

1 providing for the purchase or construction of private housing, without requiring
2 downpayments beyond the reach of families of modest means. It is the intent of the legislature
3 that the department in its administration of this subchapter avoid the duplication of those
4 administrative services available through private lending institutions, utilizing the
5 administrative services of such institutions to the maximum extent consistent with the
6 purposes of this subchapter.

7 **SECTION 3.** 45.71 is renumbered 45.21 and amended to read:

8 **45.21 Definitions.** In this subchapter:

9 (1) "Anticipated annual shelter payment" means the total annual payments anticipated
10 for the following, as determined by the department or authorized lender on the basis of the loan
11 applied for under s. ~~45.79~~ 45.27:

12 (a) Real estate taxes on the premises to be mortgaged.

13 (b) Insurance premiums for coverage required under s. ~~45.79 (3) (b)~~ 45.27 (3) (b).

14 (c) Required payments on principal and interest on all mortgages placed or to be placed
15 against the home of an eligible person.

16 (2) "Authority" means the Wisconsin Housing and Economic Development Authority.

17 (3) "Authorized lender" means any lender or servicer authorized under s. ~~45.79 (5) (a)~~
18 ~~5. 45.27 (5) (a) 5.~~ to make or service loans under s. ~~45.79~~ 45.27.

19 (4) "Closing costs" include:

20 (a) Any origination fee authorized under s. ~~45.79 (5) (b)~~ 45.27 (5) (b).

21 (b) Attorneys fees.

22 (c) Recording fees.

23 (d) Other costs authorized by the department.

24 (5) "Dependent" means all of the following:

1 (a) The spouse of a veteran who resides with the veteran; ~~and,~~

2 (b) Any person who resides with a veteran and ~~is dependent upon the veteran for~~
3 receives more than one-half of the person's his or her support from a veteran.

4 (6) "Eligible person" means any ~~veteran~~ person qualified under s. ~~45.74~~ 45.23 (1) or
5 (3) and not disqualified under s. 45.23 (2) to receive a loan under this subchapter.

6 (7) "Federal Home Loan Mortgage Corporation" means the corporation created under
7 12 US 1451 to 1459.

8 (8) "Funds" include cash on hand and liquid investments. ~~The funds of a veteran~~
9 ~~include all funds~~ owned by the veteran and his or her spouse, individually or jointly, unless
10 the veteran and spouse are permanently legally separated under s. 767.07.

11 (9) "Guaranteed loan" means a loan guaranteed by the U.S. department of veterans
12 affairs under 38 US 1801 to 1827.

13 (10) "Home" means a building or portion ~~thereof~~ of a building used as the veteran's
14 principal place of residence, and includes condominiums and income-producing property, a
15 portion of which is ~~so occupied~~ used as a principal place of residence by the veteran, and the
16 land, including existing improvements, appertaining to ~~such a~~ the building.

17 (11) "Income" means the amount of adjusted gross income a veteran is receiving for
18 regular work together with any income the veteran receives from other sources that may
19 reasonably be expected to be regular and dependable.

20 (12) "Insurer" means any insurer authorized to do business in this state.

21 (13) "Manufactured home" means a structure, as defined by the Federal Home Loan
22 Mortgage Corporation which:

23 (a) ~~Is used as the veteran's principal place of residence; and~~

24 (b) ~~Meets~~ meets or exceeds the statutory size under s. 348.07 (2).

1 **(14)** “Monthly payment” means all of the following:

2 (a) Required payments on principal and interest.

3 (b) Insurance premiums for coverage required under s. ~~45.79 (3) (b)~~ 45.27 (3) (b).

4 (c) One-twelfth of annual real estate taxes on the mortgaged property.

5 **(15)** “Qualified purpose” means any purpose authorized under s. ~~45.76~~ 45.24 (1).

6 **(16)** ~~(a) “Veteran” means any person who has served on active duty under honorable~~
7 ~~conditions in the U.S. armed forces or in forces incorporated as part of the U.S. armed forces,~~
8 ~~except service on active duty for training purposes, and who meets the following conditions:~~

9 ~~1m. The person meets one of the following conditions:~~

10 ~~a. Is entitled to receive the armed forces expeditionary medal, established by executive~~
11 ~~order 10977 on December 4, 1961, the Vietnam service medal established by executive order~~
12 ~~11231 on July 8, 1965, the navy expeditionary medal or the marine corps expeditionary~~
13 ~~medal.~~

14 ~~b. Has served in Bosnia, Grenada, Lebanon, Panama, Somalia or a Middle East crisis~~
15 ~~under s. 45.34.~~

16 ~~c. Has served for 90 days or more during a war period or under section 1 of executive~~
17 ~~order 10957, dated August 10, 1961, except service on active duty for training purposes, or~~
18 ~~if having served less than 90 days was honorably discharged for a service-connected disability~~
19 ~~or for a disability subsequently adjudicated to have been service-connected or died in service.~~

20 ~~d. Has served on active duty for more than 6 months during the period between~~
21 ~~February 1, 1955, and August 4, 1964, and was honorably discharged.~~

22 ~~e. Has served on active duty in the U.S. armed forces for 2 continuous years or more~~
23 ~~or the full period of the individual’s initial service obligation, whichever is less. An individual~~
24 ~~discharged for reasons of hardship or a service-connected disability or released due to a~~

1 reduction in the U.S. armed forces prior to the completion of the required period of service
2 is eligible, regardless of the actual time served.

