Testimony of
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House Committee on Veterans' Affairs
Subcommittee on Economic Opportunity

Hearing Entitled:

"Sink or Swim? A Deep Dive into the Current State of VA's Home Loan Program in a Competitive Market."

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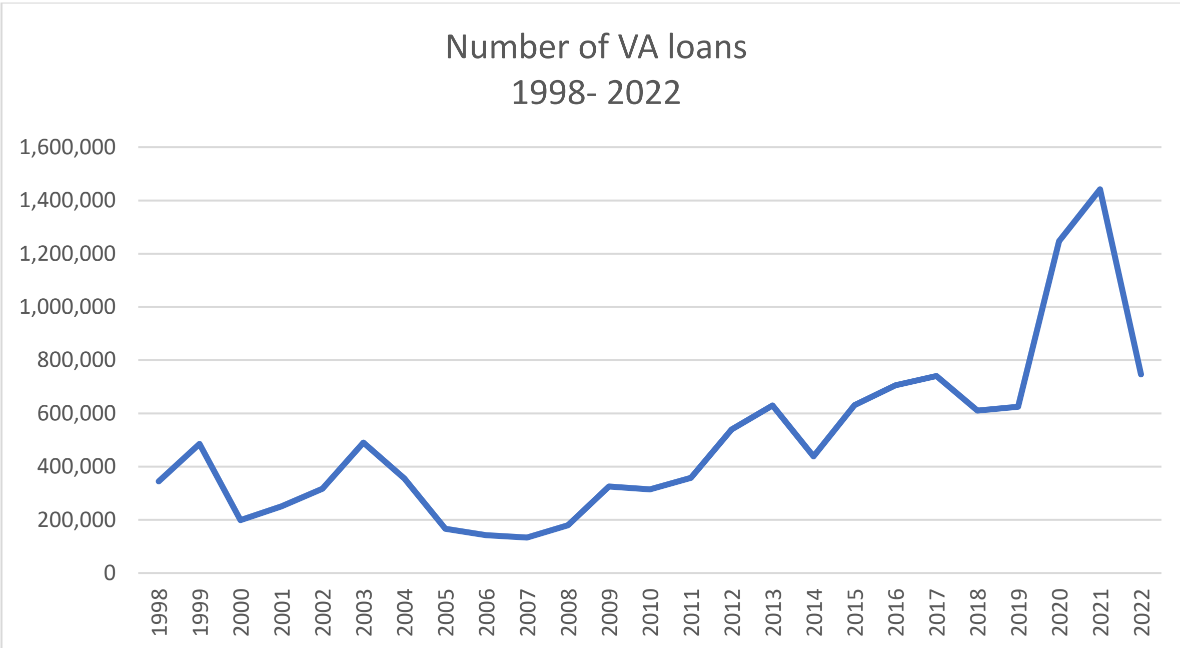
Introduction

Thank you for the invitation to participate in today's hearing. I am here on behalf of the Housing Policy Council (HPC), a trade association comprised of the leading national mortgage lenders and servicers; mortgage, property, and title insurers; and technology and data companies. HPC's members share a common interest in the success and sustainability of the VA Home Loan Guaranty Program.

In fact, HPC and HPC members have a long history supporting active duty servicemembers and Veterans who have served our country. HPC's first president, John Dalton, was the Secretary of the Navy during the Clinton Administration and established within HPC a commitment to working with the Department of Defense (DoD), the Department of Veterans Affairs (VA), and the Consumer Financial Protection Bureau's (CFPB) Office of Servicemembers Affairs to promote access to safe and affordable lending programs and services for military families and veterans.

We have an active working group that coordinates with the DoD to advance policies that facilitate compliance with the Military Lending Act and Servicemembers' Civil Relief Act. We also manage working groups that focus on ways to enhance and expand home lending for Veterans through the VA Home Loan Guaranty Program, the subject of this hearing.

