

## STRATEGIC GOAL

# 2

*Ensure a smooth transition for veterans from active military service to civilian life*

Veterans will be fully reintegrated into their communities with minimum disruption to their lives through transitional health care, readjustment counseling services, employment services, vocational rehabilitation, education assistance, and home loan guaranties.

The following table identifies estimates of the total resources devoted to this strategic goal and its associated objectives:

<b>Resources by Goal and Objective</b>	<b>FY 2002 Obligations</b>	<b>% of Total VA Resources</b>
<b>Total VA Resources</b>	<b>\$58,899</b>	
<b>Strategic Goal</b>		
Ensure a smooth transition for veterans from active military service to civilian life.	<b>\$3,361</b>	<b>5.7%</b>
<b>Objective</b>		
<i>Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits and services.</i>	<b>\$730</b>	<b>1.2%</b>
<i>Provide timely and accurate decisions on education claims and continue payments at appropriate levels to enhance veterans' and servicemembers' ability to achieve educational and career goals.</i>	<b>\$1,590</b>	<b>2.7%</b>
<i>Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.</i>	<b>\$1,042</b>	<b>1.8%</b>

Three key performance measures enable us to determine progress toward achieving this strategic goal:

- Montgomery GI Bill (MGIB) usage rate
- Average days to complete original and supplemental education claims
- Foreclosure avoidance through servicing (FATS) ratio

*Objective*

**Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits and services.**

VA conducts a variety of outreach activities for separating military members and veterans to inform them of available services and benefits. Through specialized mailings and personal telephone calls, the Department ensures that severely disabled veterans are aware of their entitlement to VA insurance products specially designed for individuals with disabilities. In addition, 99 percent of veterans using Vet Centers reported during 2002 that they were satisfied with services such as readjustment counseling and said they would

recommend a Vet Center to other veterans. Also, VA partners with the DoD in a new Benefits Delivery at Discharge program. This program offers guidance to active duty service personnel concerning potential benefits to which they may be entitled and contributes to more timely processing of actual claims for benefits.

There are currently no key performance measures associated with this objective.

*Objective*

**Provide timely and accurate decisions on education claims and continue payments at appropriate levels to enhance veterans' and servicemembers' ability to achieve educational and career goals.**

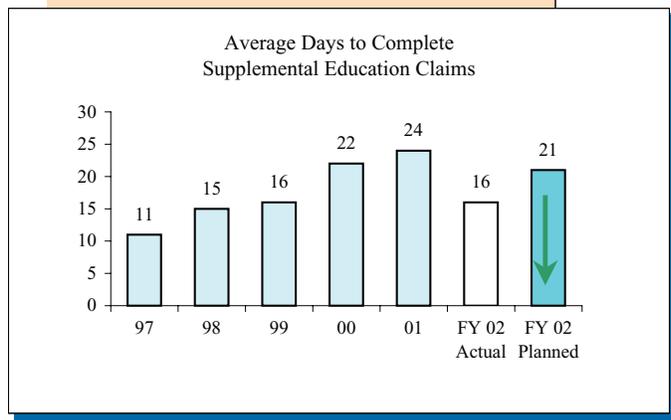
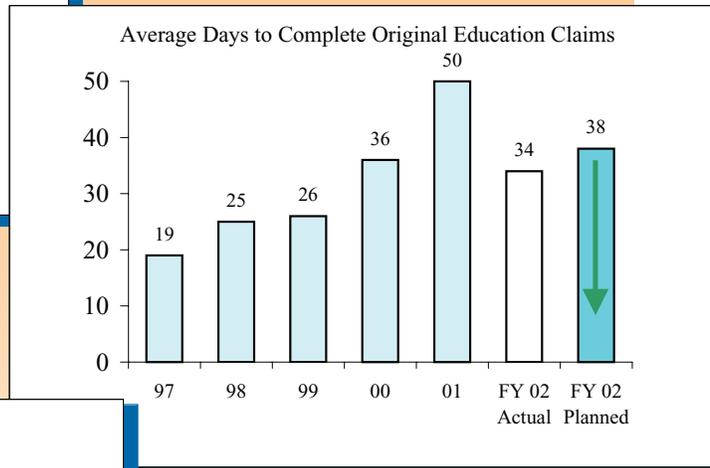
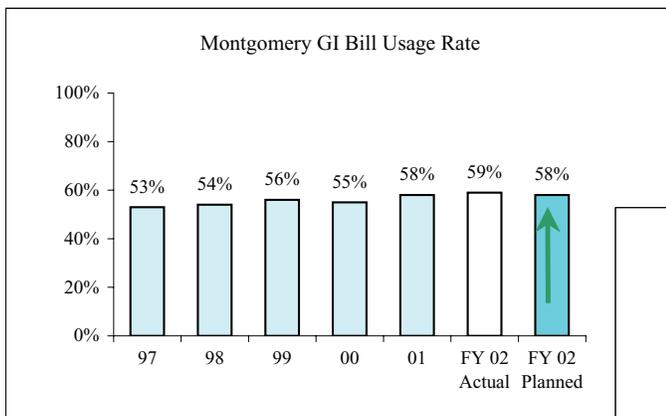
*Performance Goals*

