

than the applicant's regular work which the department determines will not last for 5 years may be excluded. If the department is provided with a statement from an employer showing current hourly wage, income shall be based on 40 hour weeks and 52 weeks per year unless evidence to the contrary is provided.

(a) Income to be derived by an applicant from a new business which the applicant is establishing or purchasing may be based upon acceptable projected profit statement.

(b) Income of a self employed applicant shall be based on the person's prior year's income tax returns or a profit and loss statement for at least 6 of the 12 months immediately preceding the loan application date.

(c) Income from the national guard, military reserve or active duty military shall include all allowances except for clothing.

(d) Piece work pay, incentive pay, tips, shift differential and cost of living adjustments are "income" unless the department determines that they are not likely to continue for 5 years.

(e) Overtime pay and bonuses are generally not considered "income" except when the department determines that they are likely to be received for the next 5 years.

(f) Unemployment compensation is "income" when it is received for regular or seasonal layoffs from the applicant's current employment. Otherwise, unemployment compensation is not "income".

(g) Worker's compensation is "income" when the department determines that the applicant is likely to continue to receive it or return to employment or be declared totally and permanently disabled.

(h) Child support payments, separate maintenance payments and alimony are "income" when the department determines that they are likely to continue for 5 years.

(i) One-half of gross rental income is "income" if utilities are paid by the applicant and $\frac{2}{3}$ of gross rental income is "income" if utilities are paid by the tenants unless tax returns or a profit and loss statement are used to verify the income in which case the net profit is "income".

(j) Disability compensation, social security, social security disability, retirement pensions and social security for dependent children are "income" unless the department determines that they are not likely to continue for 5 years.

(k) AFDC, general relief and food stamps are "income" unless the department determines that they are not likely to continue for 5 years.

(l) The prior year's income tax returns shall not be acceptable verification for income which was not being received for all of the tax year covered by the returns.

(m) Applicants verifying their income by income tax returns shall submit a complete copy of their most recent federal tax return including all schedules.

(n) In addition to farm income reported on the applicant's last income tax return, income from farming shall include adjustments to reflect the value of food stuffs consumed by the applicant and members of the appli-

cant's household and write-offs for accelerated depreciation and investment credits.

(6) **TERM OF LOANS.** All loans shall be amortized on a monthly basis and the initial term of all loans shall not exceed a maximum of 8 years. The department may require shorter repayment terms.

(7) **CONSOLIDATION OF DEBTS.** Loans may be made to finance existing debts if the department is satisfied that the veteran's debt commitments are beyond the veteran's capacity to repay in an orderly manner. Debt consolidation loans may be made only if they will substantially consolidate all the veteran's debts, other than the home mortgage, or result in significantly reduced total debt payments. Applications for debt consolidation loans shall include a listing of the applicant's total debts giving the dates the debts were incurred, the original amounts where possible, the purposes for which incurred and the amounts which the applicant's creditors will accept to satisfy the debts. If an applicant has received a debt consolidation loan within the 10 years immediately preceding an application for another debt consolidation loan, a further loan may be made for the payment of debts only when the need for the further loan arises from unusual and unforeseeable circumstances.

(8) **BUSINESS AND AGRICULTURE LOANS.** A loan may be made for the purchase of a business or business property or for the establishment or operation of a business and, to a self-employed veteran, for the purpose of providing necessary working capital or of acquiring or paying for needed machinery, equipment, materials, supplies or services used in producing business or agricultural income. An applicant for such loan shall furnish sufficient data relating to the business or farming operations including relevant experience and background, finances, earnings, operating details, projections and other relevant information to enable the department to make a decision on the loan request. In addition to other relevant information, an applicant who proposes to establish a new business enterprise or purchase an existing business must submit evidence of the probable net profit from the business in the form of evidence of the net profit realized by the former owner of the business or in the form of a projected profit statement based upon a fair mark-up and a survey of the territory in which the business will be located.

