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U.S. Department of Housing and Urban Development

Office of Inspector General

Office of Special Inquiry

Investigation of Alleged Misconduct by a Ginnie Mae Senior Vice President

Washington, D.C. Report Number: 2018SI006002I December 2022

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Introduction & Executive Summary

INVESTIGATION OF ALLEGED MISCONDUCT BY A GINNIE MAE SENIOR VICE PRESIDENT

Report Number: 2018SI006002I December 2022

In January 2018, the Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD or the Department) learned of allegations regarding then-Government National Mortgage Association (Ginnie Mae or GNMA) Senior Vice President Michael Drayne that had been received by Ginnie Mae leadership officials eight months earlier, in May 2017.

These allegations raised a credible possibility that Drayne may have provided confidential, non-public information regarding a Ginnie Mae issuer to the representatives of an investment company (Investment Co.), including one particular executive within that company (IC Representative), that these representatives used to their advantage in negotiating a financial arrangement with the issuer.[1]

The OIG conducted an investigation and did not find sufficient evidence to substantiate all of the specific allegations against Drayne, but did find evidence establishing that Drayne:

- Provided Investment Co. with confidential, non-public information about another Ginnie Mae issuer not identified in the allegations;
- Provided Investment Co. with preferential treatment or created the appearance that he was doing so in certain of his interactions with the company; and
- Did not take sufficient care to avoid creating the appearance that he may have been acting unlawfully in certain of his interactions with Investment Co.

The OIG found this conduct violated three particular provisions of the federal ethics regulations; 5 C.F.R. § 2635.703, 5 C.F.R. § 2635.101(b)(8), and 5 C.F.R. § 2635.101(b)(14). Some of this conduct also implicated the criminal prohibition against divulging "trade secrets" found at 18 U.S.C. § 1905.[2]

The OIG also found that HUD's Office of General Counsel (OGC) could have better handled the allegations against Drayne when Ginnie Mae leadership officials consulted OGC immediately after learning of them. We found OGC's handling of this matter was not ideal because it placed

[1] The OIG is not identifying certain individuals by name in this report to protect their privacy, including non-HUD employees.
[2] The OIG referred this matter to the U.S. Department of Justice (DOJ) for prosecution of any potential criminal violations and no prosecution resulted.

several questionable limitations on a review conducted by a law firm Ginnie Mae retained to assess the allegations.

The OIG is issuing this report to the Department for any action it deems appropriate.

Applicable Legal Framework

Three provisions found in the Standards of Ethical Conduct for Employees of the Federal Government are most directly applicable to the facts at issue in this matter.

5 C.F.R. § 2635.703 states that federal employees are prohibited from "allow[ing] the improper use of non-public information to further . . . [the] private interest . . . of another, whether through advice or recommendation, or by knowing unauthorized disclosure."[3] This Section defines non-public information as including information "designated as confidential by an agency" or that has "not actually been disseminated to the general public and is not authorized to be made available to the public on request."[4]

5 C.F.R. § 2635.101(b)(8) requires federal employees to "act impartially and not give preferential treatment to any private organization or individual."[5]

And 5 C.F.R. § 2635.101(b)(14) confers upon federal employees a duty "to avoid any actions creating the appearance that they are violating the law or . . . ethical standards."[6] This Section clarifies that "[w]hether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts."[7]

In addition, although this matter was not criminally prosecuted, the facts at issue do also implicate at least one provision found in Title 18 of the U.S. Code. Specifically, 18 U.S.C. § 1905, known as the Trade Secrets Act (TSA), establishes criminal penalties for any federal employee who (1) "divulges, discloses, or makes known in any manner or to any extent not authorized by law" (2) "any information coming to him in the course of his employment or official duties" (3) that "concerns or relates to the trade secrets, processes, [or] operations . . . of any person, firm, partnership, corporation, or association" (4) to "any person except as provided by law."

Finally, although Ginnie Mae did not have a written policy expressly prohibiting the disclosure of confidential, non-public information when the events at issue in this investigation took place, it has since adopted such a policy due in part to those events. Moreover, the evidence shows that this policy formally documents well-established practice within Ginnie Mae at all times relevant to this investigation with respect to the sharing of non-public Ginnie Mae information.

The "Ginnie Mae Confidential Information Policy," first issued in June 2018, (1) defines "Confidential Information" as including "[n]on-public information regarding a Ginnie Mae issuer," information "regarding Ginnie Mae's monitoring of its issuers that is not otherwise publicly available," or "[n]on-public information disclosed by government entities to Ginnie

[3] 5 C.F.R. § 2635.703(a).
[4] 5 C.F.R. § 2635.703(b)(2), (3).
[5] 5 C.F.R. § 2635.101(b)(8).
[6] 5 C.F.R. § 2635.101(b)(14).
[7] 5 C.F.R. § 2635.101(b)(14).

Mae;" (2) states that "Confidential Information may not be disclosed to any third party without authorization by persons with appropriate authority to disclose" it; (3) states that no Ginnie Mae employee should "share any Confidential Information with . . . any other entity before consulting with OGC;" and (4) requires that requests for such information from third parties "should be handled through Ginnie Mae's Freedom of Information Act (FOIA) process in consultation with the U.S. Department of Housing and Urban Development's FOIA Office." The policy notes that "[d]etailed guidance as to sharing information with other entities is set forth in a Memorandum titled 'Sharing Information with Other Entities,' dated May 20, 2015 . . . ."

Investigative Findings

Relevant Background Information

Drayne's Official Responsibilities

From 2011 through 2017, Drayne served as Ginnie Mae's Senior Vice President overseeing the Office of Issuer and Portfolio Management (OIPM). In this capacity, Drayne was responsible for the management of Ginnie Mae's relationships with the mortgage lenders and servicers who issue securities under Ginnie Mae's mortgage-backed securities (MBS) program, and oversaw the Single-Family and Multifamily Program Divisions, as well as the Monitoring & Asset Management Division within OIPM.

OIPM is the primary point of contact for issuers including banks, credit unions, housing-finance agencies, and mortgage banks regarding all matters concerning their participation in Ginnie Mae's MBS programs. The office establishes policies governing eligibility for issuers of Ginnie Mae securities.

The Single-Family Division is responsible for Ginnie Mae's Single-Family programs for standard and Home Equity Conversion Mortgage (HECM) program mortgages, as well as the Manufactured Housing MBS program. This division represents Ginnie Mae in the residential-mortgage lending community by ensuring a working relationship with program participants, developing new Single-Family MBS programs, coordinating with the Securities Operations offices in issuance and monthly-reporting processes, sharing announcements with issuers about new processes, and providing instructions to new issuers, among other roles.

The Multifamily Division deals with issuers in all matters concerning their participation in Ginnie Mae's Multifamily program. The division has responsibility for ensuring a working relationship with program participants and establishing policies governing eligibility and performance in the Multifamily MBS program.

Finally, the Monitoring & Asset Management Division manages and undertakes risk-monitoring activities to assure program compliance. The division participates in the development and review of policies and procedures for the Single-Family and Multifamily programs, and provides surveillance of delinquency, financial, and insurance-matching metrics. The division also

manages issuer defaults as well as oversight of all activities related to managing assets acquired by Ginnie Mae in the event of an issuer default.

Drayne's Relationship with Investment Co. and IC Representative

Drayne told the OIG that he first met IC Representative in or around 2000 when they both worked at financial institutions that operated in the mortgage-loan industry. After losing touch with IC Representative for a while, Drayne said, he "got[] to know him again" after Drayne became a Senior Vice President at Ginnie Mae in 2011.

Noting that he had final approval of entities applying to become Ginnie Mae issuers, Drayne said that he had "a number of conversations or meetings" with IC Representative over the years regarding IC Representative's goal of attaining Ginnie Mae-issuer status for Investment Co. as part of an overall business plan that included "a lot of investment in mortgage servicing rights."

The evidence gathered by the OIG indicates that Investment Co.'s desire to become a Ginnie Mae issuer arose at some point in 2015. From December 2015 through 2017, IC Representative and other Investment Co. executives sent several emails directly to Drayne seeking updates on Investment Co.'s application, ranging from an April 2016 email in which IC Representative proclaimed, "Need to get licensed! Is there a way to expedite?" to a May 2017 email asking Drayne, "when are you approving us?"

Investment Co.'s interest in becoming a Ginnie Mae issuer coincided with a shift in how Ginnie Mae was handling its oversight of troubled issuers.

Traditionally, when an issuer is unable to satisfy its obligations to mortgage-backed securities holders, Ginnie Mae steps in and assumes responsibility for payments to the holders. Specifically, Ginnie Mae seizes the distressed portfolio, assigns the servicing of the assets, absorbs the costs of managing the portfolio, and receives any servicing revenue. For accounting purposes, the distressed assets are included on Ginnie Mae's balance sheet.

But in September 2014, Drayne compiled a report entitled "An Era of Transformation" that was received favorably by Theodore Tozer, Ginnie Mae's President at the time. The report, which discussed the emergence of non-banks in the mortgage sector and how this would change the marketplace, stated that, "in cases of issuer failure – [Ginnie Mae] will seek to relocate [mortgage-servicing rights (MSR)] portfolios to alternative approved issuers rather than seize and manage them itself." Drayne supported this position by stating that Ginnie Mae's small size created inherent difficulties in administering all the necessary functions for failed issuers, and that future issuer failures could be even larger due to the emergence of non-banks in the sector.

This strategic decision to move distressed assets from one issuer to another became known colloquially within Ginnie Mae as "Rapid Relo." Drayne told the OIG that Ginnie Mae's Rapid Relo program originated from his "concept," or "the sort of beautiful idea that [he] described for it originally," and noted that Ginnie Mae had no policies or procedures in place to guide the

program in the real-life situations it faced during its first several years, a circumstance that he regretted.

Drayne described Investment Co. as "important," as "a big player [with] a lot of money," and as "opportunistic" in that it would be interested in acquiring the assets of distressed Ginnie Mae issuers. As a result, Drayne said, Investment Co. would be a "very logical buyer in situations where there's some kind of difficulty." Drayne explained that Investment Co. was "a central figure in the industry, and . . . I have always felt that we would be much better off if we had them as an issuer than not." Drayne said it would be "nice" to have Investment Co. as a potential acquirer of distressed assets because not many institutions of its size were willing to participate in challenging situations. Drayne added that Investment Co. was "like number one" and "there's not anybody else really close."

Drayne's Awareness of Restrictions on Ginnie Mae's Ability to Share Non-Public Information

The evidence shows that in April and May of 2015 Ginnie Mae was engaged with other governmental entities operating in the housing sector in an effort to [redacted]

For example, in an April 10, 2015 [redacted] from an OIPM Senior Program Advisor (Program Advisor) [redacted], Program Advisor stated that [redacted] including that [redacted] and concluded [redacted] "Michael Drayne [redacted] . . . ."

On May 4, 2015, Drayne emailed Program Advisor stating that he had "made [then-OGC Deputy Assistant General Counsel] Lisa Mulrain aware of the [redacted]" and that Mulrain would "look into things from her end." Program Advisor responded by providing a [redacted] to Drayne and telling him he could send it to Mulrain after Drayne inquired whether he could. Drayne then forwarded the [redacted] to Mulrain, stating: "Lisa – turns out I was wrong[;] there is a draft document, although I think it is very new . . . ." Later that day, Program Advisor sent Drayne an [redacted] Michael, [redacted] Drayne responded to this message the next day, stating, "[s]ounds good, [redacted] Lisa yesterday."

The (b) (5) document Drayne sent to Mulrain states, (b) (5)

(b) (5)

The (b) (5) states further that (b) (5)

The evidence shows that, as part of its effort to facilitate the adoption of information-sharing agreements, Ginnie Mae also sought and received a legal opinion from OGC regarding its ability to share information about its issuers with the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and their regulator, the Federal Housing Finance Agency (FHFA).

