VA | **U.S. Department of Veterans Affairs**

Office of the Secretary
Washington DC 20420

In Reply Refer To: **00REG**

December 7, 2020

Subject: Economic Regulatory Impact Analysis for RIN 2900-AR05(P), Loan Guaranty: COVID-19 Veterans Assistance Partial Claim Payment Program

I have reviewed this rulemaking package and determined the following.

1. VA has examined the economic, interagency, budgetary, legal, and policy implications of this regulatory action and has concluded that it is an economically significant rule under Executive Order 12866.

2. This regulatory action is also a major rule under the Congressional Review Act, because it is likely to result in an annual effect on the economy of $100 million or more.

3. This rulemaking will not have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act, 5 U.S.C. 601-612.

4. This rulemaking is not likely to result in the expenditure of $100 million or more by State, local, and tribal governments, in the aggregate, or by the private sector, in any one year, under the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1532.

5. Attached please find the relevant regulatory impact analysis document dated December 7, 2020

Approved by:
Nicole Korkos
Chief Economist
Office of Regulation Policy & Management (00REG)
Office of the Secretary

Impact Analysis for RIN 2900-AR05(P)

Title of Rulemaking: Loan Guaranty: COVID-19 Veterans Assistance Partial Claim Payment Program

Purpose: To determine the economic impact of this rulemaking.

Statement of Need:

Background

By late March 2020, the COVID-19 national emergency was significantly affecting the economy. On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. Section 4022(b) of the Act, in relevant part, states that borrowers with a "Federally backed mortgage loan" (e.g., a VA-guaranteed loan) experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency may request forbearance on such loan, regardless of delinquency status, by submitting a request to the borrower's servicer and affirming that the borrower is experiencing a financial hardship during the COVID-19 emergency. Upon such a request, servicers must, with no additional documentation required other than the borrower's attestation to a financial hardship caused by the COVID-19 emergency, and with no fees, penalties, or interest (beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the housing loan contract) provide the forbearance for up to 180 days. The forbearance period can be extended for an additional period of up to 180 days at the request of the borrower, provided that the borrower's request for an extension is made during the covered period. Either the initial or extended period of forbearance may be shortened at the borrower's request. While borrowers can postpone loan payments under a CARES Act forbearance, borrowers are still obliged to repay the forborne indebtedness. In other words, forbearance is not forgiveness. However, many borrowers simply have no choice but to postpone payments to weather the economic storm. Given the broad protections afforded by CARES Act forbearances, servicers have utilized such forbearances as a primary tool in helping borrowers who are struggling to afford housing loan payments due to the COVID-19 emergency.

The CARES Act does not specify how borrowers receiving CARES Act forbearances must repay the forborne payments. To ensure that servicers do not attempt to require immediate payment of forborne amounts upon the borrower's exit from a CARES Act forbearance (as can be required under a special forbearance), VA issued guidance notifying servicers that they should not require a veteran to make a lump sum payment equal to what would have been due if a forbearance was not in effect, after the forbearance period ends. VA is instead encouraging servicers to consider other loss-mitigation options that are in VA's program. VA also indicated that it would explore other options to further assist veterans during this emergency.

Justification for Regulating

One of the primary goals of VA's Home Loan Guaranty Service is to help veterans who use their guaranteed loan benefit retain their homes and avoid foreclosure. To that end, VA and loan servicers intervene dynamically when guaranteed loans are more than 60 days in default. Such actions to assist veterans in default not only help veterans retain their homes and minimize damage to their credit ratings, but also help produce cost savings to the Government.

As discussed in the proposed rulemaking, VA's loan administration policies and oversight have saved approximately 100,000 veterans from foreclosure annually over the past four fiscal years. VA is concerned, however, that these policies may not be enough to help the significant number of veterans who have elected to enter a CARES Act forbearance as they exit forbearance and try to resume making monthly guaranteed loan payments. The volume of CARES Act forbearances in a servicer's portfolio, coupled with the protracted length of such a forbearance (i.e., up to 360 days), has placed many servicers in a position where they may be required to cover up to 12 months of loan payments for a significant segment of the loans they service. Federally backed mortgages, i.e., those for which servicers must generally grant CARES Act forbearances upon a borrower's request, account for approximately 70 percent of all housing loans in the United States. Recent data reveals that approximately 7 percent of all housing loans in the United States, corresponding to 3.6 million homeowners, are currently in forbearance.[1] This increased number of borrowers in forbearance means that servicers can be left without budgetary resources to offer certain loss-mitigation options to borrowers, including the more than 150,000 veterans with VA-guaranteed loans currently in a CARES Act forbearance.

Specifically, and as discussed in more detail in the proposed rulemaking, servicers may find themselves unable to offer certain loss-mitigation options, such as a loan modification. Servicers' decreased ability to offer loan modifications (for example) is especially significant given that veterans with large amounts of forborne indebtedness may not be able to return to normal loan repayment under other available loss-mitigation options. For example, while a veteran who ceased making payments under a CARES Act forbearance for 360 days may be able to resume making regularly scheduled monthly loan payments, post-forbearance, the veteran may be unable to repay a whole year's worth of missed payments under a repayment plan, in a relatively short timeframe established by a servicer that may be facing liquidity strains. Similarly, a special forbearance may also not be financially feasible from the perspective of both the veteran and the servicer. A central issue is the ability of the borrower to repay forborne indebtedness over a relatively short period. A special forbearance could be problematic in that the veteran would have even more forborne indebtedness to repay, and the servicer would need to advance additional payments without receiving any offsetting payments from the veteran.

[1] Urban Institute, *The Price Tag for Keeping 29 Million Families in Their Homes: $162 Billion*, (Mar. 27, 2020), https://www.urban.org/urban-wire/price-tag-keeping-29-million-families-their-homes-162-billion; Mortgage Bankers Association (MBA), *Share of Mortgage Loans in Forbearance Declines Slightly to 7.20%*, (Aug. 24, 2020), https://www.mba.org/2020-press-releases/august/share-of-mortgage-loans-in-forbearance-declines-slightly-to-720.

Under 38 U.S.C. 3732(a), VA has the legal right to prevent a foreclosure by purchasing indebtedness that VA has already guaranteed. VA refers to such a purchase as a loan refund. If VA exercises the option, the holder must assign the loan to VA. VA then steps into the shoes of the holder and often allows for a loan modification, which makes the terms more affordable for the veteran. VA also has broad powers under 38 U.S.C. 3720, "notwithstanding the provisions of any other law," to purchase assets and pay any claim, however acquired, relating to or arising from matters in the VA-guaranteed loan program and to offer forbearances or indulgences to veterans who have suffered loss due to disasters. In applying the authorities as a consistent, coherent framework, VA would, by way of a loan to the veteran, purchase from the servicer the veteran's CARES Act indebtedness and establish repayment terms favorable to veteran, while leaving intact the veteran's guaranteed loan.

