

Loan Guaranty Service Showcase February 16, 2023

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LGY Showcase Agenda

- Introduction and Overview John Bell
- LGY Organizational Structure Debi Stewart
- VA-Guaranteed Loans and Native American Direct Loans Kim Girard
- VA Appraisals and Specially Adapted Housing Terry Rouch
- Homeownership Retention Andy Trevayne
- LGY's Path Forward John Bell
- Q & A John Bell



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LGY Overview

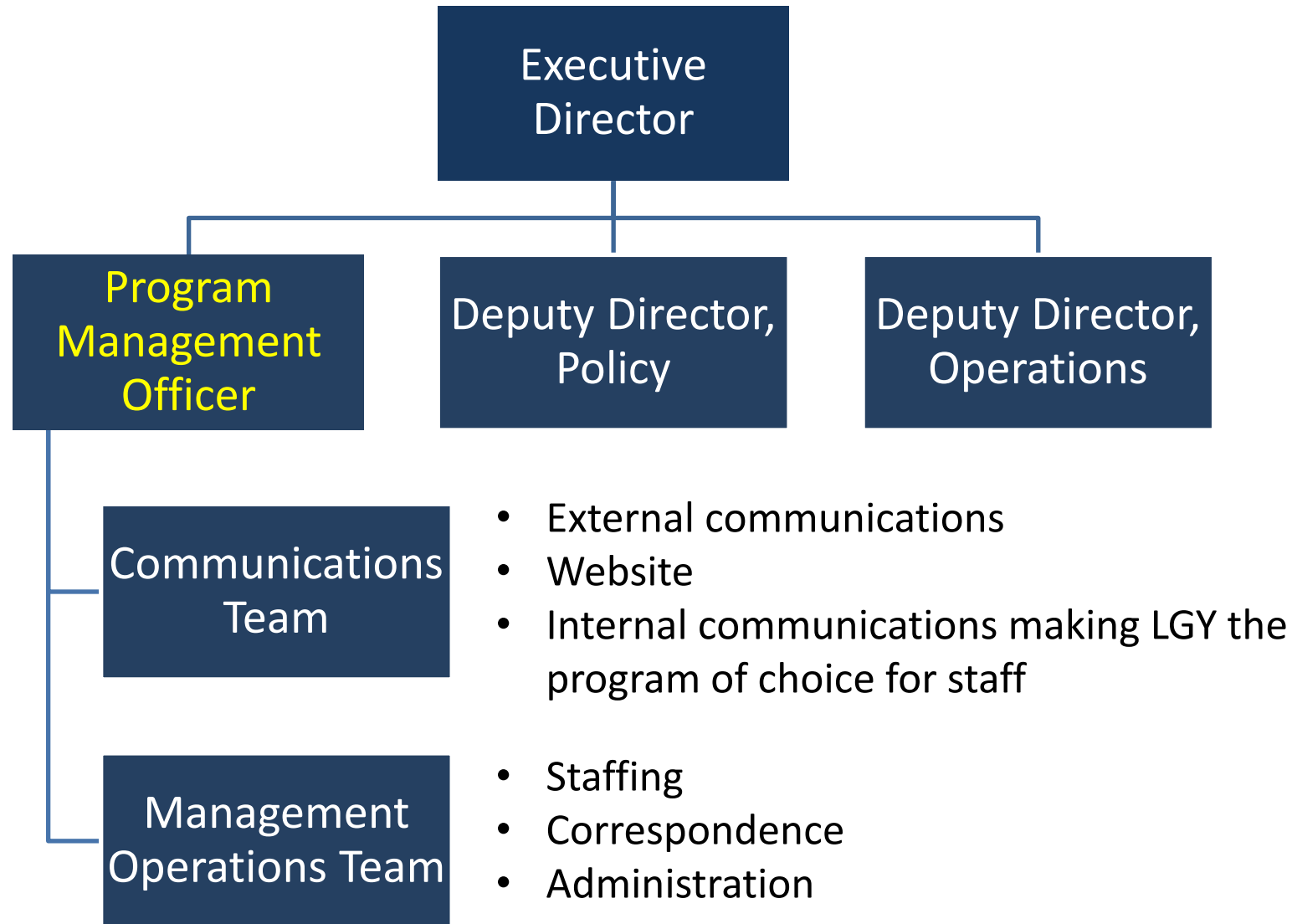
- **Product of Choice for Veterans**

- Working closely with industry in today's market for the benefit of Veterans
- Market share has increased from 1% to 13%
- Time to close is competitive with other loan types
- 28th Million Loan will be guaranteed soon
- Consistently exceeding Veterans' and industry stakeholders' expectations
 - 18 Million Loans guaranteed (1944-2006)

