



meet the new leader for va financing Judy Caden

VA's new director of Loan Guaranty Programs, talks about how the VA loan program can benefit manufactured housing.

As the new director of the Loan Guaranty Service, Judy Caden oversees a program which has guaranteed over 18 million loans totaling \$926 billion since its inception in 1944. As director, she is also responsible for administering the Specially Adapted Housing Program, which provides grants to severely disabled veterans to modify or construct homes to meet their adaptive housing needs; and the Native American Direct Loan program, which provides direct loans to Native American veterans residing on Federal Trust land. Additionally, Caden directs the Service's supplemental servicing efforts, which help veterans avoid foreclosure during times of financial hardship. During the last fiscal year, VA's supplemental servicing efforts resulted in over 8,700 successful interventions, which equates to nearly \$175M saved in foreclosure claims avoidance.

Prior to her current appointment, Caden served as the director of the Vocational Rehabilitation and Employment (VR&E) Service, which is responsible for assisting veterans with service-connected disabilities in becoming employable and in obtaining and maintaining suitable employment. VR&E serves more than 95,000 disabled veterans annually, with approximately 65,000 veterans entering the program for the first time each year. Prior her tenure in VR&E, Caden was the director of the Education Service, which is responsible for the administration of VA's education benefit programs. Each year more than 400,000 veterans and other eligible beneficiaries receive monthly payments totaling more than \$1 billion to pursue their educational or vocational objectives.

Caden began her career in VA Central Office as a clerk in the Loan Guaranty Program in 1975. She held a variety of positions in the Loan Guaranty Program including: Loan Specialist, Supervisory Loan Specialist, Assistant Director for Loan Policy and finally Deputy Director of the Loan Guaranty Service. She was a key participant in special projects involving areas of debt collection, standardization of the mortgage process, and implementation of numerous Congressional and OMB initiatives and the restructuring of the Loan Guaranty field offices. The restructuring effort resulted in a significant reduction in the cost of administering the Loan Guaranty Program, as well as improved service to veterans and the housing industry.

Caden is an alumni of the Federal Executive Institute, the Aspen Institute, Leadership VA and VBA's SES Candidate Program. She is a graduate of the University of Maryland and has continued her education in the areas of real estate law and mortgage banking.

Modern Homes recently interviewed Caden to learn first-hand her approach to the VA Loan Guaranty program and its relationship to manufactured housing.

Modern Homes: Congratulations on being named Director of the Loan Guaranty Service at the Department of Veterans Affairs. Can you tell us about your vision for the program and what you hope to accomplish in your new role?

Judy Caden: I intend to keep the program at the forefront of industry and technological change, so that VA guaranteed loans remain a viable and competitive product in the mortgage marketplace. Our goal is to ensure veterans are able to utilize the loan guaranty benefit they so richly deserve. We also strive to help veterans, who are experiencing financial hardship, avoid foreclosure.

MH: Historically, what criteria has the VA relied upon to evaluate the credit quality of veterans? Has the recent subprime lending meltdown impacted the VA's underwriting standards or the solvency of the program?

JC: In determining veterans' credit quality, we have relied on the basic underwriting tenets of satisfactory credit and sufficient, stable, reliable income. Our experience has shown that these factors have been good predictors of loan performance. When we say 'sufficient income', we mean that the income must be enough to cover the mortgage loan payments as well as other recurring obligations and day-to-day living expenses. We have two primary tools to assist in making this determination—residual income and debt-to-income ratio. There is no one single factor in determining if a loan should be approved and we evaluate each case on its own merits. The recent happenings in the subprime market have not affected our underwriting standards. We did not engage in making the types of loans we're hearing about in the news as of late; the no-doc loans, the interest-only 2/1 ARMs, or anything of that nature. Our underwriting practices and standards remained the same throughout the period. This has served the program well overall; VA's delinquency rate for seriously delinquent loans has

trended down over the past 2 years, while the delinquency rates for Prime, Subprime and FHA loans have all risen.

MH: Once a veteran selects a manufactured home for purchase, how does he or she go about securing a VA-backed loan for the home?

JC: The first thing a veteran should do when he or she knows they want to buy a home, is to get a copy of their Certificate of Eligibility. Veterans can oftentimes do this through their chosen lender. Lenders can apply online through our web portal and can receive instantaneous notification that the veteran is eligible to use the VA Loan Guaranty benefit.

Veterans may also obtain their Certificate of Eligibility through the Winston-Salem, N.C. Eligibility Center. The next step in the homebuying process is to find a manufactured home which meets VA standards, and to arrange for the rental or purchase of a lot. A veteran may then choose to arrange for a loan through the manufactured home dealer. Alternatively, a veteran would apply directly to a lender for a loan to purchase the home. If the veteran had not already selected a lender, he or she would need to do so at this time. It is important to remember that VA does not make the loan; we only guarantee loans made by private lenders. It is up to the veteran to find a lender to make a loan on a manufactured home.