VA proposes to initiate a temporary program that would establish a partial claim option to aid veterans who suffer financial hardship due to COVID-19. VA's program would be modeled after existing partial claim programs already available to borrowers with other federally backed loans, i.e., those guaranteed or insured by the U.S. Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA) and the U.S. Department of Agriculture's (USDA) Rural Housing Service. In establishing the program, VA would also require servicers to allow veterans to obtain loss-mitigation options that might be more effective, depending on a veteran's particular case.

Summary of Regulatory Approach:

Under VA's proposed COVID-19 Veterans Assistance Partial Claim Payment program (COVID-VAPCP), servicers would present the partial claim option to a veteran only after evaluating the feasibility of loss-mitigation options already available in VA's program (i.e., repayment plan, special forbearance, and loan modification). If the veteran qualifies and opts to move forward with a partial claim option, VA would purchase the veteran's forborne indebtedness, like when VA refunds a guaranteed loan. Acting as a mortgage investor of last resort, VA would purchase the amount of indebtedness that is necessary to bring the veteran's guaranteed loan current (instead of the whole amount of the guaranteed loan, as would be the case in a typical loan refund). The veteran would repay VA for this amount, and the indebtedness would be secured as a lien against the veteran's home upon execution and recordation of the security instrument. The servicer would handle all aspects of the origination of the new COVID-VAPCP loan. The new loan would be serviced under VA's existing loan portfolio.

While VA's proposed COVID-VAPCP would bear many similarities to the COVID-related partial claim programs offered by FHA and USDA, VA's program would not be identical to either. Similarities to such agencies' programs would include the following: (1) the guaranteed loan for which a partial claim payment is requested must have been, on March 1, 2020, either current or less than 30 days past due; (2) a partial claim payment would only be payable to the servicer if the veteran did not make at least one scheduled monthly payment under a CARES Act forbearance and at least one such payment remains unpaid; (3) VA would only pay one partial claim payment per veteran; (4) the veteran would need to occupy, as the veteran's residence, the property securing the guaranteed loan for which the partial claim is associated; and (5) the servicer would be required to determine whether the veteran satisfies the program requirements, to prepare the appropriate loan documents on VA's behalf, and to bring the veteran's guaranteed loan current, before submitting to VA a request for partial claim payment.

Distinguishing aspects of VA's program would include the following: (1) the partial claim payment could not exceed 15 percent of the unpaid principal balance of the guaranteed loan as of the date the veteran entered into a CARES Act forbearance; (2) the veteran would have up to 120 months to repay the partial claim VA paid to the servicer on the veteran's behalf; (3) repayment in full would be required immediately upon the veteran's transfer of title to the property, the refinancing of the guaranteed loan for which the partial claim payment is associated, or payment in full of such guaranteed loan; (4) VA would automatically defer a veteran's monthly payments for the first 60 months of the loan, meaning that a veteran would not have to make any payment to VA during the period of deferment; (5) a veteran would be allowed to pay during such deferment, without premium or fee, the entire indebtedness or any portion thereof, provided that such portion is not less than what would be due for one full monthly payment as specified in the loan documents; (6) VA would charge a fixed interest rate of 1.00 percent per annum on the loan; and (7) VA would require servicers to certify that the veteran's monthly residual income, as described in 38 CFR 36.4340(e), would be adequate to meet living expenses after estimated monthly shelter expenses (e.g., payments on the guaranteed loan) have been paid and other monthly obligations have been met.

Another distinguishing aspect of VA's program is that VA would expect that servicers consider the partial claim payment option only as a last resort, after a servicer has evaluated the feasibility of providing loss-mitigation options that are already available in VA's program. Consistent with VA's existing regulations and policies, servicers would evaluate a veteran's financial situation and, if appropriate, offer the veteran options that are within the servicer's financial capabilities and business model.

Benefits:

The primary purpose of VA's proposed COVID-VAPCP is to help veterans retain their homes. The regulatory changes in this proposed rule would benefit veterans by enhancing VA's current suite of available home retention options that could be used to mitigate the COVID-19 crisis. The COVID-VAPCP would be another way to help veterans bring their guaranteed loans current when such veterans exit CARES Act forbearances. The rulemaking would also reduce veterans' exposure to potentially aggressive debt collection or other predatory practices in their transition back to economic security. The emotional stress involved in the loss of stable housing, a damaged credit rating, legal and tax consequences, and the permanent loss of the home as a financial investment are just some of the negative impacts to veterans caused by foreclosures. While costs will vary tremendously based on a number of factors, an oft-cited 1995 study published by the Fair Housing Fund quantifies the financial investment and other losses incurred by homeowners at $7,200, equal to

$12,363 per household in 2020 after adjusting for inflation (CPI).[2] Additionally, many studies have cited the indirect impacts of foreclosure on surrounding property values. The Family Housing Fund study quantified the neighborhood effect at $2,500 per neighboring property within a one block radius of a vacant, foreclosed property, which adjusted for inflation is $4,310 per neighboring household in 2020. Thus, the communities in which veterans live also benefit from enhanced foreclosure risk mitigation offered by VA proposed COVID-VAPCP.

A principal aim of the proposed rule is foreclosure avoidance. Due to substantial deadweight losses resulting from foreclosures, successful foreclosure avoidance programs likely generate a net social benefit. In addition to providing liquidity to servicers, COVID-VAPCP could reduce costs to borrowers and their communities, and also losses incurred by lenders and local governments, including costs of property maintenance, appraisal and legal fees, insurance, marketing, and clean-up efforts. This additional social benefit accrued through the avoidance of foreclosure costs to various entities is not monetized in the regulatory impact analysis beyond the portion reflected in the claim costs to VA in the baseline scenario.

