

Chapter VA 5

HOUSING LOANS

VA 5.01 General
VA 5.05 Individual

VA 5.10 Veterans cooperative and
non-profit corporations
VA 5.15 Incentive grants

History: Chapter VA 5 as it existed on February 29, 1960 was repealed and a new chapter VA 5 created effective March 1, 1960.

VA 5.01 General. (1) **OBJECTIVE.** The sole objective of the veterans' housing program is to aid veterans. The available funds are far too small to give aid to more than a small percentage of the more than 461,000 veterans in the state. In order to spread the available funds to as many veterans as possible, it is imperative that an individual veteran receive only the amount sufficient to enable him to acquire a home.

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

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

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

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

(6) **CONSTRUCTION LOANS.** It will be the policy of the board that funds for construction or remodeling will be disbursed under the accepted practices of the building industries, but where there is no supervised lending institution involved in the transaction, funds shall be disbursed by the department on presentation of bills approved for payment by the veteran.

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

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

(9) **LOANS NOT TO EXCEED STATUTORY LIMITS.** In order to comply with the intent and specific provisions of the statutes pertaining to rehabilitation and housing loans, no loan will be made from the rehabilitation trust fund to complement a housing loan when the combination of such loans will exceed the statutory limit for a housing loan.

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

(11) **INTERPRETATION OF FUNDS.** In order to construe the law liberally under the language thereof, the policy of the board will construe the word funds in this section of the statutes, either as cash on hand or liquid investments, the conversion of which would not mean a substantial loss to the veteran.

(12) **APPRAISERS.** The appraisers used by the veterans administration will be used by the department wherever possible. If no such appraiser is available, an equally competent appraiser may be used, provided he submits his appraisal on the department's form 347.

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

(14) **APPRAISAL FIGURE CONTROLS.** Where the sales price exceeds the appraisal figure in any degree, then the loan application shall be initially denied, subject to review and reconsideration by the department upon request of the veteran. Appraisals submitted to the department are advisory, and the department may determine value under the provisions of the statutes.

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

History: Cr. Register, February, 1960, No. 50, eff. 3-1-60.

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

(2) **MONTHLY SHELTER COST.** It is considered that the department owes an obligation to a veteran to protect him from assuming a greater indebtedness than he can pay. It shall be the policy of the board that monthly payments on housing loans will be fixed at a fig-

ure which will cause total shelter cost of the veteran to approximate from 20 to 25% of present income. In an exceptional and meritorious case, and upon the request of the veteran, the department with the advice and consent of the loan advisory committee and the approval of the board may make a loan to such veteran at a shelter cost rate below 20% of monthly income. The amount of the veteran's present income shall be determined as the amount he is receiving for his regular work period computed on a monthly basis, and part-time or overtime income shall not be considered since it is unpredictable over a long term loan period unless sufficient proof is submitted by the veteran establishing such income as a permanent source. The income of the veteran's wife cannot be used in determining the shelter cost since such income is also unpredictable, but may be used where sufficient evidence is submitted that the wife will be employed during the term of the loan. Applications which require rental income to meet the shelter cost requirement shall be closely scrutinized and may be denied where the total amount of rental is required, since it is generally recognized that considerable expense is involved in maintaining rental properties. In the case of self-employed veterans, the income tax return for the prior or current year shall be prima facie evidence of his income, and depreciation of property used in earning such income shall be considered in determining the net income.

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

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

(5) RECORDING FEES. In conformity with usual practices, recording fees of the department's housing loans will be paid by the veteran concerned. All closing or other costs involved in a purchase, construction, or improvement transaction shall be paid by the veteran in cash at the time of said closing, and such expenses shall not be added to the amount of the primary mortgage nor shall the veteran execute a note or other evidence of obligation for such costs.

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

(7) STATEMENT ON LIENS. On closing an approved purchase loan, the department may make the check payable to the veteran and the

vendor upon the agreement of the veteran to submit a statement of his attorney or the lending institution that the mortgage running to the department has been recorded and no liens have intervened between the first and the department's mortgage.

(8) **CLOSING.** In lieu of a final opinion, satisfactory evidence qualifying the loan as provided in form DVA No. 313, must be provided prior to the disbursement of the department's funds. (Note: Forms may be obtained from Wisconsin Department of Veterans Affairs, State Capitol, Madison 2, Wisconsin).

