

## CHAPTER 155, Laws of 1979

AN ACT to renumber and amend 20.485 (3) (x); to amend 18.56 (2), 18.57 (2), 20.485 (3) (r), 45.78 (2) (a) and (b) and 45.79 (4) (a), (5) (a) 7, (7) (a) 2 and (c) and (9) (a); and to create 20.485 (3) (u), 45.71 (7m), 45.78 (2) (c) and 45.79 (10) and (11) of the statutes, relating to providing authorization for the assumption of certain mortgages in the veterans housing loan program, the purchase of assumed mortgages and the increase of interest rates on the loans, providing restrictions on obtaining additional housing loans and making an appropriation.

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

SECTION 1. 18.56 (2) of the statutes is amended to read:

18.56 (2) There shall be a mortgage lien upon or security interest in the income and property of each revenue-producing enterprise or program to the holders of the related bonds and to the holders of the coupons of the bonds. The note or other instrument evidencing the security interest of a bondholder in a loan made or purchased with revenue obligation bonds shall constitute a statutory lien on the revenue obligations. No physical delivery, recordation or other action is required to perfect the security interest. The revenue-producing enterprise or program shall remain subject to the lien until provision for payment in full of the principal and interest of the bonds has been made. Any holder of such bonds or attached coupons may either at law or in equity protect and enforce the lien and compel performance of all duties required by this section. If there is any default in the payment of the principal or interest of any of such bonds, any court having jurisdiction of the action may appoint a receiver to administer the revenue-producing enterprise or program on behalf of the state and the bondholders, with power to charge and collect rates sufficient to provide for the payment of the operating expenses and also to pay any bonds or obligations outstanding against the revenue-producing enterprise or program, and to apply the income and revenues thereof in conformity with this subchapter and the authorizing resolution, or the court may declare the whole amount of the bonds due and payable, if such relief is requested, and may order and direct the sale of the revenue-producing enterprise or program. Under any sale so ordered, the purchaser shall be vested with an indeterminate permit to maintain and operate the revenue-producing enterprise or program. The legislature may provide for additions, extensions and improvements to a revenue-producing enterprise or program to be financed by additional issues of bonds as provided by this section. Such additional issues of bonds shall be subordinate to all prior related issues of bonds which may have been made under this section, unless the legislature, in the statute authorizing the initial issue of bonds, permits the issue of additional bonds on a parity therewith.

SECTION 2. 18.57 (2) of the statutes is amended to read:

18.57 (2) Moneys in such funds may be expended, pursuant to appropriations, only for the purposes and in the amounts for which borrowed, for the payment of the principal of and interest on related revenue obligations and for expenses incurred in issuing such obligations.

SECTION 3. 20.485 (3) (r) of the statutes is amended to read:

20.485 (3) (r) *Loan operations.* A sum sufficient from the veterans mortgage loan repayment fund, after deducting the amounts appropriated under pars. (s) and (t), for costs under s. 45.79 (7) (a) 2 and 3.

SECTION 4. 20.485 (3) (u) of the statutes is created to read:

20.485 (3) (u) *Funding additional loans and purchasing assumed mortgages.* A sum sufficient from the veterans mortgage loan repayment fund, after deducting the amounts appropriated under pars. (r), (s) and (t), for the purpose of funding additional loans and for the purchase of assumed mortgages under s. 45.79 (7) (c).

SECTION 5. 20.485 (3) (x) of the statutes, as created by chapter 4, laws of 1979, is renumbered 20.485 (3) (v) and amended to read:

20.485 (3) (v) *Revenue-obligation repayment.* All moneys received in the fund or funds created under s. 45.79 (9) for the purposes of retiring revenue obligations, providing reserves, funding additional loans, purchasing assumed mortgages and funding program operations under s. 45.79 (6) (c) and (9). All moneys received are irrevocably appropriated in accordance with subch. II of ch. 18 and further established in resolutions authorizing the issuance of revenue obligations and setting forth the distribution of funds received thereafter.

SECTION 6. 45.71 (7m) of the statutes is created to read:

45.71 (7m) "Guaranteed loan" means a loan guaranteed by the federal veterans administration under 38 USC 1801 to 1827.