VA loan servicers may also stand to benefit. Foremost, the COVID-VAPCP would bring the guaranteed loan current, thereby allowing servicers to continue receiving regular monthly payments. Since VA is proposing that servicers use COVID-VAPCP as a home retention option of last resort, VA assumes in the baseline scenario that these loans would result in foreclosure and payment of a guarantee claim.[3] As VA's guarantee is generally limited to 25%, servicers may stand to suffer significant losses due to foreclosure. Additionally, the COVID-VAPCP would help promote continuity of operations for servicers facing liquidity issues. As discussed in the proposed rule, VA would expect servicers to consider the feasibility of loss-mitigation options before considering a partial claim payment. Consistent with VA's existing regulations and policies, servicers would evaluate a veteran's financial situation and, if appropriate, offer loss-mitigation options that are within the servicer's financial capabilities and business model. By requiring servicers to consider loss-mitigation options before evaluating a veteran for the COVID-VAPCP, VA's proposed policy would help ensure that veterans are afforded loss-mitigation options that may be more advantageous to them than a partial claim, without imposing additional administrative requirements on servicers (e.g., alterations to their servicing process, employee training, and possible technology upgrades, etc.). If, however, a servicer determines that VA's COVID-VAPCP is appropriate for a veteran, this program would provide eligible veterans a "soft landing" after their CARES Act forbearance by affording them adequate time and extremely favorable terms under which to repay their forborne payments. In addition, the COVID-

[2] Moreno, Anne. 1995. *The Cost-Effectiveness of Mortgage Foreclosure Prevention.* Report prepared for the Family Housing Fund: https://www.fhfund.org/wp-content/uploads/2019/09/Cost-Effectiveness-of-Mortgage-Foreclosure-Prevention-1995.pdf.

[3] VA's assumption is based on the fact that post-CARES Act forbearance, servicers will have already spent months advancing payments of principal and interest to investors and other lending parties, and the expense of continuing to advance these payments far outweighs the monthly interest income a servicer receives on the loan. See National Consumer Law Center. October 2009. *Why Servicers Foreclose When They Should Modify and Other Puzzles of Servicer Behavior: Servicer Compensation and its Consequences*. https://www.nclc.org/images/pdf/foreclosure_mortgage/mortgage_servicing/servicer-report1009.pdf.

VAPCP would not affect the veteran's entitlement, meaning the veteran could potentially utilize the VA home loan program in the future.

With VA's proposed COVID-VAPCP, servicers facing tough choices on whether to offer loan modifications may find that a partial claim payment is ultimately a better option for both the veteran and the servicer in bringing the loan current and preserving continuity of loan servicing. For example, Table 1 below shows that a veteran with $220,244 remaining on their loan will owe $19,054 in missed mortgage payments after a 12-month forbearance. A loan modification at the same interest rate and a term extension to 30 years would result in a $26 decrease in monthly payments but $39,518 in additional interest over the life of the loan. Conversely, a VA partial claim payment with a 5-year payment deferral would result in a $341.58 monthly payment to VA in years 6 through 10 but only $1,441 in additional interest.

Table 1. Partial Claim vs. Loan Modification Example Comparison for a Borrower Post-Forbearance

	Post-FB Loan	12-month FB Partial Claim (no deferment)	12-month FB Partial Claim w/ deferment	12-month FB Loan Mod
Remaining loan amount	$220,244	$19,054	$19,983	$239,298
Annual interest rate	3.75%	1.00%	1.00%	3.75%
Loan period (months)	300	120	60	360
Scheduled P&I	$1,135	$167	$342	$1,108
Total interest	$120,146	$977	$1,441	$159,663
Total payments	$340,390	$20,030	$20,495	$398,961
Impact on monthly payment		$166.92*	$341.58**	($26)
Additional interest owed		$977	$1,441	$39,518

* Temporary increase in payment over next 10 years

** Temporary increase in payment over years 5-10

NOTE: Assumes monthly escrows of $453.20

In the servicer's case, the partial claim payment may represent a much-needed lifeline, as some servicers may be questioning whether they can even stay afloat as the COVID-19 emergency continues into its ninth month and beyond. VA's proposed COVID-VAPCP would benefit servicers and the industry as a whole by minimizing the risk of foreclosure and losses associated with foreclosures.

Estimated Impact:

VA estimates that the proposed rule would result in transfers and costs, as well as benefits that are described qualitatively in the Benefits section above. Overall, the proposed rule will result in a net budget savings to the government between $46.2 million and $83.2 million over the first five-year period (fiscal year (FY) 2021 through FY 2025). As shown in Table 2, this rulemaking results in a relative transfer savings between $150.4 million and $270.5 million in FY21. There are also relative GOE costs of $41,259 in FY21. Together, these transfers and costs result in a net budget savings of between $150.3 million and $270.4 million in FY 21 and a net budget savings between $46.2 million and $83.2 million over the five-year period (FY 2021 through FY 2025).

Table 2. Cost-Adjusted Transfers, Costs and Net Budget Impact of Proposed Rule (1% interest), 2021-2025

Year	Lower Bound			Upper Bound		
	Relative Transfer Savings from Baseline	Relative Costs from Baseline	Net Budget Impact	Relative Transfer Savings from Baseline	Relative Costs from Baseline	Net Budget Impact
2021	($150,372,963)	$41,259	($150,331,704)	($270,460,372)	$41,259	($270,419,113)
2022	$103,007,931	$0	$103,007,931	$185,269,763	$0	$185,269,763
2023	$736,305	$0	$736,305	$1,324,315	$0	$1,324,315
2024	$374,824	$0	$374,824	$674,157	$0	$674,157
2025	$0	$0	$0	$0	$0	$0
5-Year Total	($46,253,903)	$41,259	($46,212,644)	($83,192,137)	$41,259	($83,150,878)

Per the Federal Credit Reform Act of 1990, 2 U.S.C. 661(f), the transfer payment streams and baseline costs presented in Table 2 are re-estimates of nominal costs presented throughout the report. All other tables and figures of this analysis are reported nominally and not re-estimated. For this reason, the following tables will not sum to the values in Table 2. More information on the re-estimation process is provided in the Program Impact section.

Throughout the remainder of this analysis, unless otherwise specified, transfers, costs and net impact are forecasted over a 15-year period to ensure it captures the various impacts that accrue over time. Due to the ten-year term of the lien established in the amount of the partial claim payment, the majority of which have anticipated originations in FY 2022, repayments are anticipated through FY 2031. This transfer payment made from borrowers to the federal government is not fully captured in a standard five- or ten-year cost analysis. Per Circular A-4, the Office of Management and Budget (OMB) grants agencies flexibility in determining the appropriate time horizon for analysis. In order to cover the time period “long enough to encompass all the important benefits and costs likely to result from the rule,” VA believes that the 15-year time horizon is most appropriate.

The transfer payments from the federal government to servicers on borrowers’ behalf and the repayment of these monies is the single largest contributor to the net costs of the proposed rule. The remaining costs of the proposed rule are attributed to the time loan servicers are expected to spend on familiarizing themselves with the rule along with any information collection costs (PRA) associated with applying for the partial claim program. See the subsections Transfers, Costs, and PRA Costs below for a detailed explanation. With the exception of the rule familiarization costs, VA has not included in the below analysis any impacts outside of the program impact in the below analysis. This includes the multiple potential social benefits to some combination of the borrower(s), servicer(s), and society as a whole, as outlined in the Benefits section above.