3 ~~2m. The person is a resident of and living in this state at the time of making application,~~
4 ~~is serving on active duty in the U.S. armed forces at the time of making application, or is~~
5 ~~deceased, and meets one of the following conditions:~~

6 ~~a. Has been a resident of this state for any consecutive 12-month period after enlistment~~
7 ~~or induction into service and before the date of his or her application or death. If a person~~
8 ~~applying for a benefit under this subchapter meets the residency requirement of 12 consecutive~~
9 ~~months, the department may not require the person to reestablish that he or she meets that~~
10 ~~residency requirement when he or she applies for any other benefit under this chapter that~~
11 ~~requires that residency.~~

12 ~~b. Was a resident of this state at the time of enlistment or induction into service.~~

13 ~~(aft) If the person had more than one qualifying term of service under par. (a) 1m., at~~
14 ~~least one term of service must have been under honorable conditions or have been terminated~~
15 ~~by an honorable discharge.~~

16 ~~(Ag) Veterans who are otherwise eligible and who are serving on active duty in the U.S.~~
17 ~~armed forces need not be living in this state on date of application to qualify for a loan under~~
18 ~~this chapter.~~

19 ~~(b) An unremarried spouse of a deceased veteran shall be considered a veteran under~~
20 ~~this subchapter.~~

21 ~~(c) A minor or dependent child of a deceased veteran shall be considered a veteran under~~
22 ~~this subchapter.~~

COMMENT: In this draft, the definition of “veteran” is removed from the subchapter definitions because the term is defined in the general definitions. New s. 45.23 (1) [in SECTION 6 of the draft] states that a

person is eligible for the veterans housing loan program if he or she is: (a) a veteran; (b) a person who served on active duty for more than 6 months in the period between February 1, 1955 and August 4, 1964; or (c) the unremarried surviving spouse or minor or dependent of a person in par. (a) or (b). Persons described in par. (b) are included in the current housing subchapter definition of "veteran" [in current s. 45.71 (16) (a) 1m. d.] but not in the general definition.

The subcommittee should review the 2 definitions to determine whether that difference should be retained.

1 **SECTION 4.** 45.72 is renumbered 45.22 and amended to read:

2 **45.22 Powers of the department.** ~~In~~ With respect to loans made by and mortgages
3 and mortgage notes executed or properties mortgaged to the department or to authorized
4 lenders under this subchapter or s. 45.352, 1971 stats., the department may do any of the
5 following:

6 (1) Execute necessary instruments.

7 (2) Collect interest and principal.

8 (3) Compromise indebtedness due on mortgage notes.

9 (4) Sue and be sued.

10 (5) Exercise the rights of a mortgagee, generally including ~~but not limited to~~, the right
11 to do any of the following:

12 (a) Acquire or take possession of ~~such~~ the mortgaged property and in so doing the
13 department may accept voluntary surrender and conveyance of title to ~~such~~ the property in full
14 satisfaction of a mortgage debt or may bid for and purchase ~~such~~ the property at a sheriff's sale
15 or replevin ~~such~~ the property.

16 (b) Commit itself to execute and execute subordination agreements, partial releases,
17 and other necessary instruments.

1 (c) Set up and follow procedures to assure proper disbursement of the proceeds of
2 insurance checks, share drafts, or other drafts covering damages sustained on mortgaged
3 properties.

4 (d) Pay the principal and interest on any obligations incurred in connection with such
5 the mortgages on such the property including real estate taxes, insurance premiums, attorney
6 fees, and obligations created as a result of its exercise of powers vested in it under this
7 subchapter.

8 (e) Exercise such the other powers as may be necessary for the efficient administration
9 of this subchapter.

10 (6) In contracts entered into pursuant to ~~s. 45.79 (5) (a) 1.~~ under s. 45.27 (5) (a) 1.,
11 empower authorized lenders to exercise any of the powers vested in the department under this
12 subchapter.

13 (7) Manage, operate, lease, exchange, sell, and otherwise convey real property.

14 (8) Grant easements in any real property acquired by the department.

15 (9) Upon application by the mortgagor and agreement in writing executed by the
16 parties:

17 (a) Extend the time in which the obligation under a mortgage note or any part thereof
18 of the obligation must be paid.