**Increase the Montgomery GI Bill (MGIB) usage rate to 58 percent.**

*Definition: The percent of eligible veterans who have ever used their earned benefits.*

**Process original and supplemental education claims in 38 and 21 days, respectively.**

*Definition: Elapsed time, in days, from receipt of a claim in the regional office to closure of the case by issuing a decision. Original claims are for first-time use of this benefit. Supplemental claims are for any re-enrollment.*



### *Increase the MGIB Usage Rate*

In the 2001 report, the MGIB usage rate was estimated to be 56%. The actual usage rate for 2001 was 58%. We estimate that the usage rate for 2002 will be 59 percent, one percentage point over our 2002 goal.

While there is no measure in place that clearly identifies the cause of changes in the MGIB usage rate, the new claims for tuition assistance Top-Up and the rate increases enacted in the Veterans Education and Benefits Expansion Act of 2001, Public Law 107-103, most likely contributed to the increased MGIB usage.

The MGIB is the education program for individuals initially entering active duty after June 30, 1985. MGIB was enacted not only to help with the readjustment of discharged servicemembers, but also to support the concept of an all-volunteer armed force. Payments for MGIB benefits currently represent 76 percent of VA educational assistance payments. There were 323,165 individuals who received MGIB benefits in 2002. This is 33,000 more claimants who received benefits than in 2001.

MGIB benefits offer the potential to improve the lives of veterans. Higher participation in education programs will lead to more veterans earning a degree or certificate, which will enable them to find suitable employment, and ultimately contribute to their improved economic status. MGIB is available to honorably discharged veterans and to servicemembers. Although there are several categories of eligibles, generally veterans must:

- meet their basic service requirement,
- have completed a high school education or its equivalent, and
- receive an honorable discharge.

MGIB is a contributory program. Service pay is automatically reduced by \$100 per month for 12 months unless the service person declines to participate at the time of enlistment. Individuals

on active duty must complete a minimum of 2 years of continuous active duty to be eligible.

The Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106-419) provided for MGIB benefits for some licensing and certification tests. This provision allows claimants to take an unlimited number of tests and receive MGIB benefits of up to \$2,000 per test. The program took effect March 1, 2001. By the end of 2002, payment of MGIB benefits for 1,552 tests were approved. MGIB benefits for licensing and certification tests were paid to 3,217 people in 2002.

The National Defense Authorization Act of 2001 (Public Law 106-398) allows in-service students to receive VA benefits to pay for any tuition or school expenses not paid by the military services through their tuition assistance programs. More than 30,000 servicemembers received the Top-Up benefit during 2002. Payments are generally less than VA pays veterans while attending school because active duty personnel use Top-Up to supplement the military tuition assistance programs. In addition, payment amounts vary by number of courses taken and the type of institution and tuition charged. Ranging from less than \$100 to well over \$1,000, the average payment is about \$480. During 2002, VA made about 5,000 Top-Up payments each month. The number of Top-Up claims may decrease in 2003 due to a change in the amount of tuition assistance DoD will pay.

