

VETERANS' HOME PURCHASE BOARD 0734

Five (5) Year Strategic Plan for FY 2020– 2024

Prepared July 2018(during FY 2019)

1. Comprehensive Mission Statement:

The Veterans' Home Purchase Board's mission is to aid Mississippi veterans and military personnel to become rehabilitated and to become, as quickly as possible, self-sustaining, thereby strengthening their citizenship and expressing the gratitude of all the people of this state for such public service they have rendered by providing funds, in the form of a mortgage loan, to purchase a home (See Mississippi Code 1972 Annotated 35-7-3).

2. Agency Philosophy:

The Veterans' Home Purchase Board, its Board of Directors, Management, and Staff are committed to the Veterans and Active Military of the State of Mississippi. It is our philosophy, desire and ambition to provide to the Veterans of this State the highest in quality service. The purchase of a home and its financing can be confusing and complicated. Our Staff takes pride in guiding our Veteran applicants through the process of their home purchase. We are very aware of the sacrifices that our Veteran population has endured to secure and protect our freedoms. It is with this philosophy that guides us through our service to the Veteran applicants and the protection of the trust fund. During the last thirty six months this Agency has gone through a restructuring to ensure the Agency's compliance with the ever changing lending laws and regulations while giving the Veteran applicant the highest level of service.

3. Relevant Statewide Goals and Benchmarks:

Key Policy Areas

- Service to the Mississippi Veteran
- Economic Development
- Increase the Public Awareness of the Program
- Protect and grow the Agency's Trust Fund

SERVICE TO THE MISSISSIPPI VETERAN

STATEWIDE GOAL #1:

To provide a valuable service to the Veterans and Active Military of Mississippi by providing funds in the form of a loan for the purpose of the purchase of a home.

RELEVANT BENCHMARK #1:

- Number of loans being serviced by the Agency
- Dollar volume of loans being serviced
- Percentage of increase in the number and dollar volume each month and annually

- Percentage and dollar growth of trust fund, monthly and annually

ECONOMIC DEVELOPMENT

STATEWIDE GOAL #2:

To stimulate the Mississippi economy by providing mortgage loans to qualified Mississippi Veterans.

RELEVANT BENCHMARK #2:

- Number and percentage increase in the building permits throughout the State
- Number and percentage increase in the existing home sales
- Number and percentage increase in the sale of building materials
- Number and percentage increase in jobs related to the housing industry
- Number and percentage increase of Veterans returning to and remaining in the State

INCREASE THE PUBLIC AWARENESS OF THE PROGRAM:

STATEWIDE GOAL #3:

Increase the awareness of the program by attending and speaking at Veteran's group meetings; conventions; training sessions; and internet contact. Provide training secessions for real estate agents throughout the State; partnership with the Mississippi Real Estate Commission; Mississippi Association of Realtors and the Mississippi Homebuilders Association.

RELEVANT BENCHMARK #3:

- Number of loans being serviced by the Agency
- Dollar volume of loans being serviced
- Percentage of increase in the number and dollar volume each month and annually
- Percentage and dollar growth of trust fund, monthly and annually

PROTECT AND GROW THE TRUST FUND:

STATEWIDE GOAL #4:

Protect and grow the Trust Fund by granting mortgage loans to qualified Mississippi Veterans; Conservative use of expenses needed to operate the Agency; management of the interest rate charged by the Agency to be a measured amount below the market rate that will maximize income to the fund while providing the Veteran the benefit of a below market rate.

RELEVANT BENCHMARK #4:

- Report to the Board of Directors monthly as to the number and dollar volume of new loans closed;
- Report to the Board of Directors monthly as to the number of IRRRLs (interest rate reduction refinances)
- Report to the Board of Directors monthly as to the number and dollar volume of loans in the pipeline;
- Report to the Board of Directors monthly the number and percentage of past due accounts and all information regarding any foreclosures or other losses to the fund;
- Report and review with the Board of Directors monthly the reported causes and reasons for the customers past due account and or foreclosures and review any corrective measures needed;
- Report to the Board of Directors monthly the financial report of the operating and all other expenses, income, other assets and balance of the fund;
- Review the interest rates charged in the private sector and compare to the Agency's rates monthly;
- Report and review with the Board of Directors monthly the weighted yield of the Agency's return on investment;

4. Overview of the Agency 5-year Strategic Plan:

In 1946 the Mississippi Legislature funded the Veterans' Home Purchase Board with an appropriation of \$5 million. Subsequent appropriations during the Korean War and the Vietnam War brought the total appropriation to \$9.6 million. The Veterans' Home Purchase Board is a self-sustaining Agency and has not received an appropriation from the General Fund since 1972. The original appropriated funds of \$5 million and the subsequent appropriated funds are invested in home purchases for military veterans, which are secured by a mortgage loan Deed of Trust.

The Veteran purchasers repay their mortgage loans with monthly installments to principal plus interest at an affordable rate. These repayments are collected by the Agency and are made available by a mortgage loan to other veterans who are in need of housing.

Through this process the assets for the Veterans' Home Purchase Board have grown to in excess of \$240 million as of June 30, 2018. These assets consist mostly of mortgage loans and funds in the Veterans' Home Purchase Board revolving trust fund; the fund from which the Veterans' Home Purchase Board operates.

The agency plans to continue to grow the trust fund over the next five years by serving our active military, eligible National Guard, Reserve Members and qualified Veteran population's needs in obtaining good quality, affordable housing.

The Veterans' Home Purchase Board is a benefit to the whole State of Mississippi and affects all of its citizens directly and indirectly. Residential purchases and new construction stimulate the economy directly by creating jobs, increasing wages and

generating additional tax revenues. The indirect effect of the increased sales of existing properties and new construction is the demand it creates for the supporting goods and services. This has a stimulating influence throughout the economy.

