

## Chapter VA 3

### ECONOMIC ASSISTANCE LOANS

VA 3.01 Definitions

VA 3.02 General

VA 3.03 General loan policy

VA 3.04 Security required

VA 3.05 Educational loans

Note: Chapter VA 3 as it existed on December 31, 1979 was repealed and a new chapter VA 3 was created effective January 1, 1980.

**VA 3.01 Definitions.** In this chapter the following terms shall have the designated meanings:

(1) "Annual shelter payment" means the total annual payments anticipated for rental of living quarters, or if the applicant is the owner of a homestead, principal and interest payments on all loans against the homestead and real estate taxes and hazard insurance payments on the homestead, and if the homestead is a condominium shall also include the owner's share of expenses for the common elements, and if the homestead is a mobile home located on land not owned by the applicant shall also include monthly mobile home parking fees and if the applicant's homestead has a septic disposal system which relies upon a holding tank, shall also include holding tank pumping fees.

(2) "Applicant" means a veteran who applies for an economic assistance loan under s. 45.351 (2), Stats. The term "applicant" also means the applicant and co-applicant, if there is a co-applicant, unless the context clearly limits the meaning to only the applicant.

(3) "Co-applicant" means any person who is eligible to apply and does apply with an applicant for an economic assistance loan.

(4) "Loan" means an economic assistance loan and "loans" means economic assistance loans.

(5) "Total debt payments" means one-twelfth of an applicant's "annual shelter payment" and the applicant's anticipated monthly payments on debts. Anticipated monthly payments on debts shall be based upon the monthly payments which the applicant would be required to make on such debts including the economic assistance loan applied for, or, in the alternative, upon financing from a conventional lending institution to provide funds for the purposes set forth in the economic assistance loan application. Periodic debt repayments required to be made on other than a monthly basis shall be converted to monthly payments by multiplying such payments by the quotient arrived at by dividing the number of months between the due dates of such payments into 1. (E.g. a \$600 semi-annual payment would be converted to a \$100 monthly payment by dividing 6 into 1 and multiplying the resulting quotient of .16667 by \$600.) Total debt payments shall include 10% of the applicant's indebtedness which will not be paid by loan proceeds and on which periodic payments are not required, except indebtedness incurred for educational purposes.

(6) "Veteran" or "veteran applicant" means a veteran as defined in s. VA 1.06, who is an "applicant" for a "loan".

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80.

**VA 3.02 General.** (1) **OBJECTIVE.** The department may lend to any veteran who qualifies for a loan under the provisions of this chapter and s. 45.351 (2), Stats., an amount not more than the statutory limit from the veterans trust fund to provide economic assistance for the purposes set forth in s. 45.351 (2), Stats., where the veteran's need to provide funds for such economic assistance is established to the satisfaction of the department and such veteran is unable to meet that need from available resources or credit upon manageable terms. In determining need the department shall use such criteria as: the purpose of the loan; the size and the health of the applicant's family; the applicant's total debt structure including term of debts, level of payments and types of obligations; the nature of, frequency of and intensity of the problems creating the need for loan funds; the length of the applicant's time on the job and the level and dependability of the applicant's income; the applicant's past credit practices; availability of credit to the applicant; the absence or presence of exceptional circumstances and such other factors as may be relevant to a determination of need in individual cases.

(2) **RESOURCES.** (a) A veteran's resources shall include, but not be limited to, all cash on hand and liquid assets, and non-liquid assets the conversion of which to cash would not result in a substantial loss, including all resources owned by the veteran and the veteran's spouse, individually or jointly, unless the veteran and spouse are separated or in the process of obtaining a divorce, but shall not include assets excluded as funds by s. VA 4.05 (1) (b) and (c), or the first \$500 of the applicant's checking account balance which may be retained for current monthly expenses. The applicant may also be permitted to retain from the cash and liquid assets portion of such resources an amount up to \$1,000 for the purpose of protecting against unanticipated emergency expenses.