For example, in (b) (6) April 10 email on which Drayne was copied as an interested party, Program Advisor noted to (b) (6) recipient that (b) (5)

Program Advisor added that, (b) (5)

Mulrain told the OIG that around this time "there was . . . a desire expressed to OGC by members of Ginnie Mae staff" to receive guidance "on sharing information."

> They wanted to have more of a collaborative effort with other federal entities, not only FHA, . . . [a]nd so, they asked for OGC guidance. And so, we, OGC, drafted a[n] information sharing memo, where we outlined the various laws that need to be considered, and what Ginnie Mae could and couldn't share with federal entities and private entities.

On May 20, 2015, then-OGC Assistant General Counsel Susan Campbell issued a Memorandum titled "Sharing Information with Other Entities" to Program Advisor and Leslie Pordzik (then Meaux), who at the time was serving as a Ginnie Mae Vice President in a deputy role to Drayne as a Senior Advisor. The Memorandum addressed the Trade Secrets Act's prohibition against sharing non-public Ginnie Mae information with private entities and limitations on the disclosure of non-public Ginnie Mae information to other federal agencies, including the requirement of having an Information Sharing Agreement (ISA) in place with such agencies before sharing information with them.

Mulrain explained to the OIG that if Ginnie Mae learns through its monitoring function that one of its issuers has engaged in potentially fraudulent activity, this information should be considered confidential, "protected information" that should not be shared with a third-party private entity. Indeed, Mulrain conveyed that she would "strongly say" that Ginnie Mae should not divulge such information to a third-party private entity, because "we're very cautious whenever there's fraud or alleged fraud, . . . [a]nd we have to make sure that we're careful with that, because we don't want to be charged with . . . libel or slander . . . while these investigations are happening," which is why she "would totally caution Ginnie Mae against saying anything" about an issuer engaged in potentially fraudulent activity "to a third party unless we're talking to DOJ or some other prosecuting arm of the federal government, or HUD OIG."

Mulrain said that, "even though [the May 2015 OGC Memorandum] came out during that timeframe, there's always been sort of this ongoing question about sharing of information in some context or the other that we've had to address before the [Memorandum] was even issued." Mulrain said OGC had been in "regular contact" with Ginnie Mae about information sharing prior to the issuance of this May 2015 Memorandum, "and more specifically," Mulrain added, she herself "had a multitude of conversations with Michael Drayne, in particular, about information sharing . . . prior to May 2015," beginning after she "was promoted to the deputy position [in OGC] . . . in 2014" at the latest. Indeed, Mulrain recalled having "standing meetings" with Drayne "where we would meet to discuss any outstanding issues that Ginnie Mae's Office of Issuer and Portfolio Management" was having or issues of significance to OIPM, including discussions about information sharing with outside entities.

Based on these consultations with OGC, Mulrain said, Drayne "should have" been aware of the advice in the May 2015 OGC Memorandum and that he should not share non-public information with private entities at the time the Memorandum was issued, regardless of whether he saw it then or not. Mulrain said further that, even though Ginnie Mae did not issue a formal written policy prohibiting the disclosure of non-public Ginnie Mae information to outside entities until June 2018, the general content of that policy should have been well understood by

Ginnie Mae senior leadership, including Drayne, as of 2015. This is so, Mulrain explained, because the policy is merely a "written embodiment" of "longstanding practice within Ginnie Mae regarding the treatment of . . . non-public information" and a reflection of "principles and discussions" that OGC had been having with Ginnie Mae leadership "over the years about not being able to disclose non-public information" about its issuers to third-party private entities.

During his interview with the OIG, Drayne recognized the May 2015 OGC Memorandum and recalled receiving it, but he could not specifically recall whether he received the Memorandum around the time OGC first issued it on May 20, 2015. Drayne similarly said he did not specifically recall Ginnie Mae's effort to implement ISAs with other federal agencies during 2015 in particular, but said the issue of information-sharing agreements had come up frequently throughout his entire tenure at Ginnie Mae, and "there's not a year that goes by where we don't have some conversations about MOUs with other agencies that we're working with" to permit information sharing.

Drayne said that, without an ISA in place with another government agency, "there's some real limitations on what we could say" to that agency about a Ginnie Mae issuer, "there's real . . . issues of propriety about that," and Ginnie Mae would need to be "guarded" in its conversations with such an agency.

For example, Drayne said, "it would not be appropriate" for Ginnie Mae to divulge to another federal agency that one of its issuers was experiencing a serious compliance issue or engaged in potentially fraudulent activity without an ISA in place with that agency, even if it were in the interest of the federal government as a whole that "all the different parties knew what was going on."

Further, Drayne said, "the right understanding" of the limitations on Ginnie Mae's ability to share non-public information would be that if Ginnie Mae learned one of its issuers was experiencing a serious compliance issue or engaged in potentially fraudulent activity, it could not share that information with a third-party non-governmental entity at all.

Drayne said that this would have been his understanding from as early as 2012, or within his first year of joining Ginnie Mae, based on numerous consultations with OGC and internal Ginnie Mae discussions over the years, as well as "common sense." Drayne said that, in his position with Ginnie Mae, "you come into sensitive information . . . by virtue of . . . the work, the normal operations of the program. And the government has a lot of power to . . . address things, . . . and a lot of responsibility, and . . . that puts a lot of . . . boundaries on communications."

The Issuer 1 Situation

In February 2015, the [redacted] b(5), b(7)(E) [redacted] at an issuer approved by Ginnie Mae at the time (Issuer 1). In March 2015, Ginnie Mae performed an independent assessment of Issuer 1's loan-servicing activities and found that the issuer had not promptly updated the loan histories of numerous loans for which the issuer had received payments from borrowers, resulting in a breach of applicable Ginnie Mae guidelines.

Ginnie Mae worked in close collaboration with the [redacted] over the next several months as its investigation unfolded. [redacted] This [redacted] states that both the [redacted] and Ginnie Mae [redacted] Drayne signed this [redacted] on behalf of Ginnie Mae causing it to go into effect on April 29, 2015.

Mulrain told the OIG her understanding was that, although Ginnie Mae's general practice of protecting compliance-related information about its issuers as confidential would have prohibited Ginnie Mae from divulging any information about Issuer 1 learned through [redacted] to a third-party private entity in any event, the [redacted] imposed the additional barrier of requiring [redacted] permission before Ginnie Mae could divulge such information as of the date Drayne signed it.

According to Pordzik, Ginnie Mae's independent review revealed that Issuer 1 had been holding back crediting payments on loans in its portfolios. When the loans became "delinquent," the issuer bought out the loans and then applied the held-back payments, thus bringing the loans current. The issuer then re-pooled the loans, reaping additional profits while depriving the initial investors of the benefit of their investments. Pordzik said this practice and Issuer 1's falsification of documents to support it were "systemic fraud" that "went to the top of the house," meaning the leadership of Issuer 1.

Pordzik said that Drayne called an internal meeting attended by Tozer and members of OGC to discuss how Ginnie Mae would handle the Issuer 1 situation in light of the fraud. Pordzik said that Tozer and Drayne were so reluctant to onboard distressed assets that they decided to give Issuer 1 120 days to find a buyer and sell its portfolio [redacted] Pordzik said that Ginnie Mae made the decision at that meeting to handle the sale as a Rapid Relo even though there were no standard-operating procedures at the time to govern such a transaction.

Pordzik added that the decision-making process regarding how to handle the Issuer 1 situation was consistent with how Ginnie Mae's management typically handled such situations at the time, which would usually involve Drayne announcing a decision after consulting with Ginnie Mae Chief Risk Officer Gregory Keith and receiving approval from Tozer or Ginnie Mae Executive Vice President Mary Kinney on how to proceed.

Ginnie Mae Declines to Inform Issuer 1 Buyer About Fraud

The evidence shows that Ginnie Mae notified Issuer 1 by letter of its decision to default the issuer on May 12, 2015. According to Pordzik, Ginnie Mae then informed Issuer 1 that, because of this default, Issuer 1's rights to its loan portfolio would be extinguished, but that it had 120

days to find a buyer for the portfolio. As a result, Issuer 1 began negotiating the sale of its portfolio with another Ginnie Mae issuer (Buyer).

The evidence shows that on June 5, 2015, Pordzik sent Drayne a b(5), b(7)(E)

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

The OIG conducted research of publicly available information regarding potential fraud or compliance issues within Issuer 1 and found that, although Issuer 1 itself announced it was ceasing operations in October 2015, the first reference to fraud or compliance issues at Issuer 1 appears to be a May 31, 2016 SEC press release announcing a settlement of fraud charges levied against the company, which was then followed by several news stories about the fraud. The OIG found no publicly available information regarding fraud, potential fraud, or compliance issues at Issuer 1 as of June 2015.

Pordzik explained that information known by Ginnie Mae regarding an issuer's status, including whether the issuer is facing potentially adverse action from the government, is considered "[v]ery sensitive" information that Ginnie Mae employees would "[a]bsolutely not" share with third parties in the normal course of business. Thus, "the best [Ginnie Mae] could do" while Buyer pursued the acquisition of Issuer 1's Ginnie Mae loan portfolio, Pordzik explained, was ask Issuer 1 itself "to share information with [Buyer] or any potential buyer" about Ginnie Mae's default decision b(5), b(7)(E) but Issuer 1 declined this request.

Pordzik told the OIG she believed it was important for Ginnie Mae to take "a very clear position on how [it would] manage situations like this, specifically where there is known documented fraud" that a prospective purchaser such as Buyer does not know about and the seller will not divulge. But Pordzik said that Ginnie Mae management did not permit sharing information about Issuer 1's fraud, which prompted her to tell Drayne directly that she never wanted to "be put in [such a] position again."

Mulrain recalled "a fair amount of . . . conversations" between b(5) [Issuer 1's] b(5) Mulrain specifically recalled discussing this advice with Pordzik, saying, "I know that she had a fair

[redacted] b(5)

Pordzik explained that, as a result of Ginnie Mae's decision not to share information about Issuer 1's fraud, she had "to ride a very fine line" with Buyer when its representatives asked during the sale process if there was anything about Issuer 1 they needed to know. Pordzik told the OIG she was unhappy with the ethical position she found herself in, saying that she "had to ride this line because I knew stuff I couldn't tell" Buyer, and "certainly nobody [at Ginnie Mae] was telling [Buyer] that there was fraud that started with the [executives]" managing Issuer 1.

During his interview with the OIG, Chief Risk Officer Keith said that he did not know if Buyer was aware of the fraud at Issuer 1 during the sale process, adding that he did not disclose this information to anyone at Buyer. In explaining why he did not tell Buyer about the fraud at Issuer 1, Keith said that it was because Ginnie Mae had not actually seized Issuer 1's portfolio at that time, meaning Buyer "ha[d] to do their own due diligence."

During his interview with the OIG, Drayne confirmed that Ginnie Mae's review of the Issuer 1 situation indicated serious compliance issues and fraud, adding, "to us this was a black and white case of . . . out and out corruption" on the part of Issuer 1's "management." Accordingly, Drayne said, Ginnie Mae was "straightforward" with Issuer 1 that these issues warranted the termination of their relationship. Drayne confirmed that Ginnie Mae notified Issuer 1 that it needed to sell its loan portfolio and did not publicly disclose that fact.