It is the strategic plan of this Agency to continue improving programs and methods that are proving to be successful and to discontinue or modify those that are not. Each year, all methods and programs will be evaluated for their effectiveness. The expense and time involved in all programs and methods along with policies and procedures will be a guiding aspect of these evaluations.

Because of the continued dramatic increased demand for our lending program, the regulatory climate and the demands it puts upon the Agency and staff, it is anticipated that additional personnel may be required. This Agency must comply with these ever changing laws, regulations and increased lending demand, while providing the professional level of service that the Agency is known for and is expected by the Legislature. In FY 2013 this Agency closed 62 new loans, while in year FY 2014 this Agency closed 144 new loans with a volume of \$23,219,594. Interest rates rose slightly during FY 2015, causing a slowdown in the market, however, still with a strong demand, this Agency closed 151 loans for a total volume of \$24,957,158. For the year FY 2016 the market slowed somewhat due to the economy, however the Agency still closed 106 loans for a total volume of \$15,346,864. FY2017 was a difficult year due to many new and more complicated lending regulations that had very negative effect on the economy. During FY 2017, the Agency closed 87 new loans for a total dollar volume of \$15,058,615.50 and 20 refinances loans (IRRRLs) for a total dollar volume of \$2,118,441. FY2017 provided a total of 107 loans and \$17,226,656 in total dollars. The predictions for FY 2019 are equally difficult to determine due to a possible change in leadership after the midterm elections, the reworking and or replacement of the Dodd-Frank Act, the consistent rise in interest rates and the general improvement of the economy. The Agency is optimistic that even with the rise in mortgage rates, FY 2019 should be a good year for home purchases due to the expected relaxing of lending regulation. The goal of this Agency is to average 100 to 120 closed loans each year as long as funds are available to do so. It is anticipated that when the our reserve loan fund is converted to active portfolio loans at the current low interest rates, the income produced will only support 75 to 85 per year. If interest rates rise to say 6% or more increasing our weighted average rate of return, it is very possible that we will be able to fund 100 or more new loans per year without an infusion of taxpayer fund. Our Agency is still focused on training in order to adjust to the never ending change in our industry. The new and existing regulatory requirement will and have had a profound ripple effect on all lenders, closing attorneys, real estate agents as well as all other sectors on the industry nationwide. Our lending pipeline which is made up of new applications, applications in processing and applications approved but not yet closed or booked average 35 or more each month with an average volume of \$6.4 million. Beginning January 2015, this Agency discontinued pre-qualifying applicants that were not actively looking for a home to purchase. This allowed our origination staff to concentrate on serving our Veteran purchasers that had found a home and needed to close within a limited time frame. As of February 2016 the Agency has once again started accepting applications for the purpose of pre-qualifying. This has proven to be of benefit to the Veteran population. We have

continued to reorganize, streamline and improve each of our departments so that we can successfully handle any increased demands. Our program of cross training is a key element to the successful operation of this Agency due to our small staff. Most lenders of our asset size are staffed with 42 to 50 employees while our staff completes the same tasks with only 17 employees.

The Budget and Agency's Fund Relationship:

This Agency operates much as a mortgage company. Unlike Agencies supported by tax payers' dollars the VHPB is a revolving trust fund, funded through the lending and repayment of VA Guaranteed Mortgage Loans. As the loans made to Veterans for the purchase of housing is repaid plus interest, the overall funds grows, increasing the available money that can be used for additional lending. Therefore when this Agency requests to increase its loan funding or budget (section E: Subsidies, Loans and Grants), it is only requesting to be allowed to invest more of its earnings in loans, that will provide additional earnings that will be used for more lending. The larger the Agency's budget, (Subsidies, Loan and Grants; section E) the more successful the Agency. The operation portion of the budget is used to transact the business of the Agency and has shown very little increase over the years. What increases that have and will occur were and are mainly due to new requirements in the laws and regulations affecting the Agency, requiring additional personnel or computer programs to comply with these changes. The management of this fund requires a delicate balance of the average size loan, total loans in servicing and the weighted average interest rate received on those loans. For example, as of February 2015 this agency had a servicing balance of \$157,481,664 at a weighted average interest rate of 4.055%. This, if maintained, produces interest income plus amortized payments less administration cost of \$9,889,000 or 82 new loans annually. During times of very low mortgage interest rates and strong demand, the interest income produced from the fund is diminished, causing the fund to grow at a rate possibly insufficient to keep up with the demand. For this reason it is our strategic plan during these times to reduce the demand by raising our lending rate of interest slightly when the fund drops below 10 million dollars. For the next few years, we predict that interest rates will remain very low causing the income from the Agency's portfolio to be reduced. The longer interest rates remain low and the more low interest loans that are added to the portfolio the longer it will take the Agency to get back to the income level it has enjoyed in the past.

5. External/Internal Assessment:

Description of significant external factors which may affect the projected levels of performance:

Due to the mortgage market interest rates over the past few years being much lower than the historical average, many of the loans in the Agency's portfolio have refinanced elsewhere, lowering the total loan volume serviced by the Agency. This, in addition to a reduced demand for home loans, stricter underwriting guidelines and a poor economy, has caused the fund to grow at a much slower rate. However, the fund has continued to grow at an acceptable rate. Over the past 36 months, the economy has shown improvements that has reflected itself with acceptable loan demand and slightly higher private sector interest rates. This and a large number of returning Veterans from foreign

wars are predicted to generate an increased demand for our services. Because of the aforementioned, it is our opinion that over the next several years our fund should grow at a respectable pace. If interest rates remain at these historically low rates for an extended period, our rate of return on our portfolio over time will be significantly hampered. It is our opinion that the interest rates will remain at this historically low level for at least another year.

