Report of the
Loan Guaranty Sub-Group
of the
Veterans Benefits Administration Restructuring Task Force

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Loan Guaranty Field Restructuring Proposal

Overview

Loan Guaranty loan processing and loan service and claims functions will be consolidated from 45 Regional Offices (ROs) in the continental U.S. and Alaska to eight Regional Loan Centers (RLCs). Hawaii and Puerto Rico are not included in this plan due to their remote location, time zone differences, and language barriers.

Consolidation will result in improved services to veterans at reduced costs through greater efficiency and economies of scale. Service to lenders and loan servicers will improve through greater consistency and responsiveness. Improved service to lenders results in improved service to our primary customer, the veteran, since lenders are the means by which the VA home loan benefit is delivered.

Every effort will be made to minimize impact on employees. The restructuring, which began in 1995, will be phased in over four years. To the extent possible, employees will be given the opportunity to transfer with their work or be reassigned to other work areas at their station as appropriate.

Benefits of Restructuring

Regional consolidation will enhance VA's ability to meet mission requirements. This restructuring will:

- Improve the quality of service to veterans by increasing access to VA in an environment of shrinking staff resources. Customer contacts with veterans are primarily by telephone. Customer service will be improved by providing veterans with toll-free telephone access and increased hours of operation. Consolidated RLCs will give VA the flexibility to allow employees to work on staggered shifts and cover for vacations due to a larger pool of similarly trained personnel. Personnel trained in loan guaranty will continue to be available at all current locations to assist veterans who visit ROs.

- Improve mail and telephone contacts with industry partners. Since they will have contact with a smaller number of offices, information provided will be more consistent. This is especially important to national lenders which currently must deal with up to 47 different offices operating with sometimes varying procedures.

- Take advantage of economies of scale and opportunities for organizational innovation, such as application of team structures and creation of specialized work units, which are not available in smaller sections.

- Facilitate consistent staff training of the highest quality. This will reduce variations in the quality of service received by veterans and lenders and make VA more responsive to their needs. Rotational assignments for cross training will be handled in a more effective manner due to the larger pool of loan specialists.

- Permit economical use of technological enhancements--such as fax machines, personal computers, LANs, and automatic dialers--which cannot be justified by the work volume in smaller offices.

- Allow VA to more readily adjust to changes in workload. In the consolidated centers, personnel can more easily be shifted from loan servicing to loan processing when interest rates decline causing an increase in the number of new loans. They can be shifted from processing to servicing during economic downturns that result in an increase in defaults.

- Bring VA in line with how business is done in the mortgage lending industry. Most large lenders and servicers have regional or centralized sites and have operated under such a system for some time.

- Result in significant cost savings due to lower personnel requirements. By the time the restructuring is completed, FTE in loan processing and loan service and claims will be reduced by at least 30 percent from the level before it began. FTE will also be saved in support services.

- Result in additional cost savings through reduced need for square footage rental, AC and heating costs, furniture, and PC needs.

- Produce savings to the government through increased pursuit of alternatives to foreclosure produced by more efficient loan servicing centers.

Background

VA organizational alignment and structure has not always kept up with the changes in the mortgage finance industry during the years the program has been in operation. When the Loan Guaranty Program was implemented in the 1940's, the home loan market was dominated by small, self-contained lending units, primarily savings and loan institutions. These local lenders typically made, serviced and held loans from their inception to their termination. When a veteran obtained a VA loan, he or she could be fairly confident that the payments would be made to the same firm until the loan was paid in full.

Today, the market is dominated by large, regional or national loan underwriting and processing centers supporting a multitude of local loan origination offices, national loan servicing operations, and loan sales in the billions of dollars with national, governmental and quasi-governmental entities holding loans.

VA's present organizational alignment has too often resulted in the dissemination of inconsistent information to veterans and other program participants from different ROs. Despite increased communications capabilities over the past few years, it has proven difficult to require Loan Guaranty operations in regional offices to disseminate consistent national standards of operation in implementing program policy and guidance. This has been particularly apparent when dealing with larger lenders, servicers and holders operating in several RO jurisdictions. Veterans have also commented on receiving different answers to questions and varying levels of service when dealing with more than one RO.

The present Loan Guaranty organizational structure, which is described in Appendix A, provides economies of scale in only the largest of our Loan Guaranty Divisions. The average size of the Loan Guaranty operation at a medium- or small-sized office precludes any great degree of specialization. This in turn requires a more difficult training regimen since the new employee must be trained quickly over a greater span of duties. With the relatively large number of small offices, the required infrastructure of finance, administrative and personnel support is costly to provide. Larger offices have consistently outperformed smaller offices on productivity measures. Appendix B compares the productivity of ROs by size.

Consolidation is an option which has been reviewed many times over the years. There have been no fewer than nineteen different studies of consolidation and realignment conducted at varying intervals from 1949 to 1992. Regardless of their recommendations, those studies have not resulted in large scale consolidations. The following is a listing of the consolidations which have occurred:

REALIGNED LOAN GUARANTY DIVISION	DATE CLOSED	RELOCATION SITE
San Diego, CA	1958	Los Angeles
Wilmington, DE	1959	Philadelphia
Providence, RI	1959	Boston
Reno, NV	1960	San Francisco
Fargo, ND	1960	St. Paul
Cheyenne, WY	1960	Denver
Sioux Falls, SD	1962	St. Paul
White River Junction, VT	1984	Manchester
Boston, MA	1990	Manchester
Togus, ME	1990	Manchester
Hartford, CT	1990	Manchester

A re-engineering task force prepared a report in 1992 calling for the consolidation of loan processing and servicing functions. (See Appendix C for list of participants) The 1992 study concluded that having processing and servicing located together would facilitate shifting of personnel between functions as the workload fluctuates between heavy concentration of loan origination and rising delinquent loan servicing workloads. Both functions require a similar fundamental knowledge of real estate financing. With more employees available, management would have greater flexibility in dealing with fluctuations in the workload. Locating these functions together also simplifies some procedures where the functions have overlapping responsibility, such as release of liability processing and review of loans that go into default within six months of origination. There are additional savings from reduced supervisory and support personnel.

The study also concluded that Loan Guaranty's construction and valuation and property management functions are local in nature. VA benefits from having a broad network of field stations as operational sites for on site reviews of appraisals and inspections and visits to VA-owned properties to ensure proper controls over program operations.

Recent Developments

Over the last four years, Loan Guaranty staffing has already been reduced by 19 percent. Although some of this is related to a decline in workload, much of it is due to external requirements to reduce operating costs. It is highly likely that significant additional mandated reductions in staffing will occur over the next five years. It is increasingly important for VBA to develop restructuring plans to be able to adjust to the staffing reductions while maintaining an adequate level of service to veterans. In light of the previous studies demonstrating the benefits of consolidation of certain Loan Guaranty functions, a restructuring of Loan Guaranty operations is feasible and beneficial. A national implementation plan is necessary for VBA to move forward.

In 1995, the Central and Western Areas began testing the consolidation of loan service and claims functions. Both tests, in Denver and Cleveland, have been successful. Full consolidation of loan servicing to these sites was included as a transition year initiative, which VA has approved for implementation in 1997. Also included as transition year initiatives are the consolidation of mail-in Loan Guaranty eligibility processing to the Winston-Salem RO, and the contracting out of portfolio loan servicing along with establishment of a portfolio loan center at the Indianapolis RO. These initiatives are described in Appendix D.

The Federal Housing Administration (FHA) in the Department of Housing and Urban Development (HUD) has started consolidating its operations, which is seen as a sister program to the VA Loan Guaranty Program. In 1994, FHA opened a Single Family Underwriting and Processing Center in Denver, Colorado. This center has reduced the processing of insurance requests from five to eight days to one day and has received a Hammer Award from the Vice President for excellence in Re-inventing Government. FHA is currently planning to establish five processing centers, with two opening in 1996.

Since the 1992 study, the re-invention of the process for issuing guarantees and the new Servicer Loss Mitigation Program have greatly increased the role of our private sector program partners and changed how the work of VA staff is performed in loan processing and loan service and claims functions.

1. Issuance of Guaranties. The re-invention of the process for issuing guaranties on closed loans is a dramatic departure from how the work was previously accomplished. Under the new procedure detailed review of every loan is no longer needed prior to issuance of the guaranty certificate. Instead, only 10 percent of the loans are reviewed after the certificate is issued. The change in the process, relying more on the detailed information provided by lenders, has increased the need for VA training and monitoring of, and communication with, lenders. Training can more easily be accomplished by the consolidated sites either through lender training sessions at the site or by VA staff attending lender or Mortgage Banker Association sponsored meetings. Increased training of lenders will greatly benefit veteran-borrowers by assuring that the information provided by lenders is accurate and that their loans are processed in accord with VA requirements.

2. Servicer Loss Mitigation. In loan servicing, VA has authorized private lenders to complete a variety of alternatives to foreclosure without any Government involvement from default to claim. The only stipulation is that VA must agree with the servicer that the veteran does not have the ability to continue to make mortgage payments, or will lose that ability in the near future. This will allow VA's reduced loan servicing staff to focus on working with veterans whose defaults can be cured through repayment arrangements, and on reviewing alternatives to foreclosure which servicers have approved.

One of the primary needs in operating a nationwide program is consistency. Having fewer sites will promote consistency in operations, interpretation of policies and in providing training to lenders and servicers. Training is best provided by the personnel who actually administer the loan processing and servicing functions. Therefore, a Center needs to be located in each general region of the country. A full discussion of customer needs, both veterans and program participants, appears in Appendix E. The Loan Guaranty Restructuring Subgroup discussed possible consolidation with two industry experts, William Brewster for loan origination and Philip Forest for loan servicing. Their biographies appear in Appendix F.