Drayne said that Buyer had been previously interested in Issuer 1's loan portfolio and that "they knew the portfolio well," which made him believe that "a [Buyer] option was a pretty good option for us." However, Drayne said that Buyer did not know what Ginnie Mae knew about the fraud at Issuer 1 and that, although there were discussions about telling Buyer that "made everybody nervous," Ginnie Mae decided not to tell Buyer about the fraud because that "didn't seem right" to do; "it wasn't really our place to lay out everything that we had found" because "we really feel we can't" in such a circumstance. This was so, Drayne said, because of the general restrictions on information sharing in place within Ginnie Mae at the time, as reflected in the May 2015 OGC Memorandum on "Sharing Information with Other Entities," and the [redacted] b(5), b(7)(E) that he had signed.

Drayne Informs IC Representative About "Tainted" Issuer 1 Management

Although Drayne said it was not Ginnie Mae's place to tell Buyer about the fraud at Issuer 1, Drayne did reference compliance issues with Issuer 1's management in an email he sent to Investment Co. at the same time Buyer was conducting its acquisition due diligence.

On Sunday, June 14, 2015, IC Representative sent an email to Drayne telling him that Investment Co. had been discussing the acquisition of Issuer 1 and asking if he could talk over a

potential transaction with Drayne. Specifically, IC Representative asked Drayne for feedback on a proposal that contemplated Investment Co. acquiring Issuer 1 with another Ginnie Mae-approved issuer owned by Investment Co.'s corporate parent (Parent Co.).

Drayne responded 40 minutes later, stating: "I think the issue would be management. [Issuer 1] management is tainted."

While attempting to schedule a call to discuss potential transaction specifics further, IC Representative told Drayne in a subsequent email that he was meeting Issuer 1 representatives the next day and agreed to call Drayne a day after that meeting.

When the OIG first asked Drayne if he recalled discussing Issuer 1 with IC Representative, Drayne said he did not, adding, "there would have been no point," as Investment Co. was not an approved Ginnie Mae issuer.

When the OIG asked specifically about his June 14 email exchange with IC Representative, Drayne said his justification for providing this "tainted" information to IC Representative was that he was attempting to inform IC Representative Ginnie Mae would not approve a change in control of Issuer 1 with its existing management in place.

Drayne initially said that he would have told any entity that had asked about the purchase of Issuer 1 that Ginnie Mae would not approve a change of control scenario for the issuer at that time. But Drayne recognized that his view on Issuer 1's management being "tainted" would have been substantially informed by what he had learned about Issuer 1 through Ginnie Mae's investigative efforts and those of the [redacted]. And Drayne also recognized how Ginnie Mae's general practice of treating compliance information about its issuers as confidential information and the b(5), b(7)(E) made his "tainted" disclosure to IC Representative into an issue of concern for the OIG, saying, "I understand that point" and "I don't argue with you on that." Drayne further recognized that, as a general matter, Ginnie Mae should not inform non-governmental third parties like Investment Co. that it had assessed the quality of another company's management as poor, saying "[t]hat wouldn't be good." As such, although he could not recall whether this was the case, Drayne questioned whether there may have been some public information available about Issuer 1 at the time he sent this June 14 email that would have made him feel comfortable enough to tell IC Representative that Issuer 1's management was "tainted."

When the OIG asked why he did not tell Buyer about Issuer 1's "tainted" management as he had with Investment Co., Drayne said this was because Issuer 1's management "didn't need to be part of the conversation" for Buyer to complete its transaction, as Buyer did not need to retain Issuer 1's management once it acquired Issuer 1's Ginnie Mae portfolio.

Even so, Drayne acknowledged that, because of their June 14 email exchange, IC Representative would have been meeting Issuer 1 to discuss a potential transaction armed with information

about the company known by Ginnie Mae that Buyer did not possess. Drayne further recognized that learning whether the government believed Issuer 1's management had been acting improperly would be valuable for either a company contemplating the purchase of Issuer 1 in its entirety, as Investment Co. was, or one contemplating only the purchase of Issuer 1's Ginnie Mae portfolio, as Buyer was, because management operations impact the portfolio's quality.

Nonetheless, Drayne said, he was able to become comfortable with Ginnie Mae's decision not to provide Buyer with information about the fraud at Issuer 1 because Buyer was a "skilled due diligence organization" that had "got comfortable with" the purchase of Issuer 1's portfolio "on their own and that was good enough for everybody." Drayne said that the resulting transaction was "a situation [he] could be comfortable with," adding Buyer "knew this was a stressed situation."

Drayne elaborated on his decision-making regarding the sharing of Ginnie Mae information with Investment Co. but not with Buyer by saying:

> If you sit in [a] chair and you're confronted with these things, you are constantly going to be having to make decisions about what you need to do and what information you give out and you better have . . . a good understanding of what makes sense and what doesn't make sense that you can defend.

Drayne also told the OIG that the importance of protecting the confidentiality of non-public Ginnie Mae information "is something I've always been sensitive to," and:

> I take it seriously . . . . [Y]ou're trying to get good results for the government, you're trying to do the right thing for your program, and you have to find the right way to do all of that. So, I'm just making the point that I'm not thoughtless or casual or corrupt . . . and that I always take this very seriously. And I'm very aware of things all the time. So, I must have thought that this [Issuer 1 information] was out there and that I could talk to in the context of a conversation like this [June 14 email] about a transaction that [Investment Co.] might be undertaking that . . . [Ginnie Mae] had to approve.

Drayne's Handling of Investment Co.'s Application for Ginnie Mae-Issuer Status

The OIG's review of Drayne's emails showed the progression of Investment Co.'s application for Ginnie Mae-issuer status over the course of several years and Drayne's significant involvement in the process.

For example, in response to Keith telling Drayne in early August 2016 that Investment Co.'s application b(5) Drayne responded that he was b(5) [Investment Co.] b(5) adding that he probably did not b(5) and b(5)

Discussing this email during his OIG interview, Drayne said he had "an interest in [Investment Co.] being part of the Ginnie Mae program," so Keith was [redacted b(5)] by Drayne and Investment Co.

Drayne Assists Investment Co. with a Problematic Version of Its Application

In late August 2016, OIPM's Director of Counterparty Risk Analysis Zachary Skochko informed Drayne and Keith by email that Investment Co.'s [redacted b(5)] About 20 minutes later, Drayne responded by saying: "I just want to talk it through first. I need to handle this a certain way."

When the OIG asked Drayne what he meant about handling the Investment Co. application a certain way, Drayne said that Investment Co. was a "strategic potential counterparty" and an entity "that we see as important." But he agreed that Investment Co.'s submission "was a terrible application" and deemed concerns about it "valid." Drayne called it a "stupid situation" in which an entity that wants to be a "very large player in the industry . . . [could not] even give us a professionally done application because they skip over a lot of information."

A month later, in late September 2016, Drayne sent IC Representative an email seeking to schedule a meeting with Investment Co. personnel stating that, although he "ha[d] not seen anything on paper yet, [he knew] from the folks . . . that were underwriting it that there are issues with the application."

Drayne told the OIG that a team of subordinates normally handled conversations with would-be issuers regarding their applications and that he ordinarily "wouldn't have gotten involved in that too much." But, Drayne said, he "had an interest in [Investment Co.] being approved" and therefore entertained more meetings with IC Representative and other Investment Co. executives than he would have for a typical applicant.

For example, after a meeting between Drayne and Investment Co. representatives in October 2016, Drayne emailed Investment Co. stating that he had assigned additional personnel to the application and that he would "stay closely involved as well," requesting another meeting in a month.

Drayne told the OIG that there was a divergence from the normal course of application review at this point and he took over the process. Drayne added that "the idea of [Investment Co.] being a Ginnie Mae issuer was totally alive in my mind. I realized it might be a multi-year possibility, but these guys aren't going to go away."

Drayne Proposes Creating a New Class of Issuers After Ginnie Mae Denies Investment Co.'s Initial Application

After Investment Co. resolved problems with the completeness of its issuer application, Drayne sent an email to several Ginnie Mae employees on November 10, 2016, summarizing the

substantive issues with Investment Co.'s application, which he described as "a significant and high profile application." In the email, Drayne said that the Investment Co. application had been b(5) due to two basic issues: (1) Investment Co.'s corporate structure or business model and (2) its interconnection with Parent Co. Drayne also said, however, that b(5) he would keep working with Investment Co. to address the issues.

Drayne told the OIG that there was one "insurmountable" issue in that Parent Co., which controlled Investment Co., was also a "major investor" in an existing Ginnie Mae issuer. Drayne explained that Ginnie Mae sought to prevent situations in which an owner could move assets between two different Ginnie Mae issuers under its control in an attempt to circumvent Ginnie Mae guidelines. Drayne said that Investment Co. "was always trying to get us to come off our position because they would talk about their controls" and independent board members, but said that "it was never enough to . . . overcome the basic situation."

After considering the interconnectedness of Parent Co., Investment Co., and the existing Parent Co. issuer, Drayne said in the November 10 email that he determined Investment Co.'s application could not be approved without "a fairly radical change of course in how they are structured." Drayne wrote that he informed Investment Co. of this determination and Investment Co. responded that it was unwilling to make the required structural changes, resulting in Investment Co.'s application being "off the table." Nevertheless, Drayne noted that he had agreed to keep working with Investment Co. on the business-model issue, adding, "[i]n the long run, I would still like to have [Investment Co.] as an issuer."

Within weeks of sending this email summarizing Investment Co.'s application, Drayne considered creating an alternative path to issuer status for entities like Investment Co. In a discussion document dated November 29, 2016, and entitled "Investing Issuer Status," Drayne outlined a potential new class of Ginnie Mae issuers "that could be valuable in facilitating enhanced liquidity into the servicing market." Among other goals, establishing the new class of issuers would have addressed what Drayne considered one of the weaknesses of the marketplace at the time: "A number of parties that might be valuable providers of capital to the servicing marketplace [that] are unlikely to obtain Ginnie Mae issuer approval."

Although this document contained a "Confidential" watermark and the following caption: "DISCUSSION DOCUMENT: DO NOT DISTRIBUTE EXCEPT BY PERMISSION FROM GINNIE MAE," Drayne sent this document to IC Representative on January 18, 2017, in an email entitled "Proposal for discussion."

Drayne told the OIG he sent the document to as many as a half-dozen people outside of Ginnie Mae, including IC Representative, because he wanted to "clearly express" his thoughts and gauge whether there was any market interest in the concept, but added that he did not want people "passing it around to anyone." The OIG's review of Drayne's emails indicated that he

may have discussed the concept in this document with at least three other companies in the industry, but did not show he provided this document to others as he did with Investment Co.

Drayne denied that he had written the discussion document specifically to get Investment Co.'s application approved without Investment Co. changing its corporate structure but said that he "probably" had a conversation with IC Representative about it.[8]

Drayne and IC Representative Continue to Discuss Investment Co. Becoming an Issuer

Email evidence indicates that Investment Co. met with Ginnie Mae officials about its application again on February 22, 2017. Investment Co. representatives then reached out to Drayne on March 30, 2017, saying, "based on our conversation," Ginnie Mae was to provide "specific concerns" regarding the relationships between Investment Co., Parent Co., and the Ginnie Mae issuer Parent Co. owned and allow Investment Co. to respond, noting that they remained "hopeful that the companies' current governance structures and policies will address them."

About a week later, on April 6, 2017, Drayne sent Investment Co. representatives a lengthy explanation of Ginnie Mae's concerns with Investment Co.'s application for issuer status, including issues with Investment Co.'s business structure, self-sufficiency, and independence. Drayne wrote in this explanation that the "most significant obstacle" to approval of Investment Co.'s application was that Parent Co. would control two Ginnie Mae issuers, which Ginnie Mae is "loath to permit."

Drayne told the OIG that he had conversations about Investment Co.'s application with IC Representative and his team "many times" and that even though "they would have ideas," the end result was that "none of them were going to work" because "I just thought it was very clear cut." But Drayne also said that IC Representative was "very persistent" in that "he's just always thinking about the way . . . to do the deal and if there's an obstacle in his way, how can he get around the obstacle?"