The subcommittee's decision to focus on the VA Home Loan Program is timely. The program has undergone remarkable growth over the last 10 or so years. In the decade between 2011 and 2021, the number of VA originations quadrupled, growing from just over 350,000 loans to over 1.4 million. Even in 2022, when lending activity declined in all segments of the market, VA loan volume was more than double that of 2011, and higher than the very successful mortgage years prior to the COVID-19 National Emergency.



In the wake of this incredible growth, it is appropriate to assess whether the VA has the resources and authority the agency needs to operate the program effectively, fulfilling its mission to those who served our nation and managing the associated mortgage credit risk. Our own informal assessment of the situation leads us to conclude that VA does, in fact, need additional resources to operate its home loan program. Yet, in the absence of additional funding for personnel, technology, or vendors, the VA could deploy its existing resources more efficiently by aligning some of the VA practices with those of the conventional market or other government programs.

To be clear, we believe that some of VA's "tools" and processes were adequate when VA financing volume was lower, when VA financing was a niche lending program. However, to keep pace with the exponential growth in the volume of VA business, the core policies and practices need to be modernized. Updates to the policies and practices would enhance the program – extending the VA home financing opportunity to more Veterans, improving program performance and sustainability, and eliminating the perception that the VA Home Loan Program is hard to deal with, a stigma that affects Veterans' ability to make competitive purchase offers in "hot" real estate markets.

In other words, with or without additional resources dedicated to the VA Home Loan Guaranty program, strengthening and modernizing the agency's policies and practices would allow VA to be more efficient and effective and its programs more appealing for VA borrowers and market participants. Adequately funding needed improvements would enhance the utility of this unique benefit, enabling more Veterans to pursue and secure their American Dream and empowering VA to better fulfill its mission of serving those who have honorably served us.

A critical principle that could guide this Subcommittee's oversight of the VA's future policy decisions is to provide the VA with the resources and authority the agency needs to offer at least equivalent service to borrowers financed through FHA, USDA, Fannie Mae, or Freddie Mac. Put another way, to operate an effective homeownership lending benefit program, VA requires resources to maintain strong risk management practices to support its ever-growing market share, to operate soundly within the complex U.S. housing finance system, and to keep pace with private sector innovations and best practices. Ideally, if we work together to strengthen the VA Program, the VA will someday be able to provide the superior service that our Veterans deserve.

My testimony today includes recommendations that reflect ideas and insights presented during several years of policy discussions between HPC members, other industry associations, and consumer and Veteran advocacy organizations. The recommended program and practice improvements would help VA provide services equivalent to other government agencies. Needed improvements include updates to VA's servicing and loss mitigation programs, property and appraisal standards, and basic program guidance to formally and permanently adopt temporary policy changes made over the last few years. HPC and our members also recommend that the VA, with the support of Congress, improve program transparency, including additional reporting. We believe that VA stakeholders and the agency itself would benefit from a new, publicly available monthly VA Home Loan report on the status of loan activity and performance, a policy drafting table to collect public comments on material policy changes, and an independent government study of program authority and need.

Recommendations to Update VA Policies and Practices

Servicing

In light of the current size and importance of the VA Home Loan program in the marketplace, we believe the VA's current loss mitigation tools and resources are insufficient to meet the needs of Veterans facing financial distress, many of whom require assistance to keep their homes. The VA has significantly fewer and less effective loss mitigation programs than the USDA, FHA, Fannie Mae, or Freddie Mac. We find this to be unacceptable. We wrote a letter to the VA in January of 2023 with consumer groups, Veteran service organizations, and industry partners who all joined with us to express this view.

