         |                  |         |         |
| Strategic Goal 1  |         | Strategic Goal 2 |         | Strategic Goal 3 |         | Total   |
| Dollars   | Percent | Dollars          | Percent | Dollars          | Percent | Dollars |
| \$119.4   | 67.7%   | \$32.0           | 18.1%   | \$25.0           | 14.2%   | \$176.4 |
| <b>FY 2011 Projected FTE</b>                                |         |                  |         |                  |         |         |
| Strategic Goal 1  |         | Strategic Goal 2 |         | Strategic Goal 3 |         | Total   |
| FTE   | Percent | FTE              | Percent | FTE              | Percent | FTE     |
| 388   | 74.1%   | 101              | 19.2%   | 35               | 6.7%    | 524     |

The resources associated with FHFA's Resource Management Strategy are allocated across the strategic goals proportionately with all of FHFA's other resources.

## Program Evaluations

FHFA will monitor and track program performance and conduct program evaluations to ensure that FHFA's goals are meaningful and the strategies for achieving them are effective. FHFA also will actively participate in new Office of Management and Budget (OMB) initiatives designed to strengthen and improve agency performance. In addition, FHFA's Office of Inspector General (OIG), its external auditor, and the US Government Accountability Office (GAO), may recommend program improvements.

## Mission

*Provide effective supervision, regulation and housing mission oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.*

## Values

### **Accountability**

*We foster responsibility on the part of individual employees and divisions through defined delegations of authority. We align our actions and resources with our mission and respond promptly and proactively to emerging risks. We adhere to a predictable risk-based supervision program. We use agency resources and authorities efficiently and effectively to achieve our mission and goals.*

### **Responsiveness**

*We cooperate, collaborate, and communicate within FHFA, with other government agencies, the Congress, and the public. We respond promptly to external requests, and regularly disseminate information about the housing industry and markets. We promptly address and clearly communicate issues, decisions, and conclusions to the housing GSEs.*

### **Independence**

*We are an arms-length regulator of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. Our evaluations of the housing GSEs are unbiased and remain free from external influence.*

### **Integrity**

*We adhere to the highest ethical and professional standards. We treat the housing GSEs, the public, policy makers and other stakeholders fairly with impartiality and respect. We apply consistent treatment to and among the housing GSEs and base our decisions on the merits of their current actions and conditions.*

### **Professionalism**

*We maintain a highly skilled, dedicated and diverse workforce. We promote equal opportunity and advancement on the basis of merit. We recognize employees who demonstrate competence and effectiveness in their decisions and actions, and whose results serve the agency's mission and the public interest. We judge the housing GSEs against defined industry standards through a disciplined examination approach.*

**Strategic Goal 1**  
**The housing GSEs operate in a safe and sound manner and comply with legal requirements.**

FHFA’s primary duty is to ensure that the housing GSEs have the financial strength, operational capacity, and risk management controls to fulfill their critical role in the nation’s housing finance system. Providing a comprehensive and effective oversight program for the housing GSEs requires attention to all aspects of operations and management, the risks inherent in their activities, and the dynamic environment in which they operate. FHFA is enhancing and strengthening its oversight by applying meaningful risk-based standards, assessing the housing GSEs’ changing risk profiles, targeting resources to diagnose emerging issues, monitoring compliance with laws and regulations, verifying that required improvements are made and remedial actions taken, and managing litigation that may result from enforcement actions.

**Performance Goal 1.1**  
 Fannie Mae and Freddie Mac (the Enterprises) comply with legal requirements and operate in a safe and sound manner with adequate capital and access to funds and capital.

| <b>Measure</b> |  | <b>Target</b>                                |
|----------------|--|--|
| 1.1(1)         | Component ratings at each Enterprise.  | Improve in one or more by September 30, 2011 |
| 1.1(2)         | Matters Requiring Attention (MRAs) that are more than 120 days old are resolved or are being resolved in accordance with an acceptable remediation plan. | At least 90 percent each quarter             |

**Overview of Performance Goal 1.1**

FHFA conducts risk-based supervision and examinations at the Enterprises to ensure they operate in a safe and sound manner. Key areas of risk include: credit risk, market risk, operational risk, governance, solvency and earnings. Model processes are evaluated as part of credit risk, market risk, and governance. FHFA continues to expend effort and resources to address high levels of nonperforming loans and evaluate the success of US government programs, while maintaining a core risk-based supervision program. Throughout the supervision process, FHFA works with the Enterprises to resolve issues as quickly as possible by requiring and monitoring corrective action plans. Findings from supervisory activities are presented to GSE management and/or to their boards of directors with the expectation that they will implement corrective measures acceptable to FHFA. FHFA makes the condition of the Enterprises public through its annual Report to Congress.

Capital adequacy is an essential component of the Enterprises’ safety and soundness and their continued financial viability. On September 8, 2008, due to deficient capital levels, the FHFA Director placed both Enterprises in conservatorship. During

conservatorship, FHFA will not issue a quarterly capital classification, but the Enterprises will continue to submit capital reports to FHFA.