Mr. Brewster said that anything VA could do to be more efficient and give more consistent responses would be an improvement. He said that consistency is a very big issue, particularly in underwriting loans. Lenders need to know who to contact to get answers. It is very difficult now with 47 different offices. He said that some small lenders and Realtors might object to consolidation if they have ties to local VA offices. However, the benefits far outweigh the short-term adjustments.

Mr. Forest stated that large loan servicing companies, which service the vast majority of loans, will strongly approve of consolidation because they will only have to deal with a small number of offices instead of 47. There is a problem currently with differing interpretations by the 47 offices. Small servicers that have a relationship with a local VA office will have to adapt but will not have a problem with it if the function is moved to an efficient office that provides good customer service and not a problem office. Mr. Forest stated that the largest servicing companies generally operate from two to three servicing centers.

Eight geographically dispersed Centers will effectively cover the country. In addition eight centers allow for an average of 40 people in loan processing and 50 people in loan servicing per center.

- Appendix B clearly shows that larger Loan Guaranty Divisions are more productive then smaller ones. The sizes of the loan processing and loan service and claims sections are closely related to the overall size of the division. It can be concluded that small sections are generally less efficient than larger ones. However, our largest section currently consists of 45 people. There is no evidence that increasing the size of a section beyond 40-50 people adds any efficiency.

- A 40-50 person section is large enough to take advantage of re-engineering innovations, such as team-based organization, and technological improvements, such as a redesigned default tracking system for loan service and claims.

Site Selection

In order to identify the best locations for the RLCs data on 17 criteria was gathered for each RO that currently has a Loan Guaranty Division, with the exception of San Juan and San Diego. The criteria include both program and non-program specific factors. This is consistent with the requirements of the VBA Restructuring Task Force. Data was not available for many of the criteria on San Juan, and its remote location makes it unsuitable as a consolidation site. Data was also not available on most of the criteria for San Diego, since loan guaranty operations were just commenced there in FY 1996.

Stations were ranked on each criterion. Each criterion was also given a weight based on its relative importance. The rankings were multiplied by their weights and then added together to create the total score. The raw data, rankings, and a narrative description of the criteria and the reason for its weighting appears in Appendix G The lowest score represents the highest ranking station. This is similar to the method used in the Places Rated Almanac, although that book did not use any weightings in coming up with its final rankings.

It should be noted that stations cannot be selected by formula alone. Appendix H lists the stations selected along with a brief explanation of why that site is preferred over other sites in the same region that may have also ranked high.

As a result of some concern over the usefulness of the non-program specific criteria, stations were also ranked solely on the program specific criteria. Although some of the rankings changed, the selected sites all ranked very high and no changes were justified on the basis of this alternative ranking.

Implementation

Implementation will have to be closely coordinated with other restructuring efforts. Success of the Centers will depend on careful coordination with the existing loan processing and loan service and claims staffs during the transition period, ongoing coordination with the remaining construction and valuation and property management staffs, coordination on transferring computer systems and information, and an adequate supply of up-to-date equipment. Since most business is conducted over the phone or by mail, consolidation will not create a particular hardship to veterans or lenders; however, 800 lines to the new Centers will be needed.

Despite the initiation eleven years ago of a very proactive program to modernize the ADP resources supporting the Loan Guaranty program, we continue to trail our industry partners in this vital area. If VA is to continue to be a viable factor in the home loan market it must improve the availability of automated assistance to employees in the field and provide for speedy, reliable, electronic communications with the lending industry. Because VA represents less than 10% of the home mortgage market, we cannot impose our technology on the industry, but must adapt to what is evolving in the mortgage industry. In particular, rapid deployment of the replacement Loan Service & Claims System, and Electronic Data Interchange (EDI) enhancements to that system and the Loan Production System (LPS) are required to maximize the benefits of consolidation.

Implementation teams will be established to work out the details of the restructuring. The teams will develop plans for the RLCs and the Loan Guaranty functions that remain at the other regional offices. The Loan Guaranty activities remaining as a local function are described in Appendix H.. The implementation teams will need to examine the remaining functions and determine the appropriate organization structure. This will vary from office to office. Options might include merger with neighboring offices, assigning staff as outbased personnel of other offices, or continuing a separate Loan Guaranty Division. The teams will also need to address the significant impact this restructuring will have on other functions, such as Veterans Services, Finance, Administrative Support, Human Resources, and Regional Counsel.

A tentative schedule for the remaining consolidations appears in Appendix J. This schedule was designed to allow the RLCs to gradually build up to their full staffing levels, while conveying offices gradually downsize through attrition. The long-term nature of this plan provides RO management an opportunity to make rational staffing decisions when vacancies arise and could lessen the impact on employees. This schedule also takes advantage of the fact that there are sufficient staff trained in Loan Guaranty in some of the Centers to take on additional workload in 1997 with few or no additional FTE. Thus, consolidations are proposed for Houston, Roanoke, and St. Paul starting in the third quarter of 1997. These are in addition to the Denver and Cleveland RLC initiatives that are already scheduled for 1997. Once this proposal has been approved, it is expected that the conveying offices will work with their respective Centers and Area offices to move the work when appropriate, which may differ from the dates in the tentative schedule.

The implementation teams will need to address the issue of maintaining an appropriate level of service in loan processing and servicing during the transition period. Stations that will be conveying work to other stations will likely start losing FTE in loan guaranty well in advance of the time their work will be transferred. Possible solutions included brokering work to the consolidated site, detailing employees from other areas, or hiring temporary employees.

Appendix A
How Loan Guaranty Operates

The veteran's primary housing benefit is the VA home loan program, which provides partial guaranty on loans made by private lenders to veterans for purchasing homes, condominiums or manufactured housing units. The program operates by substituting the guaranty of the Federal government for the investment protection afforded under conventional mortgages, which require a downpayment and/or private mortgage insurance. Over 80% of the purchase loans guaranteed by VA have no downpayments.

VA relies heavily on private individuals or firms in providing this benefit. Generally, veterans locate a home they wish to purchase through contacts with real estate agents who are very familiar with the VA home loan program. Real estate agents usually help veterans find a mortgage lender who will process the loan. In most cases VA has limited or no contact with the veterans in processing these loan applications.

Operating in 47 Regional Offices, Loan Guaranty services are provided within four functional areas: Construction and Valuation, Loan Processing, Loan Service and Claims, and Property Management. The work of administering the Loan Guaranty program, which is a unique partnership of government and private lending institutions, is conducted by approximately 1,700 Loan Guaranty personnel in 47 regional offices. As of February, 1996, field personnel were allocated as follows. Note that the Office of the Chief in some cases includes most section chiefs and indirect labor for all functions.

Office of the Chief	288.4 FTEE
Construction & Valuation	265.2 FTEE
Loan Processing	303.8 FTEE
Loan Service & Claims	492.7 FTEE
Property Management	269.3 FTEE
Files	62.7 FTEE
Total	1,682.1 FTEE

The Central Office Loan Guaranty Service functions in a staff role to the Under Secretary for Benefits, recommending policy and providing program oversight. Training for regional office personnel is provided in a number of ways: on the job training, computer based instruction, technician training through the VBA Interactive Distance Learning Network training, OPM training courses, generic financial and credit management courses from the Treasury Department's Financial Management Service, and locally available courses in real estate, finance, and appraisal principles.

1. Construction and Valuation

When a veteran decides to buy a home, the veteran or his/her lender requests an appraisal of the property to be purchased.

VA assigns an independent professional fee appraiser to conduct a formal appraisal of the property which will secure the loan. Most appraisal reports are subsequently reviewed by VA staff for acceptability. Based on the appraisal report and data in VA files, a Certificate of Reasonable Value (CRV) is issued, which sets a limit on the maximum loan VA will guarantee. The CRV also provides vital information to the veteran regarding the value of the property in relation to the list price. Because timeliness is critical in real estate transactions, VA has established a target time standard of 20 days after the initial request for the issuance of the CRV.

Under an alternative process, the Lender Appraisal Processing Program (LAPP), VA also assigns the fee appraiser. However, the fee appraiser's completed report is forwarded to the lender, not VA, for review by the lender's VA approved staff appraisal reviewer (SAR). The lender's SAR performs the same basic process as a VA staff appraiser; however, in setting the maximum loan amount the lender issues its own notification of value to the veteran and not a CRV. The LAPP lender can then close the loan on the automatic basis. The principal benefit of LAPP is to speed the time to loan closing for veterans.

The duties and responsibilities assigned to the C&V functional area are tied closely to the local real estate market(s) within which the regional office operates. It is generally conceded that appraisal work is at least as much an art as it is a science. As such, there is no substitute for knowledge of the local market and for VBA having a physical presence in areas with high concentrations of appraisal work. Regional offices have entered into a number of arrangements to ensure a physical presence when their active markets are at some distance from the regional office. As congressional and executive branch interest in the costs of the program have increased, the emphasis on the oversight functions of C&V have become more apparent and important.

