

Chapter VA 11

BUSINESS LOAN

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VA 11.01 Definitions. In this chapter:

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

(2) "Co-applicant" means any person who is eligible to apply and does apply with the veteran.

(3) "Income" means current annual adjusted gross income of the applicant as disclosed, verified and evaluated in accordance with the provisions of s. VA 3.03 (5).

(4) "Loan" means an economic assistance business loan.

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

History: Cr. Register, January, 1990, No. 409, eff. 2-1-90.

VA 11.02 Objective. The department may lend to any veteran who qualifies under the provisions of this chapter and s. 45.351 (2) (a) 2., Stats., an amount not more than the statutory limit from the veterans trust fund for the business purposes which qualify under the provisions of this chapter and s. 45.351 (2) (a) 2. Stats.

History: Cr. Register, January, 1990, No. 409, eff. 2-1-90.

VA 11.03 General loan policy (1) ADMINISTRATIVE EXPENSES. Ordinary expenses incidental to making loans, not including cost of appraisals, cost of credit reports, title fees and recording fees, will be borne by the department as administrative expenses.

(2) **LOAN APPLICATION.** (a) A loan application, including required exhibits shall contain such information as is necessary to satisfy the department that the proceeds of the loan will contribute substantially, in conjunction with other financing, to meeting the veteran's need for business credit, that the business has sufficient cash flow to ensure orderly loan repayment and that the veteran's business enterprise is likely to succeed.

(b) An applicant for a loan shall provide sufficient data relating to the business or farming operations including relevant experience, and background, finances, earnings, operating details projections, and other relevant information necessary to enable the department to make a decision on the loan request.

(c) In addition to the 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 pro-

jected profit statement based upon a fair markup and a survey of the territory in which the business will be located.

(3) **LOAN ORIGINATION.** Applications shall be prepared with the assistance of and submitted through the office of a county veterans service officer.

(4) **CO-APPLICATION OF SPOUSE.** Applications for loans by veterans who are married and not separated or in the process of obtaining a divorce shall be completed and signed by the veteran's spouse.

(5) **INCOME DISCLOSURE, VERIFICATION AND EVALUATION.** For the purpose of determining the veteran's income for the purpose of meeting the income limit provided in s. 45.351 (2) (b), Stats., the provisions of s. VA 3.03 (5) shall apply.

(6) **TERM OF LOANS.** All loans shall be amortized on a monthly basis except where the department determines that different terms are warranted based upon terms of other business financing, cash flow projections or profit and loss statements. With the approval of the chief of the economic assistance loan section, the loan may be amortized on an annual payment basis or a single payment balloon note.

(7) **NON-QUALIFYING LOAN PURPOSES.** No economic assistance business loan shall be made:

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

(b) 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.

(c) 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.

(d) To underwrite, finance, purchase, subsidize, aid or assist in a sideline investment or business enterprise.

(e) Where the loan proceeds will not directly benefit the veteran or will only be of minimal benefit.

(f) To purchase motor vehicles which are not used exclusively for business purposes.

(g) To purchase residential rental property.

(8) **DELINQUENT SUPPORT, SEPARATE MAINTENANCE AND ALIMONY.** If the applicant's credit is to be considered favorable, alimony, support and separate maintenance payments must be current as of the date of approval of the economic assistance loan by the department. Evidence

from the clerk of courts that the applicant is current or, if the applicant is in arrears, that regular payments have been made every month for not less than 12 months immediately preceding the loan application date and that such applicant has made arrangements which the department deems satisfactory for payment or deferment of the obligation to repay the arrearage owing shall be submitted to the department.

History: Cr. Register, January, 1990, No. 409, eff. 2-1-90.

VA 11.04 Security required. Adequate security shall be required to ensure the repaid of all economic assistance business loans.

(1) GUARANTORS. The department may accept as adequate security the guarantee of loan promissory notes by credit worthy and financially acceptable guarantors. 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 a guarantor on any loan unless the applicant is a member of the guarantor's immediate family. Any other Wisconsin resident who is determined by the department to be financially responsible and whose joining the obligation will provide adequate security for the loan may be accepted as a guarantor.

(2) REAL ESTATE SECURITY. (a) When real estate is offered as security, the applicant shall carry fire and extended coverage insurance on the real estate improvements in an amount acceptable to the department, the loan shall be \$1,000 or more, and the applicant shall submit evidence of sufficient equity therein and in any chattels securing the loan to provide adequate security for the loan, an insurance binder showing the department's security interest, and except as provided in par. (b), of merchantable title to the real estate.

(b) Subject to the provisions of par. (a), the department may accept real estate mortgages or security assignments of purchasers' interests in land contracts on properties in which the applicants have land contracts purchasers' interests as security for department loans.

(3) UNACCEPTABLE SECURITY. Chattel security agreements will not be accepted as principal security for loans. However, the department may accept first chattel security agreements as an addition to financially acceptable loan guarantors or a real estate mortgage.

History: Cr. Register, January, 1990, No. 409, eff. 2-1-90.