

1975 Assembly Bill 792

Date published: July 5, 1975

## CHAPTER 26, Laws of 1975

AN ACT to renumber and amend 45.79 (5) (c); to amend 18.04 (2), 20.866 (1) (u), 45.35 (16), 45.70 (2), 45.71 (9) (intro.), 45.74 (1) (b), 45.79 (3) (a) 1 and (b), (4) and (5) (a) 1 and 4 and 234.40 (4); to repeal and recreate 45.71 (16) (a); and to create 20.485 (3) (e), (q), (r), (s) and (t), 20.866 (2) (zn), 25.17 (1) (km), 45.79 (6) and (7) and 45.80 (2) (d) of the statutes, relating to authorizing general obligation bonding for and making various changes in the veterans first mortgage loan program, and making an appropriation.

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

SECTION 1. 18.04 (2) of the statutes is amended to read:

18.04 (2) The commission shall authorize public debt to be contracted and evidences of indebtedness to be issued therefor up to the amounts specified by the legislature to acquire, construct, develop, extend, enlarge or improve land, waters,

property, highways, buildings, equipment or facilities or to make funds available for veterans' housing loans for the classes of public purposes specified by the legislature as the funds are required. Said requirements for funds shall be established by that department or agency head having program responsibilities for which public debt has been authorized by the legislature.

SECTION 2. At the appropriate places in the schedule in section 20.005 of the statutes, insert the following amounts for the purposes indicated:

20.866 Public debt	1975-76	1976-77
(2) Capital improvement authorizations		
(zn) Veterans affairs, mortgage loans BR C 300,000,000		-0-

SECTION 3. 20.485 (3) (e), (q), (r), (s) and (t) of the statutes are created to read:

20.485 (3) (e) *General program deficiency.* A sum sufficient to pay any general program deficiency under s. 45.79, including any deficiency in the capital reserve fund requirement under s. 234.42.

(q) *General program reimbursement.* A sum sufficient from the veterans mortgage loan repayment fund, after deducting the amounts appropriated under pars. (r), (s) and (t), to reimburse the general fund for advances made under par. (e).

(r) *Self-insurance.* A sum sufficient from the veterans mortgage loan repayment fund, after deducting the amounts appropriated under pars. (s) and (t), for self-insurance costs under s. 45.79 (7) (a) 3.

(s) *General program operations.* A sum sufficient from the veterans mortgage loan repayment fund, after deducting the amounts appropriated under par. (t), for general program operations of the veterans mortgage loan program under s. 45.79.

(t) *Principal repayment and interest.* A sum sufficient from the veterans mortgage loan repayment fund to reimburse s. 20.866 (1) (u) for the payment of principal and interest costs incurred in providing veterans mortgage loans under s. 45.79 (6) (a).

SECTION 4. 20.866 (1) (u) of the statutes is amended to read:

20.866 (1) (u) *Principal repayment and interest.* A sum sufficient from moneys appropriated under ss. 20.115 (4) (j), 20.225 (1) (c), 20.255 (2) (c), 20.285 (1) (d) and (gb), 20.370 (5) (d) and (7) (b) and (em), 20.395 (5) (qa), (qb), (qc), (qd) and (qe), 20.435 (2) (ee) and (3) (e), 20.485 (1) (f) and (3) (t) and 20.710 (1) (a) and (3) (a), (b) and (g) for the payment of principal and interest on public debt acquired in accordance with ch. 18.

SECTION 5. 20.866 (2) (zn) of the statutes is created to read:

20.866 (2) (zn) *Veterans affairs; self-amortizing mortgage loans.* As a continuing appropriation from the capital improvement fund, the amounts in the schedule to the department of veterans affairs for the purchase of mortgages and mortgage notes covering loans made to veterans under s. 45.79 (6) (a). The state may contract public debt in an amount not to exceed \$300,000,000 for this purpose.