2. Loan Processing

Concurrently, the lender will assist the veteran in obtaining a Certificate of Eligibility from VA, if one was not previously obtained, and develop the case, i.e., obtain verifications of employment, deposits, credit history, etc. In approximately 92 percent of the cases, lenders will close VA loans on an automatic basis, i.e., without prior approval of VA. In these cases, the closed loan package with appropriate documentation is submitted to VA which reviews the case and issues a guaranty certificate to the lender. For the other 8 percent of the cases, lenders submit the loan application to VA for prior approval. VA reviews the case and issues a commitment to guarantee the loan when it is closed. After closing, the lender submits a loan package to VA to obtain the guaranty certificate. The

LP system automatically generates Certificates of Guaranty and commitment letters, as well as workload activity reports.

When VA issues the guaranty certificate, the veteran is mailed a pamphlet which explains his or her obligations to the lender and VA, and provides guidance regarding maintenance of the property, what to do if financial difficulties occur, and how to arrange the subsequent sale of the property. As long as the veteran makes regular mortgage payments to the lender, this will be the extent of service provided in most cases, although additional contacts with veterans occur when they call or write VA with questions about their loan or to request release from liability incident to the sale of the home.

The duties and responsibilities of the Loan Processing area have evolved over the past few years to be largely the review of lender-provided documentation. The movement from actively underwriting almost all VA loan applications under the prior approval methodology to mostly reviewing automatic lender guaranty requests has been swift and dramatic. Improved communications capabilities such as FAX machines have decreased the time necessary to perfect documentation so that the needed Loan Guaranty Certificates may be issued more quickly. The automated Loan Production system (LP) has provided the capability to quickly process loans, generate pertinent documents and correspondence and code the actions taken. It has a loan status inquiry function which eliminates the necessity for physical loan file retrieval and it provides several loan production reports. The LP system is one of the first parts of a larger effort to automate all of the Loan Guaranty activities. An automated system for managing lender information is also under development. The Expanded Lender Information system (ELI) will provide a nationwide electronic file of information on the personnel and operations of participating lending institutions. The LP system is readily adaptable to consolidation of loan processing activities as will be the ELI system.

With the change in how guarantees are issued and the limited review of closed loans, training of lenders became critical. Staff in Loan Processing must be adept at addressing large and small groups and in preparing training materials.

3. Loan Service and Claims

The primary mission of loan servicing is to ensure no veteran loses his or her home due to temporary personal or financial problems and, when this is not practicable, to ensure that the loan is terminated at the lowest cost to the Government and with the least possible impact on the veteran. VA is notified by lenders that veterans are delinquent on their guaranteed loans when the third consecutive payment is missed. Lenders inform VA of the reason for the default and what servicing actions have been taken by the lender. VA then enters the default into the Liquidation and Claims System (LCS), which automatically generates servicing letters to the borrower emphasizing the serious nature of the situation and encouraging the borrower to contact VA. The lender/servicer continues to have primary responsibility for servicing the default. VA also attempts to make personal contact (usually by telephone) with the borrower. These personal contacts are the most effective means of finding cures for defaults. In appropriate cases, VA may intercede on the borrower's behalf and obtain a forbearance agreement or arrange a reasonable repayment schedule. Also, VA may contact local agencies that provide assistance in finding jobs for borrowers or aid with their daily subsistence needs, or help in making mortgage payments.

If no arrangements for reinstatement are made, the lender/servicer sends VA a Notice of Intention to Foreclose. VA regulations preclude the initiation of foreclosure for an additional 30 days to allow VA more time to find a solution to the veteran's problem. VA servicing continues, even after foreclosure has begun, to explore every possibility to assist the borrower. These include refunding (purchasing the loan from the lender), accepting a deed-in-lieu of foreclosure, and encouraging a private sale of the property even at less than the amount owed on the VA loan. The goal of the Loan Service and Claims function is to help veterans to retain their homes and avoid financial loss and to protect the government's interests by minimizing claim payments and property acquisitions.

The supplemental servicing of VA loans may be viewed as largely a process of communications. VA often serves as intermediary between the veteran-borrower and the commercial lender. Liquidation management may be viewed as a process of communication between the servicer/holder and VA, while claims management is largely a document review and approval process. Demographic and technological changes have caused many modifications to the program. The returning World War II veteran was relatively likely to settle in his or her old home town. If that veteran encountered trouble making the monthly house payments, the local lender was likely to visit the house and/or arrange for a personal appointment to resolve the issue. The post Vietnam era veteran is considerably more likely to have settled in a new area of the country and is used to dealing with a mortgage lender who may be several states removed from the property. The present veteran is much more likely to complete his or her business with both the servicer/holder and VA via telephone and letter than by personal interview. Communications between VA and the servicer/holders are rapidly evolving from a process requiring a separate piece of paper for each step in the servicing, liquidation and claims process to an electronic environment. Due to technological improvements, the location of the individual providing the service has little impact on the quality of service rendered.

4. Property Management

In the event that foreclosure cannot be prevented, VA will pay a claim under the guaranty and, in approximately 90% of cases, acquire and ultimately resell the property securing the loan. VA's property management function provides the principal source of funding for the Loan Guaranty Program through sale of acquired properties on both a cash and vendee loan (VA financed) basis.

The primary purpose of the VA Property Management program is the sale of acquired properties at prices which will result in the maximum recovery of the Government's investment in these properties. VA utilizes the services of local brokers in the management and sale of properties which are owned or are to be acquired by VA. When a property is conveyed to VA, it is assigned to a management broker for custodial care. Management brokers are responsible for making periodic inspections of properties and recommending to VA the need for repairs and other expenditures.

When a property is assigned to a management broker, he/she makes an initial inspection of the property and prepares a report which indicates the condition of the property and the property value based on comparable properties in the neighborhood. VA staff will then complete an analysis of the property based on the management broker's information, in-file data, previous appraisals, and other staff inspections. A determination is then made as to whether a repair program will be undertaken. If the decision is made to repair the property, repair specifications are prepared and bids are solicited. The management broker is responsible for supervising repairs while they are in progress and certifying to VA that they have been satisfactorily completed. Once the repairs are completed, the property is ready to be listed for sale.

Independent sales brokers negotiate the sale of properties listed by VA. When offers are submitted with acceptable terms and conditions, and in conformance with the listings, they are held for an interval following the date of public appearance of the sales listing. A preliminary credit analysis is then made and those offers requiring VA financing which are clearly unacceptable from a credit standpoint are rejected. The others are retained for further consideration when the credit reports, employment verifications, and other supporting information are received. Upon receipt of all required information, Loan Guaranty personnel complete a formal underwriting analysis. If more than one offer is being considered, a comparison of these offers is made, and the one found to be in the best interest of the VA, based on established criteria, is accepted. After approval and execution by VA, the purchaser and sales broker are given appropriate notification. VA prepares the instruments required for closing the sale. Once the sale is closed and the necessary documents are recorded, all required papers are returned to VA. Currently, VA finances about 81 percent of acquired property sales, with the rest sold for cash or financed by non-VA sources.

The marketing and disposition of real estate is always a very highly localized activity. While technological advances make efficiencies possible in the administrative processes associated with the PM area, the actual market strategy and sales tactics are highly dependent upon the conditions and customs of the local market. Additionally, PM provides an oversight function which is very important in limiting or eliminating losses from fraud and abuse. VA's own experience, as shown in a number of OIG audits over the years, has been that infrequent or non-existent staff oversight over inventory properties and/or contract-basis property managers increases the program's vulnerability to waste, fraud and abuse resulting from extended property holding time and/or funds being expended for work not accomplished or not accomplished in accordance with contractual requirements.

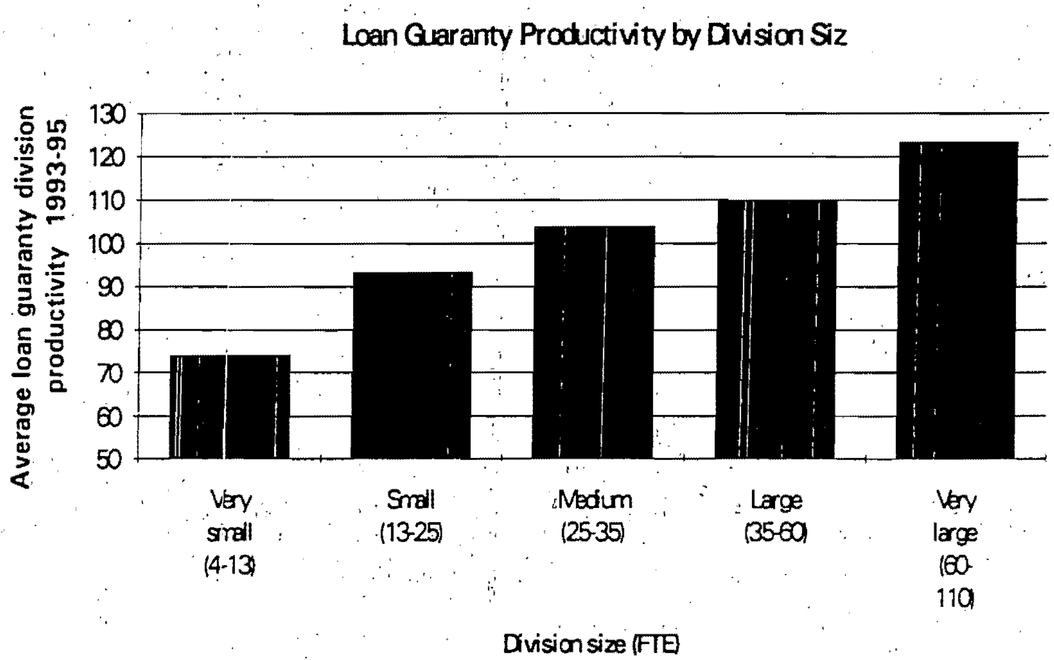
5. Specially Adapted Housing

VA also provides housing benefits to disabled veterans in the form of specially adapted housing (SAH) grants, direct loans and loan guaranties. Housing grants are made to permanently and totally disabled veterans to assist in acquiring new or existing housing units which are adapted to meet the needs of these veterans, e.g., wider doorways and ramps to accommodate wheel chairs. The grant may not exceed one-half of the purchase price of the dwelling up to a maximum of $38,000. Grants up to a maximum of $6,500 are also available to veterans with service connected blindness or the loss or loss-of-use of both upper extremities. Normally, veterans obtain VA guaranteed loans to purchase homes in connection with SAH grants. However, if veterans are unable to find guaranteed loan financing, VA will make direct loans up to a maximum of $33,000 to supplement the grant.