At the outset of the COVID-19 pandemic, VA, like the other government agencies, did a good job standing up a forbearance program in accordance with passage of the CARES Act. The VA allowed affected borrowers to avail themselves of 12 months of forbearance, suspending mortgage payments without penalty (later extended administratively to 18 months) with the understanding that the missed payments would ultimately be satisfied through a permanent loss mitigation solution. For borrowers whose hardship ended, the VA had a number of traditional loss mitigation programs that a servicer could offer. These programs generally required a loan restructuring, with capitalization of the missed payments (adding the arrearage to the outstanding loan balance) and a change to the rate and term of the mortgage, but no long-term deferral of the missed payments. With rates suppressed by the Federal Reserve, these programs could achieve a reduced payment for borrowers. However, the other government agencies, FHA and USDA, as well as Fannie Mae and Freddie Mac, had programs that permitted a borrower to resume their previous monthly payments and defer the entire amount of missed payments until payoff of the primary mortgage. In October of 2020, HPC requested that the VA set up a similar program.

We were pleased when the VA added this useful tool to its suite of programs in July of 2021. The new Partial Claim program was structured somewhat like the FHA program, permitting a borrower to resume making monthly payments at the previous level, with the accumulated arrearages from the missed payments rolled into a subordinate lien due upon payoff of the primary mortgage. The VA operated this borrower-friendly option from July of 2021 through October 2022; this was the program that servicers would most often discuss with borrowers in forbearance, as the likely form of assistance that would allow the Veteran to exit forbearance and return to paying status.

After termination of this “stand-alone” Partial Claim program, since October of 2022, the VA intermittently continued a related program, the COVID Refund Modification program. This solution was designed to help Veterans who needed a reduction in their monthly payments; it allows the servicer to restructure the loan *in combination with* a Partial Claim. Unfortunately, the loan restructuring component of the program relies on a market rate of interest and rising rates have made this program increasingly less likely to achieve a payment reduction. Further, this program has expired and restarted multiple times, making it very difficult for servicers to offer to borrowers who could not predict when they might be prepared to exit forbearance.

The planned expiration of the standalone partial claim program in fall 2022 came well before the need for such a program dissipated and before any replacement programs were available to help Veterans in financial distress. In fact, HPC wrote to the VA in the summer of 2022, imploring the agency to retain the standalone partial claim program at least until an alternative program was launched. VA leadership indicated that the agency did not have budget authority and funding to maintain the standalone Partial Claim program, due to the federal accounting treatment applied to this program. HPC does not have specialized federal budgeting expertise to recommend a specific proposal or arrangement by which VA could maintain a permanent standalone Partial Claim program, but HPC continues to believe that the VA and Veterans need this critical loss mitigation tool.

As we understand it, the VA intended for the termination of the program to coincide with the implementation of a new program, the Veterans Affairs Servicing Purchase (VASP) program, that would permit a Veteran to have his or her mortgage restructured by their servicer to a below-market note rate with a term extension, to reduce the monthly payment. The restructured loan would be "purchased" by VA and transferred to a VA-procured servicer currently under contract with the agency. While we support the introduction of the new VASP program, its development has been significantly delayed, and the previously existing standalone partial claim program was not extended to bridge the gap.

Further compounding this challenge, VA resource constraints have resulted in multiple lapses of the Refund Modification Program, which permitted principal deferral with loan restructuring to reduce the Veteran's monthly mortgage payment. The intermittent availability of one program and termination of another negatively affected servicers' ability to assist Veterans, limiting the solutions that could be offered to Veterans in need of assistance. HPC acknowledges and appreciates that VA issued an extension of the Refund Modification Program just this week, on February 12, with a new expiration date of May 31st. However, this action may be too late to assist some homeowners. As mentioned above, the VA previously allowed the Refund Modification to expire, and in spite of the announcement this week that the VA has again reopened the program, many servicers had already disassembled their processes for offering it. Further, the short time-frame available to offer the program is insufficient for many servicers to stand up new processes, particularly given the need to dedicate resources to the implementation of VASP.

