#### Chapter 2. LoanSTAR Accuracy Reviews

##### Overview

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| In this Chapter | This chapter contains the following topics.

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**1. General Information on LoanSTAR Accuracy Reviews**

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| a. Overview | Loan Systematic Technical Accuracy Review (LoanSTAR) conducts accuracy reviews of VA’s nationwide Loan Guaranty (LGY) program to ensure program integrity.  Loan Guaranty Service management assembled a team led by the Quality Assurance (QA) Chief that included the QA staff, Monitoring Unit (MU) staff, Central Office (CO) Policy staff, and the Regional Loan Center’s ( RLC) Loan Guaranty Officers (LGO) to formulate the policies and procedures that would govern this unit .  |
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**2. Objective**

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| a. Overview | To ensure Loan Guaranty personnel and stakeholders are in compliance with applicable VA policies and procedures. In order to achieve this objective, the accuracy review gauges whether RLC’s met the requirements pertaining to:* Construction and Valuation
* Specially Adapted Housing
* Loan Production (Full File Loan Review – FFLR, Certificates of Eligibility – COE, and Native American Direct Loans – NADL)
* Loan Administration

Because LoanSTAR is assessing compliance for each RLC as a whole, the methodology used to select and score performance is not conducive to employee-level reviews. Therefore, LoanSTAR findings will not be used for individual employee performance ratings since it is an RLC indicator rather than a gauge of employee-level performance. LoanSTAR findings that have been upheld by policy and result in a monetary finding where the Veteran is due a refund and/or principal reduction, must be addressed by the RLC so that the Veteran is made whole by VA or the lender. The RLC will have 30-business days to satisfy the finding and must retain evidence of the transaction. Quality Assurance will review monetary findings for compliance during its reviews. |

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#### 3. Selection of Cases

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| a. Case Selection Procedures | Based on a statistically-valid random sample, the number of cases needed for review is 384 annually (or 32 per month) for each business section. |

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| b. Construction and Valuation | Each month, 32 cases are randomly selected via reports from the C&V system of record (currently webLGY) for all appraisal types such as:* Individual (IND)
* Liquidation (LGI)
* Lender Appraisal Processing Program (LAPP)
* Servicer Appraisal Processing Program (SAPP)

This review also includes, Notice of Values (NOV) issued by RLCs as well as Desk and Field Reviews. |

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| c. Specially Adapted Housing | Each month, 32 cases are randomly selected via reports from the SAH system of record (currently Specially Adapted Housing Special Housing Adaptation – SAHSHA) for the following stages:* 150-day criteria cases, where VA has received both, grant application

 and rating decision (established grant)* Conditional Approval (CA)
* Grant Approval (GA)
* Grant Final Accounting (FA)
* Death Case (DC)
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#### 3. Selection of Cases, Continued

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| d. Loan Production | Each month, 32 cases are randomly selected via reports from the Loan Production (LP) system of record (currently webLGY) based on full reviews completed by the RLCs during the previous month. |

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| e. Loan Administration | Each month, 32 cases are randomly selected via reports from the Loan Administration (LA) system of record (currently VA Loan Electronic Reporting Interface – VALERI) for adequacy of servicing (AOS) and post audits (PAs), based on AOS reviews and PAs completed the previous month. |

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| f. Sample Size Calculations | The following formula is used to determine the sample size:N = (Z2 pq)/e2 Components of the formula for determining sample size are: * Z = the standard value chosen with respect to the desired confidence level. The LoanSTAR desired confidence level is 95 percent, so two standard deviations correspond to Z = 1.96
* Variance of the estimator
* p = Proportion of success (accuracy rate)
* q = Proportion of failure (l-p)
* N = Desired sample size
* e = Desired margin of error or the acceptable range for the estimated average accuracy rate, typically five percent

