



# THE VA HOME LOAN PROGRAM – STILL GOING STRONG

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## OBJECTIVE

- **Provide overview of “State of VA Home Loan Program”**
- **Discuss underwriting issues**
- **Discuss Occupancy issues**
- **Discuss Funding Fee issues**
- **Discuss Eligibility issues**



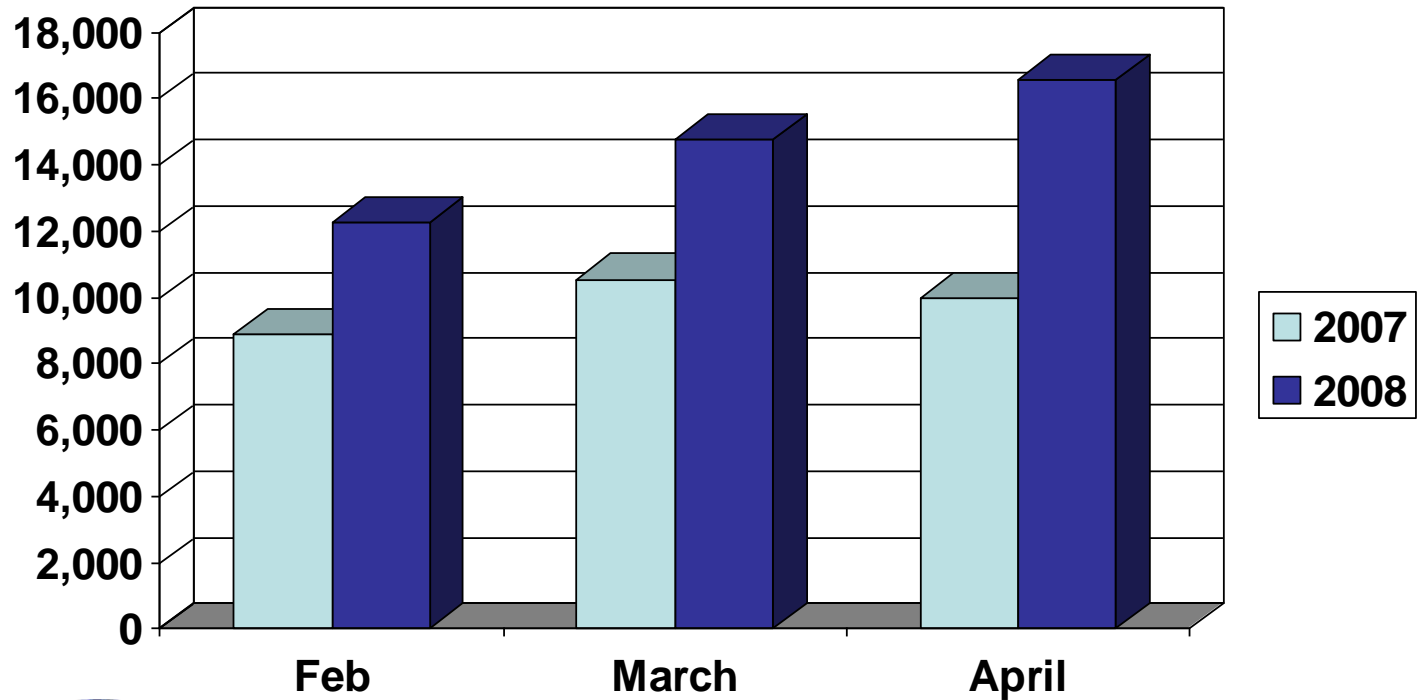
## LOAN GUARANTY WORKLOAD

Year	# Loans	\$ Amount
FY 2002	317,000	\$40 Billion
FY 2003	490,000	\$63 Billion
FY 2004	336,000	\$44 Billion
FY 2005	165,000	\$24 Billion
FY 2006	143,000	\$25 Billion
FY 2007	133,000	\$25 Billion
FYTD 08	104,000	\$21 Billion
<b>Total</b>	<b>1,688,000</b>	<b>\$242</b>

