

## Chapter VA 5

### HOUSING LOANS

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**VA 5.01 General.** (1) **OBJECTIVE.** The sole objective of the veterans' housing program is to aid veterans. The available funds are far too small to give aid to more than a small percentage of the more than four hundred sixty-one thousand veterans in the state. In order to spread the available funds to as many veterans as possible, it is imperative that an individual veteran receive only the amount sufficient to enable him to acquire a home through construction or purchase.

(2) **CONTROL EXERCISED TO PROTECT VETERAN.** The board is fully cognizant of the facts that uncontrolled credits have resulted and can only result in unjust inflation of the price that veterans have to pay for their homes. The benefits of the veterans' housing program will be wholly lost to the veteran if the credits extended by the state are only reflected in increasing prices for homes. It is the policy of the board to exercise strict control in the granting of loans in an effort to protect the veteran and to insure that further inflation in existing prices for homes shall not result.

(3) **TYPES OF AID.** The veterans' housing statute provides three means of aiding veterans to obtain homes. These are: first, loans for home ownership; second, loans to non-profit corporations; third, grants to housing authorities for rental units. In the analysis of applications under each of the three methods, the program which will provide adequate housing at the lowest cost to the veteran will be considered as having the greatest merit.

(4) **ALLOCATION OF FUNDS.** The veterans' housing statute provides that funds, both for loans and grants, shall be allocated as nearly as practicable to the counties on the basis of their veteran population. The census of veterans, as of January 31, 1955 submitted to the department by state headquarters of selective service under date of June 27, 1955, will be used.

(5) **AMOUNT AND PAYMENT.** Housing loans will be made in multiples of \$100. Monthly installments will be applied first to interest and then to principal.

(6) **CONSTRUCTION LOANS.** It will be the policy of the department that funds for construction or remodeling will be disbursed under the accepted practices of the building industries.

(7) **APPLICATIONS UNDER OATH.** All applications for loans must be under oath and sworn to by the applicants.

(8) **APPLICATIONS PROCESSED AS RECEIVED.** All housing loan applications coming within the provisions of the statute as amended by the Laws of 1951 shall be regularly processed as received.

(9) **LOANS NOT TO EXCEED STATUTORY LIMITS.** In order to comply with the specific provisions of section 45.35 (8b), Wis. Stats., for rehabilitation loans and section 45.352 (4), Wis. Stats., for housing loans, for the purpose of complying with the spirit of the housing

statute no loan will be made from the rehabilitation fund to complement a housing loan when the combination of such loans will exceed the statutory limit for a housing loan.

(10) DEFAULT ON REHABILITATION LOAN CONSIDERED. The department will not consider favorably applications for housing loans by veterans who are in default on a rehabilitation loan. However, such housing loan applications may be submitted to the loan advisory committee for consideration where such applications will re-establish the veteran on a sound financial footing.

(11) INTERPRETATION OF "FUNDS." In order to construe the law liberally under the language thereof, the policy of the board will construe the word "funds" in section 45.352 (2) (b), Wis. Stats., either as "cash on hand" or "liquid investments, the conversion of which would not mean a substantial loss to the veterans."

(12) APPRAISERS. The appraisers used by the veterans administration will be used by the department wherever possible and, if such appraisers are not available, a comparative type of appraisal will be used.

(13) AUTHORIZATION TO DESIGNATE APPRAISERS. The director is authorized to designate approved appraisers in any area where it is deemed necessary for the protection of the veteran. In counties where approved appraisers have been designated only their appraisals will be accepted.

(14) APPRAISAL FIGURE CONTROLS. Where the sales price exceeds the appraisal figure in any degree, then the loan application shall be initially denied, subject to review and reconsideration by the department upon request.

(15) APPRAISAL STATEMENT. All appraisals received by the department shall include the following statement, or words of similar import: "This is the price which this property should sell for on the present market."

VA 5.05 Individual. (1) APPLICATION. The application for an individual loan should describe the primary financing. Knowledge of the type of private financing available will aid the department in passing upon the soundness of the loan.