VA has determined that the net costs, including PRA costs, are $9.5 million over a five-year period (FY2021-FY2025) and $1.4 million per year on an ongoing basis discounted at 7 percent relative to year 2016, over a perpetual time horizon.

Transfers

The largest contributor to the net impact are transfers of the proposed regulatory action. There are two sets of transfer payments: the first is a payment outflow from the federal government (VA) to servicers on behalf of veteran borrowers, and the second is the repayment inflow of these monies from borrowers to VA at 1% interest.

Table 3. Proposed Rule vs. Baseline Outflows, Inflows & Net Outflows of Transfer Payment Streams, 15-FY Total

15-FY TOTAL	Cost-Adjusted Baseline		Proposed Rule (1% interest)	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Total Outflows	$378,495,000	$680,760,000	$641,051,517	$1,152,993,383
Total Inflows	$0	$0	($620,569,628)	($1,116,154,718)
Net Outflows	$378,495,000	$680,760,000	$20,481,889	$36,838,666
Relative Transfer Savings	-	-	($358,013,111)	($643,921,334)

VA determines transfer payments to servicers to range from an estimated $641.1 million to $1.15 billion during FY 2021 and FY 2022. Given the assumption that borrowers will defer repayment for the first five years, no transfers are anticipated in FY 2023 through FY 2025. From FY 2026 through FY 2031, VA anticipates repayments of the partial claim payments of $620.6 million using the lower bound estimate and $1.12 billion with the upper bound estimate. This repayment estimate includes transfers incurred as a result of the estimated 10% of borrowers that eventually experience foreclosure despite obtaining assistance through COVID-VAPCP. Thus, the total transfers (transfer payment outflows-transfer inflows) of the partial claim payment program are estimated to be between $20.5 and $36.8 million.

As compared with the baseline scenario discussed under the "Alternative Policy Approaches" section, the proposed rulemaking results in a relative transfer savings of $358.0 million using lower bound estimates and an upper bound transfer savings of $643.9 million over the 15-year period.[4]

Costs

[4] As noted in the Accounting Statement at the end of this document, the net transfer ultimately flows between VA and some combination of borrowers, lenders and servicers (at least, on an expected value basis). When viewed from the program perspective relative to the baseline, and when calculated using the society-wide, long-run discount rates required by OMB Circular A-4—three and seven percent—it appears that the Government is benefitting at the expense of another party. However, business entities and individuals, especially when affected by an emergency such as the COVID-19 pandemic, may have private discount rates that exceed three and seven percent, and given the year-by-year streams of impacts estimated as resulting from this rule, the use of the higher (private) discount rates could reverse the sign on the transfers. Relatedly, and as discussed in the rule and this impact analysis, a key benefit of the program is the avoidance of costs related to foreclosure incurred by borrowers, lenders, servicers, and society at large.

VA has determined there are one-time costs of $41,258.62 in FY 2021. The costs of the regulation are primarily costs to servicers, but VA believes that these costs are a small price relative to the aggregate sums of forborne payments made available to servicers through COVID-VAPCP. In order to summarize costs to servicers, VA estimates the labor costs associated with the proposed rule for all 413 servicers of VA loans. For the labor costs, VA uses the Bureau of Labor Statistics (BLS) mean hourly wage rates for private-sector employees to estimate the labor rate of in-house or retained legal counsel at a servicing institution.[5]

Table 4. Rule Familiarization Costs

Occupational Category	Servicers of VA Loans (a)	Average Hourly Wage Rate (b)	Loaded Wage Factor (c)	Total Costs (a * b * c)
In-House or Retained Legal Counsel	413	$69.86	1.43	$41,258.62

To estimate total compensation, VA adjusts the wage rate by a loaded wage factor, which includes non-wage elements such as health and retirement benefits. The loaded wage factor of 1.43 is derived from the ratio of average total compensation[6] to average wages[7] for private industry workers in 2019. VA then multiplies the loaded wage factor by the occupational category wage rate to estimate an hourly compensation rate. This hourly compensation rate is used to estimate labor costs incurred by the servicer. Additional costs to servicers are related to information collection and are addressed in the Paperwork Reduction Act section below.

Paperwork Reduction Act (PRA):

This regulatory action contains provisions constituting a collection of information under the provisions of the Paperwork Reduction Act (44 U.S.C. 3501 et seq.) that require approval by the Office of Management and Budget (OMB).

Specifically, the new collection of information in proposed 38 CFR 36.4803 would require the veteran to certify that the veteran can resume making scheduled monthly payments, on time and in full, and that the veteran occupies, as the veteran's residence, the property securing the guaranteed loan for which the partial claim is requested. In § 36.4803, the servicer would be required to certify that the veteran's monthly residual

[5] Bureau of Labor Statistics. (2020). *May 2019 National Occupational Employment and Wage Estimates*. Retrieved from: https://www.bls.gov/oes/current/oes231011.htm

[6] Bureau of Labor Statistics. (2020). *2019 Employer Costs for Employee Compensation*. Retrieved from: https://www.bls.gov/ncs/ect/data.htm. Total compensation for all workers. Average Series ID CMU2010000000000D. To calculate the average total compensation in 2019, VA averages the total compensation for all workers in quarters 1–4.

[7] Bureau of Labor Statistics. (2020). *2019 Employer Costs for Employee Compensation*. Retrieved from: https://www.bls.gov/ncs/ect/data.htm. Wages and Salaries for all workers. Average Series ID CMU2020000000000D. To calculate the average wage and salary in 2019, VA averages the wages and salaries for all workers in quarters 1–4.

income, as described in § 36.4340(e), will be adequate to meet living expenses after estimated monthly shelter expenses have been paid and other monthly obligations have been met. In § 36.4805, the servicer would be required to prepare a note and security instrument in favor of "the Secretary of Veterans Affairs, an Officer of the United States". VA would require that the note be consistent with the terms described in § 36.4806 and include all borrowers who are obligated on the guaranteed loan. The security instrument would be required to include all persons (borrowers, as well as non-borrowers) who hold a title interest in the property securing the guaranteed loan. The servicer would be required to submit these documents to the Secretary, along with the application for partial claim payment, as prescribed in § 36.4807. If the recording authority causes a delay, § 36.4807 would allow the servicer to request an extension of time, in writing, from VA. Additionally, in § 36.4807, the servicer would be required to report a partial claim event to VA through VA's existing electronic loan servicing system within seven days of execution of the note required by § 36.4805.