(b) Resources shall not include the veteran applicant's homestead.

(c) Resources shall include the applicant's non-homestead real estate where the department determines that the applicant's equity in such real estate would enable the applicant's needs to be met through encumbering such real estate.

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80; am. (2) (b), Register, May, 1982, No. 317, eff. 6-1-82.

**VA 3.03 General loan policy.** (1) **ADMINISTRATIVE EXPENSES.** Ordinary expenses incidental to making loans, not including cost of appraisals, title fees, and recording fees, will be borne by the department as administrative expenses.

(2) **GUARANTORS.** Any Wisconsin resident who is determined by the department to be financially responsible and whose joining in the obligation will provide adequate security for the loan, may be accepted as a guarantor, except that, unless the applicant is a member of the guarantor's immediate family, no employe of the department, no county veterans service officer and no other person in any way connected with the administrative duties of the department or serving in an advisory capacity thereto shall be accepted as endorser or guarantor on any loan.

Register, March, 1983, No. 327

(3) **AVAILABILITY OF CREDIT UPON MANAGEABLE TERMS.** An applicant whose credit-worthiness is established by a factual data credit report will be considered to have available credit upon manageable terms when the department determines that the applicant's total debt payments will not exceed 25% of current monthly income if the applicant were to retain present financing for debts or obtains financing from a conventional lending institution to provide funds for the purposes set forth in the loan application, unless the veteran applicant is a full-time student, was separated from active military service within the 12 months prior to application, evidences lack of employment and income stability, is 60 or more years of age, or is totally and permanently disabled, or unless such applicant's income is below the poverty level as established by the "Nation-wide Poverty Income Guidelines" published from time to time by the federal office of management and budget, or where continuing financial problems resulting from size of family, health of family, low level of income or other unique circumstances indicate that the applicant would be unlikely to find credit available upon manageable terms.

(4) **LOAN APPLICATION.** A loan application, including required exhibits and supplements, shall contain such information as is necessary to satisfy the department that the proceeds of the loan will contribute substantially to the solution of the veteran's economic problems, that orderly repayment of the loan applied for will probably be made and, in the case of a business loan, that the veteran's business enterprise is likely to succeed. Statements from conventional lending institutions required by s. 45.351 (2) (a), Stats., as affected by chapter 34, Laws of 1979, shall be submitted to the department as a part of the loan application. Applications for loans by veterans who are married and not separated or in the process of obtaining a divorce, must be completed and signed by the veterans' spouses. Applications shall be prepared with the assistance of and submitted through the office of a county veterans service officer.

(5) **CURRENT MONTHLY INCOME.** Except for income to be derived by an applicant from a business which the applicant proposes to establish or purchase, or from farming, the current monthly income of an applicant shall be based upon the definition of "current monthly income" in s. VA 4.01 (7), and the criteria for evaluation of income set forth in s. VA 4.05 (5) (b) to (h). Income to be derived by an applicant from a new business which the applicant is establishing or purchasing may be based upon an acceptable projected profit statement. In addition to farm income reported on the applicant's last income tax return, income from farming shall include adjustments to reflect the value of food stuffs consumed by the applicant and members of the applicant's household and write-offs for accelerated depreciation and investment credits.

(6) **TERM OF LOANS.** All loans will be amortized on a monthly basis and the initial term of all loans, except loans secured by real estate mortgages and loans for a veteran's education, shall not exceed a maximum of 8 years. The initial term of loans secured by real estate mortgages and loans for a veteran's education shall not exceed 10 years. The department may require shorter repayment terms.