SECTION 6. 25.17 (1) (km) of the statutes is created to read:

25.17 (1) (km) Veterans mortgage loan repayment fund (s. 45.79 (7));

SECTION 7. 45.35 (16) of the statutes is amended to read:

45.35 (16) DEFERRAL OF PAYMENTS AND INTEREST ON LOANS. When a veteran or a member of his family makes application for deferment of payment of monthly instalments and waiver of interest charges on veterans' loans made under this chapter, showing that the ability of such veteran to make payment is materially and adversely affected by reason of military service, the department may, with the approval of the

board, defer payment of monthly instalments and waive interest charges on veterans' loans made under this chapter for the duration of any period of service in the armed forces of the United States during a national emergency or in time of war or under P.L. 87-117 and 6 months from date of discharge or separation and the time for payment may be extended for a like period. However, when funds in the self-insurance account under s. 45.79 (7) (a) 3 are insufficient to cover these deferrals, the board may grant deferral of payments and interest on loans provided under s. 45.79 only when so required by federal law.

SECTION 8. 45.70 (2) of the statutes is amended to read:

45.70 (2) LEGISLATIVE INTENT. This subchapter is created principally to enable the state and the authority to exercise its 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 consistent with the purposes of this subchapter.

SECTION 9. 45.71 (9) (intro.) of the statutes is amended to read:

45.71 (9) (intro.) "Income" means the amount of adjusted gross income a veteran is receiving for his regular work together with any income from other sources that may reasonably be expected to ~~continue for the term of the loan~~ be regular and dependable.

SECTION 9m. 45.71 (16) (a) of the statutes is repealed and recreated to read:

45.71 (16) (a) Any person who served on active duty under honorable conditions in the U.S. armed forces which service entitled him to receive either the armed forces expeditionary medal, established by executive order 10977 on December 4, 1961, or the Viet Nam service medal established by executive order 11231 on July 8, 1965, or for 90 days or more during a war period as enumerated below or under section 1 of executive order 10957, dated August 10, 1961, or if having served less than 90 days was honorably discharged for a service-connected disability or for a disability subsequently adjudicated to have been service-connected or died in service, or who served on active duty for more than 6 months during the period between February 1, 1955, and August 4, 1964, and was honorably discharged, and who has been a resident of this state for at least 5 years next preceding his application or his death or who was a resident of this state at the time of his enlistment or induction into service and is either a resident of and living in this state at the time of making application or is deceased. If the person had more than one qualifying term of service, at least one term of service must have been under honorable conditions or have been terminated by an honorable discharge. Veterans who are otherwise eligible and who are serving on active duty in the U.S. armed forces need not be living in this state on date of application to qualify for a loan under this chapter. The following are designated as war periods:

1. Indian war: Between 1860 and 1898.
2. Spanish American war: Between April 21, 1898, and April 11, 1899.
3. Philippine insurrection: Between April 12, 1899, and July 4, 1902 (extended to July 15, 1903, if actually engaged in Moro Province hostilities).
4. Boxer rebellion: Between June 16, 1900, and May 12, 1901.
5. Mexican border service: Between June 19, 1916, and April 5, 1917.
6. World War I: Between April 6, 1917, and November 11, 1918 (extended to April 1, 1920, if service was in Russia).

7. World War II: Between August 27, 1940, and July 25, 1947.
8. Korean conflict: Between June 27, 1950, and January 31, 1955.
9. Viet Nam era: Between August 5, 1964, and a date of termination to be established by the legislature, excepting service on active duty for training purposes only.

SECTION 10. 45.74 (1) (b) of the statutes is amended to read:

45.74 (1) (b) Eighteen thousand dollars, adjusted as provided in this paragraph. The \$18,000 maximum shall be adjusted upward or downward on August 1, 1975, in the amount of one percent for each one percent or fraction of one percent change in the homeownership consumer price index for the city of Milwaukee, established by the bureau of labor statistics of the U.S. department of labor as the average for urban wage earners and clerical workers, between May 1974 and May 1975. The maximum shall be adjusted upward or downward annually thereafter on July 1 of each year in the amount of one percent for each one percent or fraction of one percent change in the homeownership consumer price index for the city of Milwaukee between May of the preceding year and May of the year in which the adjustment is made.