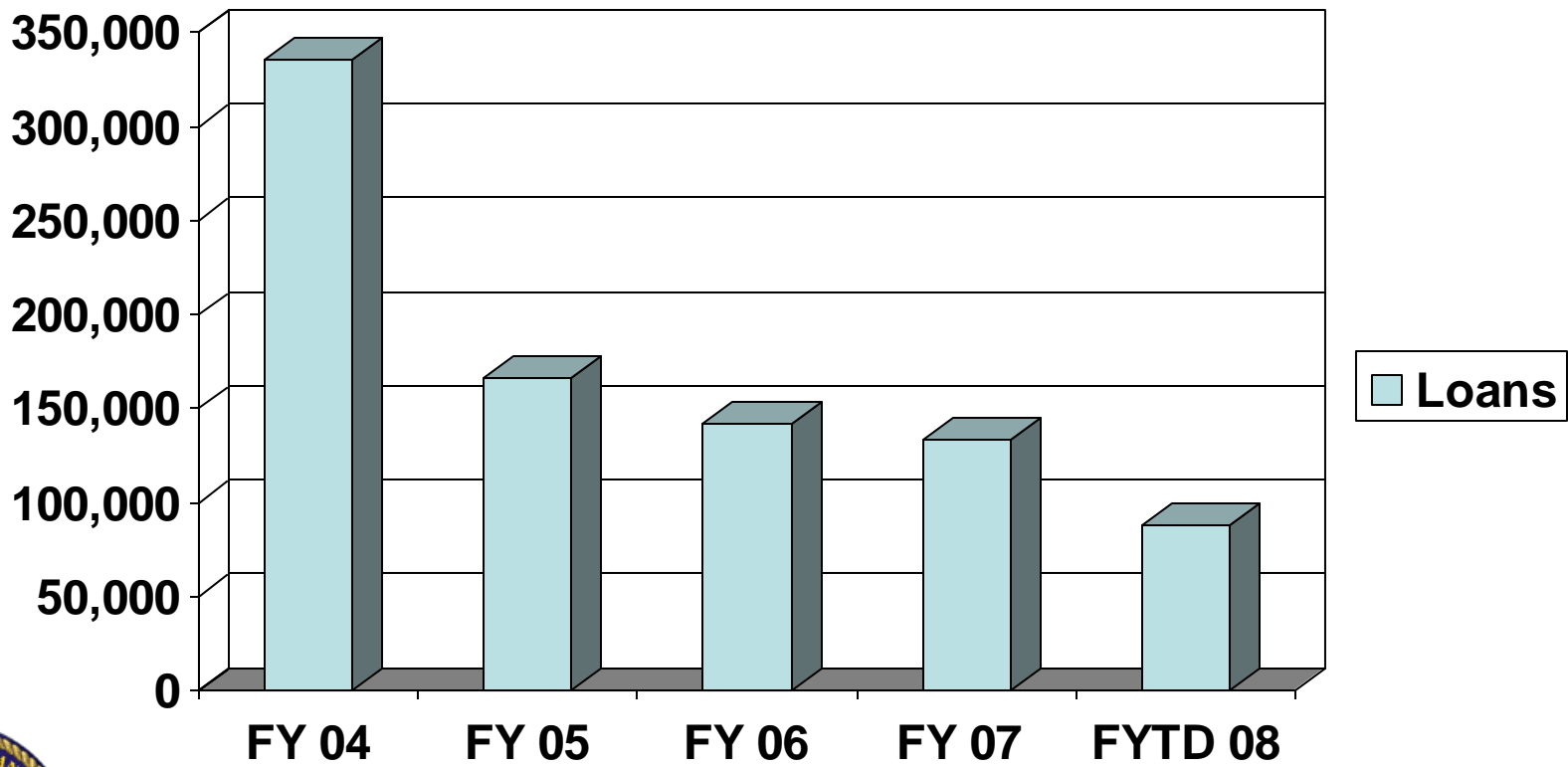
(thru May 30, 2008  
NOTE: # loans rounded)



