FINANCIAL AUDIT

Federal Housing Finance Agency's Fiscal Year 2009 Financial Statements

What GAO Found

In GAO’s opinion, FHFA’s fiscal year 2009 financial statements are fairly presented in all material respects. GAO also concluded that FHFA had effective internal control over financial reporting as of September 30, 2009. GAO found no reportable instances of noncompliance with the laws and regulations it tested.

HERA established FHFA as an independent agency on July 30, 2008, and abolished, effective within 1 year of enactment, the Office of Federal Housing Enterprise Oversight (OFHEO) and the Federal Housing Finance Board (FHFIB) – which, together with a mission group within the Department of Housing and Urban Development (HUD), had previous supervisory and oversight responsibilities for Fannie Mae, Freddie Mac, and the 12 federal home loan banks. During fiscal year 2009, OFHEO’s and FHFIB’s personnel, property, and program activities, and certain employees and activities of HUD, were transferred to FHFA, and the assets, liabilities, and financial transactions of OFHEO and FHFIB were consolidated into FHFA. While FHFA was in existence prior to the start of fiscal year 2009, this was its first full year of operations and the first year for which it prepared financial statements. Consequently, FHFA’s financial statements do not present comparative information for the prior year.

In early September 2008, Fannie Mae and Freddie Mac were placed into conservatorship by the Director of FHFA, with the stated intent to stabilize these entities. The assets, liabilities, and activities of the two entities, Fannie Mae and Freddie Mac, are not reflected in FHFA’s fiscal year 2009 financial statements, based on determinations by the Office of Management and Budget (OMB) and the Department of the Treasury (Treasury) that they did not meet the criteria for inclusion in the financial statements of the U.S. government or the Treasury under federal accounting concepts. Specifically, OMB and Treasury concluded this because the entities are not currently reflected in the federal government’s budget and because the conservatorship arrangement is considered to be temporary. FHFA management concurred with this conclusion. Should circumstances change, this decision would need to be revisited.

Over the longer term, Congress and the executive branch face difficult decisions on how to restructure the entities and promote housing opportunities while limiting the risks to taxpayers and the financial markets. GAO issued a report containing a framework for evaluating various options available.

GAO noted other less significant matters involving FHFA’s internal controls and will be reporting separately to FHFA management on these matters.