Another factor that will and has had an effect on the Agency is the Biggert Waters Flood Insurance Reform Act of 2012. This will and has increased the cost of flood insurance to the point that it will hamper the sales and values of properties on the Gulf Coast and other areas that have a history of flooding or are designated flood hazard areas. The Federal Government is currently addressing this mater.

Mississippi citizens, who have served their country on active military duty and who now reside in the state number approximately 275,000 according to the U. S. Department of Veterans Affairs. If family members are included in the above number, the number of Mississippi citizens affected by veterans' programs and benefits is significant.

The Veterans' Home Purchase Board offers its program to current members of the Mississippi National Guard with over six years of service. If more members of the Guard extend their service time to a minimum of six years and stay members of the National Guard, these personnel may participate in the Veterans' Home Purchase Board loan program.

A factor which may affect the Veterans' Home Purchase Board is any changes in U. S. Department of Veterans Affairs policies, rules, and regulations. Such changes, if any, may require changes in our current operating policies and procedures.

Another factor which may affect this Agency is the condition of the economy of the state and nation. A dramatic change in interest rates, building materials, labor costs, or land costs could affect the ability of veterans to qualify for a loan program.

Because of the increasing threats of a cyberattack on the data maintained by this Agency, we have taken appropriate steps to protect our data, systems and confidential information. These steps have come at a high cost of time and money. In December of 2017 the Agency underwent a Cyber Information Security Assessment. Upon completion of the assessment, it was discovered that there were numerous vulnerabilities that needed to be addressed. With the advice and consent of the Board of Directors, the Agency employed an IT company to monitor and maintain our data systems and computers. This same company has the responsibility to correct any and all vulnerabilities as they occur. To further secure our data, a new firewall was purchased and installed. An additional IT company was employed to test our systems once each month for vulnerabilities and report to the Board of Directors. The Agency has signed an agreement with the Mississippi Department of Information Technology Services to participate (at an expense to the Agency) in Security Awareness and Education Training.

The last identified external factor that could have a dramatic effect on this Agency and its operation is; in the event that the demand for our lending program exceeds the available money in the fund, it would cause the Agency to create a waiting list for our services. The only time this occurred in recent history was in the late 1970s and early 1980s. When this happened it caused ill will with the Veterans of Mississippi that took several years to overcome. We have and are taking steps to reduce the possibility of this occurring. However, we are limited as to the amount of available money in the fund at any given time. It is our belief that at this time and in the foreseeable future our loan fund will adequately cover the demand.

6. (A). Internal Management Systems Used to Evaluate Agency's Performance:

The Veterans' Home Purchase Board's organizational structure provides a framework wherein performance can be evaluated. All applications for mortgage loans must be evaluated by a six member Board of Directors. The agency's personnel process loan applications for Board review according to U. S. Department of Veterans Affairs and Veterans' Home Purchase Board policies, procedures and regulations. The Veterans' Home Purchase Board receives a loan guaranty from the federal agency mentioned above on the loans it originates. The Board of Directors meets at least once a month to review the results of operations.

This Agency is made up of only seventeen (17) employees and one contract worker divided into four (4) Divisions; Administrative, Accounting, Origination and Servicing. Being a very small Agency it is easy to identify and track the successes or failures of its operation. The purpose of this Agency is to provide a VA guaranteed lending and servicing platform for mortgage loans to qualified Mississippi Veterans. The quality of our lending program is reviewed by the Federal Veterans Administration on a regular basis for compliance, prudent lending and adherence to VA lending guidelines. Most of our procedures and policies are provided by the Veterans Administration. However, we do have working procedures that guide the daily operations of each department. Monthly reports from each Division are provided to the Board of Directors for their review at the Monthly Board Meeting. These reports are made a part of formal minutes of each meeting and are available to any interested party at our office located at 3466 Hwy 80 East, Pearl, Mississippi 39208.

1. **Management policies in place:** It is the policy of this Agency for each Division to provide monthly reports as to the activities, volume of lending, financial reporting, budget comparisons, delinquent accounts, legal activities, personnel performance and or problems, training and the status of the goals set by each Division.
2. **Operational procedures, tracking procedures:** Each Division has provided the Agency a step by step operational procedure for the successful daily operating of the Division. Daily reports are provided to the Agency's Administration of the status (tracking) of all lending applications being processed by the Agency.
3. **Organizational Structure:** This Agency is made up of a staff of seventeen (17) employees, one contract worker and a six-member Board of Directors. The structure of this Agency is as follows: At the top of our organizational chart is the six members Board of Directors appointed by the Governor with the advice and consent of the

Senate. From this Board, a Loan Committee is appointed by the Chairman each year to approve or disapprove loan requests. This is followed by the Administration Division, made up of the Executive Director, two Quality Control personnel and the Receptionist. Next are the three remaining Divisions. 1. The Origination Division, made up of the Division Head, three processing Officers and two Closing Officers; which is responsible for the origination and closing of loan requests. 2. The Servicing Division is made up of a Division Head, one Escrow Insurance Officer, one Property Tax Escrow Officer, one Delinquent Account Manager and one Account Servicing Manager and is responsible for the servicing of the Agency's portfolio of mortgage loans. 3. The Accounting Division is made up of a Division Head, one Accounts Payable Officer and One Human Resource Officer and is responsible for all accounting, budget matters, the payment of operating expenses, internal audit and financial reporting.

With only 17 employees and assets in excess of 240 million dollars, this Agency is much more efficient than its private sector Mortgage Bank counterpart. Most Mortgage companies of this asset size have a staff of 42 to 50. The management of this Agency and protection and management of our **Trust Fund** require that we be ever vigilant to our responsibilities and duties. Each Division of this Agency sets goals each year that are monitored and reviewed monthly by the Executive Director and Board of Directors. The Agency as a whole sets goals as a part of its Strategic Planning which includes but not limited to the production of mortgage loans, management of the weighted averaging of interest yield, staffing, budgeting, maintenance of our building, public relations and the project of streamlining of our services.