### **Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 1.1:

- Perform risk-based supervision using continuous processes that include on-site examinations, off-site monitoring and analysis, and horizontal reviews to promote safe and sound operations at the two Enterprises.
- Perform targeted, in-depth examinations and special projects that focus on specifically-identified areas of risk or risk management that warrant further investigation.
- Monitor developments in the market related to sub-prime and non-traditional mortgage products, non-performing loans, counterparty risk, capital, liquidity, accounting and internal controls.
- Provide expertise and contribute to the development of the regulatory infrastructure required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank).
- Monitor accounting developments and their effect on the Enterprises.
- Monitor and assess financial developments that could affect the financial condition and performance of the Enterprises.
- Monitor the effectiveness of loss mitigation efforts to support the conservation of GSE assets.
- Report quarterly on each Enterprise's financial performance and its financial support from the Treasury Department.
- Review the reasonableness and comparability of executive officer compensation including termination benefits.

### **Verification and Validation**

Component ratings for individual risk and composite ratings for the entire Enterprise are assigned each quarter and supported by risk analysis memoranda. Quarterly risk assessments of the Enterprises are conducted for agency executives and staff. Associate Directors, with risk oversight responsibilities, verify these ratings and provide supporting information to the Deputy Director for Enterprise Regulation for confirmation and approval. Annual reports of examination include analyses for the final composite and component ratings and are approved by the Deputy Director for Enterprise Regulation.

FHFA discusses MRAs with Enterprise management. The Enterprise provides FHFA with an action plan and proposed date for completion for each MRA. FHFA approves all action plans and formally tracks remediation efforts. When resolved to FHFA's satisfaction, the MRA is closed and FHFA notifies the Enterprise in writing that it has resolved the concern.

**Performance Goal 1.2**  
 The FHLBanks and the Office of Finance comply with legal requirements and operate in a safe and sound manner with adequate capital and access to funds and capital.

| <b>Measure</b> |   | <b>Target</b>   |
|----------------|---|---|
| 1.2(1)         | Composite rating at each FHLBank.<br><br><i>Note: If rating is less than "2", an acceptable performance improvement plan shall be included with the Bank's response to the Report of Examination.</i> | "2" or better or, within 180 days of a rating downgrade to below "2", operating under an acceptable performance improvement plan          |
| 1.2(2)         | Capital rating at each FHLBank.   | Classified as of "adequately capitalized" or, within 180 days of a rating downgrade, operating under an approved capital restoration plan |
| 1.2(3)         | MRAs that are more than 90 days old are resolved or being resolved in accordance with an acceptable remediation plan.   | At least 90 percent each quarter  |

**Overview of Performance Goal 1.2**

FHFA supervises each FHLBank to ensure it operates in a safe and sound manner. Supervision is conducted primarily through on-site examinations and off-site monitoring and analysis. FHFA employs a risk-based examination program that focuses on five key areas: market risk, credit risk, operational risk, governance, and financial condition and performance. FHFA provides its Report of Examination and related findings to FHLBank management and their boards of directors. FHFA also provides information on the condition of each FHLBank and the OF in its Annual Report to Congress.

During the year, FHFA conducts supervisory examinations and monitoring activities to ensure that the FHLBanks maintain appropriate internal controls, risk management processes, credit and collateral practices, liquidity, adequate capital, and access to capital markets.

Any FHLBank rated less than composite "2" under the FHLBank examination rating system is expected to operate under an approved performance improvement plan.

Those plans and related remediation efforts are evaluated periodically as part of the supervisory process.

### **Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 1.2:

- Perform risk-based supervision through on-site examinations, targeted examinations, off-site monitoring and analysis, and horizontal reviews.
- Monitor the private-label MBS holdings of the FHLBanks through on-site examinations and off-site monitoring programs.
- Monitor developments related to sub-prime and non-traditional mortgage products, non-performing loans, counterparty risk, capital, and liquidity.
- Monitor accounting developments and assess their effect on FHLBanks.
- Monitor and assess financial developments that could affect the financial condition and performance of the FHLBanks.
- Enhance off-site monitoring programs for evaluating market and credit risk of the FHLBanks.
- Enhance FHFA's financial models used to evaluate the FHLBanks' income projections.
- Enhance the assessment of market risks and market risk management by providing capital markets examination staff with risk modeling, market risk exposure, and market risk management evaluations.
- Develop off-site monitoring programs to monitor operational risk, corporate governance, and affordable housing program activities of the FHLBanks.
- Enhance further, as necessary, a regulatory reporting infrastructure to enable the timely and accurate collection, use, and internal reporting of FHLBank data and information.

### **Verification and Validation**

FHFA assigns component ratings in five areas: market risk, credit risk, operational risk, corporate governance, and financial condition and performance. FHFA uses these ratings to determine the final composite rating of each FHLBank. The report of examination, which is approved by the Deputy Director for FHLBank Regulation, includes these ratings with supporting written analyses and justifications.



FHFA monitors the capital positions of the FHLBanks and their compliance with capital regulations. Call Report data and each FHLBanks' filings with the Securities and Exchange Commission (SEC) are used to determine capital compliance. The Call Report System automatically and regularly calculates capital compliance. The consistency of all reported financial data is assessed twice yearly.