MH: In the mid-1990s, manufactured housing comprised a significant share of all VA loans. However, in recent years the program has very rarely been used for manufactured homes. What factors contributed to the steep drop-off in endorsements of manufactured home loans?

JC: If a lender is willing to make a VA-guaranteed manufactured home loan to a veteran who meets VA's credit and underwriting criteria, VA will guarantee, or 'endorse' the loan. There was a drop-off in the number of VA-guaranteed manufactured home loans being made by lenders. We believe that the passage of Public Law 100-198 in December 1987

likely contributed to the drop off in the number of manufactured home loans being made. This law instituted a required 5% downpayment on all VA-guaranteed manufactured home loans, and that new requirement was likely the major deterrent to veterans in the market for a manufactured home. An additional factor in the decline may also be the historically high liquidation rate on manufactured home loans. Lenders, having assessed the data trend, may have themselves been reluctant to make manufactured home loans in general, due to the high incidence of foreclosure.

MH: Manufactured home finance has come a long way since the late-1990s, when the VA's manufactured home loan volume began to tail off. During this period, underwriting standards have been tightened, servicing has improved and MHI's Lender Best Practices (LBP) program has enhanced industry lending practices—all of these factors have contributed to a significant reduction in foreclosures and repossessions. What can industry lenders do to help revitalize the VA Loan Guaranty program, so that it may, once again, become a viable option for veterans seeking to purchase manufactured homes?

JC: First, let me say that I am happy to hear that the manufactured housing industry is doing so well in efforts to tighten underwriting standards and reduce the number of foreclosures. It truly is a win-win situation any time the number of borrowers in foreclosure goes down. With regard to your questions about increasing VA's viability in the manufactured housing sector, the main strategy I would identify would be to continue fostering communication between VA and organizations like yours and the manufactured home lending community. In doing so, we can increase awareness of the VA program, and of the issues in the manufactured housing industry, and work together to help veterans in the market for manufactured homes realize their dream of homeownership. ■

New VA Grant Program Provides Grant for Barrier-Free Housing

Lost in all the frenzied discussion recently of the sub-prime lending crisis is another critical housing issue that deserves our industry's attention and assistance. Thousands of American military personnel are returning to civilian life with injuries and disabilities that will challenge their day-to-day existence, including where and how they live.

President Bush signed Public Law 109-233, the Veterans Housing Opportunity and Benefits Act of 2006, on June 15, 2006, making several significant changes to the Veterans Administration's (VA) Specially Adapted Housing (SAH) program. These changes now allow veterans who have specific service-connected disabilities a grant from the Department of Veterans Affairs for the construction/purchase of an adapted home or the modification of an existing home to meet the veteran's needs. The goal of the Specially Adapted Housing Grant Program is to provide a barrier-free living environment that affords the veteran a level of independent living that he or she may not have otherwise enjoyed.

Types of Grants Available

There are three types of grants administered by the VA, which are available to assist severely disabled veterans in adapting housing to meet their special needs.

The Specially Adapted Housing (SAH) grant is generally used to create a wheelchair-accessible home. The grant is currently set at up to \$50,000 for the purchase or construction of a home. The Special Home Adaptations (SHA) grant is generally used to assist veterans with retrofitting an existing home to provide greater mobility. This grant is limited to \$10,000. A Temporary Grant (TRA) is now available to eligible veterans temporarily residing in a home owned by a family member. Veterans eligible for an SAH grant would be permitted to use up to \$14,000 and those veterans eligible for an SHA grant would be permitted to use up to \$2,000 of the maximum grant amounts to assist them in moving to their own home.

It's also noteworthy that the law allows veterans who have used prior grants of less than the maximum amounts to have access to the difference. Although a veteran may use his or her benefits up to a total of three times, the total amount of the assistance cannot exceed the maximum amounts available. And the program also provides for a VA-Guaranteed Home Loan for the balance of the home's purchase not covered by grant monies.

Of particular interest to the factory-built housing industry, the SAH grant is available to veterans who have service-connected disability due to military service, entitling them to compensation for permanent and total disability that precludes locomotion without the aid of braces, crutches, canes or wheelchairs. Other conditions, such as the loss of sight with limited mobility, also qualify a veteran for the grant program's financial resources.

The VA SAH Grant Program also offers yet another source of federal funding that manufacturers, retailers, suppliers and financial lenders can tap to finance the purchase of manufactured and modular homes. The factory-built housing industry should see this program as a golden opportunity to be a good corporate citizen, while also taking full advantage of an opportunity to sell more homes and position our industry as a leading source of housing that meets the needs of a changing America. For more information on the SAH Grant Program, go to MHI's Web site at www.manufacturedhousing.org or contact the Veterans Administration at www.homeloans.va.gov/sah or 800-827-1000.