Title: Application for a COVID-19 Veterans Assistance Partial Claim Payment
OMB Control No.: 2900-XXXX (NEW)

VA proposes to collect information for the partial claim payment application described in § 36.4807(a), including the certifications outlined in § 36.4803, through use of a new standardized form. Proposed VA form 26-10213, Application for a COVID-19 Veterans Assistance Partial Claim Payment (COVID-VAPCP), would collect basic information necessary to identify the borrower(s), the servicer, and the VA loan number for the VA-guaranteed loan for which partial claim payment is being requested.

For this new information collection, VA estimates there will be burden hours associated with veterans and servicers completing the standardized application form along with preparing, understanding, and executing the note and security instrument associated with the partial claim payment application. As discussed in VA's regulatory impact analysis, VA has estimated a lower/upper bound of estimated partial claim payments associated with this temporary initiative that corresponds directly to those who would be subject to the paperwork requirements associated with this rulemaking. VA has further estimated a distribution of these partial claim payments (or respondents) over fiscal years 2021 and 2022. Given that this proposed temporary initiative is limited to COVID-19 and CARES Act forbearances, VA does not anticipate any partial claim payments (or applications) will be received in FY 2023 and beyond. To ensure that VA's paperwork burden estimate coincides with its regulatory impact analysis, VA has presented a range of paperwork burden estimates. However, for purposes of calculating costs associated with the PRA, VA will utilize the average of these estimates, annualized over two years (FY 2021 and 2022).

VA estimates the total number of respondents would fall between 33,644 and 60,512, with an average number of respondents equal to 47,078. Over the two-year period, the number of respondents is therefore estimated to fall between 16,822 and 30,256, with an average annual number of respondents equal to 23,539. VA further estimates the average burden associated with this new information collection to be 60 minutes for veterans (this includes 15 minutes to complete VA form 26-10213, 15 minutes to gather and submit any additional financial information needed to enable the servicer to make an assessment under 38 CFR 36.4340(e), and 30 minutes to understand and execute the original note and security instrument) and 90 minutes for servicer (this includes 15 minutes to complete VA form 26-10213, 15 minutes to review additional information provided by the veteran to assess residual income under 38 CFR 36.4340(e), and 1 hour to prepare and execute the original note and security instrument).

Using the above information, VA estimates an annual respondent burden between 42,055 and 75,640 hours. Using VA's average annual number of respondents, VA estimates a total annual respondent burden of 58,847 hours (23,539 burden hours for veterans; 35,308 burden hours for servicers).

Title: VA Loan Electronic Reporting Interface (VALERI) System
OMB Control No.: 2900-0021

In addition to the partial claim application, note, and security instrument, this regulation imposes new information collection requirements under existing OMB control number 2900-0021, which pertains to servicer reporting requirements. Under proposed 38 CFR 36.4807, servicers will be required to submit information regarding a partial claim loss-mitigation event through VA's Electronic Reporting Interface (VALERI) System. While this represents a revision of this previously approved information collection, VA does not estimate any additional annual respondent burden associated with this revision, as discussed in the proposed rule. As discussed in the preamble, this OMB control number will expire on November 30, 2020. Therefore, in this rulemaking, VA is submitting its request to revise this information collection as a request for renewal and revision. Regarding the renewal, VA does not estimate any change in the annual respondent burden outlined in the current approved collection.

Title: Maintenance of Records
OMB Control No.: 2900-0515

VA's recordkeeping requirements under § 36.4333, which are implicated by this rulemaking, are covered under OMB control number 2900-0515. VA proposes to revise this information collection to include proposed revisions to § 36.4333 and new proposed §§ 36.4336 and 36.4810. The information currently collected by VA is used to ensure lenders and holders who participate in VA's Loan Guaranty program follow statutory and regulatory requirements, for example, those relating to credit information, loan processing requirements, underwriting standards, servicing requirements, and other applicable laws, regulations and policies. The revised information will be used by VA to conduct servicer oversight, including the COVID-VAPCP.

Under the current information collection, VA estimates an ongoing hour burden associated with holders and lenders submitting files to VA in association with normal audit activities, specifically, 35,000 loans annually. VA also estimates an hour burden associated with lenders who may voluntarily submit loan records to VA in a computable data format as it begins to pilot that technology, specifically, 100,000 loans annually. VA does not anticipate additional submissions as a result of the proposed revisions to § 36.4333, 36.4336, and 36.4810.

VA currently estimates a one-time response to an audit request (30 minutes per transaction) or voluntary electronic submission (3 minutes or less per transaction). Under the current information collection, VA does not estimate any recordkeeping burden associated with this OMB control number as the recordkeeping requirements under 38 CFR 36.4333 are consistent with customary and usual business practices for loan originators and holders. VA does not anticipate that the revisions proposed in this rule would either increase or decrease the average time a servicer spends uploading records requested by VA in conjunction with servicer audit and oversight activities. Similarly, VA notes that recordkeeping requirements related to servicing and loss-mitigation activities are consistent with customary and usual business practices for loan holders (e.g., servicers); VA therefore estimates no additional time burden to servicers in maintaining additional records as contemplated by the revisions proposed in this rule.

In sum, VA does not, with this proposed rulemaking, anticipate additional costs to respondents.

PRA Costs: As discussed in the regulation, VA estimates a total annual cost ranging from $1,357,198 and $2,441,053 as a result of information collection requirements associated with this rulemaking. Using VA's average annual number of respondents, the estimated total annual cost to respondents is $1,899,108.[8]

Assumptions and Methodology:

Below, VA presents its analysis of the proposed rule provisions' potential impacts on veterans, servicers, and the government. The analysis sets forth the basic assumptions, methods, and data underlying the analysis and discusses the uncertainties associated with these estimates.

Due to the unprecedented nature of the current national emergency and its ongoing impacts, VA notes the challenges around estimating final outcomes. In order to estimate the anticipated program costs associated with the partial claim program, two key data points are required: the volume of CARES Act forbearances and the average forbearance amount, that is the average payment for principal, interest, taxes, and insurance (PITI) for each month of the forbearance period.

Historically, VA loan performance is robust to economic shocks. To estimate the impact of the COVID-19 pandemic on VA's loan portfolio, historical data from the recession following the 2008 financial crisis is used. VA notes that the current recession is expected to result in less severe consequences for homeowners than those experienced during the Great Recession that followed the 2008 financial crisis. While home price growth is anticipated to slow through July 2021 as a result of the pandemic,[9] it is unlikely that borrowers will face negative equity in the long-run due to existing high levels of home equity, high ratios of housing demand to inventory, and tighter lending standards adopted in response to the 2008 financial crisis that have stabilized the housing market. The MBA National Delinquency Survey reports foreclosure starts and

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[8] To estimate costs associated with servicer (holder) and lender respondent burden, VA used the Bureau of Labor Statistics (BLS) median hourly wage for loan officers (occupation code 13-2072) of $36.64 per hour. To estimate costs associated with veteran respondent burden, VA used the median hourly wage for all occupations of $25.72 per hour. This information is available at https://www.bls.gov/oes/current/oes131041.htm.