Statistically, when nothing is known about the population being sampled, the proportion of success "p" will equal 0.5 because the probability of achieving the desired outcome is considered 50/50. Generally, 0.5 (50%) is used as the proportion of success (p = 0.5) in this formula. Therefore, the desired annual sample size for each review type is N = 384 using the following pre-determined parameters: Z = 1.96, p = 0.5, q= 0.5 and Margin of Error (e) = .05. |

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#### 4. Reviews

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| a. First Review | Each LoanSTAR reviewer completes their accuracy review in the LoanSTAR system. This system guides the auditor through each step and accuracy question. If LoanSTAR notices an error, the LoanSTAR reviewer selects the finding from a dropdown menu in the LoanSTAR system and the finding is forwarded to a second review. If there is no error, then there is no finding and the auditor moves to the next case. |

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| b. Second Review | A second review of all accuracy findings is completed by the Assistant Chief of the Monitoring unit (second reviewer) for all areas prior to the findings being released to the RLCs. The second reviewer can either concur or non-concur with each finding.If the second reviewer concurs with the finding, the finding is included in the final report provided for the RLC. If the second reviewer disagrees with the finding, comments are input in the LoanSTAR system explaining why the finding will not go forward to the final report. |

#### 5. Reporting Procedures

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| a. Overview | The Loan Systematic Technical Accuracy Review (LoanSTAR) team generates the current monthly accuracy finding reports. Once all areas are reviewed and finalized, two reports are generated from each review area. This includes a Findings Report and a Data Report. The findings report and data report are validated through a comparison of the data in the reports with the data contained in the accuracy database. The finalized data is then uploaded to the [Monitoring SharePoint site](https://vaww.portal2.va.gov/sites/Loan%20Guaranty%20Service/oversight/quality_assurance/Monitoring_Unit/Shared%20Documents/Forms/AllItems.aspx) by Central Office staff. |

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| b. Findings Reports | The accuracy finding report notifies the RLC’s of potential deficiencies cited by LoanSTAR. The accuracy finding report consists of details for each finding. The RLC receives a report for each area that has a finding for that review month.The accuracy findings report will identify the case number, question number, question text, and the finding, and it will include an area for the RLC to request an appeal of each finding. The RLC will include a response explaining its position within the accuracy findings report. This explanation will be used to render a final decision during the reconsideration process which is explained in section 7 of this chapter. |

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| c. Data Reporting | The RLC will be provided a raw data report containing all of the monthly data from the accuracy review database for the month being reviewed. The data report includes the randomly-selected case numbers for each RLC and identifies how each MU staff member answered the accuracy questions throughout the review process. |

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#### 6. Accuracy Rate Calculations

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| a. Overview | RLCs are given an accuracy rating each month for each business section. |

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| b. Accuracy Rate Calculations | (Total Points Available – Deductions)/(Total Points Available)Example: Out of a possible 3,200 points (32 cases x 100), if a station received one substantive error (20 points) the calculation would be: (3,200-20)/(3200) = 99.38 percent**Note:** For an RLC to get a “Yes” response on a question, the RLC has to correctly identify, document, and notify the lender/fee appraiser or SAR, (if appropriate) of the deficiency. If the RLC does not identify and document the deficiency and notify, if applicable, the RLC will receive a “No.” An RLC can also receive a “No” for a question if they gave a lender a deficiency in error. |

#### 7. Reconsiderations

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| a. Overview | The RLCs are given an opportunity to appeal LoanSTAR findings. The appeal becomes part of the LoanSTAR reconsideration process. The RLCs must submit their reconsideration by the 5th business day of the month following the date stamped on the e-mail sent by Central Office notifying RLCs that the accuracy data was posted to the SharePoint site. |

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| b. Process | All finding reports have a reconsideration section for the RLCs to complete and return. The RLC must input “no” if they do not wish to appeal, or “yes” if they wish to appeal. All reports are returned to LoanSTAR via email to the RECONSIDERATIONS.VBACO@va.gov mailbox. LGY policy sections, LoanSTAR, and Oversight work together in reconciling the appeals. Once an appeal is decided and communicated to the RLCs, it is final. There are no reconsiderations of appeals. |