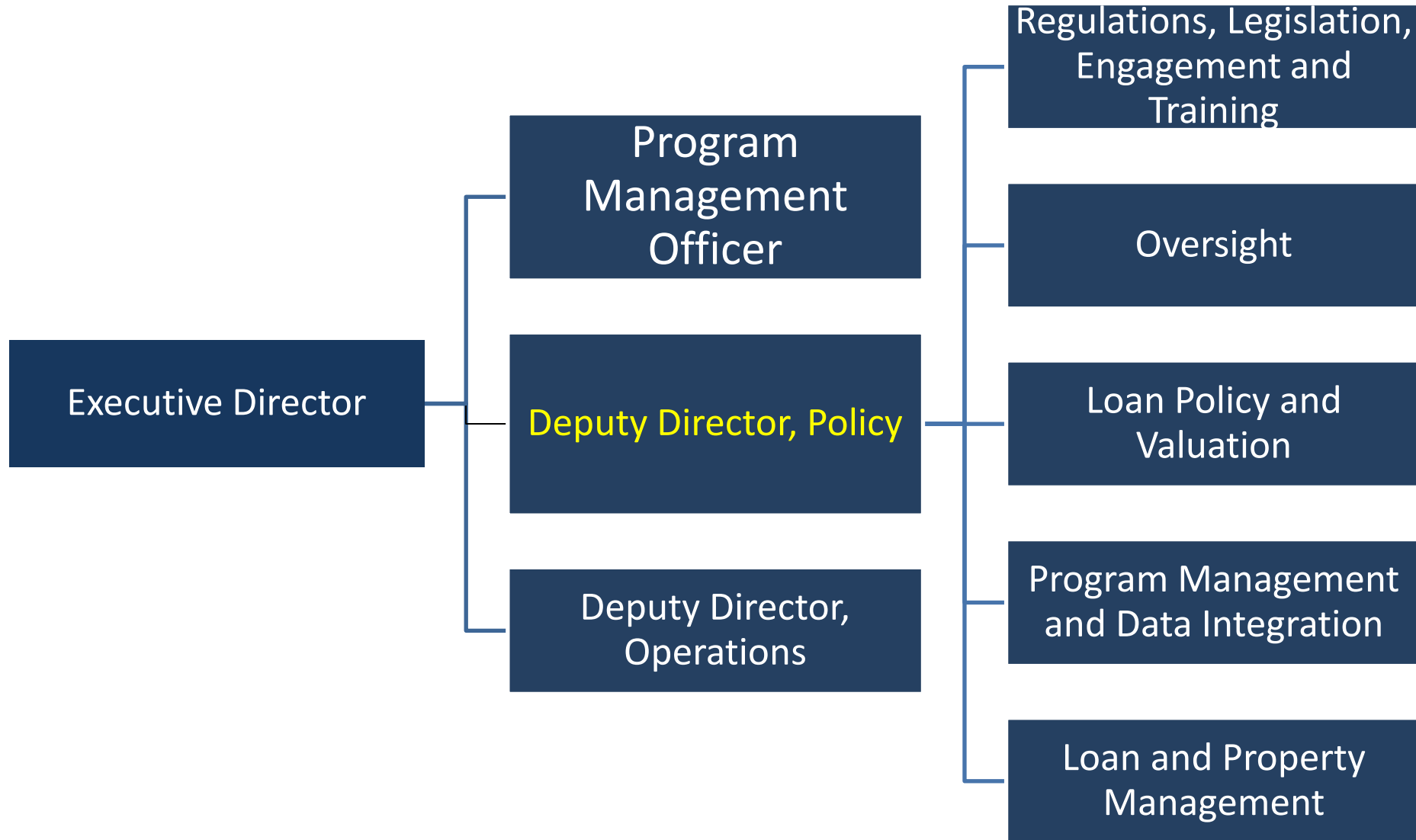
- **Program of Choice for Staff**

- 909 FTE
- Large presence in 10 locations with outbased staff serving Veterans nationwide
- Channels in place to encourage feedback from employees
- Opportunity to hire individuals nationwide with extensive industry experience with downsizing now taking place in industry