Personal service to the disabled veteran begins when the Adjudication Division notifies the Loan Guaranty Division that a disabled veteran has been determined to be eligible for an SAH grant. Loan Guaranty then forwards an application to the veteran with a notification of his/her basic eligibility for benefits. When the veteran returns the application, Loan Guaranty personnel arrange for a personal interview, usually at the veteran's residence. During this interview, VA discusses the veteran's housing plans or desires and the entire SAH process is explained in detail. If the veteran elects to go ahead with a home purchase or an adaptation of an existing property, a Specially Adapted Housing agent from the Loan Guaranty Division assists the veteran through each step, i.e., selection of property, contract negotiations with builders or contractors, review of plans and specifications, compliance inspections, escrow of funds and final disbursement. The SAH grant program often requires several hundred man-hours over a 3-6 month period to complete a single case.

Appendix B
Loan Guaranty Productivity by Size of Station

Division Size (FTE)	# of stations	Average Division Standard Productivity 1993-95
Very small (4-13)	11	74.03
Small (13-25)	9	93.32
Medium (25-35)	8	103.81
Large (35-60)	10	109.69
Very large (60-110)	8	123.46



Appendix C
Loan Guaranty 1992 Re-engineering Task Force Members

Charles Bidondo, Loan Guaranty Officer, San Francisco
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Donald F. Munro, Loan Guaranty Officer, St. Paul
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David Tunnell, Chief, Loan Guaranty Systems Coordination Staff, Loan Guaranty Service
Nancy R. Wilck, Chief, Loan Guaranty Systems Management Division (20M48)

Appendix D
Transition Year Initiatives

Contract out servicing of portfolio loans

The number of portfolio loans has dropped to the point where it is no longer efficient for VA to invest capital in the system upgrades necessary to continue to service these loans. Most private sector servicing companies service hundreds of thousands of loans and achieve significant economies of scale that VA cannot achieve with its relatively small loan portfolio. Most of the portfolio loans were made in connection with VA property sales and were not made to veterans. As a result of this initiative, the unit cost of servicing these loans will decrease.

This initiative was approved as part of the second round of the National Performance Review. It has been incorporated into the overall VBA restructuring effort and is considered a transition year initiative. In addition to contracting out the portfolio loan servicing, it is proposed that a Portfolio Loan Center be established at the Indianapolis RO to monitor the contract loan servicer and approve and coordinate portfolio loan terminations. The use of a single site for portfolio coordination will facilitate the success of the initiative because the service provider will only have to deal directly with a single office and can provide that office with access to its loan database. This initiative is expected to save 164 FTE when fully implemented and $14,549,807 through 2002.

Establish Cleveland as a Regional Guaranteed Loan Servicing Center

This initiative proposes consolidating all guaranteed loan servicing activities, including release of liability and claim payment, at the Cleveland Regional Office for the following stations: Buffalo, Detroit, Huntington, Indianapolis, Louisville, New York, Newark, Philadelphia and Pittsburgh. The quality service to veterans will be improved by increasing access to VA in an environment of shrinking staff resources, with toll-free telephone access and increased hours of operation. Mail and telephone contacts with industry partners will improve since they will have contact with one office instead of ten. It takes advantage of economies of scale and opportunities for organizational innovation. It facilitates consistent staff training of the highest quality, eliminating variations in the quality of service received by veterans and lender. It permits economical use of technological enhancements which cannot be justified by the work volume in smaller sections. It results in significant cost savings due to lower personnel requirements.

Consolidation will give Cleveland 14% of the national servicing workload, which was performed by 85 FTE. Cleveland will need at most 60 loan guaranty FTE to accomplish the consolidated workload, a net reduction in staff of 22%, or 26 FTE when fully implemented. This initiative is expected to save $5,869,657 through 2002.

Establish Denver as a Regional Guaranteed Loan Servicing Center

This initiative proposes consolidating all guaranteed loan servicing activities, including release of liability and claim payment, at the Denver Regional Office for the following stations: Albuquerque, Anchorage, Boise, Fort Harrison, Salt Lake City, Muskogee, Portland, Seattle and Wichita. The quality service to veterans will be improved by increasing access to VA in an environment of shrinking staff resources, with toll-free telephone access and increased hours of operation. Mail and telephone contacts with industry partners will improve since they will have contact with one office instead of ten. It takes advantage of economies of scale and opportunities for organizational innovation. It facilitates consistent staff training of the highest quality, eliminating variations in the quality of service received by veterans and lender. It permits economical use of technological enhancements which cannot be justified by the work volume in smaller sections. It results in significant cost savings due to lower personnel requirements. Consolidation will give Denver 9% of the national servicing workload, which was performed by 53 FTE. Denver will need at most 36 FTE to accomplish the consolidated workload, a net reduction in staff of 32%, or 17 FTE when fully implemented. This initiative is expected to save $4,007,882 through 2002.

Consolidation of Loan Guaranty Eligibility Processing to Winston-Salem

This initiative proposes consolidation of activities related to the function of determining eligibility for the loan guaranty benefit from the existing 46 loan guaranty divisions into the Winston-Salem Regional Office. Under this proposal, all VA Regional Offices and out based access points would continue to provide Certificates of Eligibility (COEs) for the loan guaranty benefit to veterans who personally visit the offices (approximately 20 percent of the volume is handled on the "walk in" basis). Consolidation of the issuance of COEs from mailed in requests will enable VBA to issue accurate COEs in a more timely manner and with significantly less staff. Service to veterans and program participants is improved, while unit costs are reduced. The consolidated site should be able to issue 95 percent of COEs within 5 days of the request. In the last two years, VA has issued only 88 percent of COEs within 10 days of receipt of the request. The consolidated center will offer better access to veterans and lenders. An "800" number will be installed to provide veterans and lenders easy access to the eligibility unit.

The consolidated unit will be able to react to employee absences and fluctuations in the workload that are very difficult to handle at present. Team structures and the use of specialized work units would also be effective in the consolidated site and further enhance efficiency. VA's ability to establish and maintain a well-trained staff will be facilitated in a centralized location. The benefits of an economy of scale will accrue in a centralized location. It is anticipated that processing loan guaranty eligibility determinations will be accomplished with approximately 35 loan guaranty employees versus the present equivalent of 67 FTE which are spread across 46 locations, a savings of 48%. This initiative is expected to save $4,939,474 through 2002.

Appendix E
Customer Needs and Expectations

1. Veterans

The primary customer of the Loan Guaranty Program is the individual veteran. Since May 1994, VA has been sending a Customer Satisfaction Survey to a random sample of veterans who have recently received a VA guaranteed loan. In general, the respondents were pleased with their dealings with the VA. 96 percent felt they were treated courteously by VA employees and 93 percent were satisfied or highly satisfied with the information they received from VA. However, the surveys indicate that only 48 percent of the respondents contacted VA directly about their loan. Twenty-three percent contacted VA by phone, while less than 19 percent contacted VA in person, mostly to obtain a Certificate of Eligibility (COE).

Actual contact by VA with veteran-borrowers is limited since VA home loans are made by private lenders. VA contact with veteran-borrowers usually consists of providing the Certificate of Eligibility, information (usually through the mail in pamphlet form) on the program and providing answers to specific questions on an individual veteran's situation. Improved telephone access to VA loan specialists will assist in providing better customer service to veterans. As described below, providing good customer service to the lenders that make VA loans is essential. The bottom line is that only by providing excellent and consistent service to lenders can we provide excellent customer service to the veterans obtaining VA home loans.

Veterans also need service when they default on their guaranteed loan. With very few exceptions, all contact with VA is by phone or through the mail. As with veterans seeking to obtain a VA loan, these veterans can best be served by improved telephone access to highly trained loan service representatives who can assist them in avoiding a foreclosure on their home.

2. The Real Estate Finance Industry

The corporate customers with whom we do business are essential to the Loan Guaranty Program. Due to the many functions that the financing and servicing of loans and management of property require, VA utilizes the resources and expertise of many non-VA entities to help the program work. In the real estate finance industry, our most important customer is the mortgage lender. This group includes the banks, mortgage companies, savings and loan associations, credit unions and other financial institutions which make the loans we guarantee. Because lender participation in the program is voluntary, failure to provide quality service could discourage them from participating in the program, making it more difficult for veterans to use their VA home loan benefit. In addition, lenders provide direct service to veterans and depend on VA support to make VA guaranteed loans.

Failure to fully support lenders could indirectly affect veterans' satisfaction with the program.