[9] U.S. Home Price Insights, *CoreLogic*. https://www.corelogic.com/insights-download/home-price-index.aspx. Last accessed September 1, 2020.

delinquency rates peaked in 2009 for the market overall.[10] The quarter two, calendar year 2009 survey reports 7.77% of VA loans were delinquent and 2.07% of VA loans were in foreclosure inventory at the close of the quarter. The delinquency and foreclosure figures during the nadir of the Great Recession are used to estimate a worst-case scenario in which 9.84% of VA borrowers (330,259 loans) enter CARES Act forbearance.

While forbearance numbers appear to have stagnated since peaking in late May 2020, there is a lot of uncertainty regarding the end point of the current pandemic and its economic toll. Because of this uncertainty, VA estimates a range for total forbearances, eligibility and uptake of the partial claim program. The lower bound estimate of 5.47% of VA's portfolio is based on current levels of forbearance and the assumption that these levels will remain stagnant or that any future increases in forbearance volume will be offset by exits. The upper bound is based on the aforementioned worst-case scenario in which 9.84% of VA loans enter forbearance.

Consistent with FHA and USDA, VA will consider an eligible loan only those that were current or less than 30 days delinquent as of March 1, 2020. Of the 183,485 VA-guaranteed loans in CARES Act forbearance as of September 1, 2020, 137,716 (75%) were current or less than 30 days delinquent as of March 1, 2020 and therefore eligible or potentially eligible for the partial claim program.[11] While there are costs anticipated for the 25% of loans ineligible for partial claim, those costs are not related to the regulatory changes proposed by VA. As such, only the eligible population is considered in evaluating each option for costing.

Table 5. 15-Year Accounting of Proposed Rule Costing Assumptions

	Lower Bound	Upper Bound
% of Estimated CARES Forbearances (CF)	5.47%	9.84%
# of CARES Forbearances	183,485	330,259
% Ineligible Due to DQ Status on 3/1/2020	25%	25%
# of CF Eligible for Partial Claim (PC)	137,716	247,694
% Likely for PC Due to Servicer Attributes	24.43%	24.43%
# of Eligible CF Unlikely for PC	33,644	60,512
Average Outstanding Loan Amount	$239,450	
Average Annual P& I	$13,307	
Average Annual T&I	$5,747	
Potential Partial Claim (P & I)	$447.7M	$805.2M
Potential Partial Claim (T & I)	$193.3M	$347.7M
Refunded Loan Amount	$641.1M	$1153.0M
Interest Income on Repayment w/ 5-yr deferment	($44M)	($78M)
% Loss due to Refund Foreclosure	10%	10%
$ Loss due to Refund Foreclosure	$64.1M	$115.3M

[10] See Mortgage Bankers Association. *National Delinquency Survey, 2nd Quarter 2010*.

[11] Of the potentially eligible loans, 52,273 (38%) are not yet seriously delinquent or greater than 61 days past due. From an analysis of MBA and Black Knight delinquency data, the Urban Institute reports that 25% of borrowers in CARES Act forbearances have continued to make payments. VA presumes that a borrower enters CARES Act forbearance due to some level of uncertainty around future economic circumstances and therefore considers these potentially eligible loans in its estimation of future partial claim eligibility.

$ Interest Income Loss to Refund Foreclosure	$4.8M	$8.7M
Transfers of Partial Claim	$69.0M	$124.0M
Proposed Regulation w/ 1% interest rate		
Baseline CF Claims Expected	$378.5M	$680.8M
Transfer Cost of Partial Claim	$20.5M	$36.8M
Overall Transfers (Savings)	($358M)	($644M)
Regulatory Alternative w/ 0% interest Rate		
Baseline CF Claims Expected	$378.5M	$680.8M
Transfer Cost of Partial Claim	$64.1M	$115.3M
Overall Transfers (Savings)	($314M)	($565M)

In addition to borrower eligibility, VA considers the likelihood that a servicer will apply for the partial claim payment program. VA believes that larger servicers, and in particular banks, may have more flexibility in responding to liquidity shortages and not require assistance through the partial claim payment program to remain solvent.[12] In fact, VA understands that some of these larger institutions intend to offer borrowers a deferment option in which the servicer defers the forborne payments through loan maturity or liquidation. In order to account for this, VA identifies 11 servicers as significantly large based on total VA loans in portfolio and therefore unlikely to utilize the partial claim. When loans held by these servicers are excluded, VA defines the remaining subset of 108 servicers holding approximately 25% of all VA loans in a CARES Act forbearance as partial claim eligible-likely. VA applies this ratio to the range of partial claim eligible loans to yield a lower bound estimate of 33,644 and an upper bound estimate of 60,512 partial claim likely-eligible borrowers.

When the CARES Act was enacted in March 2020, total loan value was $804 billion for approximately 3.3 million total VA loans in portfolio, yielding an average outstanding loan amount of $239,450 and an average annual loan payment of $19,054 ($13,307 in principal and interest payments (P&I) and $5,747 in taxes and insurance (T&I)).[13] Under the CARES Act, borrowers may be granted up to 360 days of forbearance, so the annual average loan payment is used to estimate amount owed post-forbearance. VA anticipates the vast majority of borrowers will take the full 360 days of forbearance based on its observation of very low rates of forbearance termination (4.0%) as of September 1, 2020 and evidence that exit rates are on the decline in recent weeks.[14]

When the average anticipated partial claim payment of $19,054 is applied to the partial claim eligible-likely population estimates, VA anticipates the range of partial claim payment transfers to be between $641 million and $1.15 billion. Given the assumption that most borrowers will take the maximum allowable forbearance period of 360 days along with the additional 90 day post-exit period afforded servicers for completing partial

[12] Mortgage Bankers Association. 2015. *The Changing Dynamics of the Mortgage Servicing Landscape.* https://www.mba.org/documents/policy/MBA_PWC_Servicing_White_Paper.pdf.

[13] VA compared the distributions of its overall portfolio to the partial claim eligible-likely population and does not find that the average borrower in a CARES forbearance is different from the average VA borrower in terms of outstanding loan amount and monthly payment.

[14] https://www.housingwire.com/articles/forbearance-rate-falls-to-7-2-mba-says/

claim applications, VA expects to begin receiving applications for partial claim payments in the third quarter (Q3) of FY 2021. For the population of 5,536 borrowers that entered CARES Act forbearance prior to June 1, 2020, VA anticipates disbursements in FY 2021 totaling $105.5 million; and FY 2022 disbursements in the range of $535.5 million to $1.05 billion for the estimated 28,108 to 54,976 eligible-likely borrowers that entered CARES Act forbearance on or after June 1, 2020.