### *Improve Education Claims Processing*

Improvement trends that began during the final 3 months of 2001 continued through 2002. Original claims in 2002 were completed in an average of 34 days compared to our goal of 38 days and a rate of 50 days in 2001. Supplemental claims were completed in an average of 16 days, which surpassed our goal of 21 days. In 2001, we achieved a rate of 24 days for supplemental claims processing.

## Means and Strategies

### *Increase the MGIB Usage Rate*

During 2002, we continued our efforts to improve outreach to servicemembers and veterans regarding their access to benefits.

VA continued to mail the brochure, “*Focus on Your Future with the Montgomery GI Bill*,” to servicemembers who have completed 12 months of active duty. This brochure gives a general description of education benefits. It also has information to help servicemembers decide to enter vocational or on-the-job training and use their MGIB benefits. A program evaluation for VA’s education benefit programs completed in 2000 cited timing of the release of promotional materials as a possible cause for low usage of MGIB benefits. Therefore, we developed an outreach letter and brochure to be sent to servicemembers after they have been in service for 2 years. We also developed a “near discharge” outreach letter and brochure to send to servicemembers within 6 months before discharge from active duty.

Toll-free phone service was maintained during the year. Seasonal employees and education liaison representatives answered calls to help reduce the number of blocked calls.

We improved access to information on our Internet site by installing an inquiry system, called “RightNow Web eService Center.” This system is designed to provide an Internet user with answers to his or her questions online through the use of a searchable question and answer database. The user can also submit a question if the answer is not found in the database. During the first month of use, RightNow Web had over 53,000 user sessions. Approximately 50,600 of these users found the information they were seeking in the database. Only 2,400 questions were submitted to the VA regional processing offices (RPOs) to answer. This equates to a site effectiveness of 95.5 percent.

We conducted briefings for Army and Navy recruiters to ensure they have correct and current information. According to the 2001 customer

satisfaction survey, 42 percent of veterans first learn about MGIB from their recruiters. Most military brochures directed at potential recruits emphasize money from MGIB to attend college as an inducement to consider serving in the military. The message is intended to give the potential recruit another reason to enlist, but does not give enough information to begin planning for education or training after military service.

Our increased outreach efforts, started in 2002, focused on getting information to active duty servicemembers. In 2003, we will continue this increased outreach to servicemembers and will give attention to potential claimants who are no longer in service. Our plans for 2003 include:

- An after-discharge letter that gives the veteran his or her eligibility information;
- Periodic mailings during the 10 years after discharge to veterans who are not using their MGIB benefits; and
- Special brochures covering such topics as high school requirements and college fund issues.

We are also writing an Education Services officers manual for distribution in summer 2003. This manual will provide information to properly advise servicemembers and students and help them claim VA education benefits.

### *Improve Education Claims Processing*

We continued improvements in Electronic Certification Automated Processing (ECAP), allowing more cases to be processed without human intervention. ECAP is a proof-of-concept prototype that uses “expert” or rules-based systems to process claims in a totally automated environment to the extent possible. At this point, only 3 to 4 percent of all incoming work is completely processed this way. A more sophisticated rules-based application will allow many more claims to be completed without human intervention.

One hundred new claims examiners were hired in late 2001. This contributed to the improved processing timeliness.

Seasonal employees and education liaison representatives were used to relieve case managers from phone duty, freeing them for claims processing. Seasonal employees proved to be most beneficial during peak workload periods (August-October and January-February).

We realigned jurisdictional boundaries by moving Louisiana and Arkansas into the Muskogee RPO area to better match resources with workload. We also made judicious use of overtime to stabilize the pending workload. Since the education business line receives the majority of its work during the spring and fall enrollment periods, we schedule overtime during these weeks in anticipation of the increased incoming work in order to keep the pending workload under control. In addition, we adjust our overtime usage if incoming work is higher or lower than we anticipated. For example, the incoming work in August was higher than we predicted. We therefore scheduled an extra weekend of overtime in September to reduce the pending workload.