19 (b) Reduce the amounts of monthly installments and provide such other terms and
20 conditions relative to time and manner of repaying the obligation as it deems necessary or
21 reasonable.

22 **SECTION 5.** 45.73 is repealed.

23 **SECTION 6.** 45.74 and 45.745 are renumbered 45.23 and amended to read:

1 ~~45.74~~ **Eligible persons; disqualifying factors.** Except as provided under s. 45.745,
2 no person may receive a loan under this subchapter if the department or authorized lender
3 determines that any of the following applies:

4 ~~(2) ABILITY TO PAY.~~ The person will be incurring an excessive indebtedness in view of
5 the person's income.

6 ~~(6) DELINQUENT SUPPORT PAYMENTS.~~ The person is delinquent in child support or
7 maintenance payments or owes past support, medical expenses or birth expenses, as
8 evidenced by the appearance of the person's name on the statewide support lien docket under
9 s. 49.854 (2) (b), unless the person provides the department or authorized lender with one of
10 the following:

11 ~~(a)~~ A repayment agreement that the person has entered into, that has been accepted by
12 the county child support agency under s. 59.53 (5) and that has been kept current for the
13 6-month period immediately preceding the date of the application.

14 ~~(b)~~ A statement that the person is not delinquent in child support or maintenance
15 payments and does not owe past support, medical expenses or birth expenses, signed by the
16 department of workforce development or its designee within 7 working days before the date
17 of the application.

18 ~~(6m) PREVIOUS LOANS.~~ The person has a previous loan outstanding under this
19 subchapter, unless any of the following apply:

20 ~~(b)~~ The previous loan has been assumed by an eligible person with the department's
21 approval upon the sale of the residence securing the previous loan.

22 ~~(c)~~ The person is applying for a loan under s. 45.79 for a purpose under s. 45.76 (1) (c)
23 and the previous loan was made under s. 45.79.

1 ~~(7) AMOUNT OF LOAN LIMITATION. The amount of the loan exceeds 2.5 times the median~~
2 ~~price of a home in this state. The department shall establish the median price of a home in this~~
3 ~~state for each fiscal year by using the most recent housing price index generated by the~~
4 ~~Wisconsin Realtors Association before July 1.~~

5 **45.745 — Loans to disabled veterans; qualifying factors.** A veteran who is receiving
6 100% disability compensation from the U.S. department of veterans affairs under 38 USC 301
7 to 315, 331 to 337 and 350 to 362 due to a permanent and total service-connected disability
8 may receive a loan under this subchapter if the department or authorized lender determines
9 that all of the following apply:

10 ~~(2) ABILITY TO PAY. The person will not be incurring an excessive indebtedness in view~~
11 ~~of the person's income.~~

12 ~~(6) PREVIOUS LOANS. If the person has a previous loan outstanding under this~~
13 ~~subchapter, any of the following apply:~~

14 ~~(b) The previous loan has been assumed by an eligible person with the department's~~
15 ~~approval upon the sale of the residence securing the previous loan.~~

16 ~~(c) The person is applying for a loan under s. 45.79 for a purpose under s. 45.76 (1) (c)~~
17 ~~and a previous loan was made under s. 45.79.~~

18 **45.23 Eligibility and disqualifying factors. (1) GENERAL ELIGIBILITY. Subject to sub.**
19 (2) or (3), the following persons may receive a loan under this subchapter:

20 (a) A veteran.

21 (b) A person who served on active duty for more than 6 months during the period
22 between February 1, 1955 and August 4, 1964 and was honorably discharged.

23 (c) The unmarried surviving spouse or a minor or dependent of a deceased veteran
24 or of a deceased person described in par. (b).

1 (2) A person may not receive a loan under this subchapter if the department or
2 authorized lender determines that any of the following applies:

3 (a) Ability to pay. The person will be incurring an excessive indebtedness in view of
4 the person's income.

5 (b) Delinquent support payments. The person is delinquent in child support or
6 maintenance payments or owes past support, medical expenses or birth expenses, as evidenced
7 by the appearance of the person's name on the statewide support lien docket under s. 49.854
8 (2) (b), unless the person provides the department or authorized lender with one of the
9 following:

10 1. A repayment agreement that the person has entered into, that has been accepted by
11 the county child support agency under s. 59.53 (5) and that has been kept current for the
12 6-month period immediately preceding the date of the application.

13 2. A statement that the person is not delinquent in child support or maintenance
14 payments and does not owe past support, medical expenses or birth expenses, signed by the
15 department of workforce development or its designee within 7 working days before the date
16 of the application.

17 (c) Previous loans. The person has a previous loan outstanding under this subchapter,
18 unless any of the following apply:

19 1. The previous loan has been assumed by an eligible person with the department's
20 approval upon the sale of the residence securing the previous loan.