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

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

(11) **SUBORDINATION AGREEMENTS.** Requests for subordination agreements for an increase in the primary mortgage may be executed by the department when it is proven to the satisfaction of the department that such funds will be used to remodel or improve the mortgage security only and that the original cost of the property plus subsequent improvements and the cost of the proposed improvements will not exceed \$15,000. The veteran must also show that his proposed housing payment is not excessive in view of his income. Requests for subordination agreements will not be approved for the purpose of building garages since garages do not qualify as necessary housing under the law. All requests for a subordination agreement for the application of siding to a dwelling will be closely scrutinized since it is questionable whether the mortgage security is increased in proportion to the cost, and whether the department's mortgage has reasonable and adequate security. The department will further scrutinize carefully applications for subordination agreements involving luxury items such as recreation rooms, kitchen and bathroom modernization, and other similar items, and may reject applications if the improvement is deemed unnecessary, or too costly in view of the value of the home. In those cases where an advance in the first mortgage is requested for the purpose of improving the dwelling and the department is satisfied that its security position after such advance will remain satisfactory, the department is authorized to approve such applications administratively; all other applications will be submitted to the loan advisory committee for individual consideration and decision.

(12) **TWO FAMILY UNITS.** Under proper circumstances, loans may be made to 2 qualified veterans for the purchase or construction of a two-family unit to provide a home for each, but where more than 2 veterans desire to engage in joint operations, they will proceed under the section of the statutes pertaining to veterans' cooperatives and non-profit corporations.

(13) **BUSINESS PURPOSES.** Incidental use of a dwelling for business purposes will not disqualify an application. Applications which are principally for business purposes do not qualify under the housing law. In determining the business use of the dwelling, the area to be

occupied as a business must be less than 50% of the total, and the business portion must be occupied by the veteran in carrying on his own business. All applications for buildings which are classified as commercial, having living quarters, or to be converted to living quarters, will be closely scrutinized by the department. Applications for dwellings which include farm land and farm buildings will be analyzed to ascertain that the dwelling is adequate for the veteran's family, that the appraisal of the home with reasonable sized lot is fairly valued, and that the loan is not primarily for the business of farming since the law does not cover business operations. Likewise, the department will scrutinize applications involving a dwelling with large parcels of land to determine that the purpose of the loan is to acquire a home rather than to invest in land for resale. Loan applications which involve land which will not be farmed because the veteran will continue his regular avocation will be considered where the veteran can satisfy the department of his need for such land acquisition.

(14) **NORMAL DWELLING.** If a dwelling unit is normal in the community, the fact that income from apartments in the building is in excess of the income which would be received from the portion occupied by the veteran will not bar favorable consideration of the loan application. Applications to purchase 2 bedroom homes by veterans who have 2 or more children of mixed sexes will be closely scrutinized and deemed inadequate unless to the satisfaction of the department the veteran can show the adequacy of such housing. All multiple unit homes to be converted to single family dwellings for adequacy purposes must be appraised as single family dwellings.

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

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

(17) **REFINANCING.** Loans for refinancing will be for the purpose of assisting a veteran when there is need for such action and the loan will aid him to establish a reasonable financial status concerning his housing needs. Need for such action is deemed to be present where the veteran is in danger of losing his home through legal action and documents have been served upon him.

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

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

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

(21) **NEED FOR LOAN.** Since housing funds are limited, and to comply with the requirement of the statutes that the most necessitous cases shall be favored by establishing an order of preference:

(a) Loans shall be made only to veterans who show need for such housing and who have exhausted their primary financing from local agencies. Need for housing shall also infer that the dwelling is adequate for the veteran's family needs.

(b) Applications received from county veterans service officers shall contain such statements.

(22) **SECOND APPLICATIONS.** Favorable consideration will be given to cases of second applications for housing loans where the applications are based upon legitimate reasons, such as removal of the veteran to another city by his employer, need for a larger home due to increase in his family, and so forth. Where the veteran has sold his home within one year prior to date of second application he must show that his equity received from the sale of his former home is used to acquire his new dwelling.

(23) **INSURANCE.** The amount of insurance carried by the veteran should equal or exceed the total of the encumbrances or mortgages on the property to insure the veteran's complete protection in case of a loss. All department loans made after September 1, 1958, are protected by mortgage cancellation life insurance.

(24) **VETERAN CHARGED ON FAILURE TO FILE DOCUMENTS.** Where the veteran fails to provide evidence of adequate insurance coverage or fails to forward the department's note and mortgage, an attorney's final opinion of title or title insurance on the property, the department shall procure the necessary insurance or attorney's opinion and charge the cost to the veteran. The department is authorized to withhold \$100 of the loan proceeds until the necessary papers are returned to the department.

