

2001 DRAFTING REQUEST

Bill

Received: 10/12/2000

Received By: isagerro

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Uecker

This file may be shown to any legislator: NO

Drafter: isagerro

May Contact:

Alt. Drafters:

Subject: Veterans - housing loans

Extra Copies: RJM

Pre Topic:

DOA:.....Uecker -

Topic:

In-house servicing of primary mortgage loans

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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/2			rschluet 01/04/2001	_____	lrb_docadmin 01/04/2001		State
/3	isagerro 01/05/2001	gilfokm 01/06/2001	kfollet 01/06/2001	_____	lrb_docadmin 01/07/2001		State
/4	isagerro	gilfokm	kfollet	_____	lrb_docadmin		State

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/5	isagerro 02/06/2001	gilfokm 02/06/2001	martykr 02/07/2001	_____	lrb_docadmin 02/07/2001		State

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10-01
Syn 3/7
Krn 3/7

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1/14

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12/1/00
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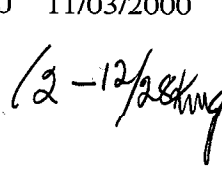
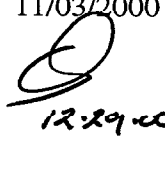
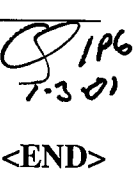
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FE Sent For:

<END>

E.

Clarify the department's authority to service primary mortgage loans in-house.

45.70(2) of the statutes is amended to read:

(2) LEGISLATIVE INTENT. This subchapter is created principally to enable the state and the authority to exercise their borrowing power to increase those funds available for loans providing for the purchase or construction of private housing, without requiring downpayments beyond the reach of families of modest means. It is the intent of the legislature that the department in its administration of this subchapter avoid the duplication of those administrative services available through private lending institutions, utilizing the administrative services of such institutions to the ~~maximum~~ extent whenever it is cost effective to do so in a manner consistent with the purposes of this subchapter.

45.79(3)(b) of the statutes is amended to read:

*- why amended?
This?*

2
2

(b) *Casualty insurance coverage.* Mortgages given to secure loans under this section shall provide for adequate fire and extended coverage insurance. Policies providing such insurance coverage shall name the authorized lender ~~involved~~ or the department as an insured.

45.79(5)(a)6 of the statutes is amended to read:

6. Require borrowers to make monthly escrow payments to be held by the authorized lender or the department for real estate taxes and casualty insurance premiums which shall be paid by the authorized lender where due to the extent of the amounts owing thereon or to the extent escrowed, whichever is less more.

2
2

F. Create appropriations to allow the department to purchase loan servicing rights from lenders, hold escrow payments and to perform loan servicing functions for mortgage loans to veterans.

20.485(3)(wd) of the statutes is created to read:

(wd) Loan servicing receipts. All moneys received from the veterans mortgage loan repayment fund allocated for servicing loans made under s.45.79 for the administration of loan servicing under s.45.79(5)(a) ~~8~~.

20.485(3)(wg) of the statutes is created to read:

(wg) Custodial account. From the veterans mortgage loan repayment fund, all moneys received under s. 45.79(5)(a)6 and earnings allocated to their balances to make payments under s. 45.79(5)(a)6.

20.485(3)(wp) of the statutes is created to read:

(wp) Purchase servicing rights. Biennially, the amounts in the schedule from the veterans mortgage loan repayment fund to purchase servicing rights from existing authorized lenders.

*10/20/00 John Rosinski, Co-7916, atty@DVA

-45.79(5)(a)(6).

- want to require that if amt. escrowed is less than needed to pay tax: ins., lender pays difference and then collects from veteran

- if amt. escrowed is more than needed, amt. is returned to veteran

- escrow amts.

- need to exempt DVA from mortgage banker reg. under s. 22A.41(3)(b)

→ see s. 22A.76



DOA:.....Uecker – In-house servicing of primary mortgage loans
FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

SWON

DON'T GEN. CAT
1 AN ACT ..., relating to: the budget.

Analysis by the Legislative Reference Bureau

VETERANS AND MILITARY AFFAIRS

Currently, under the veteran's housing loan program, veterans who meet certain requirements are eligible for a primary mortgage loan. Current law requires a veteran to apply for a primary mortgage loan through a DVA-approved financial institution (authorized lender). The authorized lender evaluates the veteran's creditworthiness and makes other financial determinations. DVA also reviews the loan application to ensure that the veteran meets other requirements of the loan program. If the application is approved by both the authorized lender and DVA, the authorized lender makes the loan and then performs loan-servicing activities, such as collecting the veteran's monthly mortgage payment, forwarding these payments to DVA, and collecting delinquent payments. Before forwarding a monthly mortgage payment to DVA, an authorized lender may deduct from the veteran's monthly mortgage payment, a monthly fee for performing loan-servicing activities.

Also, under current law, as a condition of receiving a loan, a veteran must pay to the authorized lender a monthly escrow payment for the payment of real estate taxes and casualty insurance premiums. Current law requires the authorized lender to hold these payments in escrow and then pay to the insurance company and the city the amounts due or the amount escrowed, whichever is less.

Finally, under the loan program, a veteran must have adequate fire and extended coverage insurance. Current law requires that these insurance policies name the authorized lender as an insured.

✓
①

mortgage

This bill permits DVA to perform loan^v servicing activities for any loans made under the veteran's housing loan program and to purchase from authorized lenders the rights to service loans that are made under the program. This bill funds both the loan servicing activities and the purchase of servicing rights with moneys from the veterans loan repayment fund.

If DVA holds the payments in escrow

The bill also permits DVA to hold in escrow monthly payments paid by a veteran for real estate taxes and casualty insurance premiums. The bill ~~also~~ requires an authorized lender or DVA to pay the amounts due for real estate taxes and insurance premiums regardless of whether the amount held in escrow is sufficient to cover the amounts due. If the amount held in escrow is insufficient to pay the amounts due, the lender or DVA, after paying the amounts due, must recover the balance from the veteran. If the amount held in escrow is more than the amounts due, the lender or DVA, after paying the amounts due, is required to pay the balance to the veteran.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 20.485 (3) (wd) of the statutes is created to read:

2 20.485 (3) (wd) ^v*Loan servicing administration*. From the veterans mortgage
3 loan repayment fund, all moneys deposited in the veterans mortgage loan repayment
4 fund to pay costs for servicing loans, for servicing loans under s. 45.79 (5) (a) 10. ✓

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

5 SECTION 2. 20.485 (3) (wg) of the statutes is created to read:

6 20.485 (3) (wg) *Escrow payments, recoveries, and refunds*. From the veterans
7 mortgage loan repayment fund, all moneys received by the department under s.
8 45.79 (5) (a) 6. to make payments required of the department under s. 45.79 (5) (a)
9 6. ✓

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

10 SECTION 3. 20.485 (3) (wp) of the statutes is created to read:

1 20.485 (3) (wp) *Loan^vservicing rights*. Biennially, from the veterans mortgage
 2 loan repayment fund, the amounts in the schedule to purchase loan^vservicing rights
 3 from authorized lenders under s. 45.79 (5) (a) 10.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

4 SECTION 4. 45.79 (3) (b) of the statutes is amended to read:

5 45.79 (3) (b) *Casualty insurance coverage*. Mortgages given to secure loans
 6 under this section shall provide for adequate fire and extended coverage insurance.
 7 Policies providing such insurance coverage shall name the authorized lender
 8 involved or the department as an insured.