Each MRA and its completion date is logged into a tracking system and discussed with the boards of the FHLBanks and Office of Finance. When resolved to FHFA's satisfaction, the FHLBank is informed and the MRA is closed.

## **Strategic Goal 2**

**The housing GSEs support a stable, liquid, and efficient mortgage market including sustainable homeownership and affordable housing.**

Fostering a stable, liquid, and efficient secondary mortgage market promotes a steady stream of funds for sustainable homeownership and affordable housing. The market has become increasingly dynamic and complex. Since the housing GSEs comprise a large share of that market, their role is critical in providing liquidity and stability and in addressing affordable housing needs.

For markets to work efficiently, participants must have access to reliable information to make decisions. FHFA's House Price Index (HPI) and associated research helps facilitate those decisions. FHFA works with other agencies to coordinate decisions and efforts that affect the secondary mortgage market and to provide information and analysis to the public.

The housing GSEs have a central role in the mortgage markets, and their underwriting standards, fee guidelines, and programs for managing mortgage delinquencies and home foreclosures influence actions and products throughout the mortgage market. FHFA's policy research and analysis helps inform stakeholders and contributes to effective supervision. FHFA's affordable housing goals are intended to influence the housing GSEs' actions. Further, they set a baseline for the housing finance system that includes community investment and affordable housing.

### **Performance Goal 2.1**

FHFA ensures the housing GSEs support a stable, liquid and efficient mortgage market.

| <b>Measure</b> |  | <b>Target</b> |
|----------------|--|---------------|
| 2.1(1)         | Liquidity levels at Fannie Mae and Freddie Mac meet or exceed required levels or are brought into compliance within 5 business days. | 95%           |
| 2.1(2)         | Liquidity levels at the FHLBanks meet or exceed required levels or are brought into compliance within 5 business days.               | 95%           |

#### **Overview of Performance Goal 2.1**

Each GSE supports the health of the secondary mortgage market through its regular activities of guaranteeing, securitizing, and purchasing mortgage loans and securities. This support reduces the cost of mortgages to the public and promotes sustainable home ownership.

#### **Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 2.1:

- Monitor the housing GSEs' acquisitions of single-family mortgages as a share of single-family originations.
- Monitor each housing GSE's liquidity levels to ensure their ongoing ability to respond to market demands.

**Verification and Validation**

Liquidity levels will be verified by examining internal reports from the housing GSEs. Data on originations and GSE acquisitions of single-family mortgages will be verified through information available to FHFA and the public.

**Performance Goal 2.2**

FHFA ensures the housing GSEs provide leadership in housing finance and affordable housing by operating these programs in an effective and efficient manner, developing products, establishing partnerships, and financing homes for very low, low, and moderate income households.

| <b>Measure</b> |  | <b>Target</b> |
|----------------|--|---------------|
| 2.2(1)         | Each FHLBank awards affordable housing program (AHP) funds at least equal to statutory minimums.   | 100 percent   |
| 2.2(2)         | Regulated entities will provide updated performance plans within 180 days in response to agency notification of potential performance shortfalls in meeting housing goals. | 100 percent   |
| 2.2(3)         | Finalize the Duty to Serve Regulation.   | July 15, 2011 |

**Overview of Performance Goal 2.2**

The Bank Act requires each FHLBank to establish an affordable housing program (AHP) to enable members to provide long-term subsidized financing for very-low, low-, and moderate-income owner occupied and affordable rental housing. These subsidies may be in the form of grants or subsidized interest rates on an advance to a member. The Bank Act requires each FHLBank to contribute at least 10 percent of its net earnings from the previous year to the AHP, subject to a minimum annual combined contribution by all 12 FHLBanks of \$100 million. FHFA conducts on-site examinations and visitations of each FHLBank to ensure compliance with AHP regulations and to evaluate the effectiveness of the FHLBanks' programs..

HERA requires FHFA to establish affordable housing goals for the Enterprises and transitional housing goals for the FHLBanks. The affordable housing goals for the Enterprises are outlined in Performance Measure 2.2(2) and the affordable housing goals for the FHLBanks are outlined in Performance Measure 2.2(3).

HERA requires FHFA to establish a Duty to Serve regulation that will promote Enterprise support of manufactured housing, affordable housing preservation, and rural markets.

## **Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 2.2:

- Conduct annual AHP examinations and periodic visitations at the FHLBanks to ensure program effectiveness as well as compliance with the Bank Act, FHFA regulations, and FHLBank policies.
- Evaluate the timeliness of AHP subsidy disbursements.
- Conduct quarterly teleconferences with each Community Investment Officer to discuss any outstanding MRAs and other matters of supervisory concern.
- Issue affordable housing goal regulations covering Fannie Mae, Freddie Mac and the FHLBanks, as applicable, pursuant to HERA.
- Publish a revised Community Investment Program regulation in the *Federal Register*.
- Produce research and analysis focused on key policy issues, such as the implications of loan limit changes, concentration within the mortgage markets, and Enterprise market share.
- Conduct outreach to organizations involved in economic and community development in order to determine national economic development priorities.