(7) **CONSOLIDATION OF DEBTS.** Loans may be made to finance existing debts when the department is satisfied that the veteran's debt commitments are beyond the veteran's capacity to repay in an orderly manner. Such loans will be made only where they will substantially consolidate all the veteran's debts, other than the home mortgage, or result in signifi-

cantly reduced total debt payments. Applications for such loans shall include a listing of the applicant's total debts giving the dates such debts were incurred, the original amounts where possible, the purposes for which incurred and the amounts which the applicant's creditors will accept to satisfy such debts. After one such loan has been made to an applicant, further loans may be made for the payment of debts only when the need for such further loans arises from unusual and unforeseeable circumstances and where such loans are approved by the chief of the economic assistance loan section.

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

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

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

(11) **REAL ESTATE AND HOME IMPROVEMENT LOANS.** A loan may be made for repairing, maintaining, improving, remodeling or adding to a veteran's home, for the construction of a garage or the drilling of a well or installation of a septic system on the veteran's homestead property or for the completion of the construction of a veteran's home subject to the following conditions:

(a) A loan for the completion of the construction of a veteran's home will not be made to complement a department housing loan, except as provided in par. (b), and such a loan may only be made where the proceeds thereof will enable the veteran to fully complete the construction of the veteran's home.

(b) In cases where a direct veterans' housing loan was approved within 18 months of the date of processing of an economic assistance loan application for the purposes set forth in this subsection, except for necessary

repairs and improvements or for the drilling of a well or installation of a septic system including payment of cost overruns on wells and septic systems, a loan may only be made if the total cost of the property including the cost of the property upon which the direct housing loan was based and the cost of the proposed improvements or remodeling or the construction of a garage does not exceed the statutory maximum in s. 45.74 (5), Stats., and if  $2\frac{1}{2}$  times the applicant's income equals or exceeds the cost of the property upon which the direct housing loan was based plus the cost of proposed improvements or remodeling or of the construction of a garage or if 2 times the applicant's income exceeds the cost of the housing accommodation and garage upon which the direct housing loan application was based plus the cost of proposed remodeling or improvements or the construction of a garage.

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

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

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

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

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

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

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

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

(g) For current month-to-month household and living expenses, except in the case of education loans, or for the payment of current income or property taxes.

(h) To provide all or any portion of the down payment for the acquisition of real estate, for the improvement of land to be used for home construction purposes, or for the purchase of a veteran's home. The provi-

sions of this paragraph shall not apply to mobile home loans under sub. (9).

(i) To purchase, or to pay existing obligations incurred exclusively for the purchase of television sets, stereos, tape decks, recording equipment, sporting equipment, recreational vehicles or equipment, leisure or hobby equipment, or motor vehicles.

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

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

(b) In a home improvement loan, checks will usually not be ordered by the department until the loan promissory note is returned to the department together with either confirmation from the veteran that the specific vendors or contractor whose proposals were submitted to the department with the veteran's application will do the work or supply the materials, as evidenced in the proposals, or a statement from the veteran confirming which of the original vendors or contractors will be retained and a statement of any new vendors or contractors who will do work or supply materials together with proposals from such new vendors or contractors.

(c) Loan checks returned to the department in cases where the veteran no longer needs the loan funds or desires to have such funds used for the payment of specific creditors or vendors will be cancelled and, unless the chief of the economic assistance loan section approves the issuance of new checks at the request of the veteran to other creditors or vendors to provide economic assistance, the amount of the loan balance will be reduced by the amount of such checks.

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

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

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80.

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

(1) **GUARANTORS.** The department may accept as adequate security the guarantee of loan promissory notes by creditworthy and financially acceptable guarantors.

(2) **REAL ESTATE SECURITY.** When real estate is offered as security, the applicant must carry fire and extended coverage insurance on the real estate improvements in an amount acceptable to the department, the loan applied for must be \$1,000 or more, and the applicant must submit Register, March, 1983, No. 327

evidence of sufficient equity therein to provide adequate security for the loan, a memorandum of insurance coverage showing the department's security interest, and, except as hereinafter provided, of the possession of merchantable title to such real estate. In exceptional cases, with the approval of the chief of the economic assistance loan section, the department may accept real estate mortgages and security assignments of purchasers interests in land contracts on properties in which the applicants have land contract purchasers interests as security for department loans.