History: 1973 c. 208, 333; 1975 c. 26, 198, 199; 1977 c. 4, 381; 1979 c. 4, 107, 155; 1979 c. 168 s. 21; 1979 c. 221; 1981 c. 45 s. 51; 1981 c. 93, 336; 1983 a. 27, 368; 1985 a. 6, 29; 1985 a. 332 s. 251 (1); 1987 a. 27, 319; 1987 a. 403 s. 255; 1989 a. 31, 56; 1991 a. 39; 1993 a. 16, 254, 490; 1995 a. 252, 255; 1997 a. 27; 1999 a. 9, 63.

9 SECTION 5. 45.79 (5) (a) 6. of the statutes is amended to read:

10 45.79 (5) (a) 6. Require borrowers to make monthly escrow payments to be held
 11 by the authorized lender or the department for real estate taxes and casualty
 12 insurance premiums ~~which~~. The authorized lender or, if the department holds the
 13 payments in escrow, the department shall be paid by the authorized lender where
 14 pay all of the amounts due to the extent of the amounts owing thereon or to the extent
 15 escrowed, whichever is less for real estate taxes and casualty insurance premiums,
 16 even if the amount held in escrow is insufficient to cover the amounts due. If the
 17 amount held in escrow is insufficient to cover the amounts due, the authorized lender
 18 or, if the department holds the payments in escrow, the department ~~shall~~ ^{after paying the}
 19 ~~amounts due under this subdivision~~ shall recover from the borrower an amount ^{after paying the}
 20 equal to the difference between the amounts paid and the amount held in escrow. ^{the amounts due under}
 21 If the amount held in escrow is more than the amounts due, the authorized lender ~~shall~~ ^{this}
 22 or, if the department holds the payments in escrow, the department ~~shall~~ ^{subdivision}
 23 amounts due under this subdivision shall refund to the borrower an amount equal

strike space

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23

after paying the amounts due under this subdivision

1 to the difference between the amount held in escrow and the amounts paid by the
 2 authorized lender or the department.

History: 1973 c. 208, 333; 1975 c. 26, 198, 199; 1977 c. 4, 381; 1979 c. 4, 107, 155; 1979 c. 168 s. 21; 1979 c. 221; 1981 c. 45 s. 51; 1981 c. 93, 336; 1983 a. 27, 368; 1985 a. 6, 29; 1985 a. 332 s. 251 (1); 1987 a. 27, 319; 1987 a. 403 s. 255; 1989 a. 31, 56; 1991 a. 39; 1993 a. 16, 254, 490; 1995 a. 252, 255; 1997 a. 27; 1999 a. 9, 63.

3 **SECTION 6.** 45.79 (5) (a) 10. of the statutes is created to read:

4 45.79 (5) (a) 10. Service loans made under this section and purchase from
 5 authorized lenders the servicing rights for loans made by authorized lenders under
 6 this section.

7 **SECTION 7.** 45.79 (7) (a) (intro.) of the statutes is amended to read:

8 45.79 (7) (a) (intro.) There is created the veterans mortgage loan repayment
 9 fund. All moneys received by the department for the repayment of loans funded
 10 under sub. (6) (a) except for servicing fees required to be paid to authorized lenders,
 11 net proceeds from the sale of mortgaged properties, any repayment to the
 12 department of moneys paid to authorized lenders, gifts, grants, other appropriations^v
 13 and interest earnings accruing thereon, any repayment of moneys borrowed under
 14 s. 45.356 (9) (a), all moneys received under ~~s. 45.79~~ ^{sub.} (5) (a) 6., and any moneys
 15 deposited or transferred under s. 18.04 (6) (b) or (d) shall be promptly deposited into
 16 the veterans mortgage loan repayment fund. The board shall establish by resolution
 17 a system of accounts providing for the maintenance and disbursement of moneys of
 18 the veterans mortgage loan repayment fund to fund loans under sub. (6) (a) or to
 19 fund, refund^v or acquire public debt as provided in s. 18.04 (5). The system of accounts
 20 shall record and provide moneys for all of the following purposes:

History: 1973 c. 208, 333; 1975 c. 26, 198, 199; 1977 c. 4, 381; 1979 c. 4, 107, 155; 1979 c. 168 s. 21; 1979 c. 221; 1981 c. 45 s. 51; 1981 c. 93, 336; 1983 a. 27, 368; 1985 a. 6, 29; 1985 a. 332 s. 251 (1); 1987 a. 27, 319; 1987 a. 403 s. 255; 1989 a. 31, 56; 1991 a. 39; 1993 a. 16, 254, 490; 1995 a. 252, 255; 1997 a. 27; 1999 a. 9, 63.

21 **SECTION 8.** 45.79 (7) (a) 4. of the statutes is amended to read:

22 45.79 (7) (a) 4. Payment of all costs incurred by the department in processing
 23 and servicing loans, purchasing servicing rights for loans under this section, and

1 accounting for and administering the program under this section, including a portion
2 of grants made to county veterans' service officers under s. 45.43 (7).

History: 1973 c. 208, 333; 1975 c. 26, 198, 199; 1977 c. 4, 381; 1979 c. 4, 107, 155; 1979 c. 168 s. 21; 1979 c. 221; 1981 c. 45 s. 51; 1981 c. 93, 336; 1983 a. 27, 368; 1985 a. 6, 29; 1985 a. 332 s. 251 (1); 1987 a. 27, 319; 1987 a. 403 s. 255; 1989 a. 31, 56; 1991 a. 39; 1993 a. 16, 254, 490; 1995 a. 252, 255; 1997 a. 27; 1999 a. 9, 63.

3 **SECTION 9. 45.79 (7) (a) 10.** of the statutes is created to read:

4 45.79 (7) (a) 10. To make payments required of the department under sub. (5)

5 (a) 6. ✓

6 **SECTION 10. 224.71 (3) (b) 7.** of the statutes is created to read:

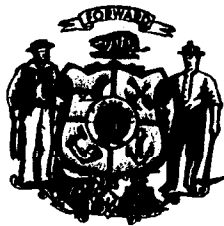
7 224.71 (3) (b) 7. The department of veterans affairs when administering the
8 veteran's housing loan program under subch. II of ch. 45. ✓ ✓

9 (END)

* Deborah Vecker 2:30 11/6/00

- have indep. agency study ^{and determine} least costly method of servicing the loan
- once study done, JFC would release funds and positions
- ~~definitely~~ DVA would purchase servicing rights no matter what, but study would determine who services the loan (DVA or someone else)
- same w/ escrow, DVA or cheaper way.

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
191 East Wilson Street, Madison, Wisconsin
TOMMY G. THOMPSON
GOVERNOR
GEORGE LIGHTBOURN
SECRETARY



Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

Date: December 14, 2000
To: Steve Miller, LRB
From: Deborah Uecker, DOA
267-0371
Subject: Department of Veterans Affairs Statutory Language

Please draft these items relating to the Department of Veterans Affairs for inclusion in the biennial budget bill.