Yet, in the absence of extensions for the partial claim and refund modification programs, the VA had no effective VA loss mitigation programs that would reduce payments for Veterans facing foreclosure. As a result, on November 30, 2023, the VA announced a "voluntary" foreclosure moratorium, which forestalls these actions to an extent, but exacerbates the financial hardship for the borrowers who are awaiting assistance. During a moratorium period, the arrearage continues to grow, which hurts rather than helps Veterans in need, and makes finding permanent solutions more challenging.[i] We ask again, as we did in summer 2022, that the VA reinstate the standalone partial claim program, which can provide assistance to some VA borrowers, while it completes the design and implementation of the new VASP program.

Further, we believe that the success of VASP depends on features that will allow a maximum number of Veteran borrowers to qualify and to receive adequate payment relief to reperform on their mortgages. Specifically, we recommend that the program design enable the VA to:

- *Maximize borrower eligibility.* The VA should avoid eligibility and approval criteria or factors that would unnecessarily limit the number of borrowers who could receive assistance. For instance, VA should not require the collection of excessive amounts of financial documentation or mandate a residual income analysis to demonstrate affordability. As we've learned from experience - during the Great Financial Crisis, with the Home Affordable Modification Program, and the recent COVID-19 pandemic - payment relief is the single biggest driver of sustainable loan modifications.

- *Process borrower cases promptly*. Prompt, consistent, and unambiguous loss mitigation decisions will be critical to the success of VASP. The VA should establish a VASP process that is efficient, without barriers that would delay an opportunity for a borrower to retain their home. To expedite the process, we believe that the VA should utilize clear pre-screening criteria for servicers to identify borrowers eligible for a loan modification, preferably based on data that require no additional documentation or validation. Without a simplified, data-driven process, servicers will have to collect, and the VA will have to evaluate, a significant volume of documentation to decide whether to purchase a loan. It is important to process the bulk of loans that qualify for VASP promptly. Objective, bright-line parameters should guide both the servicers' data collection process and the VA's decision to approve a loan for purchase and immediately proceed to transfer the servicing to VA's contractor. To develop a streamlined and efficient process, we support efforts by the VA to devote technological resources to automation.

- *Facilitate successful servicing transfers*. At its core, VASP relies on servicing transfers and therefore, VA must implement a servicing transfer process that follows industry standards and practices. Namely, VASP should permit monthly servicing transfers to be completed in bulk. Individual loan transfers are not scalable for servicers or VA's servicer-contractor and raise considerable operational risk issues. We have indicated to VA that the industry stands ready to discuss the servicing transfer process, including the servicer and VA's communications with the borrower, the data to be transferred, and documentation needed to complete the transfer process.

- *Focus on Monthly Payment Reduction*. As we have advocated jointly with consumer groups, the VA should optimize the use of VA resources dedicated to this program by designing VASP to bring a targeted amount of payment relief to borrowers (ideally between a 20-30% payment reduction), rather than designing a program that targets a uniform interest rate (which is what we understand that the VA might be considering).

In addition to VASP, we recommend that the VA update the full suite of loss mitigation programs, engaging with both FHA, Fannie Mae, and Freddie Mac, and with industry participants to utilize features of the various government-initiated COVID-19 loss mitigation solutions. The VA should pursue a comprehensive and durable set of programs that can be used to resolve mortgage delinquency under any economic or market conditions, while preserving needed program flexibility for servicers to work with their borrowers to find the most appropriate solution for each situation.

As mentioned previously, as part of this work, VA should re-introduce a standalone partial claim program that permits deferral of missed payments. A program like this is needed for borrowers whose temporary hardship has ended and who can resume their contractual mortgage payment but need assistance resolving their missed payments. The FHA standalone partial claim program is a workable model for VA.

Appraisals

In the absence of additional funding for personnel, technology, or vendors, the VA should look for areas to use its existing resources more effectively, specifically by adopting best practices of the conventional market.

