



**Department of
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News Release

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VA To Contract Management Of Foreclosed Properties

WASHINGTON – Following a two-year effort to compare private-sector offers with its in-house operations, the Department of Veterans Affairs (VA) will contract out the management of foreclosed properties it acquires under its home loan program to Ocwen Federal Saving Bank of West Palm Beach, Fla.

"Our goal in contracting out property management is to ensure we make the most effective use of taxpayers' money," Secretary of Veterans Affairs Anthony J. Principi said. "Home sales to the general public are not part of VA's core mission, and any savings to the Treasury can provide more dollars to serve veterans directly."

When a veteran with a VA-guaranteed loan defaults, VA may be forced to acquire the home and then must ensure upkeep of the premises and market it for resale.

VA estimates that through the end of 2007, Ocwen's services will reduce the government's costs by more than \$14 million compared to in-house operations, a 15 percent savings. Ocwen will derive its revenue under the contract based on the volume of properties it processes.

The decision to contract the management and sales of foreclosed properties is part of the Administration's "competitive sourcing initiative," a key part of President Bush's management agenda calling for a market-based government embracing competition, innovation and choice. The process to compete in-house services with offers from private industry also is known as an A-76 review, named for the Office of Management and Budget circular that governs the cost-comparison study.

The transition from VA in-house staff to Ocwen will take place over five months. Meanwhile, VA has employee transition plans to help find new jobs in VA for the workers currently associated with the functions being transferred.

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Property Management 2/2/2/2

Officials are optimistic that most or all employees will have an opportunity to take job openings in other programs administered by their regional offices, and some new openings will be created to provide oversight of the Ocwen contract.

VA began the current fiscal year with nearly 12,000 properties in its inventory. Last year it sold about 16,000 properties.

Overall, VA has more than 2.8 million active home loans. When a veteran with a VA-guaranteed home loan is in financial distress, VA tries to assist the veteran with counseling and may work with lenders on refinancing or other solutions to avoid foreclosure.

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