21 2. The person is applying for a loan under s. 45.27 for a purpose under s. 45.24 (1) (c)
22 and the previous loan was made under s. 45.27.

23 (d) Amount of loan limitation. The amount of the loan exceeds 2.5 times the median
24 price of a home in this state. The department shall establish the median price of a home in this

1 state for each fiscal year by using the most recent housing price index generated by the
2 Wisconsin Realtors Association before July 1.

3 (3) A veteran who is receiving 100% disability compensation from the U.S. department
4 of veterans affairs under 38 USC 301 to 315, 331 to 337 and 350 to 362 due to a permanent
5 and total service-connected disability may receive a loan under this subchapter if the
6 department or authorized lender determines that all of the following apply:

7 (a) Ability to pay. The person will not be incurring an excessive indebtedness in view
8 of the person's income.

9 (b) Previous loans. If the person has a previous loan outstanding under this subchapter,
10 any of the following apply:

11 1. The previous loan has been assumed by an eligible person with the department's
12 approval upon the sale of the residence securing the previous loan.

13 2. The person is applying for a loan under s. 45.27 for a purpose under s. 45.24 (1) (c)
14 and a previous loan was made under s. 45.27.

15 **SECTION 7.** 45.76 is renumbered 45.24 and amended to read:

16 **45.24 Eligible uses Uses for loan proceeds.** (1) MORTGAGE LOAN PROGRAM. An
17 authorized lender may, with the approval of the department, make loans under s. 45.79 45.27
18 for:

19 (a) *Purchases.* Purchase of:

20 1. A manufactured home or real property on which a manufactured home is to be
21 situated, but only if the veteran eligible person has available and applies on the total cost of
22 the property, an amount equivalent to at least 15% of the total cost. This 15% requirement does
23 not apply to a person who qualifies under s. 45.745 45.23 (3).

24 2. A home and eligible rehabilitation of a home, as defined in s. 234.49 (1) (d).

1 (b) *Construction.* Construction of a home, including housing accommodation and
2 garage, and the acquisition of land therefor.

3 (c) *Home improvements.* A loan of not more than \$25,000 to improve a home, including
4 the construction of a garage or the removal or other alteration of existing improvements that
5 were made to improve the accessibility of a home for a disabled individual.

6 (d) *Refinancing.* 1. Refinancing the balance due on an indebtedness which was
7 incurred for a use designated in pars. (a) to (c) if the balance owing on the indebtedness does
8 not exceed the amount requested in a prior loan application from ~~the veteran~~ that eligible
9 person and if the indebtedness was incurred by ~~the veteran~~ that person after a prior loan
10 application from ~~the veteran~~ that person was denied by the department. Refinancing loans
11 may be made under this paragraph only if the board reverses the department's denial after
12 determining that the prior application met requirements in effect on the date of the denial and
13 that the loan application should have been approved.

14 2. Refinancing the balance due on a construction period loan, bridge loan or other
15 financing if the financing was used for a purpose designated in par. (b) and has a term of 24
16 months or less.

17 (2) **CONDITIONS.** (a) *Cost and value of property.* No loan may be made under this
18 subchapter if the department or authorized lender determines that the total cost of the property
19 exceeds its market value unless the amount by which the cost of the property exceeds its
20 market value is paid by the borrower in addition to the down payments required by s. ~~45.77~~
21 45.25. This paragraph does not apply to a person who qualifies under s. ~~45.745~~ 45.23 (3).

22 (b) *Certificate of use.* The department or authorized lender may require any person
23 applying for a loan under this subchapter to certify that:

1 1. The residence to be purchased, constructed, improved or refinanced with financial
2 assistance under this subchapter will be used as the person's principal residence.

3 2. Unless other prepayment provisions are permitted under s. ~~45.78 (2)~~ 45.26 (2), the
4 loan made under this subchapter will be repaid in full upon sale of the residence or any of the
5 person's interest in it. A divorce judgment divesting the ~~veteran's~~ person's interest in the
6 residence or a quit claim deed executed under the judgment does not constitute a sale.

7 **SECTION 8.** 45.77 is renumbered 45.25 and amended to read:

8 **45.25 ~~Veteran's contribution~~ Contribution.** No loan may be made under this
9 subchapter unless, in addition to the closing costs that the ~~veteran~~ person may be required to
10 pay, the ~~veteran~~ person has available, and applies on the total cost of the property for which
11 the loan is made, an amount equivalent to at least 5% of the total cost. The amount may consist
12 of money or other assets, including equity in real property. This section does not apply to a
13 person who qualifies under s. ~~45.745~~ 45.23 (3).