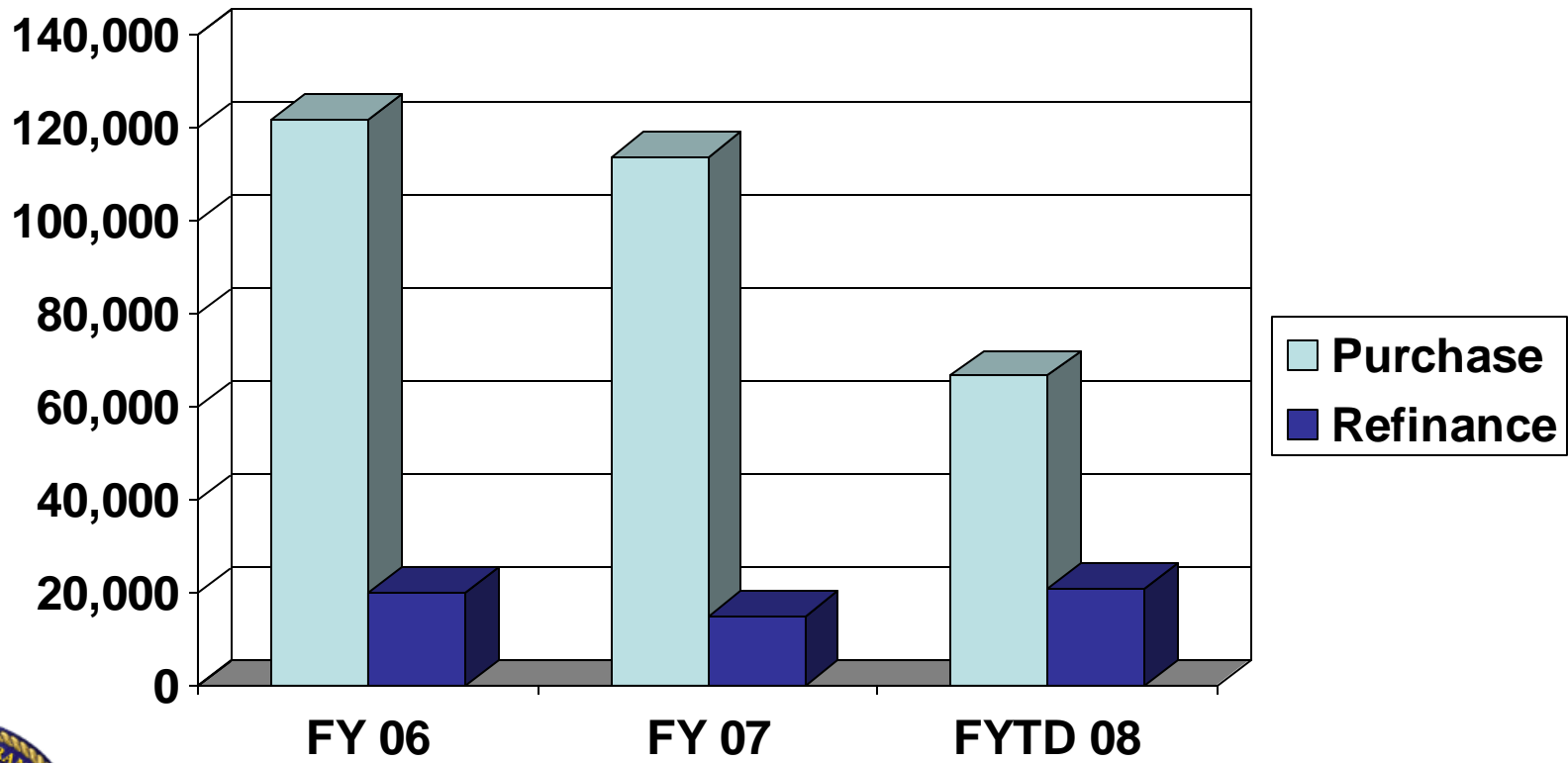
# LOAN VOLUME



## LOAN VOLUME

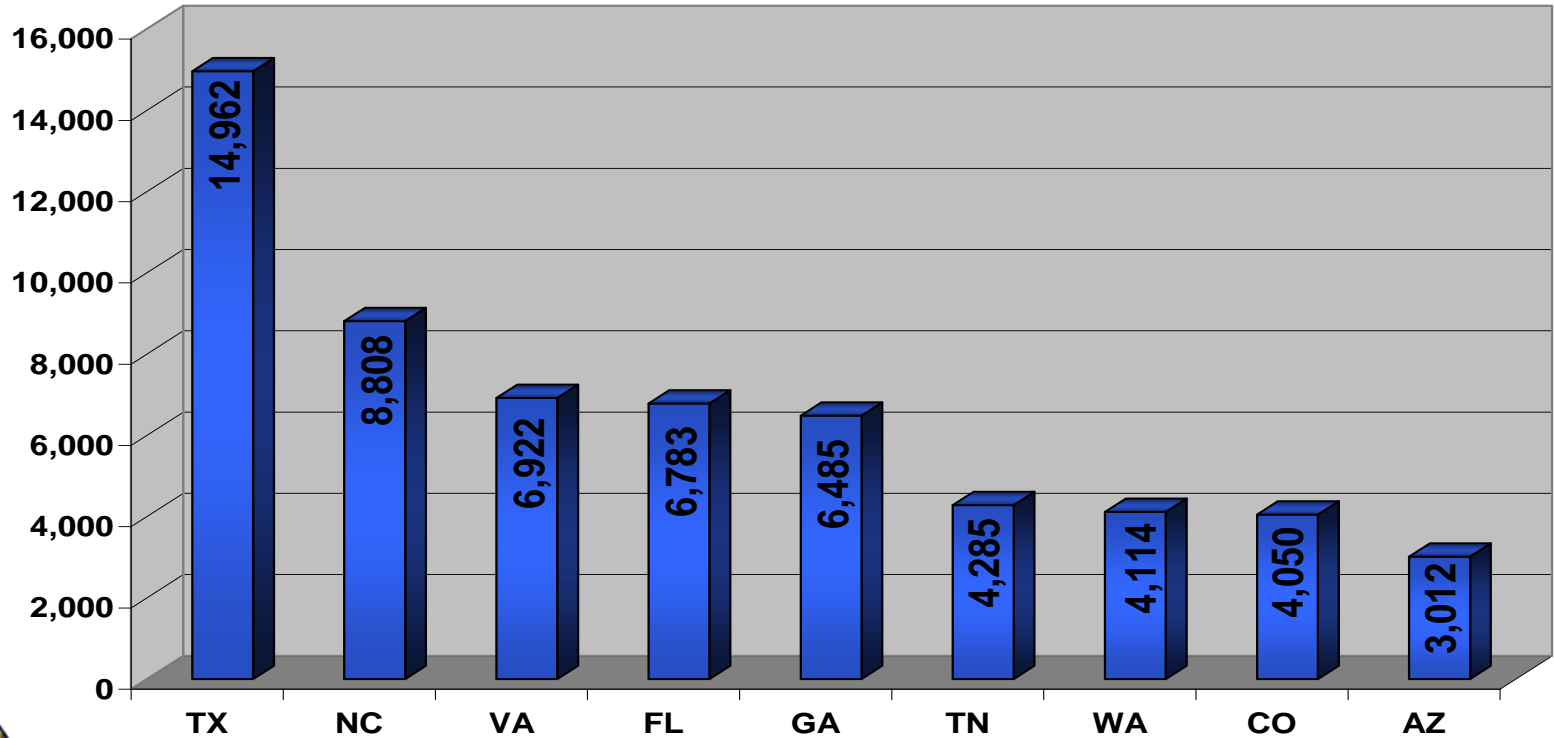


## Purchase vs Refinance



# LOAN VOLUME BY STATE

## FYTD 2007 Loans Guaranteed Top 10 States



## BROADCAST TRAINING

- *FY 2007:* Seven Satellite Broadcasts and nine targeted short videos
- *FY 2008:*
  - 10 Broadcasts and 14 videos in FY2008.
- For more information visit:
  - <http://www.homeloans.va.gov/train.htm>



## TRAINING VIDEOS

- “Thinking of Buying a Home” video, directed toward veterans, was posted in September 2004 and recently exceeded 250,000 hits, or an average of nearly 7,400 hits per month.
- We’re in the process of preparing a booklet and CD for realtors to ensure ALL parties are aware of our program.
- Our themes include:
  - VA loans are easy for lenders – no red tape – and;
  - They’re a VETERAN’S BENEFIT for our troops!!!