SECTION 11. 45.79 (3) (a) 1 and (b), (4) and (5) (a) 1 and 4 of the statutes are amended to read:

45.79 (3) (a) 1. Each loan made under this section shall be evidenced by a promissory instalment note and secured by a mortgage on the real estate in respect to which the loan is granted ~~which names~~. Any loan having as its source funds provided through sub. (6) (a) shall have the mortgage name the department as mortgagee and payee. Any loan having as its source funds provided through sub. (6) (b) shall have the mortgage name the authorized lender involved as mortgagee and payee. Such, and such mortgage and note shall be assigned by the authorized lender to the authority immediately upon execution. ~~Such mortgage~~ All mortgages must have priority over all liens against the mortgaged premises and the buildings and improvements thereon, except tax and special assessment liens filed after the recording of the mortgage.

(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 as an insured.

(4) INTEREST RATE DETERMINED. (a) The department shall determine the interest rate on loans made under this section. The interest rate so determined shall not be increased during the term of the loan. ~~The interest rate shall not exceed 1.25% plus the rate necessary to fully repay interest on bonds issued by the authority to provide moneys for loans made under this section. It shall be as low as possible but shall be sufficient to fully pay all expenses in accordance with sub. (7).~~

(b) The self-insurance account established in sub. (7) (a) 3 shall accrue to an amount not less than the amount required for payment from the account in the last preceding fiscal year. In fiscal year 1975, the account shall accrue by adding not less than .33% to the interest charged on new loans funded under sub. (6) (a). Thereafter, the secretary shall adjust this rate so as to provide funds in an amount sufficient to meet the minimum requirements of this paragraph and any additional amounts reasonably expected to be required to meet expenses of this account. The legislative fiscal bureau and legislative audit bureau shall together annually review additional interest costs to the veteran attributable to administration of this program and to principal and interest deficiencies on bonds due to defaulted loans made under

this section and report their findings to the joint committee on finance. If the aggregate cost to the veteran due to defaults on loans ~~made under this section~~ funded under sub. (6) (a) the cost of which could be covered by private mortgage insurance and due to the administration of the program on a self-insurance basis exceeds the aggregate cost to the veteran of obtaining private mortgage insurance, the joint committee on finance shall consider recommending to the legislature that private mortgage insurance be required on loans made under this section. ~~The joint committee on finance shall also annually review the appropriateness of the interest rate limit.~~

(5) (a) 1. Enter into contracts with authorized lenders throughout this state authorizing such lenders to process applications and close and service loans made under this section. The contracts shall include the responsibilities of the authorized lender with respect to credit evaluations, financial eligibility determinations, valuation of the home for which the loan is to be made, collection procedures in the event of delinquent loan repayments and other functions which the department may require. Such contracts shall authorize the lender to retain an amount from the monthly payments for servicing loans made by this section. The rate of the service fee shall ~~be negotiated~~ not exceed a maximum rate established by the department with the lender in accordance with current practices under similar programs, and shall be stated in the contracts. A maximum length of time between receipt of monthly mortgage payments by the lender and transmittal of such payments to the state or the authority shall be established by the department ~~with respect to all loans to be purchased by the authority~~ and specified in the contracts.

4. Mail ~~purchase loan checks or first instalment construction loan checks or otherwise transfer or arrange for transfer of funds,~~ to authorized lenders not sooner than 7 days prior to proposed closing or disbursement dates.

SECTION 12. 45.79 (5) (c) of the statutes is renumbered 45.79 (6) (c) and amended to read:

45.79 (6) (c) (title) *Debt of the authority*. Loans made under this section ~~shall~~ may be purchased by the authority from the veterans housing loan fund under s. 234.41. All receipts of interest, except amounts retained as servicing fees by the authorized lenders servicing such loans purchased by the authority, and principal on such loans, payments of losses by insurers not used for restoration of the property securing such loans, and any other collections, shall be deposited by the authority in the veterans housing bond redemption fund under s. 234.43 and shall be disbursed therefrom as provided in s. 234.43 (2).