14 **SECTION 9.** 45.78 is renumbered 45.26 and amended to read:

15 **45.26 Manner of repayment. (1) MONTHLY PAYMENTS; RIGHT TO PREPAY.** Each loan
16 made under this subchapter shall be repaid in monthly installments with the option to pay
17 additional sums on any installment paying day.

18 **(2) ACCELERATION PROVISIONS.** All loans made under this subchapter shall be repaid in
19 full upon sale of the residence securing the loan or any interest in such residence, unless:

20 (a) The sale is to another eligible person;

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

23 (c) The loan is a guaranteed loan which is assumed or paid in regular monthly
24 installments under s. ~~45.79 (10) (a)~~ 45.27 (11) (a).

1 **SECTION 10.** 45.79 is renumbered 45.27 and amended to read:

2 **45.27 Mortgage loan program. (1) LOANS AUTHORIZED.** An authorized lender or a
3 county veterans' service officer may, as agent for and with the approval of the department,
4 make loans to eligible persons for qualified purposes in the manner provided under this
5 section.

6 **(2) LOAN APPLICATIONS. (a) Application and content.** Applications for loans under this
7 section for a purpose specified in s. ~~45.76 (1) (a), (b), or (d)~~ 45.24 (1) (a), (b), or (d) shall be
8 made to an authorized lender and applications for loans under this section for a purpose
9 specified under s. ~~45.76 (1) (e)~~ 45.24 (1) (c) may be made to the department or to a county
10 veterans' ~~veterans~~ veterans service officer on forms approved by the department and signed by the
11 applicant. If the applicant is married and not separated or in the process of obtaining a divorce,
12 the applicant's spouse also shall sign the application.

13 **(b) Certification by department.** The applicant may apply directly to the department
14 or through a county veterans' ~~veterans~~ veterans service officer for certification of eligibility as a
15 veteran.

16 **(3) LOANS TO BE SECURED. (a) Mortgage or guarantor required.** Each loan made under
17 this section, except a loan of \$3,000 or less for a purpose specified under s. ~~45.76 (1) (e)~~ 45.24
18 (1) (c), shall be evidenced by a promissory installment note and secured by a mortgage on the
19 real estate in respect to which the loan is granted. A loan of \$3,000 or less made for a purpose
20 specified under s. ~~45.76 (1) (e)~~ 45.24 (1) (c) shall be evidenced by a promissory installment
21 note and shall be secured by a guarantor or by a mortgage on the real estate in respect to which
22 the loan is granted. Any loan having as its source funds provided through sub. (6) (a) and
23 secured by a mortgage shall have the mortgage name the department as mortgagee and payee.
24 Any loan having as its source funds provided through sub. (6) (b) and secured by a mortgage

1 shall have the mortgage name the authorized lender involved as mortgagee and payee, and
2 such mortgage and note shall be assigned by the authorized lender to the authority
3 immediately upon execution. A mortgage securing a loan made for a purpose specified in s.
4 ~~45.76 (1) (a), (b) or (d)~~ 45.24 (1) (a), (b), or (d) must have priority over all liens against the
5 mortgaged premises and the buildings and improvements thereon, except tax and special
6 assessment liens filed after the recording of the mortgage. A mortgage securing a loan made
7 for a purpose specified under s. ~~45.76 (1) (c)~~ 45.24 (1) (c) is acceptable if the applicant can
8 establish a minimum equity in the property as established by the department by rule.

9 (b) *Casualty insurance coverage.* Mortgages given to secure loans under this section
10 shall provide for adequate fire and extended coverage insurance. Policies providing such
11 insurance coverage shall name the authorized lender or the department as an insured.

12 (4) INTEREST RATE DETERMINED. (a) The board shall determine the interest rate on loans
13 made under this section. Except as provided in sub. (11), the interest rate so determined may
14 not be increased during the term of the loan. Except as provided in sub. (11), the interest rate
15 shall be as low as possible but shall be sufficient to fully pay all expenses and to provide
16 reserves which are reasonably expected to be required in the judgment of the board in
17 accordance with par. (b) and sub. (7) (a) 3.

18 (b) 1. The board shall select and implement the methods of insuring against losses
19 arising from delinquency and default in the repayment of loans under sub. (6) (a) and shall
20 select and implement the methods of managing and selling any property securing loans funded
21 under sub. (6) (a).

22 2. The board shall charge or cause to be charged to borrowers all costs for insuring the
23 program under subd. 1.

1 3. Moneys collected under subd. 2. and that are held by the state shall be deposited,
2 reserved, and expended as provided in sub. (7) (a) 3.

3 (c) Loans made pursuant to this section shall not be subject to s. 138.05, 138.051, or
4 138.052, except that a loan originated under this section after May 3, 1996, is subject to s.
5 138.052 (5).