We believe the VA's current appraisal process is a natural place for alignment, to better serve Veterans and to remedy the negative market perception of the VA Program.

Thus, we commend Chairman Bost and the members of this committee who supported the Improving Access to the VA Home Loan Benefit Act of 2022 (the Act). To us, this simple, common-sense piece of legislation, is meaningful; it calls on the VA to consider adjustments to the VA appraisal process, to establish valuation practices that are more efficient and effective.

Similarly, we note the VA's recent issuance of an Advanced Notice of Proposed Rulemaking (ANPR)[ii] seeks information on ways to improve the agency's collateral valuation processes, including the VA-specific minimum property requirements. The ANPR conveys a receptivity to adopt approaches that align with market-wide residential collateral standards. We recommend that the VA Home Loan Guaranty Program eliminate the Minimum Property Requirements and instead align VA appraisal practices with the conventional market standards established by Fannie Mae and Freddie Mac. Conventional financing is one of the most common alternatives used by Veterans.

While we share the goal behind the minimum property requirement – to protect the health and safety of prospective VA homebuyers – in practice, the current standards hurt Veterans. We have observed over the years, based on the experience of many stakeholders across the housing finance system, that the VA Minimum Property Requirements serve as one of the most significant impediments to the use of VA financing by prospective homebuyers. The standards impose an additional set of requirements that do not reduce the lender's collateral risk or in most cases improve the overall soundness of the property. Instead, the Minimum Property Requirements, in both perception and reality, delay and prevent consummation of sales transactions, making purchase offers based on VA financing less desirable than offers that rely on conventional mortgage loans. Whether real or perceived, the Minimum Property Requirements are considered by market participants to make the VA program more difficult operationally, more time-consuming, and more likely to result in a failed deal. This causes adverse selection that disadvantages VA home loans when other financing is available and increases the costs to originate, underwrite, and close a VA guaranteed loan.

Another unique feature of the VA appraisal process is the VA Appraiser Roster. Over the years, the limited set of appraisers on the Roster has presented a problem, particularly in rural communities. Appraising rural homes is more complicated due to a lack of comparable sales, uniqueness of homes, time between sales, and an expansive geography. These factors require more time, research, and justification for an appraiser to determine an acceptable opinion of value for a rural property. To make this task more challenging in the VA space, VA maintains its own Roster of VA Appraisers who are eligible to perform appraisals for homes that will be security for VA home loans. VA officials have acknowledged that the agency has had difficulty finding qualified appraisers from this Roster who will agree to accept VA assignments in rural areas.

The viability of the VA Appraiser Roster depends on the number and distribution of appraisers across the country. Therefore, we think that it is critical for the VA to provide data on the number of VA approved appraisers in all geographies, especially in rural communities. This would allow policymakers to assess the sustainability of the program, monitor trends, and adapt policy if necessary to address changing market conditions.

Updated Policy Guidance

The last significant overhaul of the VA's Lender Handbook[iii] was in 2019. Absent updates to the Handbook, the primary way that the VA notifies the lending community of policy changes is by issuing targeted and narrow policy instructions, called Circulars. Unfortunately, many of these Circulars have short-term effective timeframes (often 6-12 months) and, at this point, many critical Circulars have since expired. Outdated Handbook guidance, combined with expired Circular guidance,[iv] results in confusion for stakeholders and the potential for inaccurate application of the intended guidance by lenders. With additional staffing resources, we believe that the VA must update the Handbook to reflect current law and regulation, as well as other expired Circular guidance, minimizing the risks of lender non-compliance and/or inconsistent service to Veterans.

For example, the VA should update its policies pertaining to Appraisal Fees and the Residual Income Table.