## **Verification and Validation**

FHFA examiners and analysts conduct annual AHP examinations at each of the FHLBanks, review data submissions, and assess the FHLBanks' controls to ensure accuracy of data submissions.

The Enterprises provide data about their affordable housing goals to FHFA monthly. The data is reviewed and tracked against the established targets. Each FHLBank provides FHFA with data about their affordable housing goals semi-annually which is reviewed and monitored against established targets.

### Performance Goal 2.3

FHFA supports an efficient secondary mortgage market through research that increases transparency of the housing GSEs' risks and activities and improves understanding of mortgage market developments.

| Measure |   | Target                |
|---------|---|-----------------------|
| 2.3(1)  | Expand the quarterly House Price Index (HPI) and related products by producing a broader measure of house change that includes data from non-Enterprise transactions. | By September 30, 2011 |
| 2.3(2)  | Number of published working papers, mortgage market notes, or research papers.  | At least 6            |

#### Overview of Performance Goal 2.3

During FY 2011, FHFA 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 housing GSEs' risks and activities. FHFA will publish a variety of data and reports throughout the year to increase the transparency of mortgage market developments, as well as the housing GSEs' risks and activities.

#### Means & Strategies

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 2.3:

- Calculate and release a quarterly HPI, which documents changes in house prices for the nation, the states, the nine census regions, and the metropolitan statistical areas (MSAs). Post this information on FHFA's web site.
- Publish median monthly and quarterly purchase-only HPIs. These products 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.
- Publish reports required by HERA on the single-family guarantee fees and the housing activities of the housing GSEs.
- Publish research papers, staff working papers, and mortgage market notes 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. These reports complement FHFA's supervision of the housing GSEs.
- Research issues related to FHFA's HPI, differences in the characteristics and performance of single-family mortgages acquired by the Enterprises compared to those financed with private-label securities, differences in the characteristics and

performance of mortgages of financed units that did and did not count toward affordable housing goals, and the future of the secondary mortgage market and the housing finance system.

**Verification and Validation**

HPI data receipt and publication dates are agreed to in advance, with publication typically occurring 10-12 business days after the seventh of each month. Research publications are reviewed by the Chief Economist, the Senior Deputy Director and COO, and the Director. Performance is verified by publishing results either as part of HPI publications or as separate, single items. In either case, the analyses are posted on FHFA’s website.

**Performance Goal 2.4**  
 FHFA collaborates with other federal agencies and stakeholders to share information concerning mortgage markets, the nation’s housing finance system, and regulatory issues.

| <b>Measure</b> |  | <b>Target</b> |
|----------------|--|---------------|
| 2.4(1)         | Congressional inquiries responses within 15 business days. | 85 percent    |

**Overview of Performance Goal 2.4**

Communication with other federal agencies and stakeholders is key to FHFA’s support of an efficient secondary mortgage market. FHFA provides information on the housing GSEs that includes the risks they face, the economic environment in which they operate, and policy issues facing the agency.

FHFA works with other federal agencies and stakeholders to share information and discuss issues of common interest to promote an efficient secondary mortgage market. FHFA promotes regular communication among regulators and works with them as they develop regulatory standards aimed at improving financial safety and soundness, promote affordable housing, and ensure an efficient secondary mortgage market.

**Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 2.4:

- Perform outreach and education through meetings with industry stakeholders (Congress, news media, and the public) on mortgage market developments, policy positions, and activities of the agency that serve to develop an improved understanding of the financial condition of the housing GSEs.
- Meet with other federal financial regulators to discuss regulatory issues related to the housing GSEs and the housing finance system.

- Keep other financial regulators informed about FHFA regulatory activities. Build upon the memoranda of understanding that FHFA has established with other regulators.
- Participate in interagency task forces, forums, and groups such as the Financial Stability Oversight Council, the Financial Stability Oversight Board, 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 Information Systems Subcommittee.
- Respond to Congressional inquiries in a consistent, courteous, accurate, and timely manner and seek to ensure appropriate transparency in responses to public inquiries regarding the housing GSEs and FHFA's operations, proposals, and regulatory activities.
- Collaboration with other financial regulators to promulgate regulations required by Dodd-Frank.

#### **Verification and Validation**

FHFA's responds to Congressional inquiries in writing, but it may also place a phone call to the requestor if the inquiry is complex or requires extensive research that may result in a delayed response. FHFA tracks Congressional requests, due dates, and dates of FHFA responses to manage the inquiries and ensure timely responses. Staff reviews the tracking information to confirm the number of business days taken to respond. Senior FHFA management also confirms the response times before reporting compliance.

### **Strategic Goal 3**

**FHFA preserves and conserves the assets and property of the Enterprises, ensures focus on their housing mission, and facilitates their financial stability and emergence from conservatorship.**

The conservatorships of Fannie Mae and Freddie Mac allows FHFA to preserve the assets of the Enterprises, ensure they focus on their housing mission and are positioned to emerge from conservatorship financially strong, with operations, controls and risk management that meet or exceed industry standards. FHFA will continue to promulgate regulations mandated by HERA and to ensure the Enterprises' safety and soundness, including revised minimum capital standards, prudential safety and soundness standards, and portfolio limits. FHFA has also challenged Fannie Mae and Freddie Mac to pursue appropriate foreclosure mitigation activities, including loan modifications in a way intended to conserve the Enterprises' assets while providing foreclosure alternatives to eligible distressed borrowers. FHFA will continue to closely monitor market conditions, guide the Enterprises' activities and decisions, and improve their operations to ensure they are safe and sound and promote liquidity and stability in the housing market.

