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CERTIFICATE

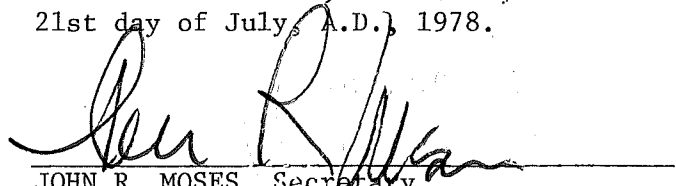
STATE OF WISCONSIN)
)SS
DEPARTMENT OF VETERANS AFFAIRS)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, John R. Moses, Secretary of the State of Wisconsin, Department of Veterans Affairs, and custodian of the official records of said department, do hereby certify that the annexed amendments, repeals and recreation, and creation of rules and regulations relating to the veterans' housing loan program and to standard student budgets for the full time Vietnam Era veterans' educational grant program, were duly approved and adopted by the Board of Veterans Affairs on July 21, 1978, and will take effect on the date as provided in s. 227.026(1)(intro.), Wis. Stats.

I further certify that said copy has been compared by me with the original on file in this department and that the same is a true copy thereof, and of the whole of said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the department at the department offices at Madison, Wisconsin, this 21st day of July, A.D., 1978.

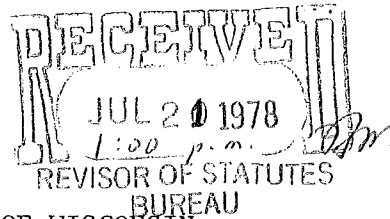


JOHN R. MOSES, Secretary
STATE OF WISCONSIN,
DEPARTMENT OF VETERANS AFFAIRS

STATE OF WISCONSIN
DEPARTMENT OF STATE
RECEIVED AND FILED

JUL 21 1978

DOUGLAS LAFOLLETTE
SECRETARY OF STATE



STATE OF WISCONSIN
DEPARTMENT OF STATE
RECEIVED AND FILED

JUL 21 1978

DOUGLAS LAFOLLETTE
SECRETARY OF STATE

ORDER OF THE STATE OF WISCONSIN,
BOARD OF VETERANS AFFAIRS
AMENDING, REPEALING AND RECREATING AND CREATING RULES

Pursuant to authority vested in the Board of Veterans Affairs of the Department of Veterans Affairs by sections 45.28(1)(e), 45.35(3) and 45.73, Wis. Stats., and pursuant to Chapter 227, Wis. Stats., the Board of Veterans Affairs hereby amends VA 1.06, VA 4.02(3), VA 4.06(1), VA 4.08(4), (6) and (8)(a), VA 4.09(12) and VA 9.03, repeals and recreates VA 4.01, VA 4.03 and VA 4.05, and creates 4.06(6), VA 4.07(4), (5) and (6), and VA 4.11 of the Wisconsin Administrative Code rules of the Department of Veterans Affairs to read:

VA 1.06 of the Wis. Adm. Code is amended to read:

VA 1.06 (s. 45.35(5), Stats.) Definition--"veteran". For the purposes of this chapter and Chapters VA 2, and 3 ~~and~~-4, "veteran" shall mean either a veteran as defined in section 45.35(5) Wis. Stats., or a deceased veteran's unremarried widow, widower, or minor or dependent child who is a resident of and living in this state at the time of making application for benefits.

Section VA 4.01 of the Wis. Adm. Code is repealed and recreated to read:

VA 4.01 (Subchapter 2 of Chapter 45, Stats.) Definitions. In this chapter the terms defined in section 45.71 (1m) to (15), Wis. Stats., shall have the meanings designated therein and such statutory definitions are incorporated herein by reference and the following terms shall have the designated meanings:

- (1) ADEQUATE HOUSING means a structurally sound dwelling ready for immediate occupancy and sufficient in size to accommodate the applicant and the applicant's dependents, with necessary electrical (above 30 amperes), heating and sanitary facilities in good condition of repair. In order to be considered adequate housing, the dwelling

must have sufficient bedrooms to provide sleeping accommodations segregated by sex for the applicant's unmarried dependents, except that dependents less than six years old need not have segregated sleeping accommodations if the dwelling provides space for necessary expansion or if older dependents will be leaving the dwelling permanently in the near future in order for the dwelling to be considered adequate housing.