Others at Ginnie Mae who witnessed Drayne's handling of Investment Co.'s campaign to become an issuer told the OIG that they found it unusual in several respects.

For example, Pordzik specifically recalled a meeting with OIPM directors when Drayne said, "if we get [Investment Co.] into the program . . . they said they would take on all of our defaulted portfolio," which made "people very nervous" and to which a meeting attendee replied, "Michael, that sounds like a quid pro quo to us." Pordzik also noted that Drayne assigned a

[8] In response to a draft version of the Investigative Findings section of this report, Drayne asserted that "[t]he report creates the impression that the 2016 paper about non-traditional issuers was largely a device aimed at finding an alternative (to regular issuer approval) way for [Investment Co.] to benefit from Ginnie Mae mortgage servicing rights," which Drayne said was "a distortion," as Investment Co. "did not really fit the profile of the institution the concept was mainly aimed at." Drayne added that the concept in the document "was discussed as a strategic priority in white papers Ginnie Mae published publicly in 2018 and 2019" and has "been a core element of [Ginnie Mae's] strategic plans for counterparty risk management" since its origination.

senior account executive "to see how [Investment Co.] could . . . get into the [Ginnie Mae] program" after Ginnie Mae had denied Investment Co.'s application to become an issuer, which she found "highly unusual."

Harlan Jones, an OIPM Single-Family Division Director during this period, also recalled Drayne assigning an account executive to handle Investment Co. after Ginnie Mae had already denied its application to become an issuer. This employee was one of Jones' subordinates in the Single-Family Division, and Jones said Drayne tasked the employee with "try[ing] to figure out . . . what we need to do to . . . get [Investment Co.] approved." Jones said this made him "a little upset" because Drayne did not consult Jones before assigning the subordinate with this task and because Jones had previously made his reservations about Investment Co.'s application known to Drayne when the Single-Family Division processed it.

Jones told the OIG it was "not normal" for Ginnie Mae to "put a[n] employee on trying to figure out how to get [an entity] approved" after its application had been denied, noting that "you're going to probably have one conversation" with such an entity ordinarily and "maybe tell them this is the reason[] why" the application was denied in such circumstances. Jones noted that Ginnie Mae had not "done this" or "gone this step" with "anybody [that] hasn't been approved" before, which made him question at the time, "Why are we doing it?"

Skochko agreed with Jones' assessment, telling the OIG that he had "never ever seen anyone [from Ginnie Mae] assigned to be the coach and help [a prospective issuer] achieve success as an applicant," so he viewed Drayne's decision to assign an employee "to be personally coaching" Investment Co. as "unusual and inappropriate."

Jones observed that it "felt like it was some multiple conversations" between Drayne and Investment Co. "during that time frame before or after" Ginnie Mae rejected Investment Co.'s application, which seemed "different" to Jones "[v]ersus like with some issuers," in that "[i]t felt like [Drayne] was pushing for it a little bit" more than what Ginnie Mae would typically do.

Skochko similarly observed that Drayne having "multiple meetings" with Investment Co. seemed "unusual" to him, and he recalled wondering at the time "[w]hy" Drayne was "engaging with [Investment Co.] in this fervent manner."

Rene Mondonedo, OIPM's Monitoring & Asset Management Division Director during this period, noted that, while there is nothing particularly wrong about an applicant for Ginnie Mae-issuer status seeking direct communication with Drayne as Investment Co. did, he did "sort of question" Drayne's general interactions with Investment Co. because the company "doesn't fit . . . the bill to be an issuer" for Ginnie Mae, adding, the interactions gave him "pause" because "there was a request for them to be an issuer and they just don't fit [into] that" category.

Keith acknowledged that others within Ginnie Mae had concerns regarding the attention Drayne devoted to Investment Co. and said "the level of investment [Drayne] was making in that

process" did "seem[] unusual" to him as well, but he did not necessarily view Drayne's actions as "inconsistent with [Ginnie Mae's] . . . stated goals . . . ." Keith said he understood how "the optics" of Drayne's actions regarding Investment Co. weren't "great" for some people, and that "the investment of labor and time [Drayne] was putting in" for Investment Co. is something one "could certainly question," but that he and Drayne were "anxious to protect this program, and to do that, we believe that more people interested in investing in MSRs is good," so he did not question Drayne's actions "from an ethics or . . . legality standpoint."

By contrast, Pordzik said that Drayne's overall handling of Investment Co.'s interest in becoming a Ginnie Mae issuer made her and others "nervous" and "uncomfortable" because they viewed it as "treating someone differently" than Ginnie Mae would in a similar situation. In this regard, Pordzik noted that she could not recall Drayne ever advocating so strongly for another entity to become a Ginnie Mae issuer as he did with Investment Co. Pordzik said that, "until [Ginnie Mae has] an official relationship with someone, . . . there's really no reason to be bending over backwards" as Drayne appeared to be doing with Investment Co. because "you want an issuer to come in on the merits," as opposed to benefiting from special treatment.

When the OIG asked Drayne if he had ever taken such a prominent role in the application of a prospective issuer as he had with Investment Co., Drayne said he could not recall doing so, explaining, "there probably isn't a corollary to that. . . . I don't think there's ever been a parallel where there's been somebody that's been so significant in the industry, wants to be a Ginnie Mae . . . issuer and is not" already an issuer, adding, "that was sort of a *sui generis* situation I think."

Drayne explained that:

> [Investment Co.] was really big, really acquisitive, opportunistic, ambitious, had a lot of access to capital, was into a lot of different things in . . . our industry, even without having Ginnie Mae approval. There's not really anyone else like them. So, I completely defend taking care to always work with them, always be available to them, listening to every cockamamie idea that came from [IC Representative], because there were a lot. If he was coming to town, and he wanted to talk about something, I'd go talk to him about it. I would do that for an institution in that kind of situation. . . . [W]e are a business partner, we are supposed to support this industry, that is part of our charter. We need to know these people, we need to work with them, we need to have them feel that we . . . can be a good business partner. I wanted [Investment Co.] to feel that we would be a good business partner, [even if] we had a line that we weren't going to cross. But if [IC Representative] came to town every second Tuesday of every month and wanted to meet with me and talk about things, I would have done that. And there was a lot of back and forth and meeting requests and things. . . . [B]ut to . . . take meetings, to have an account executive that was working on coordinating these things that were happening, . . . I would do that again.

When the OIG asked Drayne if he could understand how others within Ginnie Mae might have concerns about the way he had handled Investment Co.'s application for issuer status, Drayne said that, while it may have been "fair for people to . . . have concerns about something" in this regard and that this "comes with the territory," he "had nothing to be ashamed of on this front" and that his treatment of Investment Co. was "just good business" for Ginnie Mae.

Drayne recalled being aware at the time that certain people within Ginnie Mae "thought that we should shut off all communication" with Investment Co. once Ginnie Mae had denied its application because "it was clear that we were not going to approve them." But while Drayne said he was "100 percent on board" with the fact that Ginnie Mae would not be approving Investment Co. at the time, he believed Ginnie Mae's "dialogue" with Investment Co. was "not going to stop" and that he "need[ed] to manage this dialogue. And I want to manage the dialogue because I want them to be in the program. It's better . . . if they are. So, we'll handle this on the side, I'll keep the dialogue going."

Drayne said it was "understandable" that after Ginnie Mae had denied Investment Co.'s application certain Ginnie Mae staff members wanted to "move it off their desk" and "go to the next one" and "that's fine." But, Drayne said, "[t]hat was not going to be the case with [Investment Co.] and I'm not going to . . . listen to anybody telling me that it should have been. That's just stupid. We were going to continue the dialogue" to see "if we could have found some way to the resolve the issues that I hadn't thought of," although "we never really did" during this period. "[T]he team at the time that was underwriting" Investment Co.'s application "may not have liked the fact that I was . . . continuing to work with [Investment Co.]" Drayne said, [b]ut I don't care[;] I made the call and that's . . . what we did."

The Issuer 2 Situation

Concerns regarding Drayne's interactions with Investment Co. became heightened in April 2017 when a Ginnie Mae issuer in which Investment Co. had invested funds (Issuer 2) experienced financial distress that called its future into question.

The risk to Issuer 2 became severe on April 20, 2017, when the Consumer Financial Protection Bureau (CFPB) and several state regulators filed lawsuits against the company alleging, among other things, negligent conduct that resulted in consumer harm. The states filing the lawsuits also issued cease-and-desist orders against Issuer 2, limiting the company's ability to originate new mortgage loans or acquire new mortgage-servicing rights. In press releases on April 20 and 21, 2017, Issuer 2 denied the allegations made in the lawsuits.

The evidence shows that Issuer 2's financial situation had been a concern for Ginnie Mae in the past as well, and the OIG's review of Drayne's emails showed that Drayne solicited IC Representative's thoughts about Issuer 2 as far back as a year prior to its April 2017 distress. Specifically, in an email dated March 1, 2016, Drayne asked IC Representative if he could get his "thoughts about [Issuer 2] sometime in the next couple of days." Drayne told the OIG that Issuer 2 serviced a "pretty substantial amount of [Investment Co.'s] assets," that IC Representative was in a position to "take steps that would have . . . somewhere between harmed .

. . or . . . ended [Issuer 2's] business, really," and therefore "we would have been strategizing about . . . what might happen here and is there anything we can do to be prepared."

As Issuer 2's situation again came into focus in April 2017, Ginnie Mae employees began sending Drayne updates on the situation and analyses of potential responses.

On April 17, 2017, three days before the CFPB and state-regulator lawsuits, OIPM Single-Family program Director Jones sent Drayne an email recommending that Ginnie Mae (b) (5) [redacted] noting that a b(5) [redacted] [Issuer 2]." Jones explained in this email that Issuer 2 b(5) [redacted]

That same day, OIPM's Monitoring & Asset Management Division Director Mondonedo forwarded Drayne an email drafted by a Ginnie Mae account executive working on Issuer 2's [redacted] (b) (5) [redacted] (b) (5) [redacted]

Drayne told the OIG that he had devised the Special Situation status, explaining that it was designed to formalize a change in handling of a troubled-issuer situation that "recognize[s] the possibility that the issuer is not [going to] make it," with added internal reporting protocols and relationship management. Drayne noted that such a change in status is not publicly disclosed.

When the lawsuits against Issuer 2 became public on April 20, 2017, Keith forwarded Drayne an email he had sent directly to an Issuer 2 representative that said: "Hearing rumblings about you guys retaining [bankruptcy] counsel. Just a reminder that it would be bad for us to be surprised. I encourage over[-]communication."

Investment Co. Proposes Becoming an Issuer to Resolve the Issuer 2 Situation

Drayne's emails show that at the same time he was involved in Ginnie Mae's efforts to address the Issuer 2 situation he was also speaking with IC Representative about Issuer 2. In an email on April 25, 2017, a representative of Parent Co. (Parent Representative) sent Drayne a written proposal signed by IC Representative that called for the transfer of certain portfolios of an unidentified Ginnie Mae issuer to Investment Co.

Parent Representative stated in this email: "Per recent conversations between you and [IC Representative], please find attached a letter that outlines [Investment Co.'s] proposal to facilitate an orderly servicing transfer of certain Ginnie Mae MSR servicing portfolios." The first paragraph of the proposal stated, "[w]e understand Ginnie Mae may desire to transfer the servicing of certain portfolios . . . from the Ginnie Mae Issuer currently servicing the related loans . . . to another approved Ginnie Mae Issuer." Later in the first paragraph, the proposal named Investment Co. as the approved Ginnie Mae issuer that would receive and perform the servicing duties.