### **Performance Goal 3.1**

Preserve and conserve each Enterprise's assets and property.

|        | <b>Measure</b>   | <b>Target</b>      |
|--------|--|--------------------|
| 3.1(1) | Each Enterprise submits an acceptable asset disposition plan for assets identified by FHFA.                | September 30, 2011 |
| 3.1(2) | Complete review of both Enterprises' assets, partnerships, contracts, and litigation activities quarterly. | 100 percent        |

#### **Overview of Performance Goal 3.1**

In September 2008, FHFA placed both Fannie Mae and Freddie Mac in conservatorship to preserve and conserve their assets at least cost to taxpayers and put both entities in a sound and solvent condition to ensure they could continue to fulfill their housing finance missions.

#### **Means and Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 3.1:

- Provide appropriate levels of FHFA support through the Office of Conservatorship Operations to any new key management at both Enterprises.
- Ensure the Enterprises take prompt action to fill key management and Board vacancies with qualified individuals.
- Continue to monitor developments in the markets and work closely with the federal banking regulators to stabilize each Enterprise.



- Review non-core assets for feasibility of sale or liquidation, consistent with minimizing taxpayers losses and the portfolio shrinkage required by the Senior Preferred Stock Purchase Agreement with the Treasury Department.
- Coordinate changes to the current FHFA monthly and quarterly call reports to provide further details for selected balance sheet assets and liabilities with respect to FHFA's Quarterly Inventory of Assets.

**Verification and Validation**

FHFA identifies key leadership roles at both Enterprises. FHFA tracks the current status of key management vacancies, if any, and the actions taken by Enterprises to fill the positions.

Asset inventories are compared to SEC filings and the Enterprises' books and records. Asset dispositions are reported by each Enterprise as performance against the disposition plan.

**Performance Goal 3.2**  
 Delegate appropriate authorities to each Enterprise's management to continue with or improve upon the Enterprises' mission and their business operations.

| Measure |  | Target     |
|---------|--|------------|
| 3.2(1)  | Make conservatorship-related decisions requiring approvals and guidance within 30 business days of receipt of a full and complete request. | 80 percent |

**Overview of Performance Goal 3.2**

As conservator, FHFA is responsible for the overall management of each Enterprise, and has delegated operational and other duties to the Enterprises' directors and officers. Both Enterprises continue to fulfill their missions under the oversight of the conservator. The FHFA Conservatorship Governance Committee was established in July 2009 to guide the information coming to FHFA needing action by the conservator.

**Means and Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 3.2:

- Ensure the decision making process is timely and appropriately coordinated throughout the agency.
- Provide approvals and guidance to the Enterprises on conservatorship-related issues within 30 business days from the time an issue is identified.

**Verification and Validation**

Records of discussion at meetings are maintained by FHFA to document open issues and deliberations. Recommendations are completed within an agreed upon timeframe.

Progress is monitored and tracked by FHFA. Final decisions by the conservator are communicated to the Enterprises with appropriate records maintained by FHFA.

**Performance Goal 3.3**  
Ensure the Enterprises have effective programs that respond to problems in mortgage markets by reducing preventable foreclosures.

| <b>Measure<sup>1</sup></b> |   | <b>Target</b>      |
|----------------------------|---|--------------------|
| 3.3(1)                     | Number of loan modifications and foreclosure alternatives completed by the Enterprises. | 400,000            |
| 3.3(2)                     | Percentage of modified loans that are 60-plus days delinquent.                          | 35 percent or less |

**Overview of Performance Goal 3.3**

Section 110 of Emergency Economic Stabilization Act of 2008, titled *Assistance to Homeowners*, charges federal property managers (FPMs) to develop and begin implementing plans that seek to maximize assistance for homeowners and encourage servicers of underlying mortgages to take advantage of certain federal programs to minimize foreclosures. FHFA, as conservator, is a designated FPM. FHFA will submit the required report on loan modifications under this section to Congress every month.

The principal tools for assisting homeowners avoid foreclosure are loan modifications, which allow homeowners an opportunity to retain their home, and foreclosure alternatives such as short sales and deeds-in-lieu of foreclosure, which allow for a graceful and less costly exit from a home than through foreclosure.

As agents of the U.S. Treasury, both Fannie Mae and Freddie Mac play major roles in and have assumed responsibilities for the implementation and ongoing oversight of the Making Homes Affordable (MHA) program.

**Means and Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 3.3:

- Work with the Enterprises to pursue loan modification activities and other loss mitigation strategies designed to reduce preventable foreclosures.
- Ensure that the Enterprises carry out their responsibilities as administrators of the MHA program and the audit and compliance roles respectively without additional cost to U.S. taxpayers.
- Track the Enterprises’ efforts to prevent avoidable foreclosures through a variety of mechanisms including loan modifications and short sales. Report the information publicly in a monthly foreclosure prevention report.