(9) **MOBILE HOME LOANS.** A loan may be made for the purpose of purchase of or improvements to a mobile home used or to be used by the veteran as the veteran's primary residence, including transportation and hook-up expenses, the necessary provision of or replacement of a primary water system, including well, or of a septic disposal system, and essential repairs or maintenance, whether or not such mobile home is located on or to be located on land owned by the applicant, and for the purchase of land on which such mobile home is located or to be located.

(10) **HOME FURNITURE, FURNISHINGS AND FIXTURES LOANS.** A loan may be made to purchase, or to pay existing obligations for necessary household furniture, furnishings, fixtures, equipment and appliances that are not considered by the department to be entertainment or recreational in nature.

(11) **REAL ESTATE AND HOME IMPROVEMENT LOANS.** A loan may be made for repairing, maintaining, improving, remodeling or adding to a veteran's home, for the construction of a garage or the drilling of a well or

installation of a septic system on the veteran's homestead property or for the completion of the construction of a veteran's home.

(c) An improvement and remodeling loan will not be approved for nonessential purposes including, but not limited to, decks, patios and recreation rooms and fireplace installations unless it is demonstrated that the proposed fireplace installation will be energy efficient and will provide a significant supplement to the principal heating source, and such a loan may be approved for an air conditioning unit only if recommended by a physician as medically necessary or where the installation of such unit is incidental to the installation of a heating system being installed at the same time as the air conditioning unit.

(12) **NONQUALIFYING LOAN PURPOSES.** No economic assistance loan will be made:

(a) Where a guarantor receives any of the loan proceeds.

(b) For the payment of debts owed to, or owed by, members of the veteran's family or spouse's family on the date of application.

(c) For a veteran to engage in a business enterprise which the department considers to be high risk, highly speculative, marginally profitable or which involves products, practices or services which are illegal.

(d) For a veteran to engage in a business enterprise which the department determines to have minimal chances for success because of inadequate working capital or credit or because the veteran lacks relevant experience.

(e) To underwrite, finance, purchase, subsidize, aid or assist in a side-line investment or business enterprise which is not deemed necessary to provide a livelihood for the applicant.

(f) Where the loan proceeds will not directly benefit the veteran or will only be of a minimal benefit, where the proceeds will not substantially resolve the applicant's financial problems, or where the proceeds are required to repay obligations resulting from the veteran's willful misconduct.

(g) For current month-to-month household and living expenses, except in the case of education loans.

(i) To purchase, or to pay existing obligations incurred exclusively for the purchase of television sets, stereos, tape decks, recording equipment, sporting equipment, recreational vehicles or equipment, leisure or hobby equipment, or motor vehicles which are not used exclusively for business purposes.

(j) To assist in meeting expenses relating to the education of a veteran's spouse.

(13) **LOAN CHECKS.** (a) Loan checks will be made payable to the veteran and such other persons as may be necessary to insure proper application of loan proceeds and such checks will not be released until all requirements set forth in department commitment letters have been complied with to the satisfaction of the department.

(c) Loan checks returned to the department in cases where the veteran no longer needs the loan funds or desires to have such funds used for the

payment of specific creditors or vendors will be cancelled and, unless the chief of the economic assistance loan section approves the issuance of new checks at the request of the veteran to other creditors or vendors to provide economic assistance, the amount of the loan balance will be reduced by the amount of such checks.

(14) **DELINQUENCY ON DEPARTMENT LOANS.** The department will not approve a loan to an applicant who is delinquent on another loan from the department, as of the date of application for the loan, except with the approval of the chief of the economic assistance loan section.

(15) **LIMITATION ON NUMBER OF LOANS.** An applicant may not have more than one economic assistance loan at one time, except where the balance of an existing loan is to be paid from the proceeds of a new loan.

(16) **BAD CREDIT PRACTICES.** Applications from applicants who have failed to pay their obligations in a timely manner or have quitclaimed previously owned real estate back to a lender in lieu of foreclosure within the last 5 years shall be denied unless such applications have strong offsetting characteristics. The department may consider whether the lender did not incur a loss as a result of the quitclaim and whether a loss of employment due to no fault of the applicant or other unavoidable circumstances caused the underlying repayment problem.