The partial claim transfer payment outlays presented in Table 6 take the form of a subordinate lien, repayable to VA over a ten-year period at 1% interest. VA anticipates repayment of the loan within 120 months of origination or at the time the primary loan is either refinanced or the property is sold. VA estimates that while the partial claim payment program will help the majority of borrowers avoid foreclosure, it is a one-time, temporary program and does not account for any future risk. Recidivism rates are not used to estimate the potential refund loss for partial claim participants because these borrowers miss payments under special circumstances in which doing so was acceptable. This population includes only loans that were otherwise in good standing as indicated by the eligibility criteria of being current, or less than 30 days past due, on their loan as of March 1, 2020. Still, VA understands that some borrowers may face long-term financial hardship as a result of the COVID-19 pandemic. For these reasons, VA has applied programmatic experience and assumes an estimated 10% loss rate on refunded loans under the partial claim program.

Table 6. Partial Claim Transfer Payment Outflows

Year	Lower Bound	Upper Bound
2021	$105,482,737	$105,482,737
2022	$535,568,780	$1,047,510,647
Total Outflows	$641,051,517	$1,152,993,383

VA is proposing a 1% note rate on the subordinate lien to account for the net present value of the transfer payments made to servicers on behalf of borrowers. Although interest begins accruing at the time of origination, borrowers are by default granted a five-year, no penalty deferment. For the purposes of costing, VA assumes the default five-year deferral for all borrowers, which translates into a second stream of transfer payments from borrowers to VA from FY 2026 through FY 2031, totaling $620.6 million using the lower bound estimate and $1.12 billion in the upper bound estimate, rendering the total transfers (transfer payment outflows-transfer inflows) of the partial claim program between $20.5 million and $36.8 million.[15] As compared with the baseline scenario discussed under the “Alternative Policy Approaches” section below, the total relative cost of the proposed rulemaking is a transfer savings of $358.0 million using lower bound estimates and an upper bound transfer savings of $643.9 million.

Alternative Policy Approaches:

A regulatory alternative considered is the baseline scenario. In the status quo or baseline scenario, absent regulation, VA anticipates higher levels of default as

[15] Re-payment streams and total cost calculations reflect the refunded loan foreclosure loss rate of 10%.

borrowers exit forbearance. Absent any intermediary solution, borrowers could face unrealistic repayment terms as servicers seek solvency and meet their own repayment obligations. VA uses the average FY 2019 claim amount of $45,000 ($36,000 + $9,000 interest) for the eligible-likely CARES Act forbearances and an estimated claim rate of 25% based on the default resolution rate for VA in 2010 following the last major economic crisis. This amounts to an estimated 8,411 to 15,128 foreclosures for borrowers exiting CARES Act forbearances absent the partial claim option in the proposed rule, as shown in Table 7 below.

Table 7. Baseline Claim Volume Estimates

Year	Lower Bound	Upper Bound
2021	2,523	4,538
2022	3,364	6,051
2023	1,682	3,026
2024	841	1,513
Total	8,411	15,128

Due to the length of time it would take a borrower to enter foreclosure upon reaching serious delinquency post-forbearance exit (no sooner than May or June 2021), VA anticipates that foreclosure volume will peak in FY 2022 and trail off in subsequent years FY 2023 and FY 2024, much like the foreclosure curve exhibited in program data and the market overall following the Great Recession in which foreclosure starts lagged over an extended time period. Total estimated costs in the baseline scenario, absent COVID-VAPCP range from $378.5 million to $680.7 million.

Table 8. Outflows, Inflows & Net Outflows of Transfer Payment Streams, 2021-2035

	Proposed Rule (1% interest)		Regulatory Alternative (0% interest)		Baseline Scenario	
Year	Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound
2021	$105,482,737	$105,482,737	$105,482,737	$105,482,737	$113,548,500	$204,228,000
2022	$535,568,780	$1,047,510,647	$535,568,780	$1,047,510,647	$151,398,000	$272,304,000
2023	$0	$0	$0	$0	$75,699,000	$136,152,000
2024	$0	$0	$0	$0	$37,849,500	$68,076,000
2025	$0	$0	$0	$0	$0	$0
2026	($20,422,503)	($20,422,503)	($18,986,893)	($18,986,893)	$0	$0
2027	($124,113,926)	($223,230,944)	($115,389,278)	($207,538,818)	$0	$0
2028	($124,113,926)	($223,230,944)	($115,389,278)	($207,538,818)	$0	$0
2029	($124,113,926)	($223,230,944)	($115,389,278)	($207,538,818)	$0	$0
2030	($124,113,926)	($223,230,944)	($115,389,278)	($207,538,818)	$0	$0
2031	($103,691,423)	($202,808,441)	($96,402,385)	($188,551,925)	$0	$0
2032	$0	$0	$0	$0	$0	$0
2033	$0	$0	$0	$0	$0	$0
2034	$0	$0	$0	$0	$0	$0

2035	$0	$0	$0	$0	$0	$0
Relative Transfer Savings	($358,013,111)	($643,921,334)	($314,389,874)	($565,460,707)	-	-
Net Outflows	$20,481,889	$36,838,666	$64,105,126	$115,299,293	$378,495,000	$680,760,000
Total Outflows	$641,051,517	$1,152,993,383	$641,051,517	$1,152,993,383	$378,495,000	$680,760,000
Total Inflows	($620,569,628)	($1,116,154,718)	($576,946,390)	($1,037,694,090)	$0	$0

As a second regulatory alternative, VA considers offering the partial claim payment and corresponding subordinate lien, repayable over 10 years with optional deferment for the first five years at 0%--instead of 1%--interest rate. VA notes that the 0% interest regulatory alternative would be consistent with existing partial claims offered by other government mortgage programs at FHA and USDA. All other methods and assumptions remain the same as in the proposed rule such that the only impact is on transfer payment streams. Specifically, VA anticipates slightly lower values on the second stream of transfer payments from borrowers to VA from FY 2026 through FY 2031 absent the interest income expected between $44 million and $78 million in the proposed rulemaking. Therefore, under this alternative scenario, as shown in Table 8, total transfers (transfer payment outflows-transfer inflows) of the partial claim program are estimated between $64.1 million and $115.3 million. The relative cost of the regulatory alternative is a transfer savings of between $314.4 million and $565.5 million.

In conclusion, implementing the partial claim payment program is cost effective for VA as compared with the alternative policy approaches in that it yields the highest cost savings of the three options.