2. **Transfer of Loan Servicing.** Require the department to conduct a joint DOA/DVA study including the participation of the State Controller's Office and the Capital Finance Office in DOA to assess the least expensive option to service veterans home mortgage loan payments. Once the study is completed the recommendation would be sent to the secretary of the Department of Veterans Affairs.

*same as we discussed ^{on 11/6} except not indep.
agency study, DOA/DVA*

AND

*no purchasing of rights until funds released
by JFC*

-per Deborah Uecker, 12/22/00 11:30am



DOA:.....Uecker - In-house servicing of primary mortgage loans

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

*Session
in 12/27/00*

LPS: Check auto-refs.

1

*Don't
GEN. CAT*
AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

VETERANS AND MILITARY AFFAIRS

Currently, under the veteran's housing loan program, veterans who meet certain requirements are eligible for a primary mortgage loan. Current law requires a veteran to apply for a primary mortgage loan through a DVA-approved financial institution (authorized lender). The authorized lender evaluates the veteran's creditworthiness and makes other financial determinations. DVA also reviews the loan application to ensure that the veteran meets other requirements of the loan program. If the application is approved by both the authorized lender and DVA, the authorized lender makes the loan and then performs loan-servicing activities, such as collecting the veteran's monthly mortgage payment, forwarding these payments to DVA, and collecting delinquent payments. Before forwarding a monthly mortgage payment to DVA, an authorized lender may deduct, from the veteran's monthly mortgage payment, a monthly fee for performing loan-servicing activities.

Also, under current law, as a condition of receiving a loan, a veteran must pay to the authorized lender a monthly escrow payment for the payment of real estate taxes and casualty insurance premiums. Current law requires the authorized lender to hold these payments in escrow and then pay to the insurance company and the city the amounts due or the amount escrowed, whichever is less.

Finally, under the loan program, a veteran must have adequate fire and extended coverage insurance. Current law requires that these insurance policies name the authorized lender as an insured.

This bill permits DVA to perform loan-servicing activities for any loans made under the veteran's housing loan program and to purchase from authorized lenders the rights to service loans that are made under the program. ^{The} bill funds both the loan-servicing activities and the purchase of servicing rights with moneys from the veterans mortgage loan repayment fund. ^{Insert A}

The bill also permits DVA to hold in escrow monthly payments paid by a veteran for real estate taxes and casualty insurance premiums. The bill requires an authorized lender or, if DVA holds the payments in escrow, DVA to pay the amounts due for real estate taxes and insurance premiums regardless of whether the amount held in escrow is sufficient to cover the amounts due. If the amount held in escrow is insufficient to pay the amounts due, the lender or DVA, after paying the amounts due, must recover the balance from the veteran. If the amount held in escrow is more than the amounts due, the lender or DVA, after paying the amounts due, is required to pay the balance to the veteran.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

Under the bill, DVA may not begin holding monthly escrow payments until it permits the expenditure and encumbrance of the moneys for the loan-servicing activities.
The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

approves the proposal for loan-servicing rights and servicing the loans and purchasing
SECTION 1. 20.485 (3) (wd) of the statutes is created to read:

20.485 (3) (wd) *Loan-servicing administration.* From the veterans mortgage loan repayment fund, all moneys deposited *allocated under s. 45.79 (7) (a) 4.* in the veterans mortgage loan repayment fund to pay costs for servicing loans, for servicing loans under s. 45.79 (5) (a) 10.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

SECTION 2. 20.485 (3) (wg) of the statutes is created to read:

20.485 (3) (wg) *Escrow payments, recoveries, and refunds.* From the veterans mortgage loan repayment fund, all moneys received by the department under s. 45.79 (5) (a) 6, to make payments required of the department under s. 45.79 (5) (a) 6.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

SECTION 3. 20.485 (3) (wp) of the statutes is created to read:

JCF
loan-servicing activities

1 20.485 (3) (wp) *Loan-servicing rights*. Biennially, from the veterans mortgage
2 loan repayment fund, the amounts in the schedule to purchase loan-servicing rights
3 from authorized lenders under s. 45.79 (5) (a) 10.

 ****NOTE: This SECTION involves a change in an appropriation that must be
reflected in the revised schedule in s. 20.005, stats.

4 **SECTION 4.** 45.79 (3) (b) of the statutes is amended to read:

5 45.79 (3) (b) *Casualty insurance coverage*. Mortgages given to secure loans
6 under this section shall provide for adequate fire and extended coverage insurance.
7 Policies providing such insurance coverage shall name the authorized lender
8 involved or the department as an insured.

9 **SECTION 5.** 45.79 (5) (a) 6. of the statutes is amended to read:

10 45.79 (5) (a) 6. Require borrowers to make monthly escrow payments to be held
11 by the authorized lender or the department for real estate taxes and casualty
12 insurance premiums ~~which~~. The authorized lender or, if the department holds the
13 payments in escrow, the department shall be paid by the authorized lender where
14 due to the extent of the amounts owing thereon or to the extent escrowed, whichever
15 is less pay all of the amounts due for real estate taxes and casualty insurance
16 premiums, even if the amount held in escrow is insufficient to cover the amounts due.
17 If the amount held in escrow is insufficient to cover the amounts due, the authorized
18 lender or, if the department holds the payments in escrow, the department shall
19 recover from the borrower, after paying the amounts due under this subdivision, an
20 amount equal to the difference between the amounts paid and the amount held in
21 escrow. If the amount held in escrow is more than the amounts due, the authorized
22 lender or, if the department holds the payments in escrow, the department shall
23 refund to the borrower, after paying the amounts due under this subdivision, an

1 amount equal to the difference between the amount held in escrow and the amounts
2 paid by the authorized lender or the department.

3 **SECTION 6.** 45.79 (5) (a) 10. of the statutes is created to read:

4 45.79 (5) (a) 10. Service loans made under this section and purchase from
5 authorized lenders the servicing rights for loans made by authorized lenders under
6 this section.

7 **SECTION 7.** 45.79 (7) (a) (intro.) of the statutes is amended to read:

8 45.79 (7) (a) (intro.) There is created the veterans mortgage loan repayment
9 fund. All moneys received by the department for the repayment of loans funded
10 under sub. (6) (a) except for servicing fees required to be paid to authorized lenders,
11 net proceeds from the sale of mortgaged properties, any repayment to the
12 department of moneys paid to authorized lenders, gifts, grants, other
13 appropriations, and interest earnings accruing thereon, any repayment of moneys
14 borrowed under s. 45.356 (9) (a), all moneys received under sub. (5) (a) 6., and any
15 moneys deposited or transferred under s. 18.04 (6) (b) or (d) shall be promptly
16 deposited into the veterans mortgage loan repayment fund. The board shall
17 establish by resolution a system of accounts providing for the maintenance and
18 disbursement of moneys of the veterans mortgage loan repayment fund to fund loans
19 under sub. (6) (a) or to fund, refund, or acquire public debt as provided in s. 18.04 (5).
20 The system of accounts shall record and provide moneys for all of the following
21 purposes:

22 **SECTION 8.** 45.79 (7) (a) 4. of the statutes is amended to read:

23 45.79 (7) (a) 4. Payment of all costs incurred by the department in processing
24 and servicing loans, purchasing servicing rights for loans under this section, and

1 accounting for and administering the program under this section, including a portion
2 of grants made to county veterans' service officers under s. 45.43 (7).