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<sup>1</sup> These measures are established and tracked formally through Performance Goal 3.3, but they also support Performance goal 2.1.

- Track the Enterprises' efforts to assist borrowers through refinances. Report the information publicly in a monthly refinance report.
- Submit a Federal Property Managers report on loan modifications to Congress, the Federal Housing Finance Oversight Board, and the Boards of each Enterprise each month.

**Verification and Validation**

Loan modifications are tracked by each Enterprise and provided to FHFA. FHFA then provides the data to the U.S. Treasury. The U.S. Treasury reports the data in its weekly publication - *MHA Weekly Update*.

**Performance Goal 3.4**  
Work with the Administration and Congress to develop an effective structure for the Enterprises to emerge from conservatorship.

| <b>Measure</b> |   | <b>Target</b>  |
|----------------|---|--|
| 3.4(1)         | Technical assistance to Congress and the Administration on various future structures for the secondary mortgage market and for post-conservatorship outcomes for the Enterprises. | Participate in interagency meetings at least quarterly |

**Overview of Performance Goal 3.4**

There are no established pre-conditions for Fannie Mae or Freddie Mac to be removed from conservatorship. FHFA established a working group to consider options for the future of the country's secondary mortgage market and to work with Congress and the Administration on viable business structures for both Enterprises under the assumption they will be removed from conservatorship in the future.

**Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 3.4:

- Keep Congress informed of conservatorship activities and provide analysis to Congress and the Administration concerning options for the future of the secondary mortgage market and for viable business structures for the Enterprises.
- Evaluate the transition plan in the Treasury-HUD February 11<sup>th</sup>, 2011 white paper and work with those departments on appropriate implementation strategies.

**Verification and Validation**

FHFA will report the results of its analysis in congressional testimony, its annual report to Congress, and speeches and meetings with Administration and congressional officials.

**Resource Management Strategy**

**FHFA has the personnel, resources, and infrastructure to manage effectively and efficiently to achieve its mission and goals.**

With the completion of the agency’s strategic plan, FHFA has a single vision and mission and the focus of the agency’s Resource Management Strategy is now ensuring that the agency is addressing its administrative and workforce needs including information technologies and systems, and financial and human resources programs and processes. Significant progress has been made with the implementation of new information technology systems, development of administrative policies, and implementation of strategic plans.

FHFA’s success in achieving its strategic goals depends on the effective management of resources and seamless financial, administrative, and information technology support functions. FHFA managers must be given timely information for decision-making that links strategic planning, program performance, and budget and operational strategies. Consequently, FHFA invests in training and information technology for staff so they are equipped with the skills and tools necessary to bring improved efficiencies and effectiveness to the work place.

**Performance Goal 4.1**

FHFA has a diverse workforce that is highly skilled, highly motivated and results oriented.

| <b>Measure</b> |   | <b>Target</b>                            |
|----------------|---|--|
| 4.1(1)         | FHFA Employee Viewpoint Survey (EVS) results in the area of “Communication.”  | Improvement over previous year’s results |
| 4.1(2)         | FHFA supervisors receive supervisory, management, or leadership training in compliance with 5 CFR, part 412, which requires agencies to train new supervisors within one year of appointment and retrain every three years. | 98 percent                               |

**Overview of Performance Goal 4.1**

FHFA’s workforce is its most valuable resource. To ensure FHFA effectively manages its human capital, the two-year FHFA Strategic Human Capital Plan was published in 2009. The plan is updated annually and is supplemented with FHFA’s Workforce and Succession Plan. Together, these plans support FHFA’s Performance Plan and address organizational alignment, workforce planning, leadership knowledge, results-oriented performance, culture, talent management, and accountability in the context of FHFA’s workforce and operating environment.

FHFA strives to fill positions effectively and efficiently by monitoring and tracking the length of time associated with filling open positions. FHFA accomplishes this by tracking the time between the closing of a vacancy announcement and a job offer being

made. By tracking hiring timeframes, FHFA will identify barriers associated with the hiring process and implement actions or procedures to effectively meet FHFA's 2011 performance target of filling positions consistent with business needs and hiring plans.

### **Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 4.1:

- Use direct hire authority where applicable.
- Use "advertising blitz" to expand pool of qualified job applicants.
- Employ new techniques to expedite review of qualified applicants and make timely offers of employment to best candidates.
- Develop an FHFA position description (PD) library which is accessible to all supervisors that contains accurate, up-to-date PDs for all positions to minimize the time required to identify and establish positions and develop job vacancy announcements.
- Ensure the provisions of the FHFA hiring contract established during FY 2010 are carried out and implemented effectively.
- Monitor results of the Manager Satisfaction Survey and New Employee Survey to identify recruitment and hiring process improvements.
- Monitor annual employee survey results in the area of communication. Develop and deliver supervisory, management, and leadership training for all supervisors. These periodic, mandatory training sessions will enhance the ability of FHFA supervisors to effectively manage the performance of Agency staff. Training topics will include: Leadership and the Role of the Supervisor, Coaching and Performance Management, Ethical Leadership, Effective Counseling and Discipline, and Managing Inclusion and Diversity.
- Develop and deliver training to all FHFA employees on conflict resolution and alternative dispute resolution techniques. Monitor the results and progress during key timeframes of FHFA's Performance Evaluation Management System (PEMS) to ensure FHFA reviewing and rating officials are adhering to agency policy by reviewing the performance of their subordinate workforce in a timely manner.