## UNDERWRITING GUIDELINES

- No significant changes at this time. It's still a matter of:
  - Income
    - Reliable, sufficient, and stable
  - Assets
    - Document liquid assets, and
  - Credit
    - Establish that borrower is satisfactory credit risk



## AUTOMATED UNDERWRITING SYSTEMS (AUSs)

- Please ensure any conditions on feedback cert are complied with
  - I.e., judgment paid or payment plan in effect
- If data entered is incorrect AUS risk classification is null and void
- If income used isn't stable & reliable, risk classification is null and void



## DEFICIENCY LETTERS

- **Too trivial?**
- **Piecemeal?**
- **More than a few lenders would say YES!!!!**
- **We do monitor this issue and will convey to our stations:  
“Don’t lose sight of big picture!!”**
- **Lenders can help by:**
  - **When requested to do so, submit files timely;**
  - **Respond to field station letters timely.**

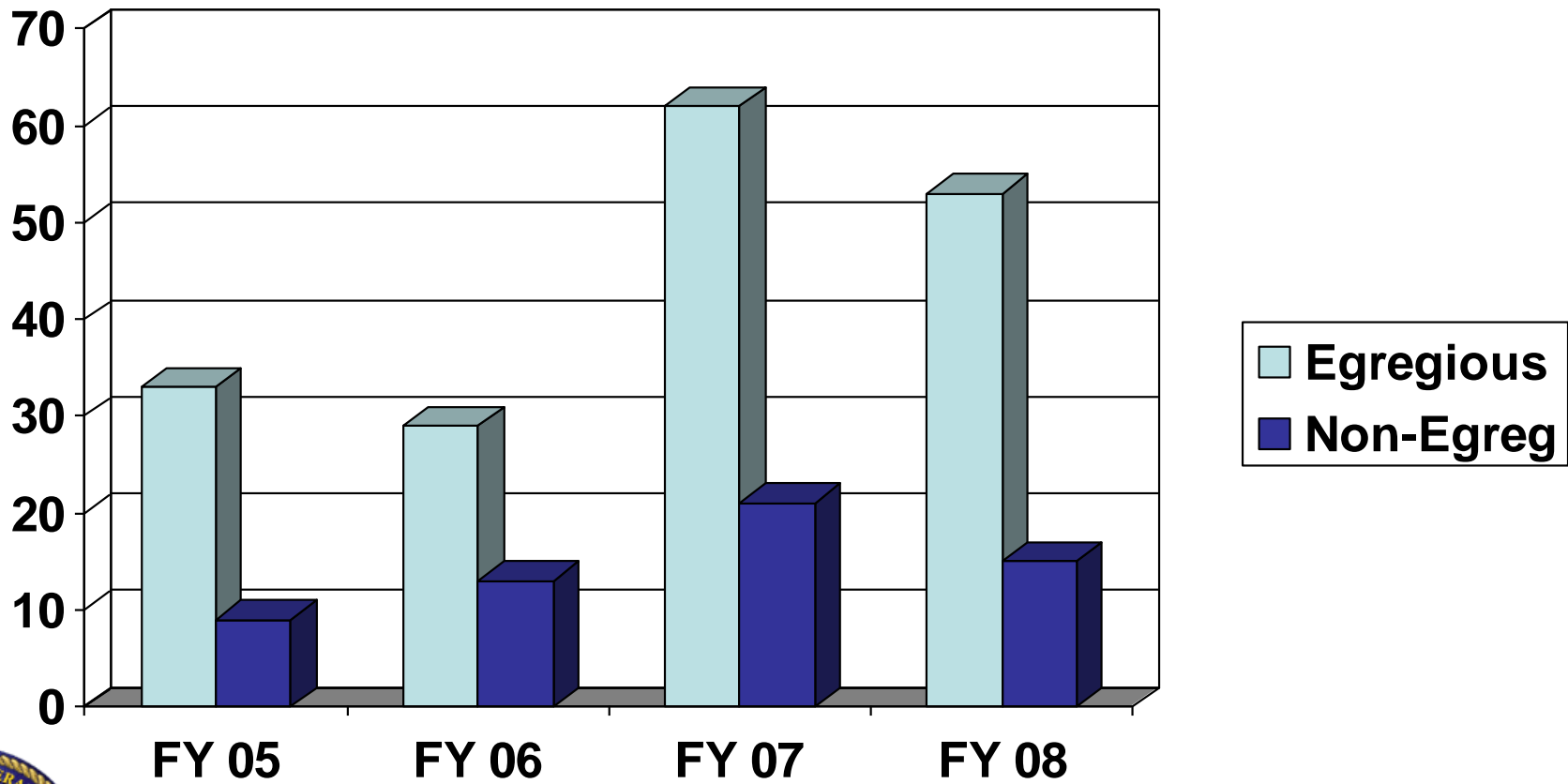


## Review of Closed Loans – 5/1/07 through 4/30/08

- **20,777 loans reviewed by VA Regional Loan Centers**
- **What loans get reviewed?**
  - Random percentage, plus
  - All early default cases
    - 6 or less payments made before default



# REGIONAL LOAN CENTER REFERRALS



## WHAT IS “EGREGIOUS”?

- It’s not our goal to play “gotcha” but....
  - We do have oversight responsibilities.
- Egregious is:
  - “A loan no lender in their right mind should make!”
  - Usually no single “issue” that makes a loan egregious
  - Typically combination of serious deficiencies



## EGREGIOUS (CONT)

- Not meeting VA guidelines doesn't necessarily mean it's egregious.
- Should be evidence of a flagrant disregard for VA guidelines.
- If lender explains their rationale, it could swing the balance in their favor.
- REMEMBER!! - We're not out to "get" you!
  - "We're from the Gov't. We're here to help!!!"



## DOCUMENT

- It never hurts to address any serious weaknesses.
- Comments on loan analysis, or
  - Separate note for file
- Identify “issues” and comment on why loan approved



## WOULD YOU MAKE THIS LOAN?

- Unpaid tax lien in the amount of \$3,007
- 46 unpaid collections totaling \$30,842
- Median credit scores of 402 and 462
- Car payment with 12 late payments, up through the time of loan application



## LENDER MONITORING UNIT

- **Monitoring Unit Audits**

