

VA LENDER OVERSIGHT

Audits and Indemnifications

VA Home Loans



www.homeloans.va.gov

Ensure program integrity
by conducting quality
assurance performance
audits of program
participants



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What kind of audits do we conduct?

- **In House audits** (done at our Nashville Monitoring Unit) are normally for lenders who do fewer than 200 VA Loans over a two year period.
- In House Audits rarely take place more than once every three to five years
- We do 35 to 40 per year

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What kind of audits do we conduct?

- **On Site Audits** - lenders who do more than 200 VA Loans over a two year period.
- Usually done every two to three years
- Lenders who do more than 2,000 VA Loans over a two year period may be audited annually
- We do 40-50 per year



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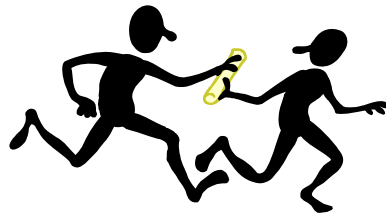


Who gets audited?

- » Lenders with high #'s of loans that go into early default
- » Referrals from Regional Loan Centers based on their reviews
- » Referrals from the VA Inspector General & other Agencies, industry groups or veterans
- » Additional random selections



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Compliance with VA requirements, re:

- » **Income, Credit Worthiness & VA's Credit Standards**
- » **Property and Borrower Eligibility**
- » **Loan Amount**
- » **Occupancy**
- » **Forms and Certifications**
- » **Closing Costs Charged to the Veteran**
- » **Appraisal Review Guidelines**
- » **Minimum Property Requirements**



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You've been selected for Audit:



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You've been selected for Audit:

Now what?



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You've been selected for Audit:



- You'll receive a notification via Certified mail
- Fill out the enclosed questionnaire & return it to VA
- 2 to 3 weeks before the audit you'll get a "Loan List"
- For an On Site Audit, those files should be at your site
- For an In House Audit, ship those files to Nashville



Possible Outcomes

So, what's the **worst** that can happen?

You might have to indemnify the VA

Essentially, you'd be losing the protection that the VA Loan Guaranty gives you

Depending on the sales agreement (if you sold the loan) you might have to buy the loan back

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Possible Outcomes

So, how often does that happen?

VA Lenders originated about 200,000 VA loans last year

We audited about 3,000 loans last year

We asked for 172 indemnifications last year.

That's around 6.5% of the loans we audited

That's less than 1% of the loans originated

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Possible Outcomes

So, how often does that happen?

That's roughly the same as the odds of being struck by lightning during your lifetime (1:3000)

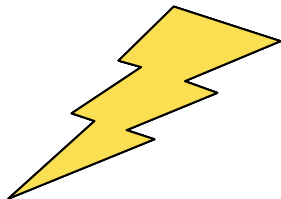
You can increase your odds of a lightning strike by standing on a hill during a thunderstorm

You can increase your odds of losing your loan guaranty protection by not following VA guidelines.

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When do we ask for indemnification?

- On loans that should not have been made
- On loans to an ineligible party
- On loans that shows a disregard for VA's underwriting standards
- On loans that shows a disregard for VA's Property Eligibility requirements



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When do we ask for indemnification?

So ----

If the buyer and the property are both eligible, and you haven't disregarded our credit underwriting standards and minimum property requirements, indemnification won't be required.

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So ----

We're off the hook then, right?

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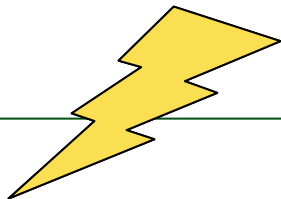
Not quite ----

Lightning still might strike, in the form of a request for repayment of overcharges, or a requirement to certify repairs.

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So, what do we want you to do?

- Register your Agents, Underwriters, & SARs
- Refund Unallowable fees and charges
- Refund Incorrect Funding fees (overcharges)
- Make repairs to meet VA MPR's
- Complete or obtain missing forms / signatures
- Document reasons for decisions / deviations
- Train your staff on VA standards and procedures
- Indemnify the VA on Egregious loans

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We're from the government and we're here to help you!



No, really!!



**We want to help you
improve your staffs'
performance**

**We want to help you
to help more veterans**

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We really can't do it without you!



Thank you for
helping us make
America's Dream
come true *for*
America's Veterans!



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