(3) **UNACCEPTABLE SECURITY.** Chattel security agreements will not be accepted as security for loans.

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80.

**VA 3.05 Educational loans.** (1) **LOANS TO VETERANS.** (a) A loan to assist a veteran to complete the veteran's educational objective as stated on the veteran's loan application may be granted upon approval of the veteran's course of instruction by the department where the veteran's need is established to the satisfaction of the department. Such veteran's need for funds will be based upon standard student budgets computed on the basis set forth in s. VA 9.03, plus such amounts as the department deems necessary to enable such veteran to meet exceptional expenses not covered by such budgets.

(b) A loan to a student veteran to provide funds for meeting expenses relating to the veteran's education will generally be disbursed in equal annual increments over the period of the veteran's contemplated educational program.

(c) The first payment due date on a secured educational loan may be scheduled to begin 3 months after anticipated completion of the veteran's educational objective but such first payment due date may not be more than 14 months from the date of loan approval.

(d) An unsecured loan for educational purposes will only be granted to a veteran who has completed 2 years of post high school education or at least ½ of the requirements for attainment of the veteran's educational objective as stated on the veteran's application whichever is less, and repayment of an unsecured loan may not be deferred.

(e) An educational loan to a part-time student, except for a part-time student who would qualify for deferment under the criteria set forth in sub. (4), may be approved only for the purpose of providing funds for tuition, fees, books and supplies and the first payment due date on such loan will not be deferred.

(f) A loan to a student veteran for purposes other than meeting expenses relating to such veteran's education may be granted based upon the criteria which apply to the granting of such loans to non-student veterans.

(2) **EDUCATION IN OUT-OF-STATE SCHOOLS.** A loan to a veteran attending school outside of Wisconsin may not be made when an adequate course of study in the desired field of education is available to the veteran in Wisconsin unless attendance at a school located in Wisconsin would be an undue hardship on the veteran. The application of a veteran for assistance in meeting expenses relating to education in an out-of-state school shall be deemed an application for approval of the full amount of

the economic assistance loan for which such veteran could qualify for his entire contemplated course of instruction in the out-of-state school.

(3) **CHILDREN'S EDUCATION.** A loan to a veteran or to a veteran's unremarried surviving spouse may be made for the education of a veteran's child whether or not such child is minor or dependent. A loan to a veteran's remarried surviving spouse or to the surviving parent of a deceased veterans' child may be made only for the education of such veteran's minor or dependent child. Such loans may only be made upon approval by the department of the course or courses of instructions.

(4) **DEFERMENT OF PAYMENTS.** Where a veteran who is enrolled in a full-time course of instruction, as verified by the educational institution in which the veteran is enrolled, or in a part-time course of instruction only in cases hereinafter set forth, applies for deferment of the obligation to commence or continue to make payments on a loan, the department may grant a deferment if the installments on such loan are less than 90 days delinquent at the time of approval of the deferment and, in the case of a guaranteed loan, if the guarantors consent in writing to the deferment. A deferment may not exceed 1 year and may not extend more than 3 months beyond the anticipated completion date of the veteran's educational objective but a veteran may qualify for additional deferments if eligible for such deferments under the provisions of this subsection at the time of application therefor. The department may grant deferments to a veteran enrolled in a part-time course of instruction because such veteran is disabled or unable due to physical or mental disability to enroll in a full-time course of instruction, is unable to obtain full-time veterans administration educational assistance, is a graduate student who has completed the course of work required for a degree but must complete a thesis requirement, or is in the final semester or term of an educational program and needs less than full-time study to meet graduation requirements. Participation in a medical internship program shall be deemed to be enrollment in a full-time course of instruction for the purposes of this subsection.

Note: Department of Veterans Affairs Form 29 has been revised on the basis of the changes made in ch. VA 3.

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80.