The VA publishes an allowable appraisal fee schedule for every area of the country, to cap the cost of VA appraisals. In theory, this unique practice protects a consumer from overpaying for an appraisal. However, the VA has not adequately maintained the fee schedule; the last update to the schedule was in December of 2021. When the fee schedule does not keep pace with market conditions, Veterans are not well-served. During periods of peak demand, the fee schedule is too low to entice an appraiser to accept an assignment and in a slow market, Veterans are likely overpaying for appraisals. If the VA wants to continue to maintain price controls on appraisals to protect veterans, there must be a commitment of resources to update the fee schedule multiple times a year. Or perhaps it should consider relying on a competitive market to set prices.

A similar example of a unique program feature that needs updating is the VA's Residual Income table.[v] The rigorous VA underwriting process requires analysis of the Veteran's available income, after paying mortgage and related expenses each month. Unfortunately, the expense side of the VA's test has not been updated for years, and most certainly has not kept up with inflation, and the resulting tables therefore understate the residual income a family actually needs. We acknowledge that updating the residual income table would likely take a significant deployment of resources, but we believe the benefits to the Program and future Veteran borrowers would make this effort worthwhile.

Recommendations for Improving VA Reporting and Transparency

Relative to FHA, Fannie Mae, or Freddie Mac programs, data on VA loans are hard to come by. One way to enhance the VA Home Loan Program is to increase transparency related to VA loan activity, performance, and policy. We recommend that the VA:

- Provide the public with monthly loan activity and performance data, to present the status of VA loans;
- Provide a periodic update on the revenues from running the program;
- Like FHA, create a policy "drafting table" to offer the public a vehicle to provide comments and insight on material changes to the program, prior to implementation; and

Task the Government Accountability Office (GAO) with studying what resources and authorities the VA needs.

Loan Performance Data

Today, the VA does not publish any loan data and therefore does not provide the public with any basic program information on the performance of VA home loans. As a result, stakeholders – from industry to consumer groups to researchers – do not have official figures from the VA regarding the number or proportion of VA loans that are delinquent, nor how many VA borrowers are benefiting from some form of loss mitigation including forbearance. This means that stakeholders also cannot predict the impact of policy changes, like the recently announced VA foreclosure moratorium or the number of borrowers who may qualify for the proposed VASP program.

Without VA-established and -administered reporting, policymakers rely on Ginnie Mae reports for basic information, which only provides insight into loans in Ginnie Mae securities (which is not a particularly good proxy when loans are delinquent and are removed from the securities) or on private company reporting. The VA does publish the VA Annual Benefit Report, but the information in this document suffers from a significant lag in time. Therefore, we recommend that this annual report be supplemented with a monthly public disclosure of VA loan activity and performance data. This would allow policymakers and stakeholders to monitor the business and identify emerging trends or challenges. Ideally, a monthly report would mirror the information currently provided by FHA, Ginnie Mae, Fannie Mae, and Freddie Mac, so that the public would have a real-time opportunity to make comparisons about what is happening with the largest programs in the housing finance ecosystem.

VA Home Loan Revenue Data

We understand from VA officials, that the Home Loan Guaranty Program is experiencing financial and operational strain as a result of the PACT Act as well as the Blue Water Navy Vietnam Veterans Act of 2019, and the associated waiver of the VA funding fee for Veterans who receive compensation for service-connected disabilities. While we applaud the goals of these policy priorities, the reduced revenue for the Home Loan Program poses a challenge for an organization that should operate with sufficient income to offset the losses that necessarily will occur in a lending program. According to a CBO report, in fiscal year 2021, approximately one-half of VA borrowers—specifically, those receiving compensation for a service-related disability or spouses of Veterans who died in service—were exempt from the funding fee.[vi] It is our understanding from VA officials that the proportion has only grown further since 2021.

To track this emerging issue, we request that the VA be required to publish annual information in the VA Annual Benefit Report, that tracks the revenue situation with the program over time, and how that corresponds with the growth of the program, the utilization of the program by Veterans with service-connected disabilities who don't pay a funding fee, and projects how enacted legislative changes might impact those who qualify for the program and/or qualify for a fee waiver when accessing the program.