The real estate agent and broker are also prime players in the program. Their role is critical in that they are often the initial contact the veteran has with VA financing. Retaining their support in advising the home buyer and seller to elect VA financing over other home financing options is a goal for which we strive. Appraisers and inspectors help to assure that the security for the loan adequately protects the Government's interest. Home builders contribute to the vitality of the program by building homes which are affordable for many veterans and offering VA financing for their products.

A substantial role is filled by secondary mortgage market entities such as the Government National Mortgage Association (GNMA) which provides an investment pool for mortgage loans and a conduit of capital for VA lenders. The participation of the insurance companies which insure homes and home mortgages and the taxing entities which assess real property and collect taxes are also elements of the program.

The loan holder and loan servicer help the veteran resolve loan repayment problems which may be encountered by helping mortgagors identify problems, arranging repayment plans to cure delinquencies and suggesting alternatives to foreclosure when loan defaults are insoluble. When needed, VA assists holders and servicers in loan servicing matters such as loan assumptions and partial releases of security and by intervening in loan default situations to effect cures.

VA's contact with these customers indicate that one overriding concern is the need for VA to be accessible and provide consistent information. Because of their prime importance to the program, VA began an annual survey of lenders in 1995. Among the respondents, only 70 percent indicated that, overall, they were satisfied or highly satisfied with the VA Loan Guaranty Program; 75 percent were satisfied or highly satisfied with the degree of professionalism demonstrated by VA employees; and over 54 percent were satisfied or highly satisfied with the timeliness of processing by VA. There were a significant number of complaints and negative comments regarding the inaccessibility of VA personnel, difficulty in getting questions answered or even getting through on the telephone. Fifty-two percent were somewhat dissatisfied or not satisfied with the amount of time required to give and get information from VA, and 17 percent felt that information provided by VA was not accurate and consistent.

3. Loan Guaranty's Customers Within VA

It is also recognized that "customers" of the Loan Guaranty Program exist within VA. The Veterans Services Divisions regularly answer general loan guaranty questions for veterans in face-to-face and telephone interviews. They also assist with walk-in eligibility determinations at most regional offices. As a result, they require regular training on the Loan Guaranty Program. Adjudication personnel adjudicate the more complex eligibility claims. Involvement by the Finance Division is required for paying Loan Guaranty obligations such as guaranty claims and escrows, establishing debts resulting from guaranteed loans, considering debt waiver and compromise cases, receiving and refunding VA funding fees and processing inquiries on VA benefit-related indebtedness. Other Loan Guaranty support services are provided by VA employees in mailroom activities, forms and publications control, travel arrangements and personnel services.

On local and national levels, Information Resource Management provides information technology development and maintenance services. VA General and Regional Counsels furnish legal advice and assistance. The Office of Inspector General serves in the areas of program surveillance and fraud, waste and abuse avoidance. Even Loan Guaranty Division employees should be seen as customers. Their concerns of job stability, promotion potential, job satisfaction and work environment are issues to be addressed by the VA in the interest of maintaining a talented, motivated work force.

4. Other Customers

Aside from the needs of the real estate industry, internal VA customers, and veterans themselves, other entities are partially responsible for informing or counseling veterans regarding their loan benefits. These groups include the Veterans Service Organizations, state and county veteran representatives, and the military services.

Appendix F
Biographies of Mortgage Industry Experts

William H. Brewster

William H. Brewster is Vice President and Manager of Policies & Compliance at Columbia National, Incorporated - an independent residential and commercial mortgage banker with headquarters in Columbia, Maryland. Prior to joining the company in 1992, Bill was Assistant Director for Government Agency Relations at the Mortgage Bankers Association of America in Washington, DC, and a mortgage loan originator in the Baltimore-Washington area. He is a U.S. Air Force veteran and holds B.A. and M.A. degrees from the State University of New York at Albany.

Philip E. Forest

Philip E. Forest is a consultant to the housing and housing finance industries and to government agencies nationwide, with headquarters in Arlington, Virginia, near Washington, D.C. A graduate of the University of Maryland, Phil has a broad background, having retired in 1983 after 32 years in the Federal Government. Immediately before retirement, he was Special Assistant to the Deputy Assistant Secretary (DAS) for Single Family Housing and Mortgage Activities at HUD. In 1980 and 1981 he was the Acting DAS. Before that, he held various positions in the headquarters of HUD, where he helped develop the policies and procedures that govern HUD-FHA's single family programs. He teaches loan origination, loan processing, underwriting, appraisal review, loan servicing, and training subjects in seminars and on panels at industry meetings. He is a member of the Single Family and Loan Administration committees of the Mortgage Bankers Association of America (including their FHA-VA Liaison Subcommittees and the Conference Planning Subcommittee of the Loan Administration Committee) and a member of the Standing Committee on Mortgage Finance of the National Association of Home Builders, where he is Chairman of the Single Family Subcommittee. He is also a member of the board of directors and Executive Vice President of the American Alliance for Loan Management.

Appendix G
Regional Loan Center Selection Criteria

Program-specific Criteria

The following program-specific criteria and weights were used, totaling 70 percent:

1. **LP rating - 12%**
   The Assistant Director for Loan Processing rated each station on a four point scale. Ratings were based on quantitative data, such as timeliness on issuing Certificates of Eligibility and guaranty backlogs, as well as information on station performance obtained through station surveys, from answering correspondence from veterans and program participants, from comments on the lender and veterans surveys, and from informal feedback from program participants.

2. **LS&C rating - 12%**
   The Assistant Director for Loan Management rated each station on a four point scale. Ratings were based on quantitative data, such as Foreclosure Avoidance Through Servicing (FATS) ratio and claim payment timeliness, as well as information on station performance obtained through station surveys, from answering correspondence from veterans and program participants, and from informal feedback from program participants.

3. **Productivity measures - total of 12%**
   Average for FY 1993-95 (95 through August):
   A. Loan Processing Direct Labor Effectiveness Ratio - 5%
   B. Loan Service & Claims Direct Labor Effectiveness Ratio - 5%
   C. Loan Guaranty Division Productivity Index - 2%

   The effectiveness of the loan processing and loan service claims sections are the most important productivity measures. The division productivity index is also used, since the effectiveness ratios do not measure the effects of overhead.

4. **Loan processing staffing - 5%**
   The people currently working in the loan processing section will form the basis of the new consolidated center. The greater the number already at a site, the less disruption there will be of employees. In addition, the more people there are already there, the less need there will be to train and perhaps hire people, allowing for a smoother transition.

5. **Loan service and claims staffing - 5%**
   The people currently working in the loan service and claims section will form the basis of the new consolidated center. The greater the number already at a site,

the less disruption there will be of employees. In addition, the more people there are already there, the less need there will be to train and perhaps hire people, allowing for a smoother transition.

6. **Lender and Servicer Training Access - total of 24%**

During the past year, the re-invention of Loan Guaranty processing and the new Servicer Loss Mitigation Program (SLMP) have increased the role of program participants and changed how the work of VA staff is performed in the two functional areas. The change in the guaranty process, relying more on the detailed information provided by lenders, has increased the need for VA training, monitoring, and communication with lenders. The SLMP relies on lenders to research and approve alternatives to foreclosures under certain circumstances. It increases the need for VA training, monitoring, and communication with servicers.

Training is best provided by the personnel who actually process loan guaranties and claims. Therefore, a Loan Processing and Servicing Center will be located in each general region of the country. Access to lenders and servicers to conduct the training is a very important site selection criterion.

A. **Number of major airline flights per week - 12%**

Source: Places Rated Almanac.

This measures the ease in which lenders and servicers can travel to the city to attend training and VA employees can travel from the city to provide training. The number of flights is also usually related to the cost of flights.

B. **Mortgage Bankers Association (MBA) members in city - 6%**

The greater the number of lenders in the same city as a consolidated site, the easier it will be to provide the training.

C. **MBA members in current jurisdiction - 6%**

If the lenders are not located in the same city of the consolidated site, the next best thing is to be located at least in the same state as the site (or neighboring states in the case of the offices that already cover adjacent states). In addition, the RO has already built a relationship with lenders in its jurisdiction. The more lenders that they currently have in their jurisdiction, the easier the transition will be.

Non-program-specific Criteria

The following non-program-specific criteria and weights were used, totaling 30 percent:

1. **Average annual pay. - 9%**
   Source: BLS
   This is the most important non-program criterion. The average pay will strongly influence the relative quality of life of VA employees. The more VA pays compared to the average, the more VA employees will have to spend on living expenses compared to others in their area. In addition, the lower the average salary, the more favorable VA salaries will be viewed by prospective employers and the more VA will be able to recruit the most qualified people.
   Also, the locality adjustments are supposed to be based on the average local pay. The higher the local average pay, the higher the locality adjustment is likely to be, increasing VA's costs of operating in that location.

2. **Average commercial rent. - 7%**
   Source: BOMA.
   This is the second most important non-program criteria since it will impact the cost of VA operations. GSA is moving to bring rents charged to agencies more in line with market rents.

3. **City rankings - total 6%**
   Money magazine ranking out of 300 cities ranked in their September 1995 issue. The rankings are based on each cities score on criteria rated as most important by Money magazine readers, sorted into nine categories listed below. Their precise scoring calculations are not disclosed.

   The Places Rated Almanac ranked 343 cities in 1993. The overall rank is based on the cities' ranks on each of the ten categories listed below. The methodology for ranking cities within each category is different for each category.

Since neither ranking methodology appears better than the other, both are used and weighted 3% each.