### **Verification and Validation**

The time it takes to fill vacancies is captured by each staffing specialist and verified by the Human Capital Manager for Staffing. Calculations are verified prior to reporting the results in the quarterly performance tracking report.

Progress in achieving Leadership training and development goals is captured in the monthly Human Capital Action Plan, and FHFA's Talent Management System. Results are approved by the Office of Human Resources Management and reported on a quarterly basis.

FHFA measures agency rating and reviewing officials' accountability throughout the PEMS process by tracking and monitoring: (1) percentage of end-of-year ratings completed and communicated to employees by required timeframes; (2) percentage of rating officials conducting performance discussions by required timeframes at the mid-point of the review period; and, (3) percentage of reviewing officials developing and communicating Job Performance Plans and Individual Development Plans by the required timeframes.

FHFA will analyze results received from the 2011 employee viewpoint survey to determine if agency communication ratings have improved over 2010 results.

**Performance Goal 4.2**  
FHFA demonstrates a strong commitment to equal employment opportunity that supports diversity in employment, operations and the contracting of services.

| <b>Measure</b> |   | <b>Target</b>                             |
|----------------|---|---|
| 4.2(1)         | Number of partnerships, alliances, and agreements FHFA established to increase diversity in its workforce.  | 4   |
| 4.2(2)         | Number and variation of targeted outreach events designed to provide information and education to qualified candidates and facilitate increased employment applications and inquiries by women and minority candidates.   | 10  |
| 4.2(3)         | Number and variation of targeted outreach events designed to provide information, education and capacity building assistance to potential minority and women owned businesses to increase procurement contracts awarded for goods, services, and technical assistance provided to FHFA. | 4   |
| 4.2(4)         | Percentage or number of contracts that are awarded to small businesses and minority, women, and disabled individuals, and minority-owned, women-owned, and disabled-owned businesses above 2010 levels.   | Establish baseline and set a stretch goal |

**Overview of Performance Goal 4.2**

FHFA conducts targeted outreach to prospective employees to attract a diverse staff with cutting-edge professional skills and extensive knowledge in their fields. Their technical competence, skills, experience, and ability to work in a team environment are critical to successfully achieving FHFA's goals. FHFA's hiring practices follow merit

system principles and OPM regulatory standards in addition to the hiring flexibilities provided to it by law.

FHFA will take affirmative steps to support its diversity goals by initiating and implementing partnerships, alliances, and agreements with colleges, universities, and other organizations that are focused on developing opportunities for minorities, women, and disabled individuals to place talented minorities, women, and disabled individuals in internships, summer employment, and full-time positions.

FHFA also supports diversity in the contracting of services by encouraging the use of small business, veteran-owned small business, service-disabled veteran-owned small business, Historically Underutilized Business Zone (HUBZone) small business, small disadvantaged business, and women-owned small business concerns in its acquisition of goods and services, whether as contractors or subcontractors.

FHFA will initiate and implement partnerships, alliances, and agreements with organizations in order to enhance its ability to include and utilize minorities, women, disabled individuals and minority-owned, women-owned, and disabled-owned businesses when contracting for goods and services.

### **Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 4.2:

- Partner with a minimum of four organizations that are focused on developing employment opportunities for minorities, women, and disabled individuals.
- Participate in outreach programs to encourage and increase contracting opportunities to small businesses and minority, women, and disabled individuals, and minority-owned, women-owned, and disabled-owned businesses.
- Provide approximately 3,000 women and minority candidates with information and education regarding employment opportunities with FHFA.
- Provide approximately 2,000 minority, women owned, disabled, and veteran owned businesses with information, education, and capacity building assistance regarding contracting opportunities with FHFA.
- Develop a database of minority, women, disabled, and veteran owned businesses for business solicitation opportunities.
- Develop and implement inclusion and special emphasis programs to acknowledge and enhance diversity awareness within the agency and increase retention.
- Participate in a minimum of 10 outreach programs at Black colleges and universities, Hispanic-serving institutions, women's colleges, and colleges that typically serve

minority populations or disabled individuals to encourage applications from minorities, women, and disabled individuals for internships, summer employment, and full-time positions.

- Partner with a minimum of two high schools that are located in inner-cities or are predominately attended by girls or minorities to establish or enhance financial literacy programs or provide mentoring.