Our Agency as we are, at the time of the writing of this Strategic Plan: July 2018 (FY 2019).

At present, this Agency is still confronted with new regulations that have caused a continuing redo of our loan processing procedures, computer programs and closing documents. Our staff has over the past three years completed the conversion at a cost that exceeded the normal expenditure for training and program updates. These regulations imposed on the industry by the Consumer Financial Protection Agency (CFPB) do directly affect this Agency by the fact that our closings are handled by private sector attorneys and our computer programs are written by private sector companies. Therefore we are forced to adhere, at least in principal, to the requirements of the new regulations. We have, for the most part managed to combine this Agency's requirements with those of the private sector successfully while providing our Veteran customers the necessary information to make an informed and prudent decision.

Program Outputs / Outcomes:	<u>FY 2018 Estimate</u>	<u>FY 2018 Actual</u>
1. Number of New Advances:	75	<u>108</u>
2. Number of Refinanced Loans:	<u>25</u>	<u>11</u>
3. Number of New Loans (new & IRRRLs)	100	<u>119</u>
4. \$ Amount of New Advances	\$16,711,000	\$19,732,622
5. \$ Amount of New Advance for IRRRLs	<u>\$39,000</u>	<u>\$23,323</u>
6. \$ Amount of New Loans	\$16,750,000	\$19,755.945
7. \$ Amount of Refinanced Loans:	\$2,915,000	\$1,880,030
8. Number of Loans Serviced	1391	1,386

9. Net Income **\$4,892,622** **\$5,222,102**

The Performance indicators and measures as stated in the Agency's budget combines new loans and refinances for a total of 107. The dollar volume for these loans in this section of the budget only includes new dollars lent and not the principal balance of the refinanced loans.

Program Efficiencies:	<u>FY 2018</u> Estimate	<u>FY 2018</u> Actual
1. Administrative Costs per loan serviced	\$991.25	<u>\$1,028</u>

Program Outputs / Outcomes:	<u>FY2019</u> Estimate	Revised Estimate
1. Number of New Advances:	84	<u>100</u>
2. Number of Refinanced Loans:	<u>21</u>	<u>10</u>
3. Number of New Loans (new & IRRs)	105	<u>110</u>
4. \$ Amount of New Advances:	\$14,423,824	<u>\$18,423,288</u>
5. \$Amount of New Advance for IRR	\$45,000.	<u>\$22,000</u>
6. \$ Amount of New Loans	\$14,423,824	<u>\$18,445,288</u>
7. \$ Amount of Refinanced Loans:	\$2,436,000	<u>\$1,655,000</u>
8. Number of Loans Serviced	1310	<u>1350</u>
9. Net Income	\$4,815,200	<u>\$5,483,366</u>

Program Efficiencies:	<u>FY 2019</u> Estimate	(Revised Estimate)
1. Administrative Costs per Loan Serviced	\$1,057.10	<u>\$1,078.00</u>

During FY 2018 this Agency under estimated the number of loan expected to close by 19. The net income for the FY 2018 was under than estimated due to 11 loans refinanced and a larger average new loan amount. We believe that our estimates for FY2019 are very close due to predictions that the economy leveling out. We have revised our estimates and will throughout the year. It is our belief that the downward trend for housing since 2008 has bottomed out. Once it appears that the trend has changed and mortgage rates begin to rise to normal levels, we will revise our estimates.

7. Performance Effectiveness Objectives for Each Program for FY 2020 through FY 2024:

FY 2020

Program 1: VA Guaranteed Mortgage Lending Program

GOAL A: Provide quality mortgage lending service to the qualified Veterans of Mississippi for the purchase of a home as defined in our governing law. (Miss. Code Ann. § 35-7-1 through § 35-7-51

OBJECTIVE: A. 1. Streamline the application process to shorten the length of time from receipt of application to closing.

Outcome: More qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: Less strain on employees

Outcome: Growth of the **TRUST FUND**

- A. 1. 1. STRATEGY:** Make use of online training with software programs now in use by the Agency and other online services.

Output: Number of closed loans added to servicing portfolio

Output: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Efficiency: Better relationship with customers and industry professionals

Explanatory: Not only is the number and dollar volume of loans important to the income for the **TRUST FUND**, but the average yield of the rate of interest charged on lending has even a greater effect.

- A. 1. 2. STRATEGY:** Review present processing and closing procedures for areas of improvement

Output: Number of closed loans added to servicing portfolio

Output: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Explanatory: By improving the procedures, the Agency cost per loan is reduced

OBJECTIVE: A. 2. Streamline the Closing process and allow for the closing of a greater number of loans with fewer errors.

Outcome: More qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: Less strain on employees

Outcome: Growth of the **TRUST FUND**

- A. 2. 1. STRATEGY:** The creation and addition of a post-closing specialist as a new position for the closing department.

Output: Greater number of closed loans and closed more timely

Output: Greater number of completed packages with fewer errors

Efficiency: Improve the quality and compliance of closed loans.

Explanatory: This new position will benefit the operations of the Agency and therefore increase the income to the **TRUST FUND** allowing the Agency to be more profitable and efficient.

- A. 2. 2. STRATEGY:** Provide the closing department additional training and technology as needed

Output: A greater knowledge of the platform computer program and lending laws

Output: Number of loans closed and added to the portfolio

Efficiency: Improve the relationship with professionals in the industry resulting in a larger number of loans processed and closed.

Explanatory: Through additional and ongoing training, the Agency as a whole will be improved. This will result in a greater number of loans closed with a high level of compliance and quality.