When the OIG asked about this proposal and IC Representative's attempt to include issuer status for Investment Co., Drayne called it "ridiculous" and a "cockeyed transparent attempt to leverage the [Issuer 2] situation," adding that "we could never have considered something like that" and that "there's just a lot wrong with that and it never went anywhere."

Despite this interview testimony, Drayne thanked Parent Representative in his email response to him and said that he would review the proposal. Drayne told the OIG that he "may not have even read the thing when [he] initially responded" to Parent Representative, adding that he later had a conversation with Parent Representative and remembered "him being sheepish about it and how . . . [IC Representative] wanted to try this and he knew."

The OIG's review of call records for Drayne's government telephone line showed that communication between Drayne and Investment Co. increased at the time the company proposed receiving issuer status in exchange for resolving the Issuer 2 situation. During the period between January 1, 2017, and April 23, 2017, for example, the phone records show that Drayne participated in only three telephone calls with Investment Co. or Parent Co. personnel, whereas between April 24 and 28, 2017, Drayne participated in eight such calls.

Drayne told the OIG that Investment Co. "didn't have any information from me" and that he conveyed to Parent Representative that saying Investment Co.'s proposal was based on "conversations" between Drayne and IC Representative as Parent Representative did in his April 25 email "was bullshit" because it "implie[d] things that I can only say . . . didn't happen." Drayne denied proposing the transfer of the Issuer 2 portfolio to Investment Co., saying that it was "offensive" and Investment Co.'s "shot in the dark," adding that mortgage bankers "can be aggressive and pushy and clever and it, it sort of comes with the territory in a lot of ways."

While understanding that Investment Co.'s proposal could be construed as a quid pro quo request – Ginnie Mae approval of Investment Co. in exchange for an Issuer 2 bailout – Drayne told the OIG that he "was not stage managing some future for the [Issuer 2] portfolio with [IC Representative]." Drayne suggested that, in his view, "there could be a quid pro quo" where Ginnie Mae "executed an approval for somebody because of particular circumstances," but that Ginnie Mae would need to handle the approval in accordance with its standard approval procedures and "a letter like that would never be part of the equation."

Drayne Rejects Seizing Issuer 2's Portfolio

Between April 20 and 28, 2017, Mondonedo b(5) Issuer 2's b(5) Issuer 2's (b) (5) Mondonedo (b) (5) Issuer 2 (b) (5) ssuer 2, (b) (5) In this regard, Skochko recalled Mondonedo telling him on or around April 27, 2017, that Ginnie Mae (b) (5)

[redacted] [Issuer 2] [redacted] Issuer 2. Mondonedo [redacted] Issuer 2 [redacted]

On April 28, 2017, Drayne sent an email update about the Issuer 2 situation to Ginnie Mae's Acting President Nancy Corsiglia, Chief Risk Officer Keith, and several other Ginnie Mae employees, noting that he participated in a call the day before with Issuer 2's management. Drayne said Ginnie Mae informed Issuer 2 during this call of its concern that the "state actions would impair" the issuer's ability to service loans, asked Issuer 2 to address the potential for a bankruptcy filing, and stated its desire to have Issuer 2's portfolio "move elsewhere." Drayne informed the email recipients that Issuer 2 assured Ginnie Mae that the state lawsuits did not prevent the company from servicing loans, [redacted]

Drayne stated [redacted] [Issuer 2] [redacted] Issuer 2 [redacted] Instead, Drayne [redacted]
Drayne also hazarded a "guess" in this email that a "re-structuring transaction or outright sale will occur at some point, possibly including [Investment Co.], that changes the situation."

In explaining the basis for this guess during his OIG interview, Drayne referenced his ongoing conversations with IC Representative at the time, telling the OIG that "in our conversations . . . it's definitely clear [Investment Co.] is making decisions too about how they're going to do things. Are they [going to] . . . exercise some option or so. So, they've got . . . a range of possibilities themselves. And you know, I certainly . . . would have known that."

Pordzik told the OIG that she found Drayne's decision [redacted] Issuer 2 "kind of stunning" at the time, and that she could not understand why he wanted to be in contact with Investment Co. about the situation. Pordzik explained that Drayne's reference to communications with Investment Co. struck "people as odd because we don't generally reference, like, outside financers. In our work we have no relationship with them."

Mondonedo similarly told the OIG that he would not have "taken[n] [Investment Co.'s] call" if the company had attempted to speak with him at the time about Issuer 2 "[b]ecause they're not an issuer" and he would not "be having a discussion with an issuer's counter-party like that."

Jones likewise said it was out of the ordinary for Ginnie Mae to be speaking with Investment Co. about the Issuer 2 situation, explaining that Ginnie Mae "shouldn't stay in touch with" and "shouldn't be talking" to Investment Co. "about [its] deal" with Issuer 2 as Drayne proposed in his April 28 email, but rather "it should be [Issuer 2] talking to [Investment Co.]" about the deal and then "[Issuer 2] should let us know . . . what's going on with [Investment Co.], how this deal is going to help" instead. "[Issuer 2] should be dealing with [Investment Co.] on that," Jones said, not Investment Co. interacting with Ginnie Mae, because Investment Co. "isn't our business."

During his OIG interview, Keith acknowledged that there were concerns within Ginnie Mae about Drayne communicating with Investment Co. at the time. And Pordzik told the OIG she specifically remembered thinking at the time, "God, I hope Michael's not talking to these guys," because "if he's signaling to them that Ginnie's b(5) [Issuer 2], that's not good. We shouldn't be talking to anyone about this stuff," adding, "I would never be talking to an entity" like Investment Co. with which Ginnie Mae does not "have a relationship."

Skochko similarly told the OIG he remembered thinking at the time that it was a "terrible" idea for Drayne to be communicating with Investment Co. about Issuer 2 because Ginnie Mae "cannot be staying in touch with other parties on this matter." Skockho said Ginnie Mae could "stay in touch with other federal regulators" about Issuer 2 because "[w]e have MOUs with other federal regulators." But because Ginnie Mae had no similar ability "to reveal anything to [Investment Co.]," Drayne stating that he was "keeping in touch with [Investment Co.] was [of] tremendous concern" at the time.

Pordzik said she had no evidence that Drayne was divulging confidential Ginnie Mae information to Investment Co., but still felt that Drayne communicating with the company was worrisome because "that could have influenced [Investment Co.'s] decision to do a deal with [Issuer 2] (b) (5) [Issuer 2] (b) (5) [Investment Co.] (b) (5) [Issuer 2]." Pordzik said learning of Drayne's conversations with Investment Co. "raised [her] eyebrows because [she] thought, '[w]ow, we have to be really careful what we're doing here.'"

Calling his discussions with Investment Co. a "delicate business," Drayne told the OIG that Investment Co. had "a very involved business relationship" with Issuer 2 and that Investment Co. "could [have] affect[ed] the situation." Consequently, Drayne explained, "we are going to be looking into that. That doesn't mean we're just going to call them as if we can have some free conversation."

Drayne acknowledged that he had engaged in one-on-one conversations with Investment Co. about Issuer 2 with no other Ginnie Mae personnel present. Drayne also said he realized these interactions may have caused concern for some within Ginnie Mae and that avoiding such one-on-one interactions is "sometimes . . . the right thing to do" for that reason. But, Drayne said, "it would be really hard . . . to run this business in a way that . . . always keeps you out of that kind

of thing, though. And, I think . . . going to the lengths that would be necessary to do that, I just . . . question whether that's the right approach . . . ." Drayne said he was "not resentful about being questioned" on the subject, as this "comes with the territory," but that he "would not want to go about things in a way that made it[] so that I would never be questioned about this. I just wouldn't do that. That nothing could ever happen that you might have questions like this . . . just doesn't seem right to me."

IC Representative Conditions Providing Information to Drayne on Approval of Investment Co.'s Issuer Status Shortly Before Announcing a Deal to Invest in Issuer 2

Three days after Investment Co. sent Drayne its proposal to become a Ginnie Mae issuer in exchange for resolving the Issuer 2 situation, on Friday, April 28, 2017, Drayne sent an email to IC Representative and Parent Representative asking for a summary of Investment Co.'s rights to Issuer 2's assets, the triggering events that would allow Investment Co. to exercise those rights, and what actions, if any, Investment Co. had already taken. Drayne clarified that the request was not an official demand and that he would not "press [them] on it," adding that he was "just trying to understand, and seeking help."

Noting that he could not compel information from Investment Co. because it was not an issuer, Drayne told the OIG that he did not want to come off in this email as "trying to be the heavy . . . hand of the government;" instead, he wanted the request to be received as "we've been wondering about [this] and we can't figure it out ourselves. Can you just lay this out for us?"

Less than twenty minutes after receiving Drayne's April 28 email, IC Representative responded with "[j]ust tried you," and included a phone number. About an hour later, Drayne responded by stating, "[w]ill try you in a minute." Nine minutes after that response, IC Representative sent an email to Drayne with one word: "License?"

During his OIG interview, Drayne acknowledged that IC Representative's "License" response could make it appear as if IC Representative was leveraging Drayne's request for information to obtain Ginnie Mae's approval of its issuer application, adding, "I spent years with him pestering me about getting Ginnie approval and I just, I was used to it."

The following Monday, May 1, 2017, Issuer 2 publicly announced that it was working with Investment Co. "towards an agreement that would further solidify and enhance the business relationship between the two companies." According to the announcement, Investment Co. would acquire a stake in Issuer 2 through an equity investment and modify its existing rights to Issuer 2's securities as part of an upfront payment to Issuer 2, among other terms.

During his interview with the OIG, Drayne denied discussing Ginnie Mae's plans for handling the Issuer 2 situation with IC Representative, saying that would have been "completely inappropriate" and "unwise," adding that IC Representative already "had a lot of information" about Issuer 2. Drayne said: "I can't sit here and say that [IC Representative] never tried to get

information out of me," but said he could not recall IC Representative attempting to obtain information from him about Issuer 2, and any such attempts would not have been "a big part of the dynamic" in their relationship generally.

Drayne said that IC Representative could not have gleaned from their conversations that Ginnie Mae would refrain from revoking Issuer 2's approval and seizing its portfolio, noting that he had "to have a certain guard in the conversation. I can't talk about what we may or may not do."

Drayne Seeks to Maintain Control Over Ginnie Mae's Handling of the Issuer 2 Situation and Is Alerted to Concerns Regarding His Discussions with Investment Co..

On May 5, 2017, Mondonedo informed Drayne that Corsiglia, Drayne's supervisor, wanted to convene [redacted] Issuer 2. Drayne responded, "please don't take any actions or set up any meetings without my assent," adding, "I want to stay in charge of it." After Mondonedo further explained Corsiglia's reasons for wanting a meeting, Drayne replied, "Nancy needs to work through me and so do you."

Discussing this email exchange in his OIG interview, Drayne said that in "attention grabbing" situations that involve a public company like Issuer 2, "it's not uncommon . . . for me to [express] concern about keeping things tight" and that he wanted to avoid a situation "where there are too many cooks in the kitchen."

Four days after this interaction with Mondonedo, on May 9, 2015, Drayne drafted a document containing a synopsis of the Issuer 2 situation for Corsiglia that described recent developments, open items, and near-term plans, which he sent to Keith for review. The synopsis included the following entry: "We speak to [Investment Co.] every few days. They told us today that they are seeking to finalize their announced deal with [Issuer 2] this week, though of course there can be no assurances of that."

About 40 minutes later, Keith advised Drayne: [redacted] [Investment Co.] [redacted] The evidence shows Drayne replied "Ok thanks" to this message from Keith [redacted] to Investment Co. The evidence shows further that Drayne provided Corsiglia with an email update on the Issuer 2 situation three days later that contained no reference to his discussions with Investment Co.