(2) MONTHLY SHELTER COST. It is considered that the department of veterans affairs owes an obligation to a veteran to protect him from assuming a greater indebtedness than he can pay. It shall be the policy of the department that monthly payments on housing loans will be fixed at a figure which will cause total shelter cost of the veteran to approximate from 20 to 25 per cent of present income. *Continued*

(3) REQUEST FOR REDUCTION IN MONTHLY PAYMENTS AFTER CONTRACT IS COMPLETE. The terms of the contract must be complied with by the veteran after the contract is made with the department, and should there be any new circumstances which were not in existence at the time the loan was made, such circumstances will be considered independently of the original contract. Any changes in the schedule of repayments of a veteran's loan can only be considered if new circumstances and conditions are present which materially alter the facts on his application and therefore should be considered by the department. Consideration will be given to changing monthly payments only when the veteran submits a statement of such facts to his county veterans service officer and that officer recommends and approves a change based upon such facts after investigation.

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(4) PARTIAL PAYMENT. In the instances where the veteran pays only part of his monthly scheduled payment, the department must necessarily take action to maintain the contract.

(5) RECORDING FEES. In conformity with usual practices, recording fees of the department's housing loans will be paid by the veteran concerned.

(6) PAYEES ON STATE CHECK. Upon approval of a construction loan, the department may make its check payable jointly to the veteran and to the lending institution which has the primary financing, upon the agreement of the lending institution to pay the monies to the contractor upon completion of the contract.

(7) STATEMENT ON LIENS. On closing an approved purchase loan, the department may make the check payable to the veteran and the vendor upon the agreement of the veteran to submit a statement of his attorney or the lending institution that the mortgage running to the department of veterans affairs has been recorded and no liens have intervened between the first and second mortgage.

(8) CLOSING. In lieu of a final opinion, satisfactory evidence qualifying the loan as provided in form DVA No. 313 (Rev. 4-51) must be provided prior to the disbursement of the department's funds. (Note: Forms may be obtained from Wisconsin Department of Veterans' Affairs, State Capitol, Madison, Wisconsin)

(9) OCCUPANCY DATES CONTROL PAYMENTS. Upon construction and purchase loans, the application should contain a statement by the veteran of the date upon which he will acquire occupancy, and loan payments will begin as of this date.

(10) TEMPORARY DWELLING. Application for a loan on a basement, garage or similar quarters, to be used for temporary dwelling purposes, will be closely scrutinized for the protection of the veteran.

(11) SUBORDINATION AGREEMENTS FOR GARAGES. Requests for subordination agreements will not be approved for the purpose of building garages since garages do not qualify as necessary housing under the law. In those cases where an advance in the first mortgage is requested for the purpose of improving the dwelling and the department is satisfied that its security position, after such advance, will remain satisfactory, the department is authorized to approve such applications administratively; all other applications will be submitted to the loan advisory committee for individual consideration and decision.

(12) TWO FAMILY UNITS. Under proper circumstances, loans may be made to two qualified veterans for the purchase or construction of a two-family unit to provide a home for each, but where more than two veterans desire to engage in joint operations, they will proceed under section 45.353, Wis. Stats., (Cooperative and non-profit corporation).

(13) BUSINESS PURPOSES. Incidental use of a dwelling for business purposes will not disqualify an application. Applications which are principally for business purposes do not qualify under section 45.352, Wis. Stats.

(14) NORMAL DWELLING. If a dwelling unit is normal in the community, the fact that income from apartments in the building is in excess of the income which would be received from the portion occupied by the veteran will not bar favorable consideration of the loan application.

(15) **DEPENDENTS.** The department will recognize as dependents all persons who are normally members of the veteran's family group. The veteran must be the head of the family.

(16) **PAYMENT ON SALE.** The department will reserve the right and ordinarily will require that upon sale of the property by the veteran, its loan will be paid in full.

(17) **REFINANCING.** Loans for refinancing will be for the purpose of assisting a veteran when there is need for such action and the loan will aid him to establish a reasonable financial status concerning his housing needs.

(18) **APPLICATION BY SINGLE VETERAN.** A loan application by a single veteran or a veteran without dependents will be considered at the time the veteran is married in order that loan papers are signed by both husband and wife.

(19) **DENIAL OF OUT-OF-STATE BONUS APPLICATIONS.** In view of the use which Wisconsin veterans are making of present available funds, and that there are not sufficient available funds to assist all Wisconsin veterans, all housing loan applications of veterans who have received a bonus from their former home state will be denied.