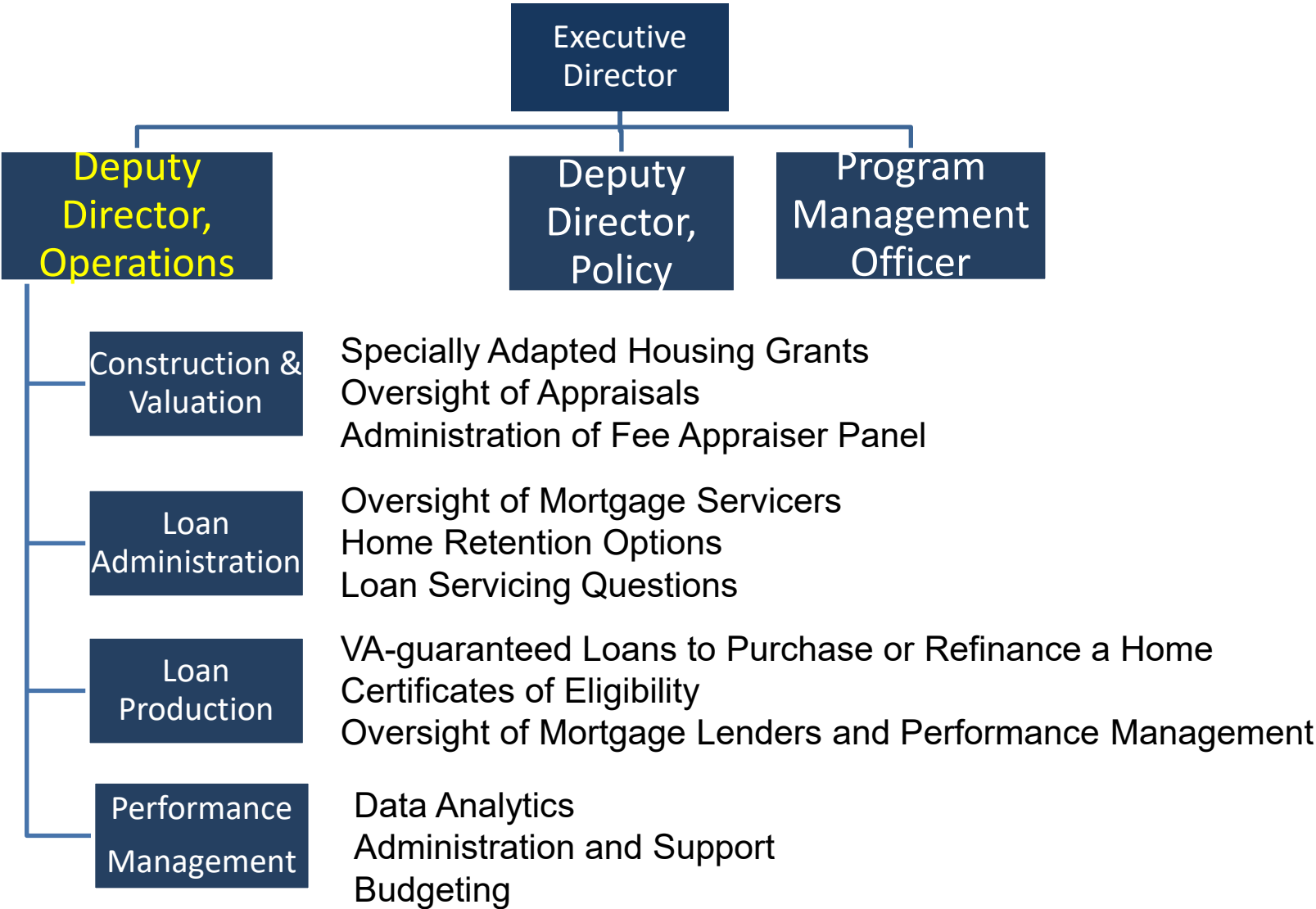
LGY Organizational Structure



LGY Policy and Support Teams



LGY Operations Value Streams



Organizational Changes to Better Address Risk

- Evaluating Risk from an Enterprise Standpoint
 - Loan Production performs Full File Loan Reviews (FFLRs) on loans closed by lenders
 - Monitoring Unit plans lender audits and special reviews based on FFLR Results
 - Account Management Officers working in the Value Streams research and identify risks
 - We manage our enterprise risk through a Risk Management Board
- Proactive next steps based on identified risks:
 - Process improvements
 - Technology
 - Enforcement
 - Specialized training for staff
 - Training for industry stakeholders (lenders, servicers, appraisers, Realtors ®)
 - Outreach to Veterans