(25) **MAXIMUM LOCAL FINANCING.** The veteran must obtain maximum local financing. Where maximum primary local financing is not obtained, the veteran will submit statements from three local lending agencies stating the reason for refusing to make the loan. Maximum local financing by a lending institution is the loan amount made in its ordinary and regular business transactions, and within their laws and regulations. A primary loan made by an individual will be considered maximum local financing when it equals or exceeds 50% of the cost of the property.

(26) **SPLIT LOT LOANS.** Loans on split lots will be scrutinized closely to ascertain that the need requirement of the law is fulfilled, that the property is in good repair and good condition, that it appears to have a reasonable resale value, and that it has proper access by means of easements or abuts on a street or lane or alley. The department recognizes that the value of such properties generally is doubtful security for a loan, and that the security decreases as the housing emergency diminishes.

(27) **ACCELERATION UPON CHANGE OF TITLE OR POSSESSION.** The intent of the law is to provide a home for the veteran and his family. The department will reserve the right to require that its loan be paid in full and will so provide in the note and mortgage. Transfer of possession of the property for any reason shall be interpreted to mean nonoccupancy of the mortgaged premises by the veteran or his family.

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

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

(30) **EXCHANGE OF HOUSING.** The department may make a loan to a veteran who has previously owned a home and sold it. Such veteran must submit a valid reason for the sale of such home and must show that his equity from the sale is used to acquire his new dwelling. A sale of a home which has occurred more than one year prior to the date of loan application will not be subject to the provisions of this section. The department may allow the veteran to pay obligations from his equity if it is determined that such obligations were incurred for medical, hospital or funeral expenses for which the veteran is legally responsible and which would hamper his ability to make his future mortgage payments.

(31) **PARTIAL RELEASE OF MORTGAGE.** The department when called upon to release a portion of its mortgage security is authorized to issue such release if it is determined that such release will not seriously devalue the remainder of the property. The department will require that the funds obtained from such released property be applied to the mortgages in their original proportion but if there is no primary mortgage on the property or the primary lender waives claim to the funds then such funds shall be applied as a principal reduction of the department's loan. If all or part of the funds are to be used to improve the property the expenditure of the funds must be supervised.

(32) **VETERAN'S OUTSIDE DEBTS.** The amount of the veteran's outside debts and the monthly payment thereon may seriously hamper the veteran's ability to make his housing payments. The department will carefully consider the reasons for the veteran's outside debts, the monthly payments in relation to his income, and his ability to meet his financial obligations. If the department determines that the indebtedness shows financial instability or if the monthly payment will affect the veteran's ability to make his housing payments, the loan application may not be favorably considered.

(33) **GIFTS OF MONEY OR OTHER PROPERTY.** The department will determine the value of property which the veteran has received as a gift when it is part of his loan application. No gift of money, personal property or real estate shall be considered unless the donor submits a statement that the value of such gift will not be repaid. In determining the value of such real estate the assessed value and the appraised value shall be considered and the higher value may be used by the department in determining either the 5% equity required under the law or the total cost of the property. In cases involving a gift of either real or personal property to the veteran where the donor recently acquired such property, the actual cost to the donor shall determine the value of the gift.

(34) **INCREASE IN PRIMARY MORTGAGE LOAN.** Any increase in a primary mortgage loan over the amount indicated on the DVA form 318, unless approved by the department, shall be considered a third or

subsequent lien on the property. The department may take whatever action it may deem advisable to protect its second mortgage interest and may request the return of its loan funds if necessary.

(35) **LOAN COLLECTIONS.** The department will maintain a strict policy to collect all loans. All loans in default and upon which the efforts of the department to collect have been of no avail, will be referred to the attorney general's office for collection, except such loans as the director may refer to the loan advisory committee for advice.

History: Cr. Register, February, 1960, No. 50, eff. 3-1-60; am. (22) and (30), Register, April, 1961, No. 64, eff. 5-1-61; am. Register, September, 1961, No. 69, eff. 10-1-61.

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

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

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

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

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

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

History: Cr. Register, February, 1960, No. 50, eff. 3-1-60.

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

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

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

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

History: Cr. Register, February, 1960, No. 50, eff. 3-1-60.

Register, September, 1961, No. 69