(2) ANNUAL INCOME means "current monthly income" multiplied by twelve.

(3) ANTICIPATED ANNUAL SHELTER PAYMENT means the total annual payments anticipated for the following, as determined by the authorized lender or department on the basis of the loan applied for:

(a) Real estate taxes on the housing accommodation to be mortgaged. On previously untaxed properties, estimated real estate taxes shall be based upon the current assessed value times the prior year's mill rate for state, county, municipal and school taxes;

(b) Hazard insurance premium (including flood insurance, if required) for coverage required;

(c) Required payment on principal and interest on all loans which will be secured by encumbrances against the housing accommodation after the closing of the housing loan;

(d) Unit owner's share of common expenses (applies only to condominiums and planned unit developments);

(e) Holding tank monthly pumping fees annualized when such systems are permissible under section VA 4.03 Wis. Adm. Code; and

(f) Monthly parking fees (applies only to mobile homes not located on land owned by the applicant).

- (4) APPLICANT means a person who applies for a direct loan certificate of eligibility or a veteran who applies for a housing loan under Subchapter II of Chapter 45, Wis. 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.
- (5) BASEMENT SURVEY means the placement of stakes delineating the perimeter by survey of the proposed basement within the lot upon which an applicant's home will be constructed. A basement constructed pursuant to such a survey must be in compliance with sideyard, setback and other applicable requirements.
- (6) CO-APPLICANT means any person who is eligible to apply and does apply with an applicant for a housing loan.
- (7) CURRENT MONTHLY INCOME means an applicant's current monthly adjusted gross income at the time of application, or in appropriate cases 1/12 of an applicant's annual income computed on the basis of the applicant's current adjusted gross income at the time of application, except in the case of a self-employed applicant, an applicant who is a construction or seasonal employee, or an applicant who must pay substantial job connected expenses where current monthly income shall be computed on the basis provided in section VA 4.05(5)(a), Wis. Adm. Code, together with such other income as the department determines to be regular and dependable or includable as income.
- (8) DEBT SERVICING PAYMENTS means 1/12 of an applicant's "anticipated annual shelter payment" and monthly repayments required on installment debts with thirteen or more remaining monthly payments due at the time of application for a housing loan. Debt servicing payments shall include 10% of the

- (16) MORTGAGEE means in the case of a direct loan the department or the authority and in the case of a secondary loan means the department and the primary lender.
- (17) MORTGAGOR means a successful applicant named in a mortgage or a chattel security agreement for a housing loan, or both, or the non-applicant spouse of a successful applicant named therein.
- (18) PRIMARY LENDER or "primary mortgagee" means the lender who will have the first mortgage against property on which a secondary loan application has been made at the time of the closing of the secondary loan or who has such a first mortgage at the time of submission of a secondary loan application to the department.
- (19) PROPERTY means the "housing accommodation", garage, land and any other non-housing improvements thereon, the purposes for which a housing loan may be made.
- (20) RESIDENCE means the fixed and primary residence of an applicant which such applicant occupies or intends to occupy as such.
- (21) SECONDARY LOAN means a housing loan under section 45.352, 1971 Wis. Stats., or 45.80, Wis. Stats.
- (22) SHELTER COST RATIO means an applicant's "anticipated annual shelter payment" divided by such applicant's "annual income".
- (23) STABLE EMPLOYMENT means employment for the same employer for not less than six months or employment in the same or similar circumstances for not less than two years or if verified by the employer as permanent.

VA 4.02(3) of the Wis. Adm. Code is amended to read:

VA 4.02(3)(s. 45.76(1)(a)1., Stats.) ITEMS INCLUDED IN MOBILE HOME COST.

Furniture and appliances, moving and utility hookup expenses and taxes included as a part of the purchase price of the mobile home and skirting and tiedowns will be considered a part of the total cost of the mobile home for the purposes of sections 45.74 and 45.77, Wis. Stats. Such furniture and appliances shall be included in the chattel security agreement.

VA 4.03 of the Wis. Adm. Code is repealed and recreated to read:

VA 4.03 (Subchapter 2 of Chapter 45, Stats.) GENERAL LOAN POLICY BOTH PROGRAMS.