3 **SECTION 9.** 45.79 (7) (a) 10. of the statutes is created to read:

4 45.79 (7) (a) 10. To make payments required of the department under sub. (5)
5 (a) 6.

6 **SECTION 10.** 224.71 (3) (b) 7. of the statutes is created to read:

7 224.71 (3) (b) 7. The department of veterans affairs when administering the
8 veteran's housing loan program under subch. II of ch. 45.

9

(END)

Insert
5-8 →

Insert A ✓

(NO) but restricts the expenditure or encumbrance of these moneys until after DVA and DOA develop a proposal for the most cost-effective method of purchasing loan-servicing rights and of servicing the loans, and submit the proposal to ~~DOA~~. If the cochairpersons of ~~DOA~~ do not notify DVA within 14 working days after the date on which the proposal is submitted that ~~DOA~~ has scheduled a meeting for the purpose of reviewing the proposal, the secretary of administration must direct that the moneys may be encumbered or expended. If, within 14 working days after the date on which the proposal is submitted, the cochairpersons notify DVA that ~~DOA~~ has scheduled a meeting for the purpose of reviewing the proposal, the secretary of administration may not direct that the moneys may be encumbered or expended except as approved by ~~DOA~~.

Insert 5-8

SECTION 9157. Nonstatutory provisions; veterans affairs.

(1) SERVICING PRIMARY MORTGAGE LOANS.

(a) *Proposal.* The department of veterans affairs and the department of administration shall develop a proposal for the most cost-effective method of purchasing loan-servicing rights and of servicing the loans under section 45.79 (5)

(a) 10. of the statutes, as created by this act.

(b) *Funding.* The department of veterans affairs may not encumber or expend moneys appropriated to it under section 20.485 (3) (wd), (wg), and (wp) of the statutes, as created by this act, unless the department submits the proposal developed under paragraph (a) to the joint committee on finance. If the cochairpersons of the committee do not notify the department within 14 working days after the date on which the department submits the proposal that the committee has scheduled a meeting for the purposes of reviewing the proposal, the secretary of administration shall direct that the moneys may be encumbered or expended. If, within 14 working days after the date on which the proposal is

may

submitted, the cocharipersons notify the department that the committee has scheduled a meeting for the purpose of reviewing the proposal, the secretary of administration may not direct that the moneys be encumbered or expended except as approved by the committee.

(c) *Escrow payments.* Notwithstanding section 45.79 (5) (a) of the statutes, as affected by this act, the department of veterans affairs may not hold monthly escrow payments made by borrowers unless the joint committee on finance approves the proposal developed under paragraph (a) and permits moneys to be encumbered or expended as provided under paragraph (b).

a.r.

a.r.

Sager-Rosenthal, Ivy

From: Uecker, Deborah
Sent: Thursday, January 04, 2001 12:41 PM
To: Sager-Rosenthal, Ivy
Subject: FW: LRB Draft: 01-0726/2 In-house servicing of primary mortgage loans

Ivy, could the reference to JCF be removed from the draft? I may have instructed this, I don't recall, but this is what I am looking for. Events would happen in this order:

- Joint DOA/DVA study involving the State Controller's Office and the Capital Finance Office in DOA to assess the least expensive option to service veterans home loan payments
- Once the study is completed the recommendation would be sent to the DVA secretary

We want the loan servicing rights to be purchased by DVA, but don't want any funds spent or encumbered, etc. until the least expensive method is found through the study. DVA could be the least expensive method or could not be. Another state agency or a private entity could service the loans cheaper than DVA could.

Deborah A. Uecker

Executive Policy and Budget Analyst
State Budget Office
Department of Administration
101 E. Wilson Street, 10th Floor
deborah.uecker@doa.state.wi.us
Phone: (608) 267-0371
Fax: (608) 267-0372

*but can't buy it until
can service them*

-----Original Message-----

From: Schlueter, Ron
Sent: Thursday, January 04, 2001 11:26 AM
To: Uecker, Deborah
Cc: Caucutt, Dan; Currier, Dawn; Hanaman, Cathlene; Haugen, Caroline
Subject: LRB Draft: 01-0726/2 In-house servicing of primary mortgage loans

Following is the PDF version of draft 01-0726/2.



01-0726/2



RMR

DOA:.....Uecker – In-house servicing of primary mortgage loans

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

soon

1

*DONAT
GEN. CAT.*
AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

VETERANS AND MILITARY AFFAIRS

Currently, under the veteran's housing loan program, veterans who meet certain requirements are eligible for a primary mortgage loan. Current law requires a veteran to apply for a primary mortgage loan through a DVA-approved financial institution (authorized lender). The authorized lender evaluates the veteran's creditworthiness and makes other financial determinations. DVA also reviews the loan application to ensure that the veteran meets other requirements of the loan program. If the application is approved by both the authorized lender and DVA, the authorized lender makes the loan and then performs loan-servicing activities, such as collecting the veteran's monthly mortgage payment, forwarding these payments to DVA, and collecting delinquent payments. Before forwarding a monthly mortgage payment to DVA, an authorized lender may deduct, from the veteran's monthly mortgage payment, a monthly fee for performing loan-servicing activities.

Also, under current law, as a condition of receiving a loan, a veteran must pay to the authorized lender a monthly escrow payment for the payment of real estate taxes and casualty insurance premiums. Current law requires the authorized lender to hold these payments in escrow and then pay to the insurance company and the city the amounts due or the amount escrowed, whichever is less.

Finally, under the loan program, a veteran must have adequate fire and extended coverage insurance. Current law requires that these insurance policies name the authorized lender as an insured.

This bill permits DVA to perform loan-servicing activities for any loans made under the veteran's housing loan program and to purchase from authorized lenders the rights to service loans that are made under the program.

The bill funds both the loan-servicing activities and the purchase of servicing rights with moneys from the veterans mortgage loan repayment fund but restricts the expenditure or encumbrance of these moneys until after DVA and DOA develop a ^{Plan} proposal for the most cost-effective method of purchasing loan-servicing rights and servicing the loans, and submit the proposal to JCF. If the cochairpersons of JCF do not notify DVA within 14 working days after the date on which the proposal is submitted that JCF has scheduled a meeting for the purpose of reviewing the proposal, the secretary of administration must direct that the moneys may be encumbered or expended. If, within 14 working days after the date on which the proposal is submitted, the cochairpersons notify DVA that JCF has scheduled a meeting for the purpose of reviewing the proposal, the secretary of administration may not direct that the moneys may be encumbered or expended except as approved by JCF. ~~keep~~

The bill also permits DVA to hold in escrow monthly payments paid by a veteran for real estate taxes and casualty insurance premiums. The bill requires an authorized lender or, if DVA holds the payments in escrow, DVA to pay the amounts due for real estate taxes and insurance premiums regardless of whether the amount held in escrow is sufficient to cover the amounts due. If the amount held in escrow is insufficient to pay the amounts due, the lender or DVA, after paying the amounts due, must recover the balance from the veteran. If the amount held in escrow is more than the amounts due, the lender or DVA, after paying the amounts due, is required to pay the balance to the veteran.