VA Guaranteed Loan and Native American Direct Loan (NADL) Program Overview

Program Advantages



No down payment



No need for private mortgage insurance



Limited closing costs



A low-interest, 30-year fixed mortgage



The ability to get more than one loan

VA Home Loan Program

FY 2022 VA Home Loan Highlights

- More than **746,000 loans** guaranteed exceeding **\$256.6 billion**, with an average loan amount of **\$343,894**.
- Improved efficiency of operations by updating underwriting requirements to no longer require prior approval of loans where the borrower has a VA-appointed fiduciary.
- **Over 54%** of Veterans obtaining a home loan were exempt from paying the VA Funding Fee



Native American Direct Loan Program

FY 2022 NADL Highlights

- Loan Guaranty Service promoted program utilization across all tribal lands through **38 dedicated national outreach events**.
- VBA closed **40 NADL loans** exceeding **\$11 million**, with an average loan amount of **\$289,000**.
- Improved outreach efforts by updating/automating contact letters to tribes
- NADL's interest rate starts is **6.00%**, allowing Native American Veterans to refinance and reduce monthly payments.

Loan Guaranty Service has a **fully staffed team** dedicated to improving program awareness and utilization across all tribal lands.

Valuation: The VA Appraisal Advantage

- **VA Fee Appraiser Panel**
 - Licensed/certified appraisers who have been selected and trained by VA to conduct appraisal assignments.
 - Our current appraisal timeliness averages 7.3 business days nationwide (FY23 through 1/31/23) which is competitive with other loan types and improved from FY22 when it was 11.8 business days
- **Tidewater Initiative**
 - Requires VA appraiser to notify the lender when a property value appears to be below the contract price.
 - Longstanding policy implemented in early 2000s which is unique to VA
 - Parties to the sale may provide market data for the appraiser to consider before finishing the appraisal
- **Reconsideration of Value (ROV)**
 - Allows the Veteran to request that VA reconsider the appraiser's estimate of market value.
 - VA staff will review market data submitted with the ROV and comparable sales from its own in-house data reported from Appraisal Management System/Automated Valuation Model

Valuation: Key Initiatives

- **PAVE - Property Appraisal and Valuation Equity**
 - The PAVE Task Force is a collaboration of 13 federal agencies dedicated to ending bias in home valuation.
 - VA is helping lead the way through a first of its kind enhanced oversight to detect potential bias in appraisal reports.
- **Public Law 117-308 (House Resolution 7735)**
 - Public Law 117-308 directs the Secretary to update appraisal requirements for certain loans and improve appraisal delivery times.
 - Changes under consideration include:
 - Fee Appraiser panel requirements
 - Minimum Property Requirements
 - Quality control processes
 - Assisted Appraisal Processing Program
 - Desktop Appraisals



Specially Adapted Housing Grant Program

- The Specially Adapted Housing (SAH) program awards grants of up to \$109,000 (FY23) for construction, remodeling or purchase of an accessible home, or temporarily with a family member.
- Since SAH program inception 75 years ago in 1948, 49,000 grants totaling \$1.9B have been approved.
- VSC completes eligibility determinations which automatically update LGY's SAHSHA system.
- An SAH Agent will interview the Veteran within 30 business days of the eligibility determination.
- LGY and VR&E now work together on Independent Living grants to ensure Veterans who are not currently able to work due to service-connected disabilities receive home adaptations.
- Frequent adaptations include fully accessible bathrooms and kitchens, accessible entries, and smart home technology.
- SAH grants may be used by eligible Veterans living overseas, as well as in conjunction with a Native American Direct Loan (NADL), to build a new, adapted home or modify a current home.



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LGY helps Veterans Retain Homeownership

- During the COVID-19 National Emergency, LGY helped 443,623 Veterans retain homeownership or avoid foreclosure.
 - Fiscal Year 2021 203,890
 - Fiscal Year 2022 205,702
 - Fiscal Year 2023 34,031
- Approximately 3.7 Million VA-guaranteed loans are active with only about 90,000 delinquencies at any time.
- LGY's success rate for avoiding foreclosure on loans in default is consistently above 93%.
- LGY has traditional home retention options to assist Veteran borrowers
 - Special Forbearance
 - Repayment Plans
 - Multiple Loan Modifications including Disaster Modifications
- During the National Emergency, LGY developed and deployed new home retention options
 - VA Partial Claim Program
 - VA Refund Modification