## External Factors

### *Increase the MGIB Usage Rate*

Legislation enacted in early 2002 resulted in a 23 percent increase in monthly benefit rates. This same legislation requires the state approving agencies to conduct outreach programs and provide outreach services to eligible veterans. As time passes, these changes will effect an increase in the number of veterans who apply for and receive MGIB benefits.

A second piece of legislation enacted in early 2002 permits military services to allow servicemembers to transfer MGIB entitlement to dependents. The increase in usage rate will depend on DoD's use of this transferability option.

### *Improve Education Claims Processing*

Legislation enacted in early 2002 will have a dramatic effect on VA education benefits. Provisions such as the acceleration of payment for high-technology courses, and transferability of entitlement to dependents could, over time, generate a significant number of new claims. Accelerated

payment claims will be processed "out-of-system" for the foreseeable future until systems can be modified to accommodate such claims. Out-of-system processing adversely affects timeliness for those claims by adding a few extra days to the workflow process. Transferability claims will be processed in the system but will also require additional procedural steps.

## Crosscutting Activities

### *Increase the MGIB Usage Rate*

Increasing the MGIB usage rate requires coordination among VA, DoD, and other organizations disseminating MGIB information. In 2002, we continued briefing Army and Navy recruiters to help them give recruits a clear and realistic view of MGIB benefits. We also added a page to our Internet site containing current Transition Assistance Program (TAP) information and resources. Military counselors who give TAP briefings to servicemembers nearing discharge find this site helpful.

### *Improve Education Claims Processing*

Overall processing timeliness is affected to some extent by the quality of the enrollment information and certification received from school officials. To improve overall processing time, VA developed an electronic education certification program (VACERT) that allows schools to send enrollment certifications to VA regional processing centers electronically. At this time, over half of all schools use VACERT. It is currently being redesigned as an Internet application (eCERT), which will make the application more attractive to schools. This system will be tested and deployed in early 2003.

In addition, we continued to offer "new certifying official" training in 2002 and will continue in 2003. We presented this Internet-based course five times during the year. Seventy-five new school certifying officials took the course. Certifying officials are employed by educational institutions to serve the veteran/student and submit enrollment information to VA for use in paying benefits. The more

knowledge they possess, the more they are able to assist VA in serving veterans' needs.

## **Data Source and Validation**

### ***Increase the MGIB Usage Rate***

The MGIB usage rate is calculated by dividing the cumulative number of individuals who began a program of education under the MGIB (taken from VBA's Education Master Record File) by the overall number of potentially eligible veteran beneficiaries (taken from DoD's Defense Manpower Data Center separation records). We do not independently validate the DoD information.

### ***Improve Education Claims Processing***

We measure education claims processing timeliness by using data captured automatically through VBA's Benefits Delivery Network. The Education Service staff in VA Central Office confirms reported data through ongoing quality assurance reviews conducted on a statistically valid sample of

cases. Dates of claims are reviewed in the sample cases to ensure they are reported accurately.

Each year, Central Office staff reviews a sample of cases from each of the four RPOs. Samples are selected randomly from a database of all quarterly end products. Since the cases are reviewed remotely through use of The Imaging Management System (TIMS), the RPOs are completely divorced from the review process until they receive a report of the review. The results are valid at the 95 percent confidence level. Reviewers validate dates of claim and validity of end products for all cases reviewed. Errors are reported to the RPOs and trends are tracked. The RPOs are given a chance to rebut declared errors. This helps ensure the quality and fairness of the review.

An appraisal team visits each RPO annually. The team consists of Central Office staff and a representative from a "sister" RPO. All aspects of the operation are reviewed including quality and consistency of data input.