The current VA Annual Benefit Report already highlights that the percentage of young Veterans receiving service-connected disability benefits has grown dramatically.[vii] The Report also highlights the dramatic increase in utilization of the VA Home Loan Program.[viii] However, the report doesn't present for policymakers the percentage of VA Home Loan utilization by Veterans with a service-connected disability and whether this percentage has increased proportionately.

Our push for transparency in this area is not intended to suggest that servicemembers with disabilities should pay a funding fee, but rather to highlight the implications of this policy on the health and sustainability of the VA

Home Loan program. We believe our common objective should be to offer all qualifying Veterans a comprehensive home loan program that meets their needs throughout their lives and to fund the program adequately to meet that objective.

Policy Drafting Table

With the significance of the VA program in the marketplace, we believe that the VA needs to adopt a procedure like the FHA "Drafting Table," which allows for an informal and efficient public comment process for stakeholders to weigh in on core features and critical details of proposed changes to program rules and requirements as well as to address ambiguities or fix errors before a programmatic change is finalized. In the summer of 2023, HPC joined with consumer and industry groups to request that the VA establish a public process for review and comment on VA's new foreclosure prevention solution (VASP). It was our hope to gain insight on the proposed program features and requirements, to prevent implementation risks for program stakeholders and Veteran beneficiaries alike. In fact, our experience with the FHA Drafting Table is that it not only leads to better programmatic outcomes, but the ability to identify fatal flaws and drafting errors before a proposed change is finalized actually speeds up implementation timelines. Since the VA is currently short on resources and is looking to execute the new VASP program quickly, we believe that this type of iterative policy drafting process can prevent mistakes from being in a final policy document that then often take significant time and resources to correct.

Independent Government Study

At an appropriate time in the future, we propose an independent study conducted by GAO of the VA program and the challenges it faces due to its significant growth, changes in the borrowers' service profiles, and an evolving marketplace. Specifically, we recommend that GAO consider the VA program's performance as the volume of loan activity has increased over the last decade as well as during the COVID-19 National Emergency, to evaluate what additional resources and authorities the VA may need in order to offer services that are at least equivalent to FHA, USDA, Fannie Mae, and Freddie Mac. Additionally, the study should analyze the differences in statutory authority and budgetary support that the different government programs have, and the rational, if any, for the differences.

Concluding Remarks

I conclude by encouraging this Committee to actively assess whether the VA has the resources and authority the agency needs to operate this critical housing program effectively.

On behalf of HPC and its members, thank you for inviting me to participate today.

APPENDIX-Recent HPC Advocacy to the VA

12/14/2023 Joint trade letter with Mortgage Bankers Association (MBA), Center for Responsible Lending (CRL), and National Consumer Law Center (NCLC) on the need for the forthcoming servicing purchase program to target borrower payment reduction, rather than a uniform interest rate.

08/31/2023 Joint trade letter with the MBA and NCLC requesting that the VA start a public process for review and comment on the forthcoming servicing purchase program.

07/26/2023 Joint trade letter with MBA on recommendations for the VA to consider as they developed the servicing purchase program (VASP).

05/30/2023 Joint trade letter with 13 organizations requesting that the VA work with other regulators to develop a reconsideration of value process for appraisals.

01/17/2023 Joint trade letter with 19 organizations (including industry, consumer groups, and veteran service organizations) highlighting our concern that the VA didn't have sufficient resources, tools, and authorities to offer veterans adequate loss mitigation solutions.

01/17/2023 Joint trade letter with MBA in response to the VA ANPR on loss mitigation, that recommends a suite of changes to the process (a partial claim program, a 40-year modification, an expanded purchase program, etc.).

11/30/2022 HPC Letter to VA on recommendations for the VA to consider as they developed the servicing purchase program.

06/22/2022 Joint trade letter with MBA responding to an ANPR on Servicer Tier Rankings, which we support, but raised concerns about the resources and priority of this project.