SECTION 13. 45.79 (6) and (7) of the statutes are created to read:

45.79 (6) SOURCES OF LOAN FUNDS. Funding for loans authorized by this section may, at the discretion of the building commission, be provided by either or a combination of:

(a) *State debt*. The secretary, with the approval of the governor and subject to the limits of s. 20.866 (2) (zn), may request that state debt be contracted in accordance with ch. 18. Debt so requested must meet each of the following additional requirements:

1. State debt may be contracted when it reasonably appears to the building commission that all state obligations so incurred under this paragraph can be fully paid from moneys received from veterans repayments of loans on mortgages and mortgage notes funded under this paragraph. It is the intent of the legislature that the program authorized under this section be fully self-supporting and that it be so administered that all debt service and costs of administration will require no supplemental support from the general fund.

2. The secretary shall certify that he does not expect proceeds of state debt issued under this paragraph to be used in a manner that would cause the debt to be arbitrage bonds as defined by the federal internal revenue code.

(7) REPAYMENT OF MORTGAGE LOANS. (a) There is created the veterans mortgage loan repayment fund. All moneys received by the department for the repayment of loans funded under sub. (6) (a), except for servicing fees required to be paid to authorized lenders, shall be deposited immediately upon their receipt into the veterans mortgage loan repayment fund. Moneys so received, along with proceeds from the sale of mortgaged properties, any repayment to the department of moneys paid to authorized lenders, gifts, grants, other appropriations and interest earnings accruing thereon, shall be expended in the amounts shown in s. 20.485 (3) (q), (r), (s) and (t) only for the following purposes and order of distribution:

1. There is irrevocably appropriated as the first charge on all moneys deposited into and to be paid from the veterans mortgage loan repayment fund a sum sufficient for the repayment of principal, interest and premium, if any, due on state debt contracted to fund loans pursuant to sub. (6) (a).

2. All costs incurred by the department in processing and servicing loans made under this section, including costs charged to the department related to the issuance of debt incurred under sub. (6).

3. After deducting payments for subs. 1 and 2, the amount remaining shall comprise a self-insurance account to be used for the repayment of debt contracted to fund loans issued under sub. (6), or s. 45.79 (5) (c), 1973 stats., including costs incidental to the exercise of powers under s. 45.72 in relation to properties funded by loans made under this section. Claim to moneys from this account due to defaulted loans funded under sub. (6) (b) shall be subordinate to claims due to defaulted loans funded under sub. (6) (a).

4. Moneys advanced by the general fund under s. 20.485 (3) (e) shall be reimbursed from funds remaining after meeting the expenses of subs. 1 to 3.

(b) If revenues of the veterans mortgage loan repayment fund are insufficient to meet all current expenses, the secretary of administration shall establish a repayment schedule whereby the general fund will be reimbursed in an orderly manner for moneys advanced. Interest rates to be charged on loans subsequently issued shall be adjusted to provide sufficient revenues to meet this repayment schedule.

(c) After meeting all expenses of pars. (a) and (b), surpluses in the veterans mortgage loan repayment fund accruing as a result of prepayment of mortgage loans, may be used to fund additional loans issued under sub. (6) (a). Section 20.001 (3) (e) shall not be construed to prohibit this action.

SECTION 13m. 45.80 (2) (d) of the statutes is created to read:

45.80 (2) (d) He is a veteran as defined in s. 45.35 or is the unremarried spouse or the minor or dependent child of such veteran.

SECTION 14. 234.40 (4) of the statutes is amended to read:

234.40 (4) Bonds issued pursuant to the authority of this section shall not be considered applicable to the limitations established in s. 234.18. The authority shall not have outstanding at any one time bonds for veterans housing loans in an aggregate principal amount exceeding ~~\$140,000,000~~ \$61,945,000, excluding bonds being issued to refund outstanding bonds.

SECTION 15. **Authorized personnel.** On the effective date of this act, the authorized position level of the department of veterans affairs is increased by 15

positions, consisting of 9 professional positions and 6 clerical positions to be funded from the amounts available under section 20.485 (3) (s) of the statutes.

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