(17) **DELINQUENT SUPPORT, SEPARATE MAINTENANCE AND ALIMONY.** If the applicant's credit is to be considered favorable, alimony, support and separate maintenance payments must be current as of the date of approval of the economic assistance loan by the department or the proceeds of the economic assistance loan shall be used to pay any arrearage. Evidence from the clerk of courts that the applicant is current shall be required. If the applicant is in arrears, then an economic assistance loan may only be made to that applicant, if the proceeds of the department's economic assistance loan will bring the account current or if the veteran provides evidence that regular payments have been made every month for not less than 12 months immediately preceding the loan application date and that the applicant has made arrangements which the department deems satisfactory for payment or deferment of the amount in arrears and supporting evidence is submitted to the department.

(18) **SATISFACTION OF LOAN UPON VETERAN'S DEATH.** If a veteran who has obtained a loan dies before completing repayment, the department shall satisfy the loan. A veteran shall not have obtained a loan until all loan documents have been signed and the check representing the loan proceeds has been placed in the U.S. mail or actually received by the county veterans service officer, whichever applies. If there is a co-applicant on an approved application which is cancelled because of the veteran's death before the checks are mailed or actually received by the county veterans service officer, the co-applicant may still receive a loan, but only if the co-applicant is eligible to apply and only if the co-applicant qualifies in his or her own right.

(19) **SUBORDINATION AGREEMENT.** (a) The department may execute a subordination agreement to permit an increase in a mortgagor's present mortgage which is superior to the department mortgage securing an economic assistance loan or to replace the present superior mortgage with another in an amount equal to or in excess of the balance owing on the present superior mortgage when it is satisfied that the property will pro-

vide adequate security for its mortgage after the proposed increase in the superior mortgage.

(b) The mortgagor shall submit evidence of the mortgagor's present income and of the shelter cost payments under the repayment terms of the proposed new note and mortgage to establish that the new shelter cost payments will not be excessive in view of present income.

(c) The department may execute a subordination agreement to give priority to a proposed superior mortgage if the department's mortgage has been prematurely recorded or in exceptional cases without requiring the evidence set forth in par. (a).

(d) The following criteria shall be met for approval of all subordination agreements:

1. Minimum of 10% equity remaining after subordination.
2. A satisfactory repayment record on department loans.
3. The economic assistance loan is not currently delinquent.
4. Shelter cost ratio is not excessive based upon the criteria established by the department for the approval of economic assistance loans.

(e) In those cases where the proceeds of the mortgage to which the department is requested to subordinate will be used for any purpose except refinancing, the request will be denied if all of the following apply:

1. The veteran's and spouse's total income is greater than the amount specified in s. 45.351 (2) (b) 2., Stats.
2. The veteran's equity in the home after the subordination is greater than 20% as derived from the current appraised value and the outstanding mortgage principal balance.
3. One-twelfth of the veteran's calculated anticipated annual shelter payment after the subordination would be less than 20% of the veteran's and spouse's combined gross monthly income.

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80; r. (2), am. (3), (4), (6), (11) (a) and (b), Register, April, 1986, No. 364, eff. 5-1-86; r. and recr. (5), am. (12) (g) and (i), r. (12) (h) and (13) (b), Register, February, 1989, No. 398, eff. 3-1-89; cr. (16), Register, September, 1990, No. 417, eff. 10-1-90; am. (11) (intro.), r. (11) (a) and (b), cr. (17), Register, June, 1992, No. 438, eff. 7-1-92; am. (7), cr. (18) and (19), Register, August, 1993, No. 452, eff. 9-1-93.

VA 3.04 Security required. Adequate security shall be required to insure the repayment of all economic assistance loans made, except that on loans in the amount of \$350 or less the department may waive the requirement of security.

(1) **GUARANTORS.** The department may accept as adequate security the guarantee of loan promissory notes by creditworthy and financially acceptable guarantors. No employe of the department, no county veterans service officer and no other person in any way connected with the administrative duties of the department or serving in an advisory capacity thereto shall be accepted as guarantor on any loan unless the applicant is a member of the guarantor's immediate family. Any other Wisconsin resident who is determined by the department to be financially

Next page is numbered 25