6 **(5) ADMINISTRATIVE PROVISIONS.** (a) *Additional authorized activities of the department.*
7 The department may do any of the following:

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

21 2. Commit to advance and advance funds in the full amount of any mortgage securing
22 a purchase loan to be made by an authorized lender in accordance with the terms ~~of~~ under this
23 section.

1 3. Commit to advance and advance in installments up to the full amount of any mortgage
2 securing a construction loan made by an authorized lender, to provide for the purchase and
3 improvement of a lot and the completion of the construction for which the loan is to be made,
4 under the terms of this section.

5 4. Mail checks, share drafts, or other drafts or otherwise transfer or arrange for transfer
6 of funds, to authorized lenders not sooner than 7 days prior to proposed closing or
7 disbursement dates.

8 5. Designate and maintain a current list of lenders authorized to make or service loans
9 under this section. The department shall promulgate rules establishing standards for and
10 governing the performance of authorized lenders in making and servicing loans under this
11 section and shall periodically monitor such performance. The department shall promulgate
12 rules to provide for the removal from its list of authorized lenders of any lender that makes
13 an excessive number of errors on loan applications processed under subd. 1. The department
14 may summarily remove from its list of authorized lenders any lender that indicates it does not
15 wish to participate in the program and after hearing on notice remove from its list of authorized
16 lenders any lender that fails to conform with the rules of the department governing ~~such~~ that
17 performance, and may refuse to permit a lender so removed to make or service any loan under
18 this section until such time as the department is satisfied that the lender will conform with ~~such~~
19 its rules.

20 6. Require borrowers to make monthly escrow payments to be held by the authorized
21 lender or the department for real estate taxes and casualty insurance premiums. The
22 authorized lender or, ~~if the department holds the payments in escrow,~~ the department shall pay
23 all of the amounts due for real estate taxes and casualty insurance premiums, even if the
24 amount held in escrow is insufficient to cover the amounts due. If the amount held in escrow

1 is insufficient to cover the amounts due, the authorized lender or, if the department holds the
2 ~~payments in escrow~~, the department shall recover from the borrower, after paying the amounts
3 due under this subdivision, an amount equal to the difference between the amounts paid and
4 the amount held in escrow. If the amount held in escrow is more than the amounts due, the
5 authorized lender or, if the department holds the ~~payments in escrow~~, the department shall
6 refund to the borrower, after paying the amounts due under this subdivision, an amount equal
7 to the difference between the amount held in escrow and the amounts paid by the authorized
8 lender or the department.

9 7. ~~The department may obtain~~ Obtain guarantees for loans under 38 USC 1801 to 1827.

10 8. ~~The department may exercise~~ Exercise all of the powers vested in it under this
11 subchapter in respect to any applications for loans and loans approved under this section and
12 in respect to any mortgages and mortgage notes executed to authorized lenders and assigned
13 to and purchased by the authority under this section and the properties securing ~~such~~ those
14 mortgages. The department is ~~specifically authorized in its discretion to~~ may exercise or
15 authorize ~~such~~ those powers to be exercised in its own name.

16 9. With prior approval of the building commission, retire all 1981 veterans home loan
17 revenue bonds and transfer any assets remaining in the bond fund after retirement into the
18 veterans trust fund. The department may sell the assets transferred to the veterans trust fund
19 under this subdivision and deposit the proceeds of any sale into the veterans trust fund.

20 10. Service loans made under this section and purchase from authorized lenders the
21 servicing rights for loans made by authorized lenders under this section.

22 11. Enter into contracts with persons other than authorized lenders for the servicing of
23 loans made under this section.

1 (b) *Origination fees.* ~~Veterans~~ Persons receiving loans under this section shall pay at
2 the time of closing an origination fee to the authorized lender participating in the loan, except
3 that the department shall pay, on behalf of a veteran who receives a loan under this section and
4 who has at least a 30% service connected disability rating for purposes of 38 USC 1114 or
5 1134, the origination fee to the authorized lender. The origination fee charged under this
6 paragraph shall be negotiated between the department and the authorized lender but may not
7 exceed that which the authorized lender would charge other borrowers in the ordinary course
8 of business under the same or similar circumstances.

9 (6) SOURCES OF LOAN FUNDS. Funding for loans authorized by under this section may,
10 at the discretion of the building commission, be provided by one or a combination of the
11 following:

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

15 1. State debt may be contracted when it reasonably appears to the building commission
16 that all state obligations so incurred under this paragraph and s. 20.866 (2) (zo) can be fully
17 paid from moneys received from veterans repayments of loans on mortgages and mortgage
18 notes funded under this paragraph and other available revenues of the veterans mortgage loan
19 repayment fund. In making this determination, the building commission may take into
20 account the effect of its planned future actions to refinance existing state debt, to create reserve
21 funds, and to modify the structure of the total debt outstanding so as to ensure that projected
22 repayments of loans on mortgages and mortgage notes, together with other available moneys,
23 will be sufficient as received to fund debt service payments as due. It is the intent of the
24 legislature that the program authorized under this section be fully self-supporting and that it

1 be so administered that all debt service and all related costs of the program under this section
2 will require no supplemental support from the general fund.