SECTION 7. 45.78 (2) (a) and (b) of the statutes are amended to read:

45.78 (2) (a) The sale is to another eligible person; ~~or~~

(b) The department or authorized lender servicing the loan determines that acceleration will jeopardize collection of the loan balance; or

SECTION 8. 45.78 (2) (c) of the statutes is created to read:

45.78 (2) (c) The loan is a guaranteed loan which is assumed or paid in regular monthly instalments under s. 45.79 (10) (a).

SECTION 9. 45.79 (4) (a), (5) (a) 7 and (7) (a) 2 and (c) of the statutes are amended to read:

45.79 (4) (a) The board shall determine the interest rate on loans made under this section. ~~The~~ Except as provided in sub. (10), the interest rate so determined ~~shall~~ may not be increased during the term of the loan. ~~It~~ Except as provided in sub. (10) and except for loans funded under sub. (7) (c), the interest rate shall be as low as possible but shall be sufficient to fully pay all expenses in accordance with sub. (7), and to provide self-insurance reserves which are reasonably expected to be required in the judgment of the board and in accordance with par. (b). The interest rate on a loan funded under sub. (7) (c) shall, if possible, be equal to the prevailing interest rate on other loans made under this section.

(5) (a) 7. The department may obtain guarantees for loans under ~~title 38 U.S. Code, Chapter 37~~ 38 USC 1801 to 1827.

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

(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) or to pay the balances owing on guaranteed loans after the assumptions of the loans or the closings of the sales of residences under sub. (10) (c). Surpluses may be used under sub. (10) (c) only if there are no unrestricted fund balances available for such purpose in the funds created under sub. (9). Section 20.001 (3) (e) shall not be construed to prohibit this action.

SECTION 10. 45.79 (9) (a) of the statutes, as created in chapter 4, laws of 1979, is amended to read:

45.79 (9) (a) All moneys received from any source for repayment of loans, mortgages or mortgage loan notes funded with proceeds of revenue obligations issued under sub. (6) (c) shall be deposited into one or more separate nonlapsible trust funds in the state treasury or with a trustee as provided in s. 18.56 (9) (j). The board may pledge revenues received by the funds to secure revenue obligations issued under sub. (6) (c) and shall have all other powers necessary and convenient to distribute the proceeds of the revenue obligations and loan repayments in accordance with subch. II of ch. 18. Unrestricted balances in the funds may be used to fund additional loans issued under sub. (6) (c) and pay the balances owing on loans after the assumptions of the loans or the closings of the sales of residences under sub. (10) (c).

SECTION 11. 45.79 (10) and (11) of the statutes are created to read:

45.79 (10) GUARANTEED LOANS. (a) Upon any sale of the residence which secures a guaranteed loan made under this section after the effective date of this act (1979), except for the purchase of the residence at the time the loan is initially made, the guaranteed loan may be assumed or continue to be paid in regular monthly instalments if the person who assumes the mortgage loan payments or who will make the regular monthly instalments agrees:

1. To pay interest on the loan from the date of the assumption of the loan, if the loan is assumed, or from the date of the closing of the sale of the residence at the maximum rates of interest being charged on guaranteed loans on the date the loan was initially made; and
2. To increase the amortization payments on the loan by an amount sufficient to amortize the loan by the date the balance thereon is payable in full according to the original terms of the loan.

(b) The department and authorized lenders shall increase the interest rates and amortization payments on loans assumed under par. (a).

(c) After the assumption of a guaranteed loan funded under sub. (6) (c), if the loan is assumed, or the closing of the sale of a residence on which a balance is owing on a guaranteed loan funded under sub. (6) (c), the balance owing on the loan on the date of the assumption of the loan, if the loan is assumed, or the closing of the sale may be paid to the funds created under sub. (9) from available surpluses, if any, in the veterans mortgage loan repayment fund under sub. (7) (c). The loan and the mortgage and mortgage note pertaining to the loan may be purchased by the veterans mortgage loan repayment fund under sub. (7).

(11) RESTRICTION ON ADDITIONAL LOANS. No person is eligible to receive a loan under this subchapter if a balance is due and owing on a loan previously obtained by the person under this subchapter.

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