**Verification and Validation**

The Office of Minority and Women Inclusion will analyze applicant demographic data on a quarterly basis to evaluate the effectiveness of its partnerships, alliances and agreements. The Office will also monitor attendance at and participation in FHFA sponsored events to determine the effectiveness of the programs.

|  |  |
|--|--|
| <b>Performance Goal 4.3</b>                                |  |
| FHFA has effective financial and risk management programs. |  |

| Measure |   | Target      |
|---------|---|-------------|
| 4.3(1)  | FHFA's external audits and reviews that receive unqualified opinions with no material weaknesses or unacceptable risks. | 100 percent |
| 4.3(2)  | Total FHFA resources allocated directly to supervision of the housing GSEs - Strategic Goals 1 and 2.                   | 80 percent  |

**Overview of Performance Goal 4.3**

To ensure resources are managed effectively and efficiently, FHFA 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. FHFA must continue to maintain a strong internal control and risk management program. This includes financial management, information security and other management and operating processes.

**Means & Strategies**

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 4.3:

- Support GAO’s FY 2011 audit of FHFA’s financial statements and revise agency policies and procedures as necessary to ensure that resources are effectively and efficiently used to achieve agency strategic and performance goals.
- Perform a self-assessment of internal controls over financial reporting (A-123), the effectiveness and efficiency of operations, and compliance with applicable laws and regulations to evaluate and strengthen FHFA’s internal control environment. In addition, this assessment provides the basis of support for completion of the annual



assurance statement by the Director for inclusion in the agency's annual Performance and Accountability Report.

- Implement, as appropriate, new OMB guidelines and initiatives designed to strengthen agency internal controls and improve agency performance.
- Continue to review performance goals to streamline and identify high priority goals that are meaningful and set quantitative outcome-oriented targets.
- Demonstrate progress in achieving agency goals and document performance trends.
- Support the OPM's full-scope review of the management of human resources and delegated examining unit at FHFA, and revise OHRM policies and procedures as necessary.
- Facilitate an independent Federal Information Security Management Act (FISMA) review of its information security program during FY2011. The FHFA information security program provides for the protection of the agency's information assets, including the hardware and software used to create and maintain the information.
- Perform information security monitoring and staff training, and update risk assessments of its systems to ensure that the associated risks have been mitigated. Information security at FHFA is a shared responsibility among the Chief Information Security Officer, information owners, information technology professionals, and the entire FHFA staff.
- Require all agency staff and contractors to take annual privacy training to ensure the appropriate collection, use, and protection of personally identifiable information.
- Cooperate with external auditors in their efforts to conduct internal reviews of agency activities and promptly respond to any audit findings and recommendations to improve agency operations.

### **Verification and Validation**

The Chief Financial Officer confirms with the Office Director (responsible for the area examined in the audit) that no material weakness has been reported by the auditor.

FHFA collects data on labor resources, allocated by strategic goal, biweekly through FHFA's time and attendance collection program. FHFA collects data on non-labor resources through the budget development and execution process.

### Performance Goal 4.4

FHFA has the information technology and physical infrastructure needed to achieve its mission and goals.

| Measure |  | Target                          |
|---------|--|---------------------------------|
| 4.4(1)  | Time FHFA's infrastructure systems are continuously available for use by FHFA staff. | At least 99 percent of the time |
| 4.4(2)  | Incidents responded to by Help Desk personnel within 15 business minutes.            | 80 percent or more              |

#### Overview of Performance Goal 4.4

FHFA's supervision of the housing GSEs is highly dependent upon the strategic use of technology. FHFA effectively uses information technology (IT) to provide independent analysis of safety and soundness issues to accomplish FHFA's mission.

#### Means & Strategies

During FY 2011, FHFA will employ the following means and strategies in support of Performance Goal 4.4:

- Develop a revised Information Technology Management Strategic Plan that outlines the goals and objectives needed to support the mission and functions of FHFA. The plan is updated annually and links IT initiatives to the annual performance budget and supports the agency in achieving its long term goals.
- Continue to use the FHFA Investment Review Board (IRB) to make effective and efficient IT investment decisions. The IRB review ensures a cost-effective allocation of resources for capital investments that are consistent with FHFA's Strategic Plan.
- Maintain the FHFA's Enterprise Architecture plan to ensure that the agency makes consistent choices in types of technology, fosters best use of IT resources, and reduces redundancy of IT systems.
- Ensure that all agency FISMA major information systems in production undergo the certification and accreditation process in order to establish authority to operate. Certification and accreditation packages are updated when significant modifications are made or every three years, whichever comes first, as required.
- Support the enhancement of an automated supervisory tool that facilitates the examination process and coordinates the supervision activities throughout the Agency; promoting information sharing and facilitating the risk rating and examination processes.
- Support and maintain data repositories and technology tools needed to conduct research and financial analysis, supporting FHFA's analysis of key financial performance and risk measurement factors related to the housing GSEs.

- Ensure maximum availability of FHFA information resources, and continue to enhance the security, reliability and capacity of FHFA's IT infrastructure, consistent with the FISMA, Federal Information Processing Standards, National Institute of Science and Technology special publications, and annual reviews and updates of common controls and continuous monitoring.
- Ensure all FHFA staff and contractors with system access have completed annual security awareness training.

**Verification and Validation**

The Office of Technology and Information Management executes a count of all system, application, or user access deficiencies. The Manager for Database Management and Operations is responsible for reporting on this measure from the data collected by the monitoring tool. The Chief Technology Officer is responsible for validating the information and calculations.