OBJECTIVE: A. 3. To make information about services rendered by this Agency available to Military Veterans, Active Military, and Reserve and National Guard Members in each Mississippi County

Outcome: More qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: Less strain on employees

Outcome: Growth of the **TRUST FUND**

- A. 3. 1. STRATEGY:** Attend and provide a booth at Military and Real Estate Conventions

Output: Number of applications received each month

Output: Increased number of loan closings

Efficiency: Increased income to the **TRUST FUND**

- A. 3. 2. STRATEGY:** Activate interactive web site to allow Veteran applicant to apply on line and view progress of the processing of his or her application.

Output: Number of applications received each month

Efficiency: Improve communications with Veteran applicant and industry professionals

Explanatory: This will allow easier access to our program and speed up the lending process

OBJECTIVE: A. 4. Expand the audit of closed files in the Servicing Division while providing the highest quality of service to the Veterans

Outcome: Better level of fully compliant files for VA review

Outcome: Fewer errors with regards to perfected liens

- A. 4. 1. STRATEGY:** Provide to the servicing department an updated

compliance check list and periodic compliance training

Output: Fewer errors discovered during VA audits

Output: Fewer problems regarding the perfection of liens

Efficiency: Fewer financial losses by the Agency

Explanatory: The sooner an error is found the more easily it is corrected with a much less impact to the Agency.

OBJECTIVE: A: 5. Maintain the highest level of knowledge and professionalism in the Accounting and Human Resource Division

Outcome: Error free external audits

Outcome: Confidence in the Agency's financial matters by the Board of Directors, Legislatures and other State officials

A. 5. 1. STRATEGY: Provide ongoing training specific to the job requirements and cross train within the Division and Agency

Output: Each position within this Division will have the most up to date information and knowledge

Output: Maintain and improve employee morale

Efficiency: Will result in a better running operation with confidence expressed as to our financial information

Explanatory: With a well-trained, knowledgeable and efficient accounting and human resource staff, the Agency as a whole will operate at a higher level of efficiency.

Program Outputs / Outcomes: FY 2020 Estimate

1. Number of New Advances	79
2. Number of Refinanced Loans	<u>20</u>
3. Number of New Loans (new & IRRRLs)	99
4. \$ Amount of New Loans	\$13,567,144.00
5. \$ Amount of Refinanced Loans	\$2,333,773.00
6. Number of Loans Serviced	1320
7. Net Income	\$4,000,575.00

Program Efficiencies: FY 2020 Estimate

Administrative Costs per Loan Serviced \$1,052.88

Funding, including loan fund: **\$49,280,135 EST.**

FY2021

Program 1: VA Guaranteed Mortgage Lending Program

GOAL A: Provide quality mortgage lending service to the qualified Veterans of Mississippi for the purchase of a home as defined in our governing law. (Miss. Code Ann. § 35-7-1 through § 35-7-51

OBJECTIVE: A. 1. Continue streamlining the application process to shorten the length of time from receipt of application to closing.

Outcome: Number qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

A. 1. 1. STRATEGY: Continue the use of online training with software programs now in use by the Agency and other online services.

Output: Number of closed loans added to servicing portfolio

Output: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Efficiency: Better relationship with customers and industry professionals

Explanatory: Not only is the number and dollar volume of loans important to the income for the **TRUST FUND**, but the average yield of the rate of interest charged on lending has even a greater effect.

A. 1. 2. STRATEGY: Review present processing procedures for areas of needed improvement

Output: Number of closed loans added to servicing portfolio

Output: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Explanatory: By improving the procedures, the Agency cost per loan is reduced

OBJECTIVE: A. 2. Continue the process of streamlining the Closing process and allow for the closing of a greater number of loans with fewer errors.

Outcome: Number qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

A. 2. 1. STRATEGY: Review the effectiveness of the addition of a post-closing specialist position for the closing department and make changes as needed

Output: Number of closed loans and closed more timely

Output: Number of completed packages with fewer errors

Efficiency: Improve the quality and compliance of closed loans.

Explanatory: This process will benefit the operations of the Agency and therefore increase the income to the **TRUST FUND** allowing the Agency to be more profitable and efficient.

A. 2. 2. STRATEGY: Continue to provide the closing department with additional training

Output: Increased understanding of the platform computer program and the changes in lending laws and regulations.

Output: Number of loans closed and added to the portfolio

Efficiency: Improve the relationship with professionals in the industry resulting in a larger number of loans processed and closed.

Explanatory: Through additional and ongoing training, the Agency as a whole will be improved. This will result in a greater number of loans closed with a high level of compliance and quality.

OBJECTIVE: A. 3. Expand the process of providing information about services rendered by this Agency available to Military Veterans, Active Military, and Reserve and National Guard Members in each Mississippi County

Outcome: Number of qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

A. 3. 1. STRATEGY: Attend and provide a booth at Military conventions, Real Estate Conventions and other functions as available

Output: Number of applications received each month

Output: Increased number of loan closings

Efficiency: Increased income to the **TRUST FUND**

A. 3. 2. STRATEGY: Improve the interactive web site to allow Veteran applicant to apply on line and view progress of the processing of his or her application.

Output: Number of applications received each month

Efficiency: Improve communications with Veteran applicant and industry professionals

Explanatory: This will allow easier access to our program and speed up the lending process

OBJECTIVE: A. 4. Expand the audit of closed files in the Servicing Division while providing the highest quality of service to the Veterans

Outcome: Better level of fully compliant files for VA review
Outcome: Fewer errors with regards to perfected liens

B. 4. 1. STRATEGY: Provide to the servicing department an updated compliance check list and periodic compliance training

Output: Fewer errors discovered during VA audits

Output: Fewer problems regarding the perfection of liens

Efficiency: Less financial losses by the Agency

Explanatory: The sooner an error is found the more easily it is corrected with a much less impact to the Agency.