The Future of VA Loss Mitigation

- The special assistance programs developed by LGY during the pandemic were not intended to be long-term solutions
 - VA Partial Claim Program sunset October 28, 2022
 - VA Refund Modification Program currently scheduled to sunset July 1, 2023
- LGY is developing the VA Purchase as a long-term solution to address our most severely impacted Veteran Borrowers.
 - VA Purchase buys the existing VA-guaranteed loan and places it in the VA-owned portfolio.
 - The loan is modified with favorable terms to fit the financial needs of the borrower.
 - VA will control the interest rate as its own insurer.
 - Maturity date may be extended to offset the monthly mortgage installment.
- Alternatives to Foreclosure are available for those Veterans unable to maintain payments
 - Private Sale
 - Short Sale
 - Deed in Lieu of foreclosure

LGY Modernization

Loan Origination Transformation

- Multi-year initiative to fully transform and automate the end-to-end experience of originating a VA loan.
- Improve data integrity
- Enhance customer relationship management throughout the VA home loan lifecycle
- LGY is developing a series of Application Programming Interfaces (APIs) to enable lender loan origination systems to complete actions performed manually by lenders today.
- The effort to create these APIs is collectively referred to as the Loan Origination Transformation (LOT) program.
- An online [LGY Technology Knowledge Center](#) has the latest news for stakeholders and LGY staff on the APIs, testing and modernization updates.

Data Analytics

- **Climate-related financial risk**

- Contracted for the development of an Environmental, Social Governance Dashboard prototype which has been shared with other agencies

- **Leveraging closed loan data and defaulted loan data**

- Categorizing stakeholder errors as substantive or non-substantive makes reports more meaningful and improves allocation of resources for oversight
- Identifying types of deficiencies found on loans that later went into default helps pinpoint areas to emphasize with lenders
- Trends in loan deficiencies are monitored to improve stakeholder performance for the benefit of Veterans
- Sharing data with lenders on their performance and how it compares with other lenders in general provides additional value to lenders

Loan Guaranty Long-Range Plan 2023-2028

Mission

Loan Guaranty Service (LGY) maximizes Veterans' and Servicemembers' opportunity to obtain, retain, and adapt homes by providing a viable and fiscally responsible benefit program in recognition of their service to our Nation.

Vision

To empower Veterans with information and access to innovative, high-quality products and services by providing a Veteran-focused experience, strengthening our partnerships, driving continuous performance improvements, and never forgetting who we **SERVE**.

Staff

Ecosystem

Regulations

Veterans

Excellence

Goal 1

Attract, develop, recognize, and retain a workforce with the skills, knowledge, tools, support, and commitment necessary to serve Veterans.

Goal 2

Advance our technology ecosystem to enable a competitive, recognized, and trusted product of choice and fiscally sound program of choice.

Goal 3

Implement and enforce regulations and policies to protect program participants and ensure program integrity.

Goal 4

Advocate for Veterans so the VA home loan benefit continues to be their product of choice.

Goal 5

Deliver a high-quality customer experience that makes a meaningful difference for Veterans and promotes positive outcomes.

LGY Future State

- **Building on Successful Practices**

- LGY Realignment parallels industry to exceed stakeholder expectations
- National phone system ensures highest level of customer experience in fast-paced mortgage industry (ASA consistently under a minute, overwhelmingly positive feedback from industry at outreach events)
- National work queues in Loan Production and Loan Administration
- Conducting outreach presentations and media interviews nationwide as Realtors ® or lenders are usually the first person a homebuying Veteran will contact
- Emphasis on data-driven policy development
- Operations and Policy Teams collaborating to share expertise in development of guidance and business requirements for modernization
- Scaled Agile Framework (SAFe®) model seamlessly integrates LGY business requirements with technology

LGY Future State (continued)

- **Employee Experience (based on AES feedback – Workload, Communication, Growth)**
 - Workload continues to be addressed in all areas of LGY through work process improvements based on employee feedback
 - Anticipated separation of SAH and appraisal work
 - Implemented Chatbot with most content provided by front-line employees, saving time for stakeholders and employees
 - Expanded LGY Comms Team to strengthen internal communications
 - Quarterly Town Halls, frequent Value Stream meetings, and weekly team meetings, enhance teambuilding as well as keep everyone informed
 - *LGY Buzz*, quarterly newsletter
 - LGY New Employee orientation program
 - Online, anonymous LGY Suggestion Box
 - Nationwide teams offer more promotional opportunities to retain talented staff without relocating (no longer limited to vacancies in one location)
 - Expanded training team to offer specialized training for each area of LGY and promote career development for employees to excel in their careers

Questions