- (1) LOAN REPAYMENT RECORD. The department will not issue a certificate of eligibility to a veteran or approve a secondary loan to a veteran who is delinquent on an economic assistance loan. Unless approved by the secretary or approved pursuant to guidelines established by him, an application for an economic assistance loan, a secondary loan or for a certificate of eligibility from a person whose repayment record on a department loan has been unsatisfactory shall be summarily denied on the basis of such record.

- (2) REFINANCE LOANS Refinance loans may be made only if the applicant is in legal danger of losing the applicant's property, which legal danger could not have been avoided by prudent financial management, where the property will provide adequate security for the department home loan and where such a loan will place the applicant's shelter cost indebtedness on a manageable basis within department standards.

(a) Legal danger exists when the present mortgagee or security interest holder refuses to renew a contract or note whose term was not fully amortized, or when the present mortgagee or security interest holder refuses to accept payments and notice is given that foreclosure proceedings will be instituted or when foreclosure proceedings have been commenced. A copy of the foreclosure notice or threat thereof, expiring land contract, or expiring note and mortgage must be submitted to the department with the application for a housing loan.

(b) Equity in the case of a refinance loan may be based on either current appraised value or current equalized assessed value of the property less amounts required to pay off obligations to be refinanced, whichever the applicant elects. The value used for establishing an applicant's equity shall be the cost of the property for all purposes.

(c) No indebtedness may be refinanced through a department housing loan unless such indebtedness is a home related obligation, or the obligation is secured by a real estate security agreement, a chattel security agreement or land contract or a mortgage or encumbrance against the property.

(d) All money judgments must be cleared by the applicant before the department will approve the application, unless such money judgments represent exclusively home related obligations and can be included in the amount to be refinanced.

(e) The minimum term of a land contract or note and mortgage to be refinanced shall be one year and the department shall not accept an application more than three months prior to the expiration of such land contract or note or mortgage.

(f) The department shall not accept an application for a refinance loan from the lender threatening or instituting foreclosure proceedings.

(g) The applicant shall have unborrowed funds to pay all closing costs.

(3) CONSTRUCTION LOANS (a) Direct construction loans shall be made for a term not exceeding 29 years and 4 months, in addition to the construction period not exceeding 8 months.

(b) The applicant cannot act as the applicant's own general contractor nor can the applicant perform any construction tasks other than painting unless the applicant's occupation is directly related to the task involved. The general contractor must warrant any work performed by the applicant.

(c) On direct construction loans payment on principal may be waived for up to 8 months, however, payment of interest and 1/12 of the estimated annual taxes and insurance premiums shall be made monthly. Such interest is to be charged on principal actually disbursed during the previous month based on the number of days of such usage and billed as of the first of the month. On secondary construction loans the first monthly payment will be due 6 months after the date of approval.

(d) Construction contracts must be written on a firm price basis and no cost adjustment clause will be permitted. Change orders in construction contracts may be permitted only upon the approval of the authorized lenders in the case of direct loans or upon the approval of the department in the case of secondary loans. Such change orders may be approved only if the cost of such change orders when added to the previously determined total cost does not exceed the maximum cost of housing established in section 45.74(5), Wis. Stats., and does not exceed the maximum allowable cost based upon the applicant's income at time of application and, further, only where the applicant deposits the full cost of the change order with the lender.

(e) Construction loan agreements shall be completed on closing of all direct construction loans.

(f) All building permits must be obtained prior to the advance of any direct loan funds by the authorized lender or the disbursement of any secondary loan funds by the primary lender and the lender shall retain copies of all building permits in the loan file. All percolation tests, when required, must be completed prior to the approval of the application.

(g) Signed cost breakdowns, with plans and specifications and construction contract, warranty deed or offer to purchase vacant land, shall be submitted to the department with every construction loan application.

(h) A basement survey shall be required in connection with every construction loan before closing except that the lender may waive a basement survey provided the lender obtains a certificate from the local building inspector or zoning authority that the proposed basement is located within the bounds of the described property in compliance with all applicable side yard and set back requirements and that the basement elevation is proper. If a direct loan is involved, the authorized lender must agree to sign the lenders warranty on the basis of the certificate.

(i) There must be a general contractor who will warrant in writing against defects in materials and workmanship for a period of not less than one year from the date of completion. Home Owners Warranty Corporation warranties should be obtained whenever possible.