3 2. The chairperson of the board shall certify that the chairperson does not expect
4 proceeds of state debt issued under this paragraph to be used in a manner that would cause the
5 debt to be arbitrage bonds as defined by the Internal Revenue Code, ~~where~~ if that debt is a bond
6 that is exempt from federal taxation.

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

14 (c) *Revenue obligations.* The secretary, with the approval of the governor and subject
15 to the limits of sub. (9), may request that revenue obligations be contracted in accordance with
16 subch. II of ch. 18. Revenue obligations ~~so~~ requested ~~must~~ shall meet all of the following
17 additional requirements:

18 1. Revenue obligations may be contracted when it reasonably appears to the building
19 commission that all obligations incurred under this paragraph can be fully paid from moneys
20 received from veterans' repayments of loans on mortgages and mortgage notes funded under
21 this paragraph.

22 2. The chairperson of the board shall certify that the board and the department do not
23 expect and shall not use proceeds of revenue obligations issued under this paragraph in a

1 manner that would cause the revenue obligations to be arbitrage bonds as defined in the
2 Internal Revenue Code, where that debt is a bond that is exempt from federal taxation.

3 (7) REPAYMENT OF MORTGAGE LOANS. (a) There is created the veterans mortgage loan
4 repayment fund. All moneys received by the department for the repayment of loans funded
5 under sub. (6) (a) except for servicing fees required to be paid to authorized lenders, net
6 proceeds from the sale of mortgaged properties, any repayment to the department of moneys
7 paid to authorized lenders, gifts, grants, other appropriations, and interest earnings accruing
8 ~~thereon~~, any repayment of moneys borrowed under s. 45.356 (9) (a) [____], all moneys received
9 under sub. (5) (a) 6., and any moneys deposited or transferred under s. 18.04 (6) (b) or (d) shall
10 be promptly deposited into the veterans mortgage loan repayment fund. The board shall
11 establish by resolution a system of accounts providing for the maintenance and disbursement
12 of moneys of the veterans mortgage loan repayment fund to fund loans under sub. (6) (a) or
13 to fund, refund, or acquire public debt as provided in s. 18.04 (5). The system of accounts shall
14 record and provide moneys for all of the following purposes:

- 15 1. Transfer to the bond security and redemption fund.
- 16 2. The acquisition or redemption of public debt in accordance with resolutions of the
17 building commission.
- 18 3. Payment of losses arising from delinquency or default in the repayment of loans
19 funded under sub. (6) (a), including loss of principal and interest accrued to the point of final
20 disposition of the defaulted loan and the expenses of management and sale of the property
21 taken upon default of loan repayment.
- 22 4. Payment of all costs incurred by the department in processing and servicing loans,
23 purchasing servicing rights for loans under this section, and accounting for and administering

1 the program under this section, including a portion of grants made to county ~~veterans'~~ veterans
2 service officers under s. ~~45.43 (7)~~ 45.80 (7).

3 5. Payment of all costs incurred in contracting public debt for the purposes under s.
4 18.04 (5) and under s. 18.04 (2) for the purpose of funding veterans' housing loans.

5 6. Payment of costs of issuance of obligations to fund loans under sub. (6) (c) if not paid
6 from the proceeds of the obligations.

7 7. Payment of obligations arising from loans funded under sub. (6) (b).

8 8. Payment of any other costs of program operation and management authorized under
9 this section.

10 9. ~~To loan~~ Loan money to the veterans trust fund, upon prior approval of the building
11 commission for each loan, for the purposes under s. ~~45.356~~ [_____].

12 10. Payment of origination fees, on behalf of veterans who have at least a 30% service
13 connected disability rating for purposes of 38 USC 1114 or 1134, to authorized lenders under
14 sub. (5) (b).

15 11. ~~To make payments~~ Payment required of the department under sub. (5) (a) 6.

16 12. ~~To make payments~~ Payment of obligations arising from the acquisition of a
17 headquarters and museum building for the department under s. ~~45.35 (20)~~ [_____].

18 (b) The board may amend the system of accounts established under par. (a) only by
19 resolution of the board that is approved by the building commission.

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

1 (d) After meeting all expenses and providing for reserves under par. (a) 3., assets in the
2 veterans mortgage loan repayment fund, upon prior approval of the building commission, may
3 be transferred to the veterans trust fund and used to fund loans under s. 45.356 [_____].

COMMENT: The Legislative Reference Bureau recommends that the language in the first 2 sentences of sub. (7) (a) (intro.) (creating the veterans mortgage loan repayment fund) be moved to ch. 25, stats., and placed in s. 25.38.