(20) **CONSTRUCTIVE RECEIPT OF OUT-OF-STATE BONUS.** The department will not consider favorably housing loan applications of veterans who have received a bonus from another state, including veterans who have applied for such bonus and have received notice that their applications have been approved, whether or not payment has as yet been received.

(21) **NEED FOR LOAN.** Since housing funds are limited, and to comply with the legislative mandate contained in section 45.352 (2) (b), Wis. Stats., that most necessitous cases shall be favored, by establishment of an order of preference: (a) Loans shall be made only to veterans who show need for such housing and who have exhausted their primary financing from local agencies.

(b) Applications received by county veterans service officers after December 31, 1951, shall contain such statements.

(c) Applications received by the Department of Veterans Affairs on and after January 10, 1952 shall contain such statements.

(22) **SECOND APPLICATIONS.** Favorable consideration will be given to cases of second applications for housing loans where the applications are based upon legitimate reasons, such as removal of the veteran to another city in his occupation, need for a larger home due to the size of his family, and so forth.

(23) **INSURANCE.** The amount of insurance carried by the veteran should equal or exceed the total of the encumbrances or mortgages on the property to insure complete protection to the veteran in the case of a loss.

(24) **VETERAN CHARGED ON FAILURE TO FILE DOCUMENTS.** Where the veteran fails to provide evidence of adequate insurance coverage or fails to file an attorney's final opinion on the title of the property, the department shall procure the necessary insurance or attorney's opinion and charge the cost to the veteran.

(25) **MAXIMUM LOCAL FINANCING.** The veteran must obtain maximum local financing.

(26) **"SPLIT LOT" LOANS.** Loans on "split lots" will be scrutinized closely to ascertain that the property is in good repair and good condition, that it appears to have a reasonable resale value, and that

it has proper access by means of easements or abuts on a street or lane or alley.

(27) ACCELERATION UPON RESALE. Upon the resale of a home the loan is immediately subject to acceleration, as provided in the note and mortgage, and the note is payable within 90 days from the date of the sale of the property. Failure to pay within that time authorizes the department to commence foreclosure proceedings.

(28) ACCELERATION UPON FALSE STATEMENT. Whenever it is determined that an applicant has obtained a housing loan through fraud, misrepresentation, concealment of a material fact in his application or other violation of law, the note will be accelerated and full payment demanded.

(29) OUTSIDE APPLICATIONS TO CUT-OFF COUNTIES. Applications in cut-off counties by residents of other counties will not be favorably considered without approval of the local county veterans service officer.

*Historic note Am to 5.05(2)*

VA 5.10 Veterans cooperatives and nonprofit corporations. (1) STOCKHOLDERS INTEREST. The department will require proof in the application or otherwise that no member or stockholder of the corporation will have any financial interest therein other than as a purchaser of a home and that no member or stockholder of the corporation will make any profit in dealing with the corporation, either through the sale of real estate or through contracting with that corporation.

(2) CONTRACTOR BOND. The contractor will furnish a bond for completion running to the department of veterans affairs, in addition to the corporation and the first mortgagee.

(3) STOCK PURCHASE NOT ELIGIBLE. The statute clearly indicates that the department has no authority to make direct loans to veterans for the purpose of purchasing stock in such a corporation.

(4) DIRECT LOANS UNAUTHORIZED FOR STOCK PURCHASE. Under the housing program, the department has no authority to make direct loans to veterans for the purpose of purchasing stock in such a corporation.

(5) LOANS ON NON-PLATTED SUBDIVISIONS. Loans on property other than subdivisions already platted where municipal utilities are available, will be carefully scrutinized.

(6) DOCUMENTS REQUIRED. A certified copy of the articles of incorporation, and such other papers as may be required, will accompany the application.

VA 5.15 Incentive grants. (1) QUALIFICATIONS. Housing authorities requesting incentive grants will be required to show that the completed project will provide housing to veterans at as low a monthly cost as may be achieved in any other manner. In this connection, the application will show the current monthly cost to the home owner of houses offered for construction or available for purchase in the community.

(2) BOND. The contractor will furnish a bond for completion and include the department as an obligee entitled to enforce the bond.

(3) PAYMENT. Payment to the housing authority may be made by the department upon approval of the project and the furnishing of the necessary bond.

(4) AUTHORITY. A copy of the resolution establishing the housing authority will accompany the application.