06/21/2022 Joint trade letter with the MBA calling on the VA to extend their partial claim program past its expiration of October of 2022.

01/08/2021 Join trade letter with 27 other organizations raising significant concerns with a proposed rule on the partial claim program. Our largest concerns were the proposal would require delinquent borrowers to make monthly payments, pay interest expenses, and require extensive paperwork, all elements which were out of synch with FHA, VA, and conventional loss mitigation programs.

01/08/2021 Joint trade letter with MBA on the VA partial claim program, where we raised detailed concerns with the proposed program.

12/17/2020 Joint trade Letter with MBA and the American Bankers Association requesting guidance on expiration of CARES Act forbearance.

10/14/2020 Joint trade letter with MBA laying out significant concerns with the VA deferment loss mitigation option, and instead calling on them to stand up a partial claim program.

02/06/2019 HPC letter to VA on needed revisions to the cash-out refinance home loan rulemaking.

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[i] Further, when VA home loan borrowers are not making their monthly mortgage payments, for those loans pooled in Ginnie Mae mortgage-backed securities (MBS), servicers are obligated to make the pass-through payments to the (MBS) bondholders. This requirement for the servicer to make payments on the borrower's behalf is a significant financial responsibility, an economic burden that many federal regulators have identified as a source of economic stress in the mortgage market. Therefore, a VA program that resolves protracted borrower delinquency is in the financial interests of the borrower, the servicer, and the broader mortgage market alike.

[ii] https://www.govinfo.gov/content/pkg/FR-2023-12-11/pdf/2023-27068.pdf?utm_campaign=subscription+mailing+list&utm_medium=email&utm_source=federalregister.gov

[iii] https://www.benefits.va.gov/warms/pam26_7.asp

[iv] Examples include:

- The specific program requirements set forth in S. 2155, the Economic, Growth, Regulatory Relief, and Consumer Protection Act (passed in May 2018) are not adopted in Chapter 6 of the Lender Handbook. The Refinance guidance in the Handbook was last updated in April 2009, almost a decade prior to the new statute.
- Several Circulars have been issued on VA IRRRLs, but most have expired. In addition, the VA has not published a final rule of its IRRRL regulations. Regulations for VA Cash-Out refinances were published in December 2019 as an interim final rule and some Circulars have been issued on VA Cash-Out Refinances but have all subsequently expired.
- The requirements for implementing H.R.299 Public Law No: 116-23 - Blue Water Navy Vietnam Veterans Act of 2019 were issues through a number of circulars that have subsequently expired.
- Guidance permitting appraisers to use information collected by an independent third party was issued through a Circular as the Assisted Appraisal Processing Program, but has subsequently expired. An additional Circular was issued extending the rescission period out a year, but that has also since expired.

Table of Residual Incomes by Region For Loan Amounts of $79,999 and Below				
Family Size	Northeast	Midwest	South	West
1	$390	$382	$382	$425
2	$654	$641	$641	$713
3	$788	$772	$772	$859
4	$888	$868	$868	$967
5	$921	$902	$902	$1004
Over 5	Add $75 for each additional member up to a family of 7			
Table of Residual Incomes by Region **For Loan Amounts of $80,000 and Above**				
Family Size	Northeast	Midwest	South	West
1	$450	$441	$441	$491
2	$755	$738	$738	$823
3	$909	$889	$889	$990
4	$1025	$1003	$1003	$1117
5	$1062	$1039	$1039	$1158
Over 5	Add $80 for each additional member up to a family of 7			

[v]

[vi] https://www.cbo.gov/system/files/2021-09/57024-VA.pdf

[vii] https://www.benefits.va.gov/REPORTS/abr/docs/2022-compensation.pdf

[viii] https://www.benefits.va.gov/REPORTS/abr/docs/2022-loan-guaranty.pdf