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- FY 2007: 34 In-house and 42 Onsite at lenders' offices
- FY 2008 Scheduled: 36 In-house and 46 Onsite at lenders' offices

- **Bills of Collection (BOCs)**

- Lenders required to sign Indemnification Agreements on loans which were not made in accordance with VA underwriting standards
- For indemnified loans that eventually foreclose, a BOC is established against a lender for the loss VA suffered as a result of the foreclosure
- FY 2007: Monitoring Unit collected \$1,024,844 under BOCs established against lenders

- **Refunds to Veterans**

- FY 2007: \$112K in unallowable fees & charges recovered from lenders and returned to veterans



## THE GOOD NEWS

- VA's default rate is low
- Suggests overall quality of underwriting is good!!!



## OCCUPANCY

- Law requires the vet to certify property will be occupied as primary residence
- Occupancy by spouse of active duty vet is okay
- Previous occupancy is acceptable on IRRRLs
- Handbook does allow some flexibility
- Occupancy by other than vet or spouse will not meet the requirement of the law.



## IS OCCUPANCY REQUIREMENT MET?

- Single vet with 2 children based in Hawaii but has permanent change orders to NC with report date of September 2009
- Wants to purchase home in NC now to move mother and children
- Yes or No?



## HOW ABOUT THIS ONE????

- Active duty member stationed at Pentagon
  - Active duty ends in 8 months
- Wants to purchase home in New Mexico now and wife will occupy.

Yes or No??



## FUNDING FEE ISSUES

- VA Funding Fee Payment System (VA FFPS) is how to remit fees.
  - Lenders must input info in VA FFPS – even if vet is exempt
  - A manufactured home permanently affixed is considered as a “stick-built home.”
    - 1% fee is ONLY for manufactured homes NOT permanently affixed – and don’t see those loans being made under VA.



## ELIGIBILITY

- Don't mail!
- Use WebLGY
  - If unsuccessful, use electronic app
- Paid in Full does not equal restoration
- Completed 26-1880, especially information on whether vet owns previous home or not is **IMPORTANT!**



## ELIGIBILITY - CONT

- Eligibility Center is experiencing heavy volume.
  - Lenders can check status online versus calling.
- Plans are for vets to be able to register in Portal and generate their own COE. This will take some pressure of Eligibility Center



**LET'S TAKE OFF AND PUT MORE QUALIFIED VETS IN HOMES!!!**