Money Magazine
1. economy
2. health
3. crime
4. housing
5. education
6. weather
7. transit
8. leisure
9. arts

Places Rated Almanac
1. costs of living
2. jobs
3. housing
4. transportation
5. education
6. health care
7. crime
8. the arts
9. recreation
10. climate

6. Cost of living index - 2%
Source: ACCRA
This will affect the quality of life of VA employees. In the long term, it will probably also impact the cost of VA operations. It is weighted lightly because it is already considered in the city rankings and because the average salary is a more important criteria.

7. FTE turnover - average of FY 1994 and FY 1995 - 2%
This is an indicator of the stability of the VA workforce. High turnover requires increased employee training and hurts productivity. This is weighted only 2% because the data was affected by the buyout in 1994.

8. 4-year college students as percent of population - 4%
Source: Places Rated Almanac
College students provide a steady supply of part-time work study labor, which we expect will be heavily used in a consolidated center. We also expect that some of these students will be offered permanent employment as positions open up through normal attrition. The greater the student population (relative to the overall population) the easier it will be to get top quality students and graduates to work at the center.

	RAW DATA																
	Program Related Criteria - 70% of overall score										Non-Program Criteria - 30% of overall score						
	LP Rating	LS&C Rating	03 95 LP Effect.	03 95 LS&C Effect.	03 95 Division Std. prod.	LP staffing	LS&C staffing	MBA members in city	MBA members in current jurisdict.	Major airline flights per week	FTE turnover	Average annual pay	BOMA rent	Quality of life rank (of 300)	Places Rated Absence Rank (343)	ACCRA Cost of living	4 year College students % of pop.
Criteria weight																	
Albuquerque, NM	3	4	141.43	63.54	102.91	3.5	4.5	13	19	620	12.60%	23506	10.9	70	37	102.8	3.82%
Anchorage, AK	3	4	87.68	81.73	93.41	3	1	8	8	650	17.20%	33782	16.1	270	280	125.8	7.18%
Atlanta, GA	1	2	256.29	116.08	153.29	8	17	78	110	3957	9.60%	28359	15.48	252	12	87.4	2.52%
Baltimore, MD	2	3	190.25	108.17	126.23	5	7	18	47	1286	12.00%	27236	11.65	113	21	102.3	2.87%
Boise, ID	1	2	100.48	100.48	88.82	2,5	4.5	9	11	387	7.30%	23320	16.52	180	58	102.7	4.88%
Buffalo, NY	2	2	143.87	75.33	75.82	2.5	3.5	6	25	545	9.05%	25016	18.54	187	39	110	4.31%
Chicago, IL	3	2	85.75	80.52	82.21	13	28	75	181	7363	6.25%	30720	19.18	183	44	123.3	2.72%
Cleveland, OH	2	1	136.22	80.28	79.89	11	22	20	128	1250	8.50%	26989	13.84	205	14	108	1.93%
Columbia, SC	3	4	122.34	86.08	121.00	7	8	12	25	210	6.35%	22487	13.79	291	117	84.2	6.16%
Denver, CO	2	1	126.35	58.28	72.78	17	24	36	85	2811	7.15%	28607	10.85	37	32	105.3	2.63%
Des Moines, IA	2	1	85.40	50.33	49.85	3	4.5	11	26	246	6.10%	24832	14.65	228	137	84.7	2.88%
Detroit, MI	3	0	86.05	68.72	72.93	11	25	0	106	2539	12.90%	31622	13.18	58	24	103	1.85%
Ft. Harrison, MT	3	4	73.31	64.07	38.38	3	1.5	0	6	190	16.10%	22034	8	200	229	102.5	1.61%
Honolulu, HI	2	4	88.11	117.38	53.07	1	1	18	25	1684	8.70%	27253	25	102	68	126	3.42%
Houston, TX	2	2	108.17	84.80	89.35	19	33	68	119	3081	3.05%	30089	10.88	162	45	88.8	2.00%
Huntington, WV	2	2	123.88	85.00	70.00	1	2	0	6	53	10.25%	22767	8	211	65	100.8	6.03%
Indianapolis, IN	2	1	151.47	58.35	83.28	6	17	29	57	1015	6.15%	26587	11.37	199	8	94.9	2.66%
Jackson, MS	2	3	145.33	71.14	81.04	4.6	6.5	7	18	152	7.05%	22142	8	92	182	84.3	3.76%
Lincoln, NE	1	2	150.48	94.31	117.92	3	3	6	20	78	5.05%	21820	8.2	120	131	88.8	11.70%
Little Rock, AR	2	2	103.20	92.03	89.89	4.5	7.6	14	25	308	7.10%	23184	10	176	119	87.2	3.85%
Los Angeles, CA	4	4	140.14	96.84	172.14	28	43	49	344	4821	8.10%	31760	18.44	94	27	122	2.42%
Louisville, KY	2	2	187.11	83.27	79.13	5	7	18	38	508	5.55%	24103	15.57	274	10	92.8	3.63%
Manchester, NH	2	2	163.21	119.61	131.81	6.5	9.5	2	207	149	16.40%	28000	13	12	207	108.8	4.26%
Milwaukee, WI	2	2	182.08	60.21	100.52	4	4.5	15	48	724	6.90%	26202	9.54	123	34	97.8	3.55%
Montgomery, AL	2	3	120.45	66.23	88.81	8	10	0	48	50	9.85%	22028	12	239	108	92.4	4.75%
Muskogee, OK	2	2	142.19	108.08	109.71	8	11.5	15	42	501	4.45%	24611	7.97	236	120	88.4	1.08%
Nashville, TN	2	4	163.34	92.38	120.85	8	11	18	71	1282	9.65%	25037	11.07	222	31	91.7	3.78%
New Orleans, LA	3	1	106.20	83.28	72.05	0	16	11	48	818	7.60%	24277	9.56	[illegible]	142	94.5	3.47%

	RAW DATA																
	Program Related Criteria - 70% of overall score										Non Program Criteria - 30% of overall score						
	LP Rating	LS&C Rating	93-95 LP Effect.	93-95 LS&C Effect.	93-95 Division Std. prod.	LP staffing	LS&C staffing	MBA members in city	MBA members in current jurisdict.	Major airline flights per week	FTE turnover	Average annual pay	BOMA rent	Quality of life rank (of 300)	Places Rated Almanac Rank (343)	ACCRA Cost of living	4-year College students % of pop.
Criteria weight																	
New York, NY	3	4	108.89	75.49	72.71	4.5	8.5	71	211	3706	8.70%	38381	27.36	141	105	226.5	3.81%
Newark, NJ	2	3	129.29	82.54	84.47	5.5	10.5	2	118	2460	13.70%	35128	23.76	224	170	132.6	2.86%
Oakland, CA	2	4	184.08	58.02	128.53	14	19	62	225	4187	10.75%	31701	20.89	135	51	120	2.33%
Philadelphia, PA	2	3	187.59	81.80	88.22	6	13	22	83	1742	7.45%	28839	16.73	289	3	127.4	3.24%
Phoenix, AZ	2	2	152.67	102.96	146.27	11	19	43	67	2785	12.00%	24918	11.17	91	38	89.9	2.13%
Pittsburgh, PA	2	2	100.35	75.38	78.88	5.5	6	18	63	2421	5.15%	26478	15.08	97	5	110	3.31%
Portland, OR	2	2	148.53	51.86	85.90	2.5	3.5	24	48	1608	9.50%	26380	14	38	13	107.3	2.40%
Roanoke, VA	2	2	145.66	118.13	143.53	17	22	3	59	125	6.50%	22723	13	77	88	83	1.22%
Salt Lake City, UT	2	2	123.51	40.95	85.68	3.5	4.5	18	27	1469	6.20%	23221	10.41	62	8	100.9	3.43%
Seattle, WA	3	4	131.15	88.41	101.18	11	10	30	89	2731	17.75%	28398	14.12	4	2	102.8	2.09%
St. Louis, MO	2	3	162.58	85.70	100.84	7	7	21	74	3078	8.85%	26544	12.25	248	22	97.4	2.83%
St. Paul, MN	2	2	103.07	73.10	85.02	15	13	30	55	2224	8.45%	28345	12.34	46	40	98.7	3.74%
St. Petersburg, FL	2	4	168.38	86.57	157.43	18	48	28	204	1107	7.35%	23288	10.18	11	62	97.8	1.83%
Waco, TX	2	2	137.78	88.09	121.70	19	33	3	160	0	8.85%	21070	9	46	310	92.1	8.37%
Washington, DC	4	4	180.58	88.69	149.00	8	10.6	47	175	3629	9.50%	33170	28.49	140	7	132	3.74%
Wichita, KS	2	3	159.14	101.98	127.72	3.5	5.5	4	22	248	10.80%	25089	13.31	273	101	88	3.80%
Winston Salem, NC	1	4	136.37	79.05	127.54	13	16	10	87	411	8.60%	23487	12.89	86	18	87.8	3.36%

Bold is educated guess.

Omaha rent used for Lincoln.

Tulsa data used for Muskogee.

Billings used for Ft. Harrison.

Great Falls used for Ft. Harrison.

