DEPARTMENT OF VETERANS AFFAIRS

Actions Needed to Strengthen VA’s Foreclosed Property Management Contractor Oversight

What GAO Found

VA inspections of foreclosed properties managed by Ocwen have identified a substantial number of deficiencies, such as failure to secure doors and windows, remove trash and debris, maintain lawns, and make needed repairs. GAO observed generally similar conditions in visits with VA realty specialists in Oklahoma, Michigan, and North Carolina, which may have reduced the marketability of the affected properties. VA also has not been satisfied with Ocwen’s performance in selling properties in the shortest time possible and at price levels established in the contract. In response, Ocwen officials have raised concerns about the fairness of certain VA contractual requirements and oversight procedures.

While VA has made a committed effort to oversee the contractor’s performance, its overall capacity to do so is significantly limited compared to two government-sponsored enterprises (GSE), Fannie Mae and Freddie Mac, which manage large inventories of foreclosed properties. Unlike the GSEs’ information systems, for example, VA’s system does not include real-time property maintenance and repair information, including expense data. Without this data, VA is not able to fully assess the quality of property maintenance and repairs, the reasonableness of related expenses, and take corrective action on a timely basis to correct deficiencies. VA’s contract with Ocwen also does not include sufficient authority for the department to impose penalties for unsatisfactory performance in key areas, such as property maintenance.

What GAO Recommends

In designing a new property management contract scheduled for implementation in 2008, GAO recommends that VA ensure that it can obtain real-time data and impose penalties for unsatisfactory performance. In written comments on a draft of this report, VA agreed with these recommendations.

To view the full product, including the scope and methodology, click on GAO-08-60. For more information, contact Yvonne D. Jones, 202-512-8678, jonesy@gao.gov.