

**STATEMENT OF  
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BEFORE THE  
HOUSE COMMITTEE ON VETERANS' AFFAIRS  
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY  
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Good afternoon Chairman Wenstrup, Ranking Member Takano, and other Members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the status and accomplishments of the Department of Veterans Affairs (VA) Home Loan Guaranty Program, to include the Specially Adapted Housing Program.

**Overview**

The mission of VA's Home Loan Program is to maximize opportunities for Veterans and Servicemembers to obtain, retain, and adapt homes by providing a viable and fiscally responsible benefit in recognition of their service to the Nation. We empower Veterans with information and access to innovative, quality products and services by engaging our industry partners and helping them deliver high-quality benefits to Veterans in an efficient and effective manner. Through these strong partnerships, our focus on Veterans, and our continuous drive to innovatively enhance operations and performance, we have built a high-performing program that has provided nearly 22 million loans totaling over \$1.7 trillion over the last 70-plus years.

## **Program Data and Accomplishments**

Recent efforts increasing Veteran access to and stakeholder knowledge of the program have contributed to a number of beneficial outcomes for Veterans. Interest rates for VA loans remain lower than those of conventional and Federal Housing Administration (FHA) loans, and VA captured approximately ten percent of the mortgage market in FY 2015, guaranteeing a record of more than 631,000 loans. VA has provided more loan guaranties over the past six fiscal years (2.9 million) than it did in the ten years prior (2.5 million).

Despite the worst housing-market crash since the Great Depression, VA has worked with private-sector loan servicers to help over 500,000 Veterans and their families retain their homes or avoid foreclosure since 2009. This equates to the United States taxpayer avoiding over \$16.3 billion in foreclosure claim payments. Last year alone, VA saved a record 90,000 Veterans from foreclosure, which equates to a savings of \$2.8 billion in avoided claim payments. Further, VA's foreclosure inventory rate (the percentage of loans in foreclosure) has been better than conventional prime mortgage loans for 25 of the last 30 quarters according to the Mortgage Bankers Association's National Delinquency Survey data.

VA has seen significant increases in Veterans using the Specially Adapted Housing (SAH) program in recent years as well. The SAH program is designed to ensure eligible seriously disabled Veterans have the ability to improve independent living through the purchase and/or construction of an adapted home, or the modification of an existing home to meet their needs. In FY 2015, we approved more than 1,800 grants, totaling \$96 million, which represents an increase of approximately 44 percent

over FY 2014 and an increase of approximately 65 percent over FY 2013. Additionally, FY 2015's approvals include a best-ever 13 grants for Veterans living outside of the U.S. Recent statutory expansions in the SAH program, coupled with military drawdowns and VA's success in reducing disability compensation claims processing time, have contributed to the overall increase in SAH-eligible Veterans. VA's success in helping these Veterans reach grant-approval is largely due to the streamlined policies and procedures that VA implemented in February 2014.

VA has also sought to increase awareness and usage of the Native American Direct Loan (NADL) Program by reinvigorating outreach efforts to Native American Veterans and Tribal governments. The NADL Program allows VA to provide direct loan financing to Veterans seeking to live on Federal Trust lands. In order for VA to provide financing, a memorandum of understanding (MOU) must first be signed between the Tribal government and VA. During FY 2015, VA held 44 outreach events with over 80 tribes, and recorded nearly 1,100 individual phone or email communications with various Tribal governments. This work translated into eight new MOUs and 18 new loans in FY 2015, bringing the program-to-date totals to 93 MOUs and 989 loans originated.

### **Process and Technological Enhancements**

VA has worked to provide world-class customer service to a recent influx of Veteran borrowers by enhancing and implementing new technology and nationalizing or streamlining key work products and processes. One such nationalized process is the Home Loan Program's certificate of eligibility (COE) workload. The COE verifies to the

lender that a Veteran is eligible for a VA-guaranteed loan. While the percent of COEs issued electronically and in a matter of seconds rose to a record 67 percent in FY 2015, some COEs cannot be processed automatically by the system and require manual intervention. In order to increase VA's efficiency in processing those requests, VA began distributing those COE requests across staff at VA's nine regional Home Loan Program offices. In May 2015, VA's inventory of pending home loan COEs was over 15,000, with an average processing time of 26 business days. By August 2015, that inventory declined to fewer than 4,000, with an average processing time of two business days. Currently, there are approximately 2,000 pending COEs, with an average processing time of two business days.

VA also recently implemented two initiatives that provide key program and industry benchmarking data necessary for enhanced monitoring of loan, lender, and appraiser performance. As part of the first phase of an initiative to develop and implement a risk-based loan review environment, VA's Full File Loan Review (FFLR) initiative is enhancing our electronic collection of over 300 data points from loan closing documents and our ability to standardize and analyze that data.

Additionally, in order to ensure quality and timeliness of appraisals, VA implemented the Automated Valuation Model/Appraisal Management System (AVM/AMS), which aggregates appraisal data on VA loans as well as other loan types in the marketplace. The AVM/AMS tool uses an automated, rules-based approach to identify areas of risk, and provides VA with an appraisal risk score and comprehensive and detailed data for each appraisal in one report. This tool provides VA and its lending

partners with significant time savings in appraisal reviews and issuance of the notice of value, an important benefit given the program's recent upward trend in loan volume.

### **Outreach and Program Education**

In recent years, VA has focused outreach and education efforts on homebuyer literacy, general program and benefit information, the NADL Program, and foreclosure avoidance. In order to deliver information directly and further the interests of Veteran beneficiaries, VA participates in many interagency workgroups and private-sector collaborations and attends numerous mortgage industry events each year. VA also develops and delivers numerous informational products such as brochures, posters, and personal online testimonial videos from Veterans who have taken advantage of the assistance VA provides in avoiding foreclosure and in adapting a home through the SAH grant program. In response to a rapidly changing mortgage industry and the need for lenders to obtain real-time answers to pressing questions about program policy changes, VA has developed a number of live, interactive training broadcasts that we later make available to those unable to attend the live broadcasts.