When asked about the advice he gave Drayne, Keith told the OIG that he did not recall specifically, but said that because he had knowledge at the time of an investigation HUD had recently initiated into Drayne's relationship with IC Representative and their communications about Issuer 2, the reason he gave this advice "was probably because" he knew "there [was] a sensitivity to all this stuff," and although he did not want to inform Drayne of the investigation, "[t]o some degree this [was him] trying to maybe help [Drayne], you know, not fan – continue to fan, you know, these, . . . concerns . . . by him" referencing his discussions with Investment Co. Keith added, "I didn't tell him there was an investigation; I didn't say

anything, but I was trying to say that, look, you shouldn't be out there talking about all this stuff" like Drayne had in his original draft of the synopsis.

The HUD investigation into Drayne's interactions with Investment Co. about Issuer 2, launched at around the same time as this email exchange, is discussed further below.

Drayne Announces a [redacted] Issuer 2 [redacted] as Investment Co. Continues Its Push to Become an Issuer and Finalizes Issuer 2 Deal

On May 24, 2017, [redacted]

On May 25, 2017, IC Representative again sent Drayne an email regarding Ginnie Mae approval of Investment Co. as an issuer, asking, "when are you approving us?" In response, Drayne said that he had spoken with Parent Representative "a couple weeks ago about a number of different ideas," adding that he needed to speak with internal parties about potential alternatives, but that "[i]t's definitely on my radar."

On May 31, 2017, Drayne informed Keith by email that he was [redacted] This Issuer 2 [redacted] Issuer 2 [redacted] Issuer 2's [redacted]

On July 21, 2017, Drayne emailed a number of Ginnie Mae employees [redacted] Issuer 2. Drayne wrote that during the approval process Ginnie Mae [redacted] Issuer 2 [redacted] Issuer 2 [redacted].

Two days later, on July 23, 2017, Investment Co. and Issuer 2 entered into a series of final agreements to transfer certain Issuer 2 mortgage-servicing rights to Investment Co. for a lump sum payment and allowing Investment Co. to purchase shares of Issuer 2 common stock in a private placement worth millions of dollars.

Noting the proximate timing of his email about the [redacted] Issuer 2's [redacted] Investment Co. finalizing its agreement with Issuer 2, Drayne told the OIG that the debate about the [redacted] "went on for a while" and that "[t]he two days is coincidental."

Five days later, on July 28, 2017, Mondonedo sent Issuer 2 an NOV notifying the company that Ginnie Mae had declared an event of default based upon the cease-and-desist orders issued

against Issuer 2 by state regulators and that it reserved the right to terminate or restrict Issuer 2's participation in the Ginnie Mae MBS program.

On Saturday, July 29, 2017, IC Representative emailed Drayne directly asking to speak with him about "licensing and the letter sent" to Issuer 2. The chain of messages that followed indicates that Drayne and OGC Deputy Assistant General Counsel Mulrain scheduled a call with IC Representative on Monday, July 31, 2017.

Drayne told the OIG that he has had conversations with third parties in the past to explain the meaning of NOVs and why Ginnie Mae issues them, which he said would have been the dialogue he had with IC Representative on July 31.

HUD's Review of Drayne's Involvement with the Issuer 2 Situation

In early May 2017, Corsiglia, Ginnie Mae's Acting President at the time, learned of allegations indicating that Drayne may have provided IC Representative with internal, non-public Ginnie Mae information regarding Issuer 2 and that IC Representative used that information to formulate Investment Co.'s Issuer 2 strategy.

According to Corsiglia, she determined that these allegations warranted an independent review and arranged an in-person meeting the following morning with Kevin Simpson, then-Associate General Counsel in HUD's Office of Finance, Procurement and Administrative Law, to discuss the matter.

Simpson told the OIG that he and Corsiglia discussed whether OGC should conduct an inquiry into the matter, but ultimately decided it should not due to concerns about potential OGC conflicts in the future if an inquiry resulted in legal proceedings involving HUD.

Ginnie Mae and OGC Decide to Use Law Firm to Conduct a Review of Allegations Regarding Drayne

Corsiglia told the OIG that Simpson later informed her that OGC would retain a private law firm (Law Firm) to conduct an "immediate" and "thorough" investigation of the allegations instead of OGC conducting the investigation itself.

OGC Assistant General Counsel Campbell told the OIG that OGC made the decision to enlist outside counsel during a meeting between Simpson and his supervisor, Linda Cruciani, HUD's Deputy General Counsel for Operations and Acting General Counsel at the time. Campbell said OGC chose Law Firm due to its experience in conducting this type of review.

Mulrain similarly told the OIG that, after discussing the matter with Cruciani, Simpson made the decision to use an outside law firm to review the allegations. Mulrain said that Law Firm was one of two private-sector law firms under contract with Ginnie Mae at that time and its contract allowed the firm to provide a variety of services.

Simpson, by contrast, told the OIG that it was Ginnie Mae's decision to hire Law Firm, stating that OGC was "just offering recommendations." Simpson also said that he may have told Corsiglia that OGC could not conduct the investigation, so "let's see if we can get [Law Firm] to do it."

Simpson told the OIG that he did not specifically recall whether OGC discussed referring the Drayne allegations to the OIG during its deliberations. Simpson explained that while the OIG was one resource available to investigate such allegations and was probably "in the mix" at that time, expediency in determining the validity of the allegations was a factor in the decision to use outside counsel.

Campbell said she thought OGC discussed the option of sending the allegations to the OIG for review at the time and confirmed Simpson's assertion that OGC believed "there was a time element to this." Campbell said she did not think a review of the allegations should have started with the OIG because they were trying to ascertain "the facts on the ground" relating to "immediate concerns from a [Ginnie Mae] corporate governance standpoint."

OGC Limits Scope of Law Firm's Review

According to a partner at Law Firm who conducted the investigation (Partner), OGC placed limitations on the firm's ability to assess the allegations against Drayne, and particularly by limiting the scope of its assessment to potential securities-law violations. In interviews with the OIG, OGC attorneys were unable to recall who specifically decided to put these limitations into place.

Partner told the OIG that OGC informed him on May 17, 2017, that Ginnie Mae had decided to retain Law Firm to review the Drayne allegations. Partner said that OGC instructed the firm to review how Ginnie Mae handled confidential information generally, and determine if Drayne passed any material, non-public information to Investment Co. personnel providing them a benefit in trading securities.

Partner said that OGC also set limitations on the investigative steps Law Firm could take in conducting its review, such as restricting Law Firm to interviewing only management-level personnel at Ginnie Mae. In addition, Partner said, OGC did not give Law Firm access to Ginnie Mae's documents during its review, refusing Law Firm's offer to collect any pertinent emails. Instead, Partner said, OGC only permitted Law Firm to ask witnesses to bring whatever documentation they themselves believed relevant to the review.

According to Partner, OGC did not provide a reason for the limitations it placed on Law Firm's review, adding that he would call what Law Firm conducted a "review" because OGC did not task the firm with conducting an actual investigation.

In her interview with the OIG, Campbell recalled a meeting with Law Firm wherein OGC provided the names of "people who had information relative to the concern that was raised," but

did not recall why OGC placed limitations on Law Firm's review or who in OGC determined them.

Simpson first told the OIG that he recalled Ginnie Mae determining the scope of and limitations on Law Firm's review; however, after reviewing Law Firm's report of its findings, Simpson said that he did not recall who made such determinations.

OGC Prevents Law Firm from Interviewing Complainant

Partner told the OIG that the limitations OGC placed on Law Firm's investigation into the allegations against Drayne resulted in Law Firm not interviewing the person who first raised these allegations to Ginnie Mae leadership (Complainant). As with the limitations on the review's scope, OGC attorneys did not recall how or why Law Firm did not interview Complainant during the review.

Law Firm's final report outlining its review and findings addressed why it did not interview Complainant as follows:

b(5) [redacted]

The report states b(5) [redacted] Even so, Partner told the OIG, it was not ideal that Law Firm was not able to speak with Complainant as part of its review and Partner would rather have done so.

During her interview with the OIG, Campbell said that she could not recall why OGC misidentified Complainant as a non-managerial Ginnie Mae employee. Simpson told the OIG that "it probably would have been a good thing" for Law Firm to have interviewed Complainant during the review. And Mulrain told the OIG that when she learned the names of those interviewed by Law Firm during its review, she wondered why Complainant was not interviewed. Mulrain noted that she was on leave from work at the time OGC determined who Law Firm could interview so she did not know how such determinations were made, but Mulrain said her general view is that, "if nothing else, the person who's made the charge should definitely be part of the investigation or at least interviewed at a minimum."

Drayne Furnishes Law Firm Reviewers with Incomplete Email Evidence

As noted above, OGC declined Law Firm's offer to collect pertinent emails and documents for its review, limiting Law Firm to asking witnesses – including the subject of the review – to voluntarily produce any emails or other documentation that the witnesses believed pertinent. Leaving discretion regarding document production with the witnesses instead of the reviewers resulted in Drayne producing incomplete evidence to Law Firm.

After Drayne's interview with Law Firm on June 6, 2017, Drayne forwarded the firm his notes from a call with IC Representative and certain emails Drayne believed pertinent to Law Firm's review. Specifically, Drayne forwarded Law Firm an email chain that he said prompted his call with IC Representative that was the subject of the notes he produced.

The email chain Drayne produced was the April 28, 2017 exchange between himself, IC Representative, and Parent Representative that started with Drayne asking about Investment Co.'s business arrangements with Issuer 2. In the final message of this version of the email chain Drayne produced to Law Firm, IC Representative informed Drayne that he would call Drayne personally in five minutes.

Drayne did not forward the subsequent portion of this email chain that ends with IC Representative's one-word message: "License?," even though this portion of the exchange took place just seven minutes after the partial exchange Drayne did forward to Law Firm.

Drayne told the OIG that he did not intentionally withhold the remainder of this April 28 email exchange from Law Firm. Drayne said he recalled Law Firm asking him about that specific conversation and this reminded him of an email related to the conversation. Drayne said he "could have" conducted a search of his emails from Parent Representative and sent the one he found. Drayne clarified that he "didn't go back and . . . look at all my communications around that time and . . . say, well, they would probably be interested in this."

Partner said that there was no way to verify the accuracy of the statements or documents provided to Law Firm during its review, adding that if the witnesses did not share all pertinent documents with the firm, the accuracy of the review's conclusions could well have been affected due to this lack of verification. Partner told the OIG that, ideally, he would have obtained all relevant documents and interviewed anyone he felt necessary to conduct the review. Partner noted there were inherent risks in limiting the scope of the review in this fashion; risks that could well have adversely affected the review's ultimate conclusions.

When asked about the restriction OGC placed on Law Firm's ability to collect emails, Mulrain reiterated that she was not involved in the decision-making about this, so did not know all the reasons OGC may have had for imposing such a restriction, but told the OIG that, as a general

matter, a restriction like this "just doesn't make sense" for purposes of conducting an accurate review.

Law Firm Issues a Report of Its Findings

Law Firm finalized its memorandum to OGC reporting on the results of its review on July 12, 2017. The memorandum b(5) The memorandum did not address potential violations of federal ethics laws.

In the memorandum, Law Firm b(5) Drayne's b(5) Investment Co. b(5) Law Firm b(5) in which Drayne b(5) Investment Co. b(5) preferential treatment in exchange for its investment in Issuer 2. b(5) Law Firm, b(5) said that Drayne b(5)

According to the memorandum, Drayne b(5) Law Firm b(5) IC Representative b(5).

b(5) Drayne b(5) Law Firm b(5) IC Representative b(5) [Investment Co.] b(5) [Issuer 2] b(5) b(5) Drayne, IC Representative b(5).

b(5) Drayne b(5) IC Representative b(5) Investment Co. b(5) Issuer 2. Drayne b(5) IC Representative b(5) Drayne b(5).

b(5), Drayne b(5) Law Firm b(5) Investment Co. b(5) Issuer 2 b(5) Issuer 2 b(5) Investment Co. b(5)

b(5) Parent Representative b(5) IC Representative, Drayne b(5) Law Firm b(5) IC Representative b(5) Investment Co. b(5) for Issuer 2 b(5) Investment Co. b(5)

According to the memorandum, Drayne [redacted] [IC Representative] [redacted] Issuer 2 [redacted] Issuer 2.