OBJECTIVE: A: 5. Maintain the highest level of knowledge and professionalism in the Accounting and Human Resource Division

Outcome: Error free external audits

Outcome: Confidence in the Agency's financial matters by the Board of Directors, Legislatures and other State officials

B. 5. 1. STRATEGY: Provide ongoing training specific to the job requirements and cross train within the Division and Agency

Output: Each position within this Division will have the most up to date information and knowledge

Output: Maintain and improve employee morale

Efficiency: Will result in a better running operation with confidence expressed as to our financial information

Explanatory: With a well-trained, knowledgeable and efficient accounting and human resource staff, the Agency as a whole will operate at a higher level of efficiency.

Program Outputs / Outcomes:	<u>FY 2021</u> Estimate
1. Number of New Advances	80
2. Number of Refinanced Loans	<u>20</u>
3. Number of New Loans (new& IRRRLs)	100
4. \$ Amount of New Loans	\$13,712,000.00
5. \$ Amount of Refinanced Loans	\$2,333,773.00
6. Number of Loans Serviced	1330
7. Net Income	\$4,800,200.00

Program Efficiencies: FY 2021 Estimate

1. Administrative Costs per Loan Serviced \$1,052.88

Funding, including loan fund: **\$49,280,135 EST.**

FY 2022

Program 1: VA Guaranteed Mortgage Lending Program

GOAL A: Provide quality mortgage lending service to the qualified Veterans of Mississippi for the purchase of a home as defined in our governing law. (Miss. Code Ann. § 35-7-1 through § 35-7-51

OBJECTIVE: A. 1. Reevaluate the application process and make adjustments where needed to insure the loans are process in compliance and in the shortest time possible.

Outcome: Number qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

A. 1. 1. STRATEGY: Continue the use of online training with software programs now in use by the Agency and other online services.

Output: Number of closed loans added to servicing portfolio

Output: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Efficiency: Better relationship with customers and industry professionals

Explanatory: Not only is the number and dollar volume of loans important to the income for the **TRUST FUND**, but the average yield of the rate of interest charged on lending has even a greater effect.

A. 1. 2. STRATEGY: Review present loan processing procedures for areas of improvement

Output: Number of closed loans added to servicing portfolio

Output: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Efficiency: Improve the quality and compliance of loans to be closed

Explanatory: By improving the procedures, the Agency cost per loan is reduced

OBJECTIVE: A. 2. Reevaluate the Closing process and make adjustments where needed to allow for the closing of a greater number of loans with fewer errors.

Outcome: Number of qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

- A. **2. 1. STRATEGY:** Review the personnel needs for the closing department and make changes where needed.

Output: Number of closed loans and closed more timely

Output: Number of completed packages with fewer errors

Efficiency: Improve the quality and compliance of closed loans.

Explanatory: As the lending laws and regulations change adjustment must be made to insure efficient compliance and the protection of the **TRUST FUND**.

- A. **2. 2. STRATEGY:** Continue to provide the closing department with additional training and if volume demands, request new employee in legislation for next year (loan processing secretary)

Output: Increased understanding of the platform computer program and real estate law

Output: Number of loans closed and added to the portfolio

Efficiency: Improve the relationship with professionals in the industry resulting in a larger number of loans processed and closed.

Explanatory: Through additional and ongoing training, the Agency as a whole will be improved. This will result in a greater number of loans closed with a high level of compliance and quality.

OBJECTIVE: A. 3. Expand the process of providing information about services rendered by this Agency available to Military Veterans, Active Military, and Reserve and National Guard Members in each Mississippi County

Outcome: Number of qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

- A. **3. 1. STRATEGY:** Attend and provide a booth at Military and Real Estate Conventions

Output: Number of applications received each month

Output: Increased number of loan closings

Efficiency: Increased income to the **TRUST FUND**

- A. **3. 2. STRATEGY:** Improve the interactive web site to allow Veteran applicant to apply on line and view progress of the processing of his or her application.

Output: Number of applications received each month

Efficiency: Improve communications with Veteran applicant and industry professionals

Explanatory: This will allow easier access to our program and speed up the lending process.

OBJECTIVE: A. 4. Expand the audit of closed files in the Servicing Division while providing the highest quality of service to the Veterans

Outcome: Better level of fully compliant files for VA review

Outcome: Fewer errors with regards to perfected liens

C. 4. 1. STRATEGY: Provide to the servicing department an updated compliance check list and periodic compliance training

Output: Fewer errors discovered during VA audits

Output: Fewer problems regarding the perfection of liens

Efficiency: Less financial losses by the Agency

Explanatory: The sooner an error is found the more easily it is corrected with a much less impact to the Agency.

OBJECTIVE: A. 5. Maintain the highest level of knowledge and professionalism in the Accounting and Human Resource Division

Outcome: Error free external audits

Outcome: Confidence in the Agency's financial matters by the Board of Directors, Legislatures and other State officials

C. 5. 1. STRATEGY: Provide ongoing training specific to the job requirements and cross train within the Division and Agency

Output: Each position within this Division will have the most up to date information and knowledge

Output: Maintain and improve employee morale

Efficiency: Will result in a better running operation with confidence expressed as to our financial information

Explanatory: With a well-trained, knowledgeable and efficient accounting and human resource staff, the Agency as a whole will operate at a higher level of efficiency.

Program Outputs / Outcomes:

FY 2022 Estimate

1. Number of New Advances	80
2. Number of Refinanced Loans	<u>20</u>
3. Number of New Loans (new \$ IRRRLs)	100
4. \$ Amount of New Loans	\$13,712,000.00
5. \$ Amount of Refinanced Loans	\$2,333,773.00

6. Number of Loans Serviced	1335
7. Net Income	\$4,800,200.00

Program Efficiencies: FY 2022 Estimate

1. Administrative Costs per Loan Serviced	\$1,048.54
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Funding, including loan fund: **\$49,280,135 EST.**

FY 2023

Program 1: VA Guaranteed Mortgage Lending Program

GOAL A: Provide quality mortgage lending service to the qualified Veterans of Mississippi for the purchase of a home as defined in our governing law. (Miss. Code Ann. § 35-7-1 through § 35-7-51

OBJECTIVE: A. 1. Reevaluate the application process with the addition of new technology to provide a more efficient and compliant process.