Table 9 summarizes the estimated total transfers and costs of the proposed rule over the analysis period. The annual transfers and costs exceed $100 million per year in most years and is therefore economically significant under Executive Order (E.O.) 12866 (Regulatory Planning and Review).

Table 9. Estimated Monetized Transfers, Costs and Net Impact of the Proposed Rule w/ 5-, 10-, and 15-FY Totals

	Lower Bound			Upper Bound		
Year	**Transfers***	**Costs**	**Net Impact**	**Transfers***	**Costs**	**Net Impact**
2021	$105,482,737	$41,259	$105,523,995	$105,482,737	$41,259	$105,523,995
2022	$535,568,780	$0	$535,568,780	$1,047,510,647	$0	$1,047,510,647
2023	$0	$0	$0	$0	$0	$0
2024	$0	$0	$0	$0	$0	$0
2025	$0	$0	$0	$0	$0	$0
5 YEAR TOTAL	**$641,051,517**	**$41,259**	**$641,092,776**	**$1,152,993,383**	**$41,259**	**$1,153,034,642**
2026	($20,422,503)	$0	($20,422,503)	($20,422,503)	$0	($20,422,503)
2027	($124,113,926)	$0	($124,113,926)	($223,230,944)	$0	($223,230,944)
2028	($124,113,926)	$0	($124,113,926)	($223,230,944)	$0	($223,230,944)
2029	($124,113,926)	$0	($124,113,926)	($223,230,944)	$0	($223,230,944)

2030	($124,113,926)	$0	($124,113,926)	($223,230,944)	$0	($223,230,944)
10 YEAR TOTAL	**$124,173,312**	**$41,259**	**$124,214,570**	**$239,647,106**	**$41,259**	**$239,688,365**
2031	($103,691,423)	$0	($103,691,423)	($202,808,441)	$0	($202,808,441)
2032	$0	$0	$0	$0	$0	$0
2033	$0	$0	$0	$0	$0	$0
2034	$0	$0	$0	$0	$0	$0
2035	$0	$0	$0	$0	$0	$0
15 YEAR TOTAL	**$20,481,889**	**$41,259**	**$20,523,148**	**$36,838,666**	**$41,259**	**$36,879,924**
Baseline Costs	$378,495,000	$0	$378,495,000	$680,760,000	$0	$680,760,000
Relative Savings (from Baseline)	($358,013,111)	$41,259	($357,971,852)	($643,921,334)	$41,259	($643,880,076)

* Re-payment streams in years 2026 through 2031 reflect the refunded loan foreclosure loss rate of 10%

Program Impact: For the purposes of estimating subsidy costs to the Loan Guaranty program, VA applies financial modeling techniques to adjust the nominal cash flows reported above as transfer payments in the proposed regulation, the baseline scenario and regulatory alternative. Specifically, VA uses a housing loan cash flow waterfall model in conjunction with a Credit Subsidy Calculator (CSC) to determine the subsidy costs of the COVID-VAPCP program. The cash flow waterfall model annualizes nominal cash flow projections for cohorts of loans and loan guarantees. CSC transforms these projections into present values to be represented in the President's Budget submission as budgetary costs in accordance with the Federal Credit Reform Act of 1990 under 2 U.S.C. 661(f). Therefore, the net costs of transfers incurred by COVID-VAPCP, largely offset by borrower repayments in FY 2026-2031, are discounted and expressed in present values as costs to the program in FY 2021 and FY 2022 as shown in Table 10 below. For this reason, net costs are fully captured within the first five-year period (FY 2021 through FY 2025).

Additionally, further adjustments are made to the nominal claim cost estimates in the baseline scenario in order to reflect ancillary cost components of the claims process and the anticipated timing of each, such as sale price of the foreclosed property less any outstanding debt and costs associated with resale. Whereas foreclosure claim volume and associated nominal costs in the baseline scenario peak in 2022, the program costs are anticipated to peak in 2021 due to claim costs being offset by sales in subsequent years.

Table 10. Cost-Adjusted Transfer Payment Streams of Proposed Rule (1% interest), 2021-2025

	Proposed Rule (1% interest)		Cost-Adjusted Baseline		Relative Transfer Savings from Baseline	
Year	Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound
2021	$10,560,597	$18,994,259	$160,933,560	$289,454,631	($150,372,963)	($270,460,372)
2022	$101,532,048	$182,615,244	($1,475,883)	($2,654,519)	$103,007,931	$185,269,763
2023	$0	$0	($736,305)	($1,324,315)	$736,305	$1,324,315
2024	$0	$0	($374,824)	($674,157)	$374,824	$674,157

2025	$0	$0	$0	$0	$0	$0
5-Year Total	$112,092,645	$201,609,504	$158,346,549	$284,801,640	($46,253,904)	($83,192,136)

Table 10 translates the transfers presented in previous sections to subsidy, or budgetary, costs of the proposed rule. VA estimates that the proposed rule will result in a relative transfer savings between $150.4 and $270.5 million in FY 2021 and between $46.3 and $83.2 million over the five-year period (FY 2021 through FY 2025).

Accounting Statement and Table: As required by OMB, VA summarizes the annualized estimates of yearly transfers and costs in the accounting statement table below.

Five Year Projection in Real Dollars (Annualized 3% & 7% Values) (Inflation rates is assumed to be 2.2% and is applied in this table)										
Category	***Transfers (millions of 2021$)***									
Year Dollars							Present Value		Annualized	
							3%	7%	3%	7%
Federal Annualized Monetized	*Low Est.*						-$155	-$55	-$13	-$6
	Pri. Est.						**-$217**	**-$79**	**-$18**	**-$9**
	High Est.						-$280	-$103	-$23	-$11
From/To: & Period Covered:	***From:***	VA			***To:***	Borrowers and/or Lenders and/or Servicers			***Period Covered:***	FY2021 - FY2035
Notes:										
Category	***Costs (2019$)***									
Year Dollars		FY2021	FY2022	FY2023	FY2024	FY2025	Present Value		Annualized	
							3%	7%	3%	7%
Federal Annualized Monetized	*Low Est.*	-	-	-	-	-	-	-	-	-
	Pri. Est.	**$41,259**	**$0**	**$0**	**$0**	**$0**	**$40,057**	**$38,559**	**$8,492**	**$8,789**
	High Est.	-	-	-	-	-	-	-	-	-
Notes:	Labor cost of rule familiarization for servicers of VA loans.									

Submitted by: For questions regarding this regulatory impact analysis, please contact Sarah Campbell, Loan Guaranty Service (26). For questions regarding the program impact estimate, please contact Wesley Romans, OFM Credit Reform Staff (24).

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