Under the bill DVA may not begin holding monthly escrow payments until ^{the most cost-effective method of} ~~it~~ approves the ^{Plan} proposal for purchasing loan-servicing rights and servicing the loans, and permits the expenditure and encumbrance of the moneys for the loan-servicing activities. ~~is completed by DVA and DOA~~

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

- 1 SECTION 1. 20.485 (3) (wd) of the statutes is created to read:
- 2 20.485 (3) (wd) *Loan-servicing administration.* From the veterans mortgage
- 3 loan repayment fund, all moneys allocated under s. 45.79 (7) (a) 4. in the veterans
- 4 mortgage loan repayment fund to pay costs for servicing loans, for servicing loans
- 5 under s. 45.79 (5) (a) 10.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

1 **SECTION 2.** 20.485 (3) (wg) of the statutes is created to read:

2 20.485 (3) (wg) *Escrow payments, recoveries, and refunds.* From the veterans
3 mortgage loan repayment fund, all moneys received by the department under s.
4 45.79 (5) (a) 6. to make payments required of the department under s. 45.79 (5) (a)
5 6.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

6 **SECTION 3.** 20.485 (3) (wp) of the statutes is created to read:

7 20.485 (3) (wp) *Loan-servicing rights.* Biennially, from the veterans mortgage
8 loan repayment fund, the amounts in the schedule to purchase loan-servicing rights
9 from authorized lenders under s. 45.79 (5) (a) 10.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

10 **SECTION 4.** 45.79 (3) (b) of the statutes is amended to read:

11 45.79 (3) (b) *Casualty insurance coverage.* Mortgages given to secure loans
12 under this section shall provide for adequate fire and extended coverage insurance.
13 Policies providing such insurance coverage shall name the authorized lender
14 involved or the department as an insured.

15 **SECTION 5.** 45.79 (5) (a) 6. of the statutes is amended to read:

16 45.79 (5) (a) 6. Require borrowers to make monthly escrow payments to be held
17 by the authorized lender or the department for real estate taxes and casualty
18 insurance premiums ~~which.~~ The authorized lender or, if the department holds the
19 payments in escrow, the department shall be paid by the authorized lender where
20 due to the extent of the amounts owing thereon or to the extent escrowed, whichever
21 is less pay all of the amounts due for real estate taxes and casualty insurance

1 premiums, even if the amount held in escrow is insufficient to cover the amounts due.
2 If the amount held in escrow is insufficient to cover the amounts due, the authorized
3 lender or, if the department holds the payments in escrow, the department shall
4 recover from the borrower, after paying the amounts due under this subdivision, an
5 amount equal to the difference between the amounts paid and the amount held in
6 escrow. If the amount held in escrow is more than the amounts due, the authorized
7 lender or, if the department holds the payments in escrow, the department shall
8 refund to the borrower, after paying the amounts due under this subdivision, an
9 amount equal to the difference between the amount held in escrow and the amounts
10 paid by the authorized lender or the department.

11 **SECTION 6.** 45.79 (5) (a) 10. of the statutes is created to read:

12 45.79 (5) (a) 10. Service loans made under this section and purchase from
13 authorized lenders the servicing rights for loans made by authorized lenders under
14 this section.

15 **SECTION 7.** 45.79 (7) (a) (intro.) of the statutes is amended to read:

16 45.79 (7) (a) (intro.) There is created the veterans mortgage loan repayment
17 fund. All moneys received by the department for the repayment of loans funded
18 under sub. (6) (a) except for servicing fees required to be paid to authorized lenders,
19 net proceeds from the sale of mortgaged properties, any repayment to the
20 department of moneys paid to authorized lenders, gifts, grants, other
21 appropriations, and interest earnings accruing thereon, any repayment of moneys
22 borrowed under s. 45.356 (9) (a), all moneys received under sub. (5) (a) 6., and any
23 moneys deposited or transferred under s. 18.04 (6) (b) or (d) shall be promptly
24 deposited into the veterans mortgage loan repayment fund. The board shall
25 establish by resolution a system of accounts providing for the maintenance and

1 disbursement of moneys of the veterans mortgage loan repayment fund to fund loans
2 under sub. (6) (a) or to fund, refund, or acquire public debt as provided in s. 18.04 (5).
3 The system of accounts shall record and provide moneys for all of the following
4 purposes:

5 SECTION 8. 45.79 (7) (a) 4. of the statutes is amended to read:

6 45.79 (7) (a) 4. Payment of all costs incurred by the department in processing
7 and servicing loans, purchasing servicing rights for loans under this section, and
8 accounting for and administering the program under this section, including a portion
9 of grants made to county veterans' service officers under s. 45.43 (7).

10 SECTION 9. 45.79 (7) (a) 10. of the statutes is created to read:

11 45.79 (7) (a) 10. To make payments required of the department under sub. (5)
12 (a) 6.

13 SECTION 10. 224.71 (3) (b) 7. of the statutes is created to read:

14 224.71 (3) (b) 7. The department of veterans affairs when administering the
15 veteran's housing loan program under subch. II of ch. 45.

16 SECTION 9157. Nonstatutory provisions; veterans affairs.

17 (1) SERVICING PRIMARY MORTGAGE LOANS.

18 (a) ~~Proposed~~ ^{Plan} The department of veterans affairs and the department of
19 administration shall develop a ~~proposal~~ ^{plan} for the most cost-effective method of
20 ~~purchasing loan-servicing rights and~~ ^{purchased} servicing ~~the~~ loans under section 45.79 (5)
21 (a) 10. of the statutes, as created by this act.

22 (b) *Funding*. The ~~department of veterans affairs~~ ^{secretary of administration} may not ~~encumber or expend~~ ^{direct that}
23 moneys appropriated to ~~it~~ ^{the department of veterans affairs} under section 20.485 (3) (wd), (wg), and (wp) of the
24 statutes, as created by this act, ~~unless the department submits the proposal~~ ^{be encumbered or expended until after}
25 developed under paragraph (a) ~~to the joint committee on finance.~~ ^{is completed} ~~if the~~ ^{plan}

1 ~~cochairpersons of the committee do not notify the department within 14 working~~
 2 ~~days after the date on which the department submits the proposal that the~~
 3 ~~committee has scheduled a meeting for the purposes of reviewing the proposal, the~~
 4 ~~secretary of administration shall direct that the moneys may be encumbered or~~
 5 ~~expended. If, within 14 working days after the date on which the proposal is~~
 6 ~~submitted, the cochairpersons notify the department that the committee has~~
 7 ~~scheduled a meeting for the purpose of reviewing the proposal, the secretary of~~
 8 ~~administration may not direct that the moneys may be encumbered or expended~~
 9 ~~except as approved by the committee.~~

10 (c) *Escrow payments.* Notwithstanding section 45.79 (5) (a) of the statutes, as
 11 affected by this act, the department of veterans affairs may not hold monthly escrow
 12 payments made by borrowers ^{until after} unless the joint committee on finance approves the
 13 ~~proposal~~ ^{plan} developed under paragraph (a) and permits moneys to be encumbered or
 14 ~~expended as provided under paragraph (b).~~ ^{is completed}

(END)

*Deborah Vecker, 1/12/00

-change (3)(wd) appropriation to a sum certain A approp.

From the veterans mortgage loan repayment fund
the amount in the schedule for



RMK

DOA:.....Uecker – In-house servicing of primary mortgage loans

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

Sejm

1

AN ACT ^{DON'T} _{GEN. CAT.} relating to: the budget.