Law Firm [redacted] the memorandum [redacted] Drayne [redacted] Drayne [redacted] Investment Co., [redacted] Drayne's [redacted]

The memorandum [redacted] Law Firm [redacted] Drayne [redacted] Drayne [redacted]

[redacted] Law Firm [redacted] Drayne [redacted] Issuer 2 [redacted] Investment Co. [redacted] as of May 1, 2017.[9]

The memorandum [redacted] that Drayne [redacted] : "Drayne [redacted]

Finally, the memorandum [redacted] Law Firm [redacted] Law Firm [redacted] Law Firm [redacted][10]

Analysis

The OIG did not find evidence substantiating the specific allegation that Drayne provided Investment Co. with confidential, non-public information regarding Issuer 2, but did find

[9] The OIG takes no position regarding Law Firm's factual and legal conclusions in its memorandum, including whether information known to Ginnie Mae regarding Issuer 2 at the time was material for purposes of federal securities laws.

[10] As a result of this recommendation, Ginnie Mae issued the written Confidential Information Policy referenced in the Applicable Legal Framework section of this report.

evidence establishing that Drayne provided Investment Co. with confidential, non-public information regarding Issuer 1, in violation of 5 C.F.R. §§ 2635.101(b)(8) and 2635.703. Drayne also failed to avoid creating the appearance that he may have been acting unlawfully in certain of his interactions with Investment Co., in violation of 5 C.F.R. § 2635.101(b)(14). The OIG found further that OGC's handling of this matter was not ideal because it placed several questionable limitations on Law Firm's review of the allegations against Drayne.

Although it is not possible to ascertain with certainty what may have transpired in telephonic communications between Drayne and IC Representative, the OIG found no specific instance of Drayne transmitting confidential, non-public information regarding Issuer 2 in any of the email correspondence between him and IC Representative or anyone else at Investment Co., and no witness with whom the OIG spoke was able to identify any specific instance of Drayne transmitting such information to Investment Co. Drayne also denied disseminating confidential, non-public information regarding Issuer 2 in both his interview with the OIG and his interview with Law Firm.

However, Drayne did disclose confidential, non-public information regarding Issuer 1 in his June 14, 2015 email to IC Representative telling him Issuer 1's management was "tainted," which violated 5 C.F.R. § 2635.703.

Section 2635.703 prohibits federal employees from allowing others to use information known by the government for their own private gain when that information has either (1) been "designated as confidential by an agency" or (2) "not actually been disseminated to the general public and is not authorized to be made available to the public on request."

There is no question that the "tainted" information Drayne disclosed to Investment Co. would be "designated as confidential by [the] agency" under the written Confidential Information Sharing policy that has been in place at Ginnie Mae since 2018. That policy prohibits the sharing of information with third parties that pertains to "[n]on-public information regarding a Ginnie Mae issuer," information "regarding Ginnie Mae's monitoring of its issuers that is not otherwise publicly available," or "[n]on-public information disclosed by [other] government entities to Ginnie Mae." And in this case, the evidence shows that neither the [redacted] b(5), b(7)(E) of Issuer 1 nor the compliance failures at Issuer 1 that Ginnie Mae had identified on its own were publicly known at the time Drayne made his "tainted" disclosure to IC Representative.

Moreover, even though Drayne made the disclosure prior to Ginnie Mae issuing this written Confidential Information Sharing policy, the evidence shows that the written policy merely reflects what had been Ginnie Mae's well-established practice even before its issuance, which Mulrain confirmed during her OIG interview.

For example, the policy specifically notes the guidance Drayne's subordinates received regarding "Sharing Information with Other Entities" in a May 20, 2015 Memorandum from OGC, almost one month before Drayne made his "tainted" disclosure to IC Representative. That Memorandum

addressed the Trade Secrets Act's prohibition against sharing non-public Ginnie Mae information with private entities and the requirement for an appropriately tailored ISA to share even post-action, non-protected information on Ginnie Mae defaults and Notices of Violation with non-governmental entities – something that Ginnie Mae certainly did not have with Investment Co.

As Mulrain explained to the OIG, information Ginnie Mae learns through its monitoring function indicating fraudulent activity by one of its issuers should be considered confidential, "protected information" that should not be shared with a third-party private entity like Investment Co.

Further, the evidence shows that Drayne was on notice that Ginnie Mae should not divulge non-public compliance information about its issuers to third-party entities like Investment Co. at the time OGC issued this Memorandum regardless of whether he saw it at that time or not.

The evidence shows that Drayne was involved in Ginnie Mae's effort to adopt inter-agency MOUs for the purpose of exchanging information about its issuers that resulted in this May 2015 OGC opinion. On April 10, 2015, Program Advisor referenced Drayne as someone who was taking "considerable interest in the development of [Ginnie Mae's] interagency agreements," and it was Drayne himself who sent a b(5) for OGC's review on May 4, 2015. Drayne also stated the next day that he had already had at least one "fairly lengthy" conversation with OGC about Ginnie Mae's need for adopting such agreements. And the b(5) Drayne (b) (5) Issuer 1 information Drayne shared with IC Representative, including (b) (5)

Moreover, Mulrain told the OIG that OGC had been in "regular contact" with Ginnie Mae about information sharing prior to the issuance of this May 2015 Memorandum. "[A]nd more specifically," Mulrain added, she herself "had a multitude of conversations with Michael Drayne, in particular, about information sharing . . . prior to May 2015," beginning after she "was promoted to the deputy position [in OGC] . . . in 2014" at the latest. Mulrain said Drayne therefore "should have" been aware of the advice in the May 2015 OGC Memorandum and that he should not share non-public information with private entities at the time the Memorandum was issued regardless of whether he saw it then or not.

And even though he could not recall whether he saw the May 2015 Memorandum at the time OGC issued it, Drayne confirmed that "the right understanding" of the limitations on Ginnie Mae's ability to share non-public information would be that if Ginnie Mae learned one of its issuers was experiencing a serious compliance issue or engaged in potentially fraudulent activity, it could not share that information with a non-governmental entity at all. Drayne said further that this would have been his understanding from as early as 2012, or within his first year of joining Ginnie Mae, based on numerous consultations with OGC and internal Ginnie Mae discussions over the years, as well as "common sense."

Thus, even without a written policy in place, the evidence establishes that Ginnie Mae had effectively "designated" compliance-related information about Issuer 1 "as confidential" before Drayne made his June 14, 2015 "tainted" disclosure to Investment Co. and that Drayne was aware of this fact. But any question in this regard is put to rest by the April 29, 2015 b(5), b(7)(E) that Drayne signed on behalf of Ginnie Mae.

This (b) (5), (b) (7)(E) Issuer 1 (b) (5), (b) (7)(E)

During his OIG interview, Drayne acknowledged that the "tainted" disclosure he made to IC Representative would have been based substantially on knowledge he had gained from what Ginnie Mae had learned about Issuer 1. As such, to the extent Drayne's "tainted" disclosure to IC Representative was based in any way on information derived from what the b(5), b(7)(E) had shared with Ginnie Mae, Drayne was on notice that the b(5), b(7)(E)

Issuer 1 b(5), b(7)(E) Drayne b(5), b(7)(E)

Drayne justified his decision to disclose the "tainted" nature of Issuer 1's management to IC Representative by saying he was attempting to convey to Investment Co. that Ginnie Mae would not approve a change of control at Issuer 1 with its existing management in place. But by telling IC Representative that Issuer 1's management was "tainted," Drayne conveyed information about how Ginnie Mae viewed those management officials that was based on internal Ginnie Mae and b(5), b(7)(E) that Investment Co. had no right to learn pursuant to Ginnie Mae's general treatment of non-public issuer information and its b(5), b(7)(E)

When confronted with this fact, Drayne recognized how this would be an issue of concern for the OIG, saying, "I understand that point" and "I don't argue with you on that." This caused Drayne to speculate that there may have been some publicly available information about the problems with Issuer 1 that made him feel comfortable enough to make the statement he did to IC Representative, but Drayne could identify no such information and the OIG found none through its own research.

Indeed, the evidence shows that Ginnie Mae was not aware of any compliance problems with Issuer 1 until less than four months before Drayne made his "tainted" disclosure, and that the b(5), b(7)(E) Ginnie Mae b(5), b(7)(E) b(5), b(7)(E) Issuer 1 b(5), b(7)(E)

[redacted] Issuer 1 [redacted] Moreover, [redacted] did not announce the results of its investigation of Issuer 1 until the end of May 2016. Thus, the evidence does not support Drayne's speculation that there could have been any publicly available information about Issuer 1 as of June 2015 that would justify him disclosing the "tainted" information he did to IC Representative given that Ginnie Mae [redacted] effectively "designated [it] as confidential" within the meaning of Section 2635.703.

For similar reasons, the evidence shows that Drayne should not have made his "tainted" disclosure to IC Representative under the terms of Section 2635.703 because this information had "not actually been disseminated to the general public" at the time and was "not authorized to be made available to the public on request."

Drayne, Keith, and Pordzik each told the OIG that Ginnie Mae had refused to tell Buyer about Issuer 1's compliance problems as Buyer considered purchasing Issuer 1's portfolio, even though Buyer had "request[ed]" Ginnie Mae to "ma[k]e available" such information. Indeed, Pordzik told the OIG she felt ethically uncomfortable not revealing this information to Buyer when its representatives asked if there was anything about Issuer 1 that it should know but kept the information confidential because Ginnie Mae management had prohibited its release.

Drayne himself told the OIG that, because of the government's oversight activities, Ginnie Mae knew more about the compliance problems at Issuer 1 than Buyer could have known, that knowledge of those compliance problems could have benefited a prospective purchaser of Issuer 1's assets, and that Ginnie Mae decided not to tell Buyer about Issuer 1's compliance problems regardless because "we really feel we can't" in a circumstance like that. Drayne confirmed that this was so because of the general restrictions on information sharing in place within Ginnie Mae at the time, as reflected in the May 2015 OGC Memorandum on "Sharing Information with Other Entities," and the specific restrictions imposed by the [redacted] that he had signed. Moreover, Mulrain [redacted] Pordzik [redacted] Issuer 1 [redacted] Buyer [redacted]

As Pordzik put it, "certainly nobody [at Ginnie Mae] was telling [Buyer] that there was fraud that started with the [executives]" managing Issuer 1. And yet, when IC Representative asked Drayne for advice regarding the prospective purchase of Issuer 1, Drayne told him the executives managing Issuer 1 were "tainted."

Drayne asserted during his OIG interview that informing Investment Co. but not Buyer about Issuer 1's "tainted" management could be justified because Buyer did not need any information about fraudulent activity by Issuer 1's management to complete its acquisition of Issuer 1's portfolio and because Buyer was a "skilled due diligence organization" that had "got comfortable with" the purchase of Issuer 1's portfolio "on their own and that was good enough for

everybody." But the evidence shows that others within Ginnie Mae, and Pordzik particularly, were not comfortable with Ginnie Mae's inability to tell Buyer about the "tainted" nature of Issuer 1's management, despite understanding they could not. And Drayne himself acknowledged during his OIG interview that information regarding the government's view on the propriety of Issuer 1's management could be valuable to both Investment Co. and Buyer given the fact that management operations can affect the quality of a company's loan portfolio.