VA takes a more individualized approach to outreach under the SAH Program. Due to the complex and individual nature of each grant, it is imperative for VA's SAH agents to consistently, frequently, and personally communicate with Veterans throughout the entire process. Each individual Veteran's disability and housing situation is unique, and as such requires personalized case management from VA's SAH Agents. While the standard outreach methods, such as letters, are used in notifying the Veteran of his/her eligibility, the SAH staff adds personalized outreach from that point forward.

Initial program interviews with Veterans are conducted in-person within 30 business days of eligibility determination, and personal agent-to-Veteran contact occurs at least every 30 business days throughout the SAH process. A typical SAH case involves numerous communications and in-person meetings to best understand and communicate the Veteran's unique needs and to help the Veteran navigate the home adaptation process through to completion. VA also conducts yearly outreach to all Veterans who are known to be eligible for the SAH program.

### **Inter-Agency Collaboration**

VA and the Department of Agriculture (USDA) have forged a new partnership to create efficiency in managing foreclosed property assets. Since 2003, and as a result of an OMB A-76 study, VA's business model has been one in which a private-sector contractor is hired to perform all functions required to manage, market, and sell the properties VA acquires from lenders as a result of foreclosure. After numerous discussions between USDA and VA, the two agencies found that this privatized business model would dramatically increase the efficiency with which USDA disposed of its acquired properties and drastically lower costs incurred for each property sold.

In fall 2015, VA and USDA established a pilot program under which VA leverages its private-sector contract to manage, market, and sell USDA's foreclosed property inventory. Since sales under the program have only recently begun, significant performance data is not yet available; however, the joint value proposition analysis prepared in advance of the inter-agency agreement projects that the program will

generate annual taxpayer savings of over \$9 million. VA looks forward to continuing work with USDA to realize this projected success.

### **Upcoming Activities and Enhancements**

In the coming year, VA will be working hard to provide Veterans with continued exceptional service. In 2016, VA will continue its focus on nationalizing and standardizing processes to ensure the program is operating in an efficient and effective manner. One such focus is an initiative to reduce hold-times and increase first-call resolution rates for calls coming in to the Home Loan Program. By moving to one telephone number for all Home Loan Program offices, standardizing automated call scripts, and nationalizing the incoming call queue, VA expects Veteran and lender hold times will be reduced and callers will be able to obtain the information or response desired on their first call attempt.

Additionally, VA will enhance Veterans' experience with the SAH grant process by producing a revised Handbook for Design, which Veterans, contractors, and compliance inspectors will use as a helpful resource throughout the grant and construction process. VA will release a new online training module for SAH agents so that they can continue to provide accurate program information and high levels of customer service to SAH grantees. The program will also continue its focus on identifying new ways to handle challenging and problematic SAH cases, such as those involving severe structural defects resulting from poor workmanship or contractor negligence.

VA will develop a risk-based review process for appraisals and appraisers, and for its post-closing loan review program. Risk-based reviews, facilitated by the AVM/AMS and FFLR technology, and developed using statistical methods, will allow VA to identify risk indicators in its loan and appraisal data and target high-risk cases for review. From an oversight perspective, VA will enhance its ability to monitor key program stakeholders and provide them with more detailed performance feedback.

Further, VA's new SAH Assistive Technology (SAHAT) grant program will be poised to award its first grants in April 2016, providing funding to individuals and entities for the purpose of developing assistive technologies related to housing. We look forward to receiving a number of qualifying proposals/applications from interested parties in early 2016, and we are eager to see how the new and innovative technologies could enhance Veterans' abilities to live independently in barrier-free environments.

Finally, VA will re-compete the private fee-for-service contract that provides the VA Loan Electronic Reporting Interface (VALERI) in FY 2016. VALERI is a software-as-a-service solution, deployed in 2008, that allows VA to monitor status on every VA-guaranteed loan, level and distribute work overnight, service and process foreclosure claims electronically, and monitor private-sector loan servicers' performance and compliance with VA policy and regulations. Although this technology has enabled VA to realize significant success in helping Veterans and their families retain their homes or avoid foreclosure, it requires a refresh. VA will be working diligently to identify different contractual and technological solutions to ensure VA's loan servicing technology is modernized and Veterans continue to receive the best service possible.



## **Legislative Matters**

VA looks forward to continued discussions with the Subcommittee on how Veterans can be served by collaborative administration of VA's SAH and Vocational Rehabilitation and Employment programs. As the Subcommittee identified last year, legislation would be required to effectuate the coordinated administration. VA testified to a specific section of draft bill H.R. 2344 before this Subcommittee, which proposed that housing modifications required under a vocational rehabilitation program may be provided under the SAH Program. VA supported the purpose of the bill, but outlined in written testimony some concerns with the bill as drafted. VA appreciates the Subcommittee's interest in helping identify ways in which we can work together to serve Veterans through streamlined benefit programs, and we stand ready to provide any additional technical assistance requested of us in the coming year.

## **Conclusion**

Mr. Chairman, the coming months at VA will be busy and challenging, but I know we will continue to provide our Nation's Veterans with efficient, effective, and meaningful programs centered on meeting their homeownership, home retention, and home adaptation needs. Thank you for your continued support of our programs and for this opportunity to speak today. This concludes my testimony, and I welcome any questions that you or other Members of the Subcommittee may have.