Analysis by the Legislative Reference Bureau

VETERANS AND MILITARY AFFAIRS

Currently, under the veteran's housing loan program, veterans who meet certain requirements are eligible for a primary mortgage loan. Current law requires a veteran to apply for a primary mortgage loan through a DVA-approved financial institution (authorized lender). The authorized lender evaluates the veteran's creditworthiness and makes other financial determinations. DVA also reviews the loan application to ensure that the veteran meets other requirements of the loan program. If the application is approved by both the authorized lender and DVA, the authorized lender makes the loan and then performs loan-servicing activities, such as collecting the veteran's monthly mortgage payment, forwarding these payments to DVA, and collecting delinquent payments. Before forwarding a monthly mortgage payment to DVA, an authorized lender may deduct, from the veteran's monthly mortgage payment, a monthly fee for performing loan-servicing activities.

Also, under current law, as a condition of receiving a loan, a veteran must pay to the authorized lender a monthly escrow payment for the payment of real estate taxes and casualty insurance premiums. Current law requires the authorized lender to hold these payments in escrow and then pay to the insurance company and the city the amounts due or the amount escrowed, whichever is less.

Finally, under the loan program, a veteran must have adequate fire and extended coverage insurance. Current law requires that these insurance policies name the authorized lender as an insured.

This bill permits DVA to perform loan-servicing activities for any loans made under the veteran's housing loan program and to purchase from authorized lenders the rights to service loans that are made under the program.

The bill funds both the loan-servicing activities and the purchase of servicing rights with moneys from the veterans mortgage loan repayment fund but restricts the expenditure or encumbrance of these moneys until after DVA and DOA develop a plan for the most cost-effective method of servicing the loans.

The bill also permits DVA to hold in escrow monthly payments paid by a veteran for real estate taxes and casualty insurance premiums. The bill requires an authorized lender or, if DVA holds the payments in escrow, DVA to pay the amounts due for real estate taxes and insurance premiums regardless of whether the amount held in escrow is sufficient to cover the amounts due. If the amount held in escrow is insufficient to pay the amounts due, the lender or DVA, after paying the amounts due, must recover the balance from the veteran. If the amount held in escrow is more than the amounts due, the lender or DVA, after paying the amounts due, is required to pay the balance to the veteran.

Under the bill, DVA may not begin holding monthly escrow payments until the plan for the most cost-effective method of servicing the loans is completed by DVA and DOA.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.485 (3) (wd) of the statutes is created to read:

2 20.485 (3) (wd) *Loan-servicing administration.* From the veterans mortgage

3 loan repayment fund, ~~all moneys allocated under s. 45.79 (7) (a) 4. in the veterans~~ ^{the amounts in the schedule}

4 ~~mortgage loan repayment fund to pay costs for servicing loans,~~ for servicing loans

5 under s. 45.79 (5) (a) 10. *administrative costs of*

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

6 **SECTION 2.** 20.485 (3) (wg) of the statutes is created to read:

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3 loan repayment fund, the amounts in the schedule to purchase loan-servicing rights
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***NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

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7 under this section shall provide for adequate fire and extended coverage insurance.
8 Policies providing such insurance coverage shall name the authorized lender
9 involved or the department as an insured.

10 **SECTION 5.** 45.79 (5) (a) 6. of the statutes is amended to read:

11 45.79 (5) (a) 6. Require borrowers to make monthly escrow payments to be held
12 by the authorized lender or the department for real estate taxes and casualty
13 insurance premiums ~~which.~~ The authorized lender or, if the department holds the
14 payments in escrow, the department shall be paid by the authorized lender where
15 due to the extent of the amounts owing thereon or to the extent escrowed, whichever
16 is less pay all of the amounts due for real estate taxes and casualty insurance
17 premiums, even if the amount held in escrow is insufficient to cover the amounts due.
18 If the amount held in escrow is insufficient to cover the amounts due, the authorized
19 lender or, if the department holds the payments in escrow, the department shall
20 recover from the borrower, after paying the amounts due under this subdivision, an
21 amount equal to the difference between the amounts paid and the amount held in
22 escrow. If the amount held in escrow is more than the amounts due, the authorized

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2 refund to the borrower, after paying the amounts due under this subdivision, an
3 amount equal to the difference between the amount held in escrow and the amounts
4 paid by the authorized lender or the department.

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6 45.79 (5) (a) 10. Service loans made under this section and purchase from
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13 net proceeds from the sale of mortgaged properties, any repayment to the
14 department of moneys paid to authorized lenders, gifts, grants, other
15 appropriations, and interest earnings accruing thereon, any repayment of moneys
16 borrowed under s. 45.356 (9) (a), all moneys received under sub. (5) (a) 6., and any
17 moneys deposited or transferred under s. 18.04 (6) (b) or (d) shall be promptly
18 deposited into the veterans mortgage loan repayment fund. The board shall
19 establish by resolution a system of accounts providing for the maintenance and
20 disbursement of moneys of the veterans mortgage loan repayment fund to fund loans
21 under sub. (6) (a) or to fund, refund, or acquire public debt as provided in s. 18.04 (5).
22 The system of accounts shall record and provide moneys for all of the following
23 purposes:

24 **SECTION 8.** 45.79 (7) (a) 4. of the statutes is amended to read:

1 45.79 (7) (a) 4. Payment of all costs incurred by the department in processing
2 and servicing loans, purchasing servicing rights for loans under this section, and
3 accounting for and administering the program under this section, including a portion
4 of grants made to county veterans' service officers under s. 45.43 (7).

5 **SECTION 9.** 45.79 (7) (a) 10. of the statutes is created to read:

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8 **SECTION 10.** 224.71 (3) (b) 7. of the statutes is created to read:

9 224.71 (3) (b) 7. The department of veterans affairs when administering the
10 veteran's housing loan program under subch. II of ch. 45.

11 **SECTION 9157. Nonstatutory provisions; veterans affairs.**

12 (1) SERVICING PRIMARY MORTGAGE LOANS.

13 (a) *Plan.* The department of veterans affairs and the department of
14 administration shall develop a plan for the most cost-effective method of servicing
15 loans purchased under section 45.79 (5) (a) 10. of the statutes, as created by this act.

16 (b) *Funding.* The secretary of administration may not direct that moneys
17 appropriated to the department of veterans affairs under section 20.485 (3) (wd),
18 (wg), and (wp) of the statutes, as created by this act, be encumbered or expended until
19 after the plan developed under paragraph (a) is completed.

20 (c) *Escrow payments.* Notwithstanding section 45.79 (5) (a) of the statutes, as
21 affected by this act, the department of veterans affairs may not hold monthly escrow
22 payments made by borrowers until after the plan developed under paragraph (a) is
23 completed.

24

(END)



RMR

DOA:.....Uecker - In-house servicing of primary mortgage loans

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

DRAFT

DON'T
GEN. CAT.

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

VETERANS AND MILITARY AFFAIRS

Currently, under the veteran's housing loan program, veterans who meet certain requirements are eligible for a primary mortgage loan. Current law requires a veteran to apply for a primary mortgage loan through a DVA-approved financial institution (authorized lender). The authorized lender evaluates the veteran's creditworthiness and makes other financial determinations. DVA also reviews the loan application to ensure that the veteran meets other requirements of the loan program. If the application is approved by both the authorized lender and DVA, the authorized lender makes the loan and then performs loan-servicing activities, such as collecting the veteran's monthly mortgage payment, forwarding these payments to DVA, and collecting delinquent payments. Before forwarding a monthly mortgage payment to DVA, an authorized lender may deduct, from the veteran's monthly mortgage payment, a monthly fee for performing loan-servicing activities.