Outcome: Number of qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

A. 1. 1. STRATEGY: Continue the use of online training with software programs now in use by the Agency and other online services.

Output: Number of closed loans added to servicing portfolio

Efficiency: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Efficiency: Better relationship with customers and industry professionals

Explanatory: Not only is the number and dollar volume of loans important to the income for the **TRUST FUND**, but the average yield of the rate of interest charged on lending has even a greater effect.

A. 1. 2. STRATEGY: Review present processing and closing procedures for areas of improvement

Output: Number of closed loans added to servicing portfolio

Efficiency: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Explanatory: By improving the procedures, the Agency cost per loan is reduced

OBJECTIVE: B. 2. Reevaluate the closing process with the addition of new technology to provide a more efficient and compliant process.

Outcome: Number of qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

A. 2. 1. STRATEGY: Review the personnel for the closing department and make necessary changes

Output: Number of closed loans and closed more timely

Output: Number of completed packages with fewer errors

Efficiency: Improve the quality and compliance of closed loans

Explanatory: This new position will benefit the operations of the Agency and therefore increase the income to the **TRUST FUND** allowing the Agency to be more profitable and efficient.

A. 2. 2. STRATEGY: Continue to provide the closing department with additional training and if volume demands request new employee in legislation for next year (loan processing secretary)

Output: Increased understanding of the platform computer program and real estate law

Output: Number of loans closed and added to the portfolio

Efficiency: Improve the relationship with professionals in the industry resulting in a larger number of loans processed and closed.

Explanatory: Through additional and ongoing training, the Agency as a whole will be improved. This will result in a greater number of loans closed with a high level of compliance and quality.

OBJECTIVE: A. 3. Expand the process of providing information about services rendered by this Agency available to Military Veterans, Active Military, and Reserve and National Guard Members in each Mississippi County

Outcome: Number of qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

3. 1. STRATEGY: Attend and provide a booth at Military and Real Estate Conventions

Output: Number of applications received each month

Output: Increased number of loan closings

Efficiency: Increased income to the **TRUST FUND**

- A. 3. 2. STRATEGY:** Evaluate and improve the interactive web site to allow Veteran applicant to apply on line and view progress of the processing of his or her application.

Output: Number of applications received each month

Efficiency: Improve communications with Veteran applicant and industry professionals

Explanatory: This will allow easier access to our program and speed up the lending processes

OBJECTIVE: A. 4. Expand the audit of closed files in the Servicing Division while providing the highest quality of service to the Veterans

Outcome: Better level of fully compliant files for VA review

Outcome: Fewer errors with regards to perfected liens

- D. 4. 1. STRATEGY:** Provide to the servicing department an updated compliance check list and periodic compliance training

Output: Fewer errors discovered during VA audits

Output: Fewer problems regarding the perfection of liens

Efficiency: Less financial losses by the Agency

Explanatory: The sooner an error is found the more easily it is corrected with a much less impact to the Agency.

OBJECTIVE: A. 5. Maintain the highest level of knowledge and professionalism in the Accounting and Human Resource Division

Outcome: Error free external audits

Outcome: Confidence in the Agency's financial matters by the Board of Directors, Legislatures and other State officials

- D. 5. 1. STRATEGY:** Provide ongoing training specific to the job requirements and cross train within the Division and Agency

Output: Each position within this Division will have the most up to date information and knowledge

Output: Maintain and improve employee morale

Efficiency: Will result in a better running operation with confidence expressed as to our financial information

Explanatory: With a well-trained, knowledgeable and efficient accounting and human resource staff, the Agency as a whole will operate at a higher level of efficiency.

Program Outputs / Outcomes:

FY 2023 Estimate

1. Number of New Advances

80

2. Number of Refinanced Loans	<u>20</u>
3. Number of New Loans (new & IRRRLs)	100
4. \$ Amount of New Loans	\$13,712,000.00
5. \$ Amount of Refinanced Loans	\$2,333,773.00
6. Number of Loans Serviced	1340
7. Net Income	\$4,800,200.00

Program Efficiencies: FY 2023 Estimate

1. Administrative Costs per Loan Serviced **\$1,044.63**

Funding, including loan fund: **\$49,280,135 EST.**

FY2024

Program 1: VA Guaranteed Mortgage Lending Program

GOAL A: Provide quality mortgage lending service to the qualified Veterans of Mississippi for the purchase of a home as defined in our governing law. (Miss. Code Ann. § 35-7-1 through § 35-7-51)

OBJECTIVE: A. 1. Reevaluate the application process with the addition of any new technology to provide a more efficient and compliant process.

Outcome: Number of qualified Veterans served

Outcome: Better relationship with closing attorneys, real estate agents,

customers and others in the industry

Outcome: less strain on employees

Outcome: Growth of the **TRUST FUND**

A. 1. 1. STRATEGY: Continue the use of online training with software programs now in use by the Agency and other online services.

Output: Number of closed loans added to servicing portfolio

Efficiency: Increased income to the **TRUST FUND**, therefore more money available for additional lending

Efficiency: Better relationship with customers and industry professionals

Explanatory: Not only is the number and dollar volume of loans important to the income for the **TRUST FUND**, but the average yield of the rate of interest charged on lending has even a greater effect.