*Objective*

**Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.**

*Performance Goal*

**Improve the Foreclosure Avoidance Through Servicing (FATS) ratio to 39 percent.**

*Definition: The FATS ratio measures the effectiveness of VA supplemental servicing of defaulted guaranteed loans. The ratio measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure.*

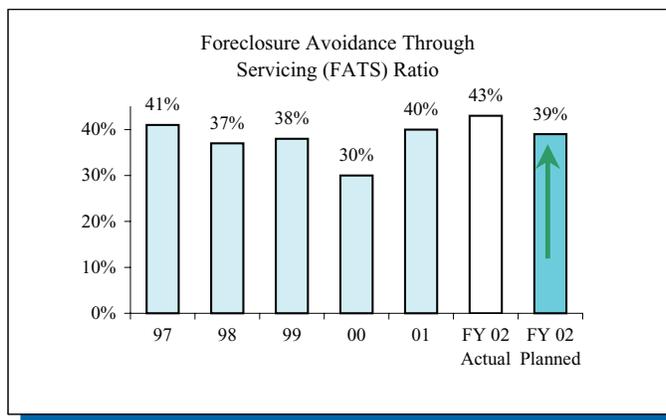
VA’s home loan guaranty program has a significant impact on the housing economy of the United States. Over 16 million veterans and their families have used a guaranty since 1944; there are currently 3 million active loans. Veterans are able to purchase homes with little or no down payment and with terms not generally available to non-veterans. This benefit stimulates home buying, which spurs economic activity for builders, construction workers, realtors, appraisers, and the real estate finance industry. The benefit also impacts the sale of appliances and furniture, the market for home improvement materials and products, and the small businesses that provide these services.

The FATS ratio measures the extent to which foreclosures would have increased had VA not pursued alternatives to foreclosure. These alternatives can help veterans either keep their home or avoid damage to their credit rating, while reducing costs to the Government.

**Means and Strategies**

There are four alternatives to foreclosure:

- **Successful Intervention** – VA may intervene with the holder of the loan on behalf of the borrower to set up a repayment plan or take other action that results in the loan being reinstated.
- **Refunding** – VA may purchase the loan when the holder is no longer willing or able to extend forbearance in cases where VA believes the borrower has the ability to make mortgage payments or will have the ability in the near future.
- **Voluntary Conveyance** – VA may accept a deed in lieu of foreclosure from the borrower, if doing so is in the best interest of the Government.
- **Compromise Claim** – If a borrower in default is trying to sell the home but it cannot be sold for an amount that is greater than or equal to what is owed on the loan, VA may pay a



The FATS ratio for 2002 was 43 percent, which substantially exceeded the planned level of 39 percent.

compromise claim for the difference in order to complete the sale.

Much of the improvement in 2002 can be attributed to restructuring field operations over the last several years. We have moved the supplemental servicing from 45 ROs to 9 regional loan centers. This has allowed for concentration of staff and provides much greater flexibility to manage default workloads.

We have also approved more lenders to participate in the Servicer Loss Mitigation Program (SLMP), which authorizes compromise sales and deeds in lieu of foreclosure. Greater use of SLMP allows VA staff to work more intensely on intervention actions. VA continues to train employees on effective tools of servicing, which has contributed to helping more veterans avoid foreclosure.

### **External Factors**

VA relies heavily on the lending industry to deliver the home loan benefit. Ultimately, the level of veteran satisfaction is directly dependent on how well VA can meet the expectations of lenders, builders, real estate brokers, and appraisers. This means adapting the delivery of our services to industry practices and making timely changes as technology enables greater veteran involvement in the loan origination process.

### **Major Management Challenges**

In 2002, VA completed a 13-month business process reengineering initiative that consisted of a review of all processes and procedures involving VA primary and supplemental servicing activities. As a result of this initiative, we have finalized a blueprint for the future that will standardize all servicing activities nationwide. The new business model will enable us to place more emphasis on loss mitigation and foreclosure avoidance. The result will be an increased number of veterans retaining homeownership and increased savings to the Government. We are now ready to move into phase two of the initiative, which is implementation of the reengineered processes. This will require approval of an extensive regulatory package and development of the new information technology servicing system needed to support the new business model. We anticipate full implementation will be accomplished by the end of calendar year 2003.

### **Data Source and Validation**

Data used to calculate the FATS ratio are extracted from the Loan Service and Claims System, which is used to manage defaults and foreclosures of VA-guaranteed loans.