



November 30, 2022

John E. Bell, III
Executive Director
Loan Guaranty Service
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

RE: Veterans Affairs Loan Refund Program

Dear Executive Director Bell:

The Housing Policy Council¹, on behalf of our members and the veterans served by those members, strongly believe that more loss mitigation options are needed to help veterans who are struggling to make their mortgage payments. Given the October 28 expiration of the COVID-19 Veterans Assistance Partial Claim Program (VAPCP), we are writing to request that the United States Department of Veterans Affairs (VA) consider scaling up the refund program authorized under 38 U.S.C. 3732, to provide another option for veterans, many of whom are still in COVID forbearance plans.

As you know, the refund program allows the VA to take assignment of the existing guaranteed loan indebtedness and pay the servicer the unpaid principal balance on the loan, plus accrued interest. The loan is then placed into the VA's portfolio, and the veteran makes loan payments directly to the VA. The benefit of this structure is, that once the loan has been bought out of a Ginnie Mae security and is on the balance sheet of the VA, the Agency has significant latitude to modify the mortgage in a number of ways (e.g. payment deferral, principal

¹ The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers, mortgage, property, and title insurers, and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families. For more information, visit www.housingpolicycouncil.org

forgiveness, term extension, reduced interest rate, or some combination of these), to reduce the veteran's monthly payment or provide other assistance, as necessary. Historically, this authority has been used rarely, but we understand that the VA is considering expanded use of the refund program to help veterans.

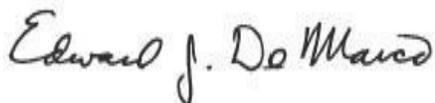
Our members strongly encourage this effort, as we think the refund program is a viable and statutorily authorized method for providing borrowers payment assistance in today's high interest rate environment. However, before the program is scaled up, the VA should establish prudent criteria to direct servicers offer this program only when appropriate. Specifically, the VA should publish criteria for the type of loans that will be eligible for the refund program, so that servicer and VA resources are dedicated to those veterans who are most likely to benefit. Clear guidance and effective VA operations will prevent the types of challenges experienced with the VAPCP and will also prevent servicers from spending money on items like title work and appraisals, if the loan cannot be purchased by the VA. Attachment A below identifies criteria that HPC members believe could serve as reasonable program parameters for a scaled-up refund/purchase program.

Conclusion

HPC, and our members have appreciated VA's direct engagement with industry throughout the past two years of the COVID-19 pandemic to implement important policy to help veterans. We look forward to continuing to work together to ensure that veterans are receiving the assistance they deserve and welcome the opportunity to discuss this letter and coordinate further on structuring an effective refund program.

Thank you in advance for your consideration of these comments. Should you have any questions or wish to discuss further, please contact Matthew Douglas at (202) 589-1924.

Yours truly,



Edward J. DeMarco
President
Housing Policy Council

Attachment A

The VA should publish criteria to stipulate which loans are eligible for purchase as part of the refund program. The VA guidance should include the following:

Servicer Participation:

- Servicer participation in the refund program is optional.
- VA should establish an up-front process for efficient processing of reviews and communications with participating servicers.
- The VA should publish requirements about what is needed for servicers to submit a refund for approval, including precise instructions for how to categorize the loan in VALERI.

Loan / Veteran Eligibility:

- Loan is a minimum of 90 days delinquent.
- Alternative loss mitigation has been exhausted: a) all other efforts to cure the default have failed; b) veteran does not qualify for any workout options offered by the servicer; or c) veteran cannot receive a payment reduction under any available option.
- Servicer has established Qualified Right Party Contact with the veteran within the past 30 days.
- Veteran has affirmatively stated a commitment to retain the home and occupy the property.
- Servicer has received a completed borrower financial package within the past 60 days.
- Based upon a review of a borrower response package, the servicer has reason to believe that the veteran has overcome the reasons for default and regained the ability to resume some level of monthly payments.
- If foreclosure was initiated, the process will not result in a sale for at least 90 days.
- The refund candidate is the title owner of the property. The VA guaranteed mortgage is in the first lien position.

Property Requirements / Valuation Considerations:

- No requirement for a servicer to assess the value of the property, as it will add significant expense and time to the process.²
- If the VA does require servicers to assess the value of a property, the VA should establish a streamlined process for servicers to ask for a reconsideration of value.

² However, if the VA determines that they need the servicer to assess the value of the property, the requirement should be to assess the value of the property through a broker price opinion, desktop appraisal, or an AVM with a high confidence score.

- VA should reimburse servicers for the full outstanding loan balance including accrued interest and fees. This would be a change from the historical use of the net value of the property calculation (property value minus guaranteed amount of loan) that requires an appraisal and a complex calculation that generally requires a servicer to take a loss on the loan and discourages servicer participation.³

VA Processing:

- The VA will approve/deny all refund decisions within 30 days of receipt of all required information.
- The VA should adjust the interest cutoff period to accommodate the refund approval decision timeline.
- The VA will complete a transfer of servicing process (hello/goodbye letters and all CFPB requirements) within 90 days from the refund/purchase decision.

³ The net value approach for reimbursement makes sense for VA's historical use of the refund program to manage REO properties where the VA is likely to incur expenses but is unnecessary when the program is intended for loss mitigation.