In this regard, Drayne provided IC Representative and Investment Co. with preferential treatment to what Buyer received from Ginnie Mae, in violation of 5 C.F.R. § 2635.101(b)(8), which fits with a general pattern of conduct on the part of Drayne when it came to his treatment of IC Representative and Investment Co.

Aside from providing Investment Co. with confidential, non-public information that similarly situated entities did not have, the evidence shows Drayne also provided Investment Co. with assistance in applying for Ginnie Mae-issuer status that he did not provide for other applicants.

The evidence shows Drayne told others at Ginnie Mae he wanted to handle Investment Co.'s application for issuer status "a certain way," which involved him (1) taking over aspects of the process from subordinates who would normally handle the application, (2) entertaining more meetings and discussions with Investment Co. representatives than he ordinarily would for a typical applicant, (3) assigning additional Ginnie Mae personnel to handle the application, and (4) continuing to discuss the prospect of Investment Co. becoming an issuer with IC Representative even after Ginnie Mae had rejected the application, most of which Drayne himself recognized during his OIG interview as a divergence from the normal course of operations within Ginnie Mae.

It is true that Drayne did not succumb to pressure from IC Representative to override the objections of Ginnie Mae staff members and grant Investment Co. issuer status. And the evidence indicates that Drayne believed the attention he paid to Investment Co. throughout its application efforts was justified due to the value that Investment Co. could bring to the Ginnie Mae program, in the best interest of the government. As Drayne put it, he "wanted [Investment Co.] to feel that we would be a good business partner, [even if] we had a line that we weren't going to cross," and he believed his general treatment of Investment Co. was "just good business" for Ginnie Mae.

But Drayne did not deny that he devoted more attention to Investment Co.'s application than he would have for a typical applicant. And when viewed in light of Drayne's decision to provide Investment Co. with confidential, non-public Ginnie Mae information about Issuer 1 that he would not provide to a similarly situated company in Buyer, the evidence indicates that Drayne's overall treatment of Investment Co. was preferential, in violation of Section 2635.101(b)(8), or that Drayne at least created the appearance that he was providing Investment Co. with preferential treatment, in violation of 5 C.F.R. § 2635.101(b)(14).

Indeed, in interviews with the OIG, those who witnessed Drayne's handling of Investment Co.'s application for issuer status made several statements indicating that it was preferential toward Investment Co. as compared to other prospective Ginnie Mae issuers, or at least appeared that way. For example, Pordzik said that she could not recall Drayne ever advocating so strongly for another entity attempting to become a Ginnie Mae issuer, and Drayne assigning an account executive to the task of "get[ing] [Investment Co.] into the [Ginnie Mae] program" was "highly unusual." This assignment made Jones "a little upset," in part because it was "not normal" to do this. Skochko agreed with Jones, saying that Ginnie Mae assigning an employee to "to be personally coaching" Investment Co. was "unusual and inappropriate" in his view. Jones also said that the "multiple conversations" Drayne was having with Investment Co. about its application seemed "different" to him "[v]ersus like with some issuers," in that "[i]t felt like [Drayne] was pushing for it a little bit" more than what Ginnie Mae would typically do. Mondonedo similarly stated that he "sort of question[ed]" the attention Drayne was giving to Investment Co.'s application, which gave him "pause" because the company did not "fit . . . the bill to be an issuer" for Ginnie Mae. And Keith recognized that "the level of investment [Drayne] was making" in Investment Co. "seemed unusual" to him and presented an "optics" concern for others.

As Pordzik noted, certain aspects of Drayne's interactions with Investment Co. during the application process made "people very nervous" or "uncomfortable" because they viewed it as "treating someone differently" than Ginnie Mae would in a similar situation and "you want an issuer to come in on the merits," as opposed to benefiting from special treatment.

Drayne said it was "understandable" that after Ginnie Mae had denied Investment Co.'s application certain Ginnie Mae staff members wanted to "move it off their desk" and "go to the next one" and "that's fine." But, Drayne said, "[t]hat was not going to be the case with [Investment Co.] and I'm not going to . . . listen to anybody telling me that it should have been. That's just stupid." While "the team at the time that was underwriting" Investment Co.'s application "may not have liked the fact that I was . . . continuing to work with [Investment Co.]," Drayne said, "I don't care[;] I made the call and that's . . . what we did."

Drayne's handling of the Issuer 2 situation also fits within this pattern of conduct, and Drayne did not sufficiently avoid creating the appearance he was either providing Investment Co. with preferential treatment or even confidential, non-public Ginnie Mae information while handling that situation as well, in violation of Section 2635.101(b)(14).

The evidence shows that Drayne's ongoing discussions with Investment Co. representatives increased during the Issuer 2 situation, that IC Representative appeared to condition his cooperation during these discussions on receiving issuer status for Investment Co., and that the discussions concerned several officials within Ginnie Mae as they created an appearance that Drayne may have been providing confidential, non-public information regarding Issuer 2 to a non-Ginnie Mae issuer.

As Law Firm (b) (5) Issuer 2 (b) (5) Drayne's (b) (5) Investment Co. (b) (5) Law Firm (b) (5) Drayne (b) (5) Investment Co. (b) (5) Issuer 2.

Witnesses similarly conveyed to the OIG that Drayne's communications with Investment Co. during the Issuer 2 situation struck "people as odd because we don't generally [communicate with] outside financers. In our work we have no relationship with them." That they would not have "taken[n] [Investment Co.'s] call" if the company had attempted to speak with them at the time about Issuer 2 "[b]ecause they're not an issuer" and Ginnie Mae should not "be having a discussion with an issuer's counter-party like that." That "[Issuer 2] should let us know . . . what's going on with [Investment Co.]," as opposed to Ginnie Mae communicating with Investment Co. about Issuer 2, because Investment Co. "isn't our business." That Ginnie Mae "shouldn't be talking to anyone about this stuff" when it does not "have a relationship" with that party. And that Drayne communicating with Investment Co. about Issuer 2 was a "terrible" idea.

As Pordzik put it, although she had no evidence that Drayne was actually divulging confidential, non-public Ginnie Mae information to Investment Co., she still believed that Drayne communicating with the company was worrisome because "that could have influenced [Investment Co.'s] decision to do a deal with [Issuer 2] if they knew Ginnie wasn't taking [Issuer 2] down. If they knew Ginnie was not going to go in and grab their portfolio that it was a safer bet for [Investment Co.] to continue to invest in [Issuer 2]," causing her to think at the time, "[w]ow, we have to be really careful what we're doing here."

The timing of certain actions on the part of Drayne, Ginnie Mae, and Investment Co. contributed to the appearance that Drayne may have been acting in violation of the federal ethics regulations.

For example, between April 20 and 28, 2017, Drayne engaged in at least eight telephone discussions with persons affiliated with Investment Co., which represented an increase in communication over the previous several months. During this same period, the Director of OIPM's Monitoring & Asset Management Division, which is responsible for risk monitoring and program compliance within Ginnie Mae, was analyzing the Issuer 2 situation and communicating to Drayne that Ginnie Mae (b) (5) Issuer 2's (b) (5) to Drayne the following month. But in an email to others at Ginnie Mae on April 28, Drayne (b) (5) Issuer 2's (b) (5) Investment Co., (b) (5) Issuer 2's (b) (5) Then on May 1, 2017, Issuer 2 publicly announced that it and Investment Co. were working on an arrangement whereby Investment Co. would make an equity investment and modify its existing rights to Issuer 2's securities as part of an upfront payment to Issuer 2 to resolve its financial distress,

something Investment Co. might have been unwilling to do if it knew Ginnie Mae would be revoking Issuer 2's issuer status.

Similarly, on July 21, 2017, Drayne told [redacted] Then, just two days later, on July 23, Investment Co. and Issuer 2 finalized the agreement they had announced on May 1.

Drayne denied he had given Investment Co. any assurances regarding whether Ginnie Mae would be [redacted] Issuer 2 with Investment Co.

But the evidence indicates that it was outside the course of normal business for Ginnie Mae to be discussing the Issuer 2 situation with Investment Co. at all. Moreover, even if Drayne did not know with certainty what Ginnie Mae would ultimately do to resolve the Issuer 2 situation, Drayne had great influence over and was aware of Ginnie Mae's internal deliberations regarding what to do about Issuer 2, and information regarding those deliberations could have been highly significant confidential, non-public information for Investment Co. to learn in deciding whether to announce and then finalize the arrangement it consummated with Issuer 2 on May 1 and July 23.

Thus, although there is insufficient evidence to establish that Drayne did pass confidential, non-public information about Ginnie Mae's handling of the Issuer 2 situation to Investment Co., the nature and timing of Drayne's interactions with Investment Co. about Issuer 2 – particularly when viewed in light of Drayne's general pattern of providing what could be perceived as preferential treatment for Investment Co. – created a situation that could cause "a reasonable person with knowledge of the relevant facts" to conclude he may have done so. In this regard, Drayne did not sufficiently "avoid any actions creating the appearance" that he was violating the ethics regulations in his interactions with Investment Co. about Issuer 2, as required by Section 2635.101(b)(14).

Indeed, Drayne himself seemed to recognize this on May 9, 2017, when he removed or omitted reference to the fact that he was "speak[ing] to [Investment Co.] every few days" from certain documents intended to update Corsiglia on the Issuer 2 situation at the suggestion of Keith, who was concerned that "discussing . . . this type of activity" could "continue to fan, you know, these, . . . concerns" and the "sensitivity to all this stuff" within Ginnie Mae about Drayne's communications with Investment Co. at the time.

Drayne said during his OIG interview that he could somewhat understand how his communications with Investment Co. about Issuer 2, and particularly his one-on-one communications with no other Ginnie Mae personnel present, might possibly concern others, and that he was "not resentful about being questioned" on the subject. But Drayne was of the view that his overall handling of the Issuer 2 situation, including his one-on-one conversations with Investment Co., was in the best interest of Ginnie Mae, and if his one-on-one conversations with Investment Co. were necessary to advance Ginnie Mae's interests, he "would not want to go about things in a way that made it[] so that I would never be questioned about this. I just wouldn't do that. That nothing could ever happen that you might have questions like this . . . just doesn't seem right to me."

As with removing reference to his communications with Investment Co. from his May 9 update for Corsiglia, Drayne similarly neglected to provide Law Firm with email evidence showing IC Representative's attempt to leverage the Issuer 2 situation to obtain issuer status for Investment Co. during Law Firm's review of that situation, even though this evidence would have been relevant to that review.

Drayne admitted during his OIG interview that he did not conduct a thorough search for all relevant communications but said he did not withhold this evidence intentionally. The OIG has no grounds to dispute Drayne's assertion and did not find that Drayne engaged in any misconduct while participating in Law Firm's review. Instead, the OIG found that OGC's handling of the Issuer 2 matter created a situation that allowed Drayne to provide incomplete evidence to Law Firm and was less than ideal in other ways as well.

The evidence shows that upon learning of the allegations regarding Drayne from Ginnie Mae leadership, OGC advised Ginnie Mae to retain Law Firm to conduct an inquiry that (1) was limited to assessing only potential violations of federal securities laws, (2) did not include an interview of the person who had first raised the allegations, and (3) was informed by selective email evidence produced by the witnesses themselves, including the subject of the inquiry, as opposed to a comprehensive review of that evidence. The Law Firm partner who led the review told the OIG that these limitations imposed by OGC prevented him from conducting the fulsome investigation that he would have preferred, and that the results of Law Firm's review could well have been affected by those limitations.

Notably, Law Firm's final report on its review did not address how Drayne's conduct implicated the federal ethics regulations, as the OIG has done here, which is indicative of the OIG's most significant concern regarding OGC's handing of the Issuer 2 matter.

The OIG is issuing this report to the Department for any action it deems appropriate.

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