Stations Ranked on All Criteria

	RANKINGS for each criteria																	
	Program Related Criters - 70% of overall score										Non-Program Criteria - 30% of overall score							
	LP Rating	IS&C Rating	93-95 LP Effect.	93-95 IS&C Effect.	93-95 Division Std. prod.	LP staffing	IS&C staffing	MBA members in city	MBA members in current jurisdict.	Major airline flights per week	FTE turnover	Average annual pay	BOMA rent	Quality of life	Places Rated Almanac Rank (343)	ACCRA Cost of living	4-year College students % of pop.	Weighted Average of Rankings
Criteria weight	12%	12%	5%	5%	2%	5%	5%	6%	6%	12%	2%	9%	7%	3%	3%	2%	4%	100%
Atlanta, GA	1	8	1	4	3	15	12	1	12	4	31	32	33	40	8	18	37	12.81
Phoenix, AZ	5	8	13	7	5	11	10	8	20	10	37	18	18	14	20	22	41	13.02
St. Petersburg, FL	6	32	7	13	2	4	1	13	5	23	18	11	10	2	27	18	22	13.73
Houston, TX	5	6	35	24	21	2	3	4	10	7	1	37	14	28	24	15	42	14.43
Denver, CO	5	1	28	42	38	5	7	9	14	9	18	33	13	5	17	31	36	14.96
Waco, TX	5	6	23	22	12	2	3	39	8	45	28	1	8	8	45	5	7	15.22
Roanoke, VA	6	6	17	2	6	6	8	38	22	41	5	7	23	11	30	6	44	17.11
St. Paul, MN	5	8	37	32	30	7	16	10	24	15	21	31	21	7	22	21	20	17.13
Muskogee, OK	5	6	20	6	16	15	18	24	30	31	2	17	2	38	35	3	43	17.23
Indianapolis, IN	5	1	14	41	31	24	12	12	23	24	8	27	17	30	8	13	35	17.38
Cleveland, OH	5	1	25	27	33	11	8	17	8	22	12	28	28	32	10	32	44	17.51
St. Louis, MO	5	25	11	12	19	21	27	18	18	8	25	28	20	39	13	18	33	17.87
Lincoln, NE	1	6	15	15	15	37	41	37	39	42	3	2	1	20	38	2	1	18.21
Salt Lake City, UT	6	8	30	45	29	34	34	21	32	19	9	10	11	9	5	24	26	18.26
Milwaukee, WI	5	8	5	38	20	33	34	24	28	26	13	23	7	21	18	18	23	18.78
Nashville, TN	5	32	9	17	14	18	19	23	19	21	32	21	15	34	16	4	18	18.79
Louisville, KY	6	8	4	26	34	27	27	18	31	30	6	15	34	44	7	7	22	19.14
Little Rock, AR	6	6	36	18	25	30	28	26	34	34	15	8	9	27	34	1	16	19.23
Baltimore, MD	5	25	2	5	11	27	27	18	27	20	37	20	18	19	12	26	31	19.25
Pittsburgh, PA	5	8	39	30	35	25	32	21	21	14	4	26	32	17	3	35	28	19.51
Oakland, CA	5	32	8	40	8	8	10	5	2	3	35	40	41	22	25	37	40	19.6
Winston Salem, NC	1	32	24	28	10	9	14	31	16	32	22	13	22	13	11	18	27	19.88
Manchester, NH	5	8	10	1	7	23	24	41	4	40	42	34	23	3	42	34	13	19.92
Chicago, IL	35	8	43	21	24	9	5	2	6	1	10	38	40	28	23	39	34	19.99
Philadelphia, PA	6	25	3	19	28	27	16	15	17	16	19	38	35	41	2	42	29	20.57
Portland, OR	5	6	16	43	28	41	39	14	25	18	29	24	29	4	9	33	39	20.71
New Orleans, LA	35	1	34	25	40	15	14	29	25	25	20	16	9	12	36	11	24	20.84
Los Angeles, CA	44	32	22	10	1	1	2	8	1	2	28	41	38	19	15	38	38	21.87

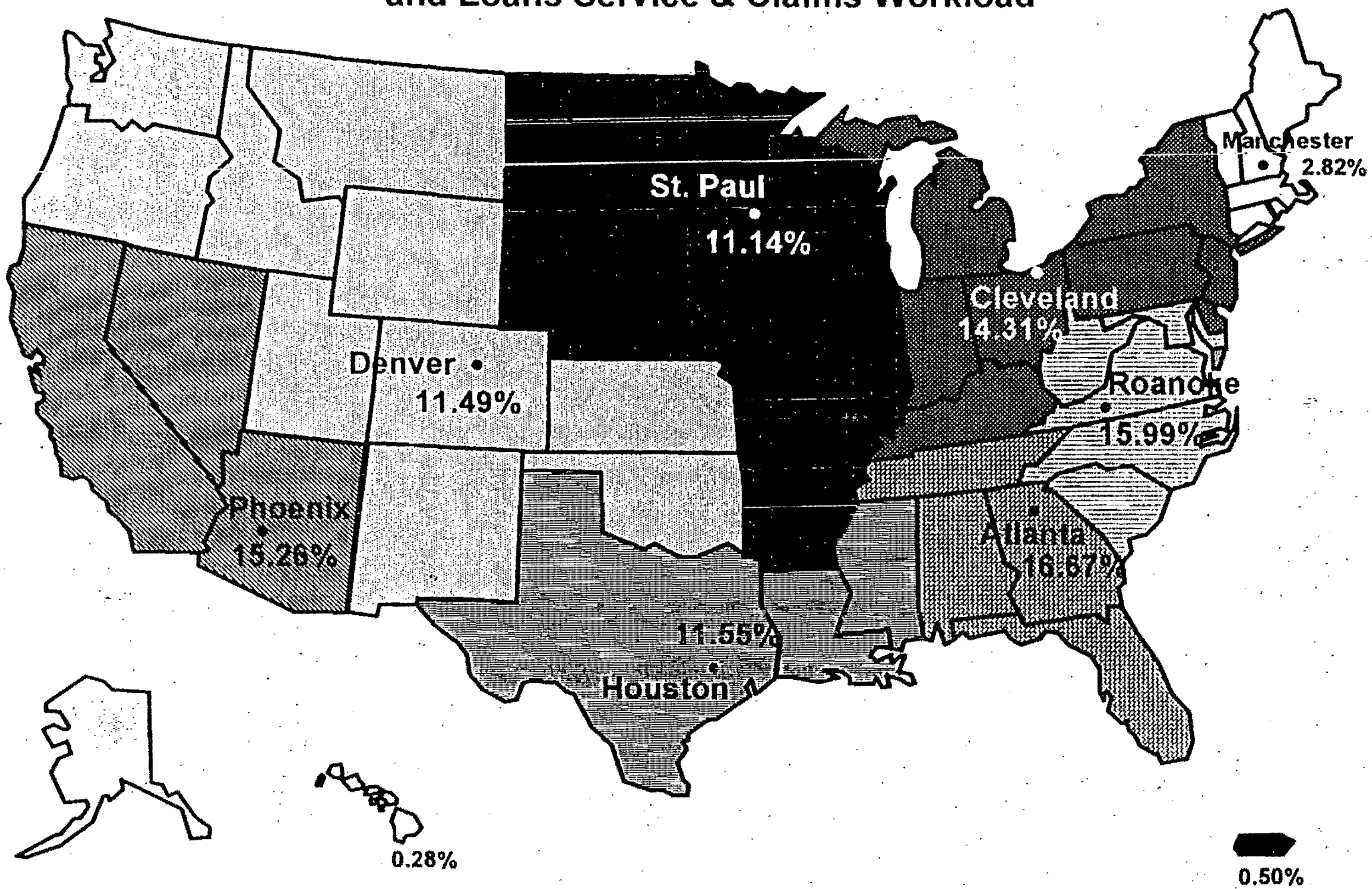
	RANKINGS for each criteria																	
	Program Related Critera - 70% of overall score										Non-Program Criteria - 30% of overall score							
	LP Rating	LS&C Rating	93-95 LP Effect.	93-95 LS&C Effect.	93-95 Division Std. prod.	LP staffing	LS&C staffing	MBA members in city	MBA members in current jurisdict.	Major airline flights per week	FTE turnover	Average annual pay	BOMA rent	Quality of life	Places Rated Almanac Rank (343)	ACCRA Cost of living	4-year College students % of pop.	Weighted Average of Rankings
Criteria weight	12%	12%	5%	5%	2%	5%	5%	6%	6%	12%	2%	9%	7%	3%	3%	2%	4%	100%
Jackson, MS	5	25	18	33	32	30	30	35	41	39	14	5	3	15	38	10	19	22.65
Boise, ID	1	8	38	9	42	41	34	32	42	33	17	12	37	25	28	28	11	22.72
Huntington, WV	5	6	28	14	41	44	42	43	45	43	34	8	3	33	28	23	9	23.28
Buffalo, NY	5	8	19	31	36	41	39	36	34	28	27	20	38	28	21	35	12	23.97
Washington, DC	44	32	8	23	4	18	20	7	7	6	28	42	45	23	4	43	21	24.13
Montgomery, AL	5	25	32	36	27	18	22	43	28	44	33	3	19	37	41	6	10	24.2
Seattle, WA	35	32	26	34	18	11	22	10	16	11	45	35	30	1	1	27	43	24.34
Wichita, KS	5	26	12	8	8	34	33	38	38	35	36	22	26	43	31	14	15	24.61
Des Moines, IA	5	1	44	44	44	37	34	29	33	36	7	18	31	38	37	12	30	25.16
Newark, NJ	5	25	27	18	22	25	20	41	11	13	41	44	42	35	40	44	32	25.25
Columbia, SC	35	32	31	11	13	21	25	28	34	37	11	9	27	45	33	9	8	26.35
Honolulu, HI	5	32	42	3	43	44	44	18	34	17	23	30	43	18	29	40	26	26.53
New York, NY	35	32	33	29	39	30	30	3	3	5	23	45	44	24	32	45	14	26.61
Detroit, MI	35	32	41	35	37	11	6	32	13	12	40	39	25	8	14	30	45	26.69
Albuquerque, NM	35	32	21	38	17	34	34	27	40	26	39	14	12	10	19	29	17	27.12
Ft. Harrison, MT	35	32	45	37	45	37	43	43	44	38	43	4	3	31	43	28	45	32.78
Anchorage, AK	35	32	40	20	23	37	44	34	43	27	44	43	38	42	44	41	6	34.32