Also, under current law, as a condition of receiving a loan, a veteran must pay to the authorized lender a monthly escrow payment for the payment of real estate taxes and casualty insurance premiums. Current law requires the authorized lender to hold these payments in escrow and then pay to the insurance company and the city the amounts due or the amount escrowed, whichever is less.

Finally, under the loan program, a veteran must have adequate fire and extended coverage insurance. Current law requires that these insurance policies name the authorized lender as an insured.

This bill permits DVA to perform loan-servicing activities for any loans made under the veteran's housing loan program and to purchase from authorized lenders the rights to service loans that are made under the program.

The bill funds both the loan-servicing activities and the purchase of servicing rights with moneys from the veterans mortgage loan repayment fund but restricts the expenditure or encumbrance of these moneys until after DVA and DOA develop a plan for the most cost-effective method of servicing the loans.

The bill also permits DVA to hold in escrow monthly payments paid by a veteran for real estate taxes and casualty insurance premiums. The bill requires an authorized lender or, if DVA holds the payments in escrow, DVA to pay the amounts due for real estate taxes and insurance premiums regardless of whether the amount held in escrow is sufficient to cover the amounts due. If the amount held in escrow is insufficient to pay the amounts due, the lender or DVA, after paying the amounts due, must recover the balance from the veteran. If the amount held in escrow is more than the amounts due, the lender or DVA, after paying the amounts due, is required to pay the balance to the veteran.

Under the bill, DVA may not begin holding monthly escrow payments until the plan for the most cost-effective method of servicing the loans is completed by DVA and DOA.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.485 (3) (wd) of the statutes is created to read:

2 20.485 (3) (wd) *Loan-servicing administration.* From the veterans mortgage
3 loan repayment fund, the amounts in the schedule for administrative costs of
4 servicing loans under s. 45.79 (5) (a) 10.

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

5 **SECTION 2.** 20.485 (3) (wg) of the statutes is created to read:

6 20.485 (3) (wg) *Escrow payments, recoveries, and refunds.* From the veterans
7 mortgage loan repayment fund, all moneys received by the department under s.
8 45.79 (5) (a) 6. to make payments required of the department under s. 45.79 (5) (a)
9 6.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

1 **SECTION 3.** 20.485 (3) (wp) of the statutes is created to read:

2 20.485 (3) (wp) *Loan-servicing rights.* Biennially, from the veterans mortgage
3 loan repayment fund, the amounts in the schedule to purchase loan-servicing rights
4 from authorized lenders under s. 45.79 (5) (a) 10.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

5 **SECTION 4.** 45.79 (3) (b) of the statutes is amended to read:

6 45.79 (3) (b) *Casualty insurance coverage.* Mortgages given to secure loans
7 under this section shall provide for adequate fire and extended coverage insurance.
8 Policies providing such insurance coverage shall name the authorized lender
9 involved or the department as an insured.

10 **SECTION 5.** 45.79 (5) (a) 6. of the statutes is amended to read:

11 45.79 (5) (a) 6. Require borrowers to make monthly escrow payments to be held
12 by the authorized lender or the department for real estate taxes and casualty
13 insurance premiums ~~which.~~ The authorized lender or, if the department holds the
14 payments in escrow, the department shall be paid by the authorized lender where
15 due to the extent of the amounts owing thereon or to the extent escrowed, whichever
16 is less pay all of the amounts due for real estate taxes and casualty insurance
17 premiums, even if the amount held in escrow is insufficient to cover the amounts due.
18 If the amount held in escrow is insufficient to cover the amounts due, the authorized
19 lender or, if the department holds the payments in escrow, the department shall
20 recover from the borrower, after paying the amounts due under this subdivision, an
21 amount equal to the difference between the amounts paid and the amount held in
22 escrow. If the amount held in escrow is more than the amounts due, the authorized

1 lender or, if the department holds the payments in escrow, the department shall
2 refund to the borrower, after paying the amounts due under this subdivision, an
3 amount equal to the difference between the amount held in escrow and the amounts
4 paid by the authorized lender or the department.

5 **SECTION 6.** 45.79 (5) (a) 10. of the statutes is created to read:

6 45.79 (5) (a) 10. Service loans made under this section and purchase from
7 authorized lenders the servicing rights for loans made by authorized lenders under
8 this section.

9 **SECTION 7.** 45.79 (7) (a) (intro.) of the statutes is amended to read:

10 45.79 (7) (a) (intro.) There is created the veterans mortgage loan repayment
11 fund. All moneys received by the department for the repayment of loans funded
12 under sub. (6) (a) except for servicing fees required to be paid to authorized lenders,
13 net proceeds from the sale of mortgaged properties, any repayment to the
14 department of moneys paid to authorized lenders, gifts, grants, other
15 appropriations, and interest earnings accruing thereon, any repayment of moneys
16 borrowed under s. 45.356 (9) (a), all moneys received under sub. (5) (a) 6., and any
17 moneys deposited or transferred under s. 18.04 (6) (b) or (d) shall be promptly
18 deposited into the veterans mortgage loan repayment fund. The board shall
19 establish by resolution a system of accounts providing for the maintenance and
20 disbursement of moneys of the veterans mortgage loan repayment fund to fund loans
21 under sub. (6) (a) or to fund, refund, or acquire public debt as provided in s. 18.04 (5).
22 The system of accounts shall record and provide moneys for all of the following
23 purposes:

24 **SECTION 8.** 45.79 (7) (a) 4. of the statutes is amended to read:

1 45.79 (7) (a) 4. Payment of all costs incurred by the department in processing
2 and servicing loans, purchasing servicing rights for loans under this section, and
3 accounting for and administering the program under this section, including a portion
4 of grants made to county veterans' service officers under s. 45.43 (7).

5 **SECTION 9.** 45.79 (7) (a) ~~5.~~^{11.} of the statutes is created to read:

6 45.79 (7) (a) ~~5.~~^{11.} To make payments required of the department under sub. (5)
7 (a) 6.

8 **SECTION 10.** 224.71 (3) (b) 7. of the statutes is created to read:

9 224.71 (3) (b) 7. The department of veterans affairs when administering the
10 veteran's housing loan program under subch. II of ch. 45.

11 **SECTION 9157. Nonstatutory provisions; veterans affairs.**

12 (1) **SERVICING PRIMARY MORTGAGE LOANS.**

13 (a) *Plan.* The department of veterans affairs and the department of
14 administration shall develop a plan for the most cost-effective method of servicing
15 loans purchased under section 45.79 (5) (a) 10. of the statutes, as created by this act.

16 (b) *Funding.* The secretary of administration may not direct that moneys
17 appropriated to the department of veterans affairs under section 20.485 (3) (wd),
18 (wg), and (wp) of the statutes, as created by this act, be encumbered or expended until
19 after the plan developed under paragraph (a) is completed.

20 (c) *Escrow payments.* Notwithstanding section 45.79 (5) (a) of the statutes, as
21 affected by this act, the department of veterans affairs may not hold monthly escrow
22 payments made by borrowers until after the plan developed under paragraph (a) is
23 completed.