A. 1. 2. STRATEGY: Review present processing and closing procedures for areas of improvement and make necessary changes

Output: Number of closed loans added to servicing portfolio

Efficiency: Increased income to the **TRUST FUND**, therefore more money available for additional lending
Explanatory: By improving the procedures, the Agency cost per loan is reduced

OBJECTIVE: A. 2. Reevaluate the closing process with the addition of new technology to provide a more efficient and compliant process.

Outcome: Number of qualified Veterans served
Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry
Outcome: less strain on employees
Outcome: Growth of the **TRUST FUND**

A. 2. 1. STRATEGY: Review the personnel in the closing department and make necessary changes

Output: Number of closed loans and closed more timely
Output: Number of completed packages with fewer errors
Efficiency: Improve the quality and compliance of closed loans.
Explanatory: This new position will benefit the operations of the Agency and therefore increase the income to the **TRUST FUND** allowing the Agency to be more profitable and efficient.

A. 2. 2. STRATEGY: Continue to provide the closing department with additional training and if volume demands request new employee in legislation for next year (loan processing secretary)

Output: Increased understanding of the platform computer program and real estate law
Output: Number of loans closed and added to the portfolio
Efficiency: Improve the relationship with professionals in the industry resulting in a larger number of loans processed and closed.
Explanatory: Through additional and ongoing training, the Agency as a whole will be improved. This will result in a greater number of loans closed with a high level of compliance and quality.

OBJECTIVE: A. 3. Expand the process of providing information about services rendered by this Agency available to Military Veterans, Active Military, and Reserve and National Guard Members in each Mississippi County

Outcome: Number of qualified Veterans served
Outcome: Better relationship with closing attorneys, real estate agents, customers and others in the industry
Outcome: less strain on employees
Outcome: Growth of the **TRUST FUND**

- A. 3. 1. STRATEGY:** Attend and provide a booth at Military and Real Estate Conventions

Output: Number of applications received each month

Output: Increased number of loan closings

Efficiency: Increased income to the **TRUST FUND**

- A. 3. 2. STRATEGY:** Evaluate and improve the interactive web site to allow Veteran applicant to apply on line and view progress of the processing of his or her application.

Output: Number of applications received each month

Efficiency: Improve communications with Veteran applicant and industry professionals

Explanatory: This will allow easier access to our program and speed up the lending process

OBJECTIVE: A. 4. Expand the audit of closed files in the Servicing Division while providing the highest quality of service to the Veterans

Outcome: Better level of fully compliant files for VA review

Outcome: Fewer errors with regards to perfected liens

- E. 4. 1. STRATEGY:** Provide to the servicing department an updated compliance check list and periodic compliance training

Output: Fewer errors discovered during VA audits

Output: Fewer problems regarding the perfection of liens

Efficiency: Less financial losses by the Agency

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OBJECTIVE: A. 5. Maintain the highest level of knowledge and professionalism in the Accounting and Human Resource Division

Outcome: Error free external audits

Outcome: Confidence in the Agency's financial matters by the Board of Directors, Legislatures and other State officials

- E. 5. 1. STRATEGY:** Provide ongoing training specific to the job requirements and cross train within the Division and Agency

Output: Each position within this Division will have the most up to date information and knowledge

Output: Maintain and improve employee morale

Efficiency: Will result in a better running operation with confidence expressed as to our financial information

Explanatory: With a well-trained, knowledgeable and efficient accounting and human resource staff, the Agency as a whole will operate at a higher level of efficiency.

Program Outputs / Outcomes:	<u>FY 2024</u> Estimate
1. Number of New Advances	80
2. Number of Refinanced Loans	<u>20</u>
3. Number of New Loans (new & IRRRLs)	100
4. \$ Amount of New Loans	\$13,712,000.00
5. \$ Amount of Refinanced Loans	\$2,333,773.00
6. Number of Loans Serviced	1344
7. Net Income	\$4,800,200

Program Efficiencies:	<u>FY 2024</u> Estimate
1. Administrative Costs per Loan Serviced	\$1,040.00

Funding, including loan fund: **\$49,280,135 EST.**

In conclusion: The management of the loan trust fund is a delicate balance of the cost to administer the program, interest rate charged on current loan request, size of the maximum loan amount, average size loan in servicing, number of new loans currently being closed and the weighted average interest rate for the loan portfolio. The more loans added to the portfolio with a lower interest rate than the current weighted average rate will lower the current weighted average rate thus reducing the income generated by the loan fund. While a very low rate of interest sounds good to the Veterans applying for our program, the longer the rates remain very low, the fewer Veterans will be served due to a lack of funds. Over the past ten plus years, interest rates have been at a historical low. Much of this period, mortgage rates have been below the average cost of funds in the private sector. The Federal Reserve has kept rates lower than they should be for several reasons. This has been accomplished by keeping the Federal Discount Rate and the Fed Fund Rate very low. The primary stated reason for these low rates is to keep inflation in check until the economy improves enough to absorb the effects of the higher rates. In our opinion this thinking is flawed. Rates like water must seek its own level and until allowed to so do, the economy will be slow to recover. Demand and the availability of money should determine its value. This trust fund will remain in slow growth until mortgage rates return to our normal historical levels.

Due to Windows 7 no longer being supported, and the State's requirement for Agencies to move towards Windows 10, this Agency has begun to replace its older computers. In addition, due to the increase in the demand for our services and the added work put on the Servicing Department because of the requirements of the new State's accounting system (MAGIC), It was necessary to add an additional employee (contract worker) until a new position could be approved by the

legislature. These and other factors have and are predicted to increase the cost of administering the loan portfolio. The cost per loan serviced is predicted to increase mostly due to loans being paid off or being refinanced at a faster rate than new loan being added to the portfolio. When the economy improves and rates begin to rise, there will be fewer refinanced loans (fewer payoffs) and more purchases growing not only our loan fund but the number of loans in the fund thus reducing the cost per loan.