	RANKINGS for each criteria																	
	Program Related Criteria - 70% of overall score										Non Program Criteria - 30% of overall score							
	LP Rating	LS&C Rating	93-95 LP Effect.	93-95 LS&C Effect.	93-95 Division Std. prod.	LP staffing	LS&C staffing	MBA members in city	MBA members in current jurisdict.	Major airline flights per week	FTE turnover	Average annual pay	BOMA rent	Quality of life	Places Rated Almanac Rank (343)	ACCRA Cost of living	4 year College students % of pop.	Weighted Average of Rankings
Criteria weight	12%	12%	5%	5%	2%	5%	5%	6%	6%	12%								70%
Atlanta, GA	1	6	1	4	3	15	12	1	12	4	31	32	33	40	8	18	37	3.76
Phoenix, AZ	5	6	13	7	5	11	10	8	20	10	37	19	16	14	20	22	41	6.35
Houston, TX	5	6	35	24	21	2	3	4	10	7	1	37	14	26	24	15	42	6.62
Denver, CO	5	1	28	42	38	6	7	8	14	9	18	33	13	5	17	31	36	8.04
Oakland, CA	5	32	8	40	8	8	10	5	2	3	35	40	41	22	25	37	40	8.68
Cleveland, OH	5	1	25	27	33	11	8	17	8	22	12	28	28	32	10	32	44	9.13
St. Petersburg, FL	5	32	7	13	2	4	1	13	5	23	18	11	10	2	27	18	22	9.57
Chicago, IL	35	6	43	21	24	9	5	2	6	1	10	38	40	28	23	39	34	9.9
St. Paul, MN	5	6	37	32	30	7	16	10	24	15	21	31	21	7	22	21	20	10.36
St. Louis, MO	5	25	11	12	19	21	27	16	18	8	25	26	20	38	13	18	33	10.63
Indianapolis, IN	5	1	14	41	31	24	12	12	23	24	8	27	17	30	6	13	35	10.87
Philadelphia, PA	5	25	3	19	28	27	16	15	17	16	19	38	35	41	2	42	29	11.21
Muskogee, OK	5	6	20	8	16	15	18	24	30	31	2	17	2	38	35	3	43	11.55
Los Angeles, CA	44	32	22	10	1	1	2	6	1	2	28	41	38	16	15	38	38	11.55
Roanoke, VA	5	6	17	2	6	6	8	39	22	41	5	7	23	11	30	8	44	11.62
Manchester, NH	5	6	10	1	7	23	24	41	4	40	42	34	23	3	42	34	13	11.86
Baltimore, MD	5	25	2	6	11	27	27	18	27	20	37	29	18	18	12	26	31	11.97
Waco, TX	5	6	23	22	12	2	3	30	8	45	26	1	8	8	45	5	7	12.28
Pittsburgh, PA	5	6	39	30	35	25	32	21	21	14	4	25	32	17	3	36	28	12.52
Louisville, KY	5	6	4	28	34	27	27	18	31	30	6	16	34	44	7	7	22	12.74
Nashville, TN	5	32	8	17	14	18	19	23	19	21	32	21	15	34	16	4	18	12.81
Newark, NJ	5	25	27	18	22	25	20	41	11	13	41	44	42	35	40	44	32	13.12
Portland, OR	5	6	18	43	28	41	39	14	25	18	29	24	29	4	9	32	39	13.33
Milwaukee, WI	5	8	5	39	20	33	34	24	28	26	13	23	7	21	18	16	23	13.51
Washington, DC	44	32	6	23	4	18	20	7	7	6	29	42	45	23	4	42	21	14.11
Salt Lake City, UT	5	6	30	45	28	34	34	21	32	19	9	10	11	9	5	21	25	14.51
Winston Salem, NC	1	32	24	28	10	8	14	31	18	32	22	13	22	13	11	[illegible]	27	14.67
Little Rock, AR	5	6	38	18	25	30	26	26	34	34	15	9	9	27	34	[illegible]	16	15

Stations Ranked [illegible] Program Related Criteria

	RANKINGS for each criteria																	
	Program Related Critera - 70% of overall score										Non Program Criteria - 30% of overall score							
	LP Rating	LS&C Rating	93-95 LP Effect.	93-95 LS&C Effect.	93-95 Division Std. prod.	LP staffing	LS&C staffing	MBA members in city	MBA members in current jurisdict.	Major airline flights per week	FTE turnover	Average annual pay	BOMA rent	Quality of life	Places Rated Almanac Rank (343)	ACCRA Cost of living	4-year College students % of pop.	Weighted Average of Rankings
Criteria weight	12%	12%	5%	5%	2%	5%	5%	6%	6%	12%								70%
New Orleans, LA	35	1	34	25	40	16	14	29	25	25	20	16	8	12	38	11	24	15.76
Seattle, WA	35	32	28	34	18	11	22	10	15	11	46	35	30	1	1	27	43	15.87
New York, NY	35	32	33	28	39	30	30	3	3	5	23	45	44	24	32	45	14	15.88
Lincoln, NE	1	8	15	15	15	37	41	37	38	42	3	2	1	20	38	2	1	16.14
Boise, ID	1	8	38	9	42	41	34	32	42	33	17	12	37	25	28	28	11	16.18
Buffalo, NY	5	8	18	31	38	41	39	36	34	29	27	20	39	28	21	35	12	16.22
Wichita, KS	6	25	12	8	9	34	33	38	38	35	38	22	28	43	31	14	16	16.89
Honolulu, HI	5	32	42	3	43	44	44	16	34	17	23	30	43	18	28	40	26	17.11
Detroit, MI	35	32	41	35	37	11	6	32	13	12	40	38	25	8	14	30	45	17.67
Des Moines, IA	5	1	44	44	44	37	34	29	33	36	7	18	31	38	37	12	30	17.59
Jackson, MS	6	25	18	33	32	30	30	35	41	39	14	5	3	16	39	10	19	18.03
Huntington, WV	5	8	28	14	41	44	42	43	45	43	34	8	3	33	28	23	8	18.03
Montgomery, AL	6	26	32	36	27	18	22	43	28	44	33	3	19	37	41	6	10	18.08
Columbia, SC	35	32	31	11	13	21	25	28	34	37	11	6	27	45	33	9	8	20.86
Albuquerque, NM	35	32	21	38	17	34	34	27	40	28	39	14	12	10	18	28	17	22.11
Anchorage, AK	36	32	40	20	23	37	44	34	43	27	44	43	36	42	44	41	6	23.41
Ft. Harrison, MT	35	32	46	37	45	37	43	43	44	38	43	4	3	31	43	28	45	26.82

Proposed distribution of Loan Processing and Loans Service & Claims Workload



Appendix H
Recommended RLCs and alternates

Mid-Atlantic
Roanoke, VA
Alternate - Winston-Salem, NC
Roanoke ranks seven and is by far the highest ranking station in the mid-Atlantic region. Winston-Salem ranks 22, just after Baltimore at 19. Winston-Salem is a better alternate due to larger staff and their experience in developing labor-saving applications, such as their eligibility processing program.

Southeast
Atlanta, GA
Alternate - St. Petersburg, FL,
Atlanta ranks first and is especially attractive because it is a major transportation hub with the country's highest concentration of mortgage bankers. Atlanta has also been the most productive Loan Guaranty operation for the last few years.

Gulf States
Houston, TX
Alternates - Waco, TX, New Orleans, LA
Houston ranks fourth and is the highest rated station in this area. It has historically had a stable and productive workforce. Waco ranks sixth. New Orleans is an alternate because of the outstanding job they have done in developing a LAN for loan servicing, which is being exported to other offices.

Southwest
Phoenix, AZ
Alternate - Oakland, CA

Phoenix is the second highest ranked location. Oakland ranks higher than Los Angeles.

South Central & Northwest
Denver, CO
Alternate -Muskogee, OK

Denver ranks fifth, the highest in this area. It had jurisdiction in two states and has already taken over loan servicing for five other states. Muskogee ranks ninth but is not nearly as accessible as Denver for lender and servicer training.

East Central
Cleveland, OH
Alternate - Indianapolis, IN

Cleveland ranks one lower than Indianapolis, but has a large staff and has already successfully incorporated Michigan loan servicing. Indianapolis has been approved as a portfolio loan consolidation site under a separate initiative.

West Central
St. Paul MN
Alternates - St Louis, MO, Lincoln, NE

St. Paul is ranked eighth. An RLC there will make use of personnel with financial and analytical ability who currently work on the Insurance Program, which is being consolidated in Philadelphia. St. Louis ranks 12th. Lincoln ranks 13th and is the highest rated small station. However, it would be difficult to create a centralized site with a core of just six people.

Northeast
Manchester, NH
Alternate - none

Manchester ranked 23rd overall and 16th on program specific criteria. It is already a consolidated site with a history of success in providing service to six states with complex foreclosure laws which complicate loan servicing. In addition, there are a large number of lenders who require training. Such training is currently being provided in the six-state region by the Manchester RO.