24

(END)

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU


LRB-0726/5dn

ISR: /:....

KMG

LRB-0737 and LRB-0726 created the same s. 45.79 (7) (a) 10. This "5" version of LRB-0726 changes subd. 10. to subd. 11.

that



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FROM THE
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LRB-0726/5dn
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February 7, 2001

LRB-0737 and LRB-0726 created the same s. 45.79 (7) (a) 10. This "5" version of LRB-0726 changes that subd. 10. to subd. 11.

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DOA:.....Uecker – In-house servicing of primary mortgage loans
FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau
VETERANS AND MILITARY AFFAIRS

Currently, under the veteran's housing loan program, veterans who meet certain requirements are eligible for a primary mortgage loan. Current law requires a veteran to apply for a primary mortgage loan through a DVA-approved financial institution (authorized lender). The authorized lender evaluates the veteran's creditworthiness and makes other financial determinations. DVA also reviews the loan application to ensure that the veteran meets other requirements of the loan program. If the application is approved by both the authorized lender and DVA, the authorized lender makes the loan and then performs loan-servicing activities, such as collecting the veteran's monthly mortgage payment, forwarding these payments to DVA, and collecting delinquent payments. Before forwarding a monthly mortgage payment to DVA, an authorized lender may deduct, from the veteran's monthly mortgage payment, a monthly fee for performing loan-servicing activities.

Also, under current law, as a condition of receiving a loan, a veteran must pay to the authorized lender a monthly escrow payment for the payment of real estate taxes and casualty insurance premiums. Current law requires the authorized lender to hold these payments in escrow and then pay to the insurance company and the city the amounts due or the amount escrowed, whichever is less.

Finally, under the loan program, a veteran must have adequate fire and extended coverage insurance. Current law requires that these insurance policies name the authorized lender as an insured.

This bill permits DVA to perform loan-servicing activities for any loans made under the veteran's housing loan program and to purchase from authorized lenders the rights to service loans that are made under the program.

The bill funds both the loan-servicing activities and the purchase of servicing rights with moneys from the veterans mortgage loan repayment fund but restricts the expenditure or encumbrance of these moneys until after DVA and DOA develop a plan for the most cost-effective method of servicing the loans.

The bill also permits DVA to hold in escrow monthly payments paid by a veteran for real estate taxes and casualty insurance premiums. The bill requires an authorized lender or, if DVA holds the payments in escrow, DVA to pay the amounts due for real estate taxes and insurance premiums regardless of whether the amount held in escrow is sufficient to cover the amounts due. If the amount held in escrow is insufficient to pay the amounts due, the lender or DVA, after paying the amounts due, must recover the balance from the veteran. If the amount held in escrow is more than the amounts due, the lender or DVA, after paying the amounts due, is required to pay the balance to the veteran.

Under the bill, DVA may not begin holding monthly escrow payments until the plan for the most cost-effective method of servicing the loans is completed by DVA and DOA.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.485 (3) (wd) of the statutes is created to read:

2 20.485 (3) (wd) *Loan-servicing administration.* From the veterans mortgage
3 loan repayment fund, the amounts in the schedule for administrative costs of
4 servicing loans under s. 45.79 (5) (a) 10.

 ****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

5 **SECTION 2.** 20.485 (3) (wg) of the statutes is created to read:

6 20.485 (3) (wg) *Escrow payments, recoveries, and refunds.* From the veterans
7 mortgage loan repayment fund, all moneys received by the department under s.
8 45.79 (5) (a) 6. to make payments required of the department under s. 45.79 (5) (a)
9 6.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

1 **SECTION 3.** 20.485 (3) (wp) of the statutes is created to read:

2 20.485 (3) (wp) *Loan servicing rights.* Biennially, from the veterans mortgage
3 loan repayment fund, the amounts in the schedule to purchase loan-servicing rights
4 from authorized lenders under s. 45.79 (5) (a) 10.

****NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

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6 45.79 (3) (b) *Casualty insurance coverage.* Mortgages given to secure loans
7 under this section shall provide for adequate fire and extended coverage insurance.
8 Policies providing such insurance coverage shall name the authorized lender
9 involved or the department as an insured.

10 **SECTION 5.** 45.79 (5) (a) 6. of the statutes is amended to read:

11 45.79 (5) (a) 6. Require borrowers to make monthly escrow payments to be held
12 by the authorized lender or the department for real estate taxes and casualty
13 insurance premiums ~~which.~~ The authorized lender or, if the department holds the
14 payments in escrow, the department shall be paid by the authorized lender where
15 due to the extent of the amounts owing thereon or to the extent escrowed, whichever
16 is less pay all of the amounts due for real estate taxes and casualty insurance
17 premiums, even if the amount held in escrow is insufficient to cover the amounts due.
18 If the amount held in escrow is insufficient to cover the amounts due, the authorized
19 lender or, if the department holds the payments in escrow, the department shall
20 recover from the borrower, after paying the amounts due under this subdivision, an
21 amount equal to the difference between the amounts paid and the amount held in
22 escrow. If the amount held in escrow is more than the amounts due, the authorized

1 lender or, if the department holds the payments in escrow, the department shall
2 refund to the borrower, after paying the amounts due under this subdivision, an
3 amount equal to the difference between the amount held in escrow and the amounts
4 paid by the authorized lender or the department.

5 **SECTION 6.** 45.79 (5) (a) 10. of the statutes is created to read:

6 45.79 (5) (a) 10. Service loans made under this section and purchase from
7 authorized lenders the servicing rights for loans made by authorized lenders under
8 this section.

9 **SECTION 7.** 45.79 (7) (a) (intro.) of the statutes is amended to read:

10 45.79 (7) (a) (intro.) There is created the veterans mortgage loan repayment
11 fund. All moneys received by the department for the repayment of loans funded
12 under sub. (6) (a) except for servicing fees required to be paid to authorized lenders,
13 net proceeds from the sale of mortgaged properties, any repayment to the
14 department of moneys paid to authorized lenders, gifts, grants, other
15 appropriations, and interest earnings accruing thereon, any repayment of moneys
16 borrowed under s. 45.356 (9) (a), all moneys received under sub. (5) (a) 6., and any
17 moneys deposited or transferred under s. 18.04 (6) (b) or (d) shall be promptly
18 deposited into the veterans mortgage loan repayment fund. The board shall
19 establish by resolution a system of accounts providing for the maintenance and
20 disbursement of moneys of the veterans mortgage loan repayment fund to fund loans
21 under sub. (6) (a) or to fund, refund, or acquire public debt as provided in s. 18.04 (5).
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23 purposes:

24 **SECTION 8.** 45.79 (7) (a) 4. of the statutes is amended to read:

1 45.79 (7) (a) 4. Payment of all costs incurred by the department in processing
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3 accounting for and administering the program under this section, including a portion
4 of grants made to county veterans' service officers under s. 45.43 (7).

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17 appropriated to the department of veterans affairs under section 20.485 (3) (wd),
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19 after the plan developed under paragraph (a) is completed.

20 (c) *Escrow payments.* Notwithstanding section 45.79 (5) (a) of the statutes, as
21 affected by this act, the department of veterans affairs may not hold monthly escrow
22 payments made by borrowers until after the plan developed under paragraph (a) is
23 completed.

24

(END)