DEPARTMENT OF VETERANS AFFAIRS   8320-01

Loan Guaranty: Percentage to Determine Net Value.

AGENCY: Department of Veterans Affairs (VA).

ACTION: Notice.

SUMMARY: This notice provides information to lenders and mortgage holders in the Department of Veterans Affairs (VA) loan guaranty program concerning the percentage to be used in calculating the purchase price of a property that secured a terminated loan. The new percentage is 14.95 percent.

DATES: The new percentage is effective [Insert date 60 days after date of publication in the FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Mr. Andrew Trevayne, Assistant Director for Loan and Property Management (261), Loan Guaranty Service, Department of Veterans Affairs, Washington, DC 20420, (202) 632-8795. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION: The VA home loan program authorized by Title 38, United States Code (U.S.C.), Chapter 37, offers a partial guaranty against loss to lenders who make home loans to veterans. VA regulations concerning the payment of loan guaranty claims are set forth at 38 CFR 36.4300, et seq. Conveyance of properties to VA is addressed in 38 CFR 36.4323, which refers to the formulas in

38 U.S.C. 3732(c) for determining whether a loan holder has the option to convey a property to VA following termination. A key component of this is the "net value" of the property to the Government, as defined in 38 CFR 36.4301. Essentially "net value" is the fair market value of the property, minus the total costs the Secretary estimates would be incurred by VA resulting from the acquisition and disposition of the property for property operating expenses, selling expenses, and administrative cost. Each year, for all properties VA acquired under 38 CFR 36.3423, VA reviews the average operating expenses incurred for managing those properties which were sold during the preceding year, as well as the average administrative cost to VA associated with the property management activity. VA also includes in the calculation an amount equal to the gain or loss experienced by VA on the resale of acquired properties sold during the previous fiscal year. VA annually analyzes its property management results and, when appropriate, publishes a new net value percentage in the Federal Register. For the past 12 years, the percentage has been 11.87 percent; during that period, VA elected not to change the figure for a multitude of extenuating circumstances. Initially, VA experienced data difficulties arising from implementation of a new computer system, followed by: a transition to the private sector of the property management function; issues arising from that privatization; and the beginning of a serious and prolonged recession which greatly impacted the housing market and led VA to avoid significant changes which could adversely affect the ability of veterans to obtain housing loans. At this time, VA believes that the market is showing signs of stability that can sustain a change in the net value to less than the historical high of 15.11 percent, without being a detriment to veterans. Therefore, in order to more accurately reflect the costs of

acquiring, managing, and reselling properties in the home loan program, based on the recent fiscal year's data, VA is revising the net value percentage to 14.95 percent. Accordingly, the loan holder (or its authorized servicing agent) will use 14.95 percent to calculate the subtraction from the fair market value to arrive at the "net value" of the property under the provisions of 38 CFR 36.4322(c). This revised percentage will be used in "net value" calculations made by holders and servicers on and after [Insert date 60 days after date of publication in the FEDERAL REGISTER].

Approved: July 31, 2013

_____
Jose D. Riojas, Interim Chief of Staff
Department of Veterans Affairs.

[FR Doc. 2013-19315 Filed 08/08/2013 at 8:45 am; Publication Date: 08/09/2013]