4 **(8) USE OF SURPLUSES.** Surpluses may be used under sub. (11) (c) only if there are no
5 unrestricted fund balances available for that purpose in the funds created under sub. (10).
6 Section 20.001 (3) (e) shall not be construed to prohibit this action.

7 **(9) LIMITATION ON REMODELING OR ALTERATION FOR A DISABLED VETERAN.** Not more than
8 50% of the proceeds of a loan granted under this section for a purpose under s. 45.76(1)(a)
9 45.24 (1) (a) may be used for remodeling or alteration of the housing accommodation after
10 purchase to meet the special needs of a veteran due to a permanent and total service-connected
11 disability. That portion of the proceeds used for this purpose shall be reserved and distributed
12 by the authorized lender.

13 **(10) REPAYMENT OF REVENUE OBLIGATIONS.** (a) All moneys received from any source
14 for repayment of loans, mortgages, or mortgage loan notes funded with proceeds of revenue
15 obligations issued under sub. (6) (c) shall be deposited into one or more separate nonlapsible
16 trust funds in the state treasury or with a trustee appointed for that purpose by the authorizing
17 resolution for the revenue obligations. The board may pledge revenues received by the funds
18 to secure revenue obligations issued under sub. (6) (c) and shall have all other powers
19 necessary and convenient to distribute the proceeds of the revenue obligations and loan
20 repayments in accordance with subch. II of ch. 18. Unrestricted balances in the funds may be

1 used to fund additional loans issued under sub. (6) (c) and pay the balances owing on loans
2 after the assumptions of the loans or the closings of the sales of residences under sub. (11) (c).

3 (b) Revenue obligations issued under sub. (6) (c) ~~shall~~ may not exceed \$280,000,000
4 in principal amount, excluding obligations issued to fund or refund outstanding revenue
5 obligation notes or to refund outstanding revenue obligation bonds.

6 (c) Except as may otherwise be expressly provided in resolutions authorizing the
7 issuance of revenue obligations or in other agreements with the holders of revenue obligations,
8 each issue of revenue obligations shall be on a parity with every other revenue obligation
9 issued under sub. (6) (c) and payable in accordance with subch. II of ch. 18.

10 **(11) GUARANTEED LOANS.** (a) Upon any sale of the residence which secures a
11 guaranteed loan made under this section after April 3, 1980, except for the purchase of the
12 residence at the time the loan is initially made, the guaranteed loan may be assumed or
13 continue to be paid in regular monthly installments if the person who assumes the mortgage
14 loan payments or who will make the regular monthly installments agrees to all of the
15 following:

16 1. To pay interest on the loan from the date of the assumption of the loan, if the loan
17 is assumed, or from the date of the closing of the sale of the residence at the maximum rates
18 of interest being charged on guaranteed loans on the date the loan was initially made; ~~and~~.

19 2. To increase the amortization payments on the loan by an amount sufficient to
20 amortize the loan by the date the balance ~~thereon~~ on the loan is payable in full according to
21 the original terms of the loan.

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

1 (c) After the assumption of a guaranteed loan funded under sub. (6) (c), if the loan is
2 assumed, or the closing of the sale of a residence on which a balance is owing on a guaranteed
3 loan funded under sub. (6) (c), the balance owing on the loan on the date of the assumption
4 of the loan, if the loan is assumed, or the closing of the sale may be paid to the funds created
5 under sub. (10) from available surpluses, if any, in the veterans mortgage loan repayment fund
6 under sub. (7) (d). The loan and the mortgage and mortgage note pertaining to the loan may
7 be purchased by the veterans mortgage loan repayment fund under sub. (7).

8 **(12) PRIOR PROGRAM LOANS.** Subject to this section and ss. ~~45.73 to 45.77~~ 45.23 to
9 45.25, neither the department nor an authorized lender may deny a person a loan under this
10 section because of the reason the person sold any property previously mortgaged by the person
11 to the department or an authorized lender, if the person completely paid the balance of any
12 previous loan under this subchapter in accordance with the terms and conditions of the
13 promissory note and the mortgage or other agreement executed in connection with the
14 previous loan.

COMMENT: Section 45.73, the specific rulemaking language for the housing subchapter, is being repealed. Can this reference to s. 45.73 be deleted or should the general rulemaking provision—currently in s. 45.35 (3)—be referenced?

15 **(13) REPAYMENT OF LOAN.** Any money appropriated or transferred by law from the
16 veterans mortgage loan repayment fund for purposes other than those listed in sub. (7), other
17 than moneys made temporarily available to other funds under s. 20.002 (11), shall be repaid
18 from the general fund with interest at a rate of 5% per year from the the date of the
19 appropriation or transfer to the date of repayment.

20 (END)