(j) The lender shall approve the builder's qualifications and credit and require evidence that the builder carries or that the applicant will carry builders risk insurance. Such insurance will be on a standard form 17c or a comparable form and must include fire and extended coverage, vandalism and collapse coverage. If theft coverage

is available it is recommended that this coverage be carried also. The policy shall name the builder or mortgagor as the insured with a loss payable clause in favor of the mortgagee. The original policy shall be retained by the lender with a memorandum copy to the mortgagor. The mortgagor shall obtain a general liability policy naming the mortgagor as the insured. This policy shall remain in effect until completion of construction.

(k) In cases involving direct loans, credit reports must be obtained by authorized lenders on the builder(s) and shall be reordered if the previous reports are more than six months old.

(l) Certificates of satisfactory completion of each stage of construction completed shall be submitted to and retained by the lender, signed by the builder(s) and mortgagor prior to disbursement of any additional funds. Lender or its agent will inspect completed work prior to any draw and retain a copy of the inspection report on file.

(m) Lien waivers must be obtained. If any question arises concerning the adequacy of the lien waivers, such waivers shall be cleared through a title company.

(n) All down payment monies received by any of the parties to the construction transaction shall be deposited with the lender and such amounts as are necessary for closing shall be disbursed at closing. Such monies not disbursed at closing will be retained by the lender in an escrow account until the next draw is requested by the builder. No housing loan proceeds will be disbursed until all of the down payment monies have been fully expended. Advances prior to completion may equal 80% of the cost of completed construction unless the cost breakdown shows profit as a separate entry in which case 100% of the cost of completed construction may be disbursed, but such disbursement

shall not exceed 75% of the total committed direct loan funds, or in the case of secondary loans, committed primary lender and secondary loan funds, until after final inspection. Funds remaining after each and every draw shall be sufficient to complete the construction. Such advances shall be made on construction completed and in place, and inspected by the lender or agent using VA/FHA guidelines. Such advances will take place:

1. Upon purchase of the lot, if not already owned by the mortgagor;
2. Upon completion of the footings and foundation;
3. When the roof is on, the house is enclosed, and all other work is roughed in to include electrical, plumbing, heating and carpentry including windows and doors; and
4. After final inspection.

(o) Payment for work which cannot be completed for acceptable reasons, but does not affect occupancy of the dwelling, shall not be made until completion of such work. At the discretion of the authorized lender, direct loan funds may be escrowed for uncompleted construction provided that:

1. Escrows will only be allowed when the uncompleted work was the result of unavoidable delays and such work does not affect occupancy;
2. The escrowed amount is not less than twice the cost of the completion of such work including all labor and materials;
3. The escrowed amount does not exceed \$4,000 in any case.

3. The authorized lender and general contractor agree not to authorize occupancy by the mortgagor until the required painting, and other "sweat equity" tasks are completed.

(s) Plans and specifications for any unusual type of construction should be submitted to the department prior to loan processing by the lender.

(4) PURCHASE LOANS FOR A HOUSING ACCOMMODATION TO BE CONSTRUCTED.

(a) A purchase loan for a housing accommodation and if applicable a garage to be constructed may be made for a term not exceeding 360 months.

(b) The loan documents shall be submitted to the department as an application for purchase of a completed housing accommodation and, if applicable, a garage.

(c) The housing accommodation and garage must be fully constructed not more than 8 months from the date of commitment.

(d) A single payment construction contract for a complete, finished, firm price, warranted housing accommodation shall be submitted in all cases, together with either:

1. An offer to purchase the land on which the housing accommodation is to be constructed if owned by the builder or a third party; or
2. A copy of the recorded warranty deed if the land is owned by the applicant.

(e) Work credit may be agreed to between the applicant and the builder in order to arrive at a reduced sale price to the applicant or a reduced contract-to-construct price to the applicant, but the amount of the loan applied for shall not include the value of such work credit agreed to so as to result in payment to the applicant for such work credit, and no part of the required downpayment can be made up of the value of such work credit and no payment shall be made to the applicant by either the lender or builder for work credit.

(f) The appraisal submitted to the department shall be based upon the value of the property after completion of construction in accordance with the plans and specifications.

(g) Upon completion of construction the general contractor shall warrant, in writing, against defects in materials and workmanship for a period of not less than one year from the date of completion. Home Owners Warranty Corporation warranties shall be obtained if possible.

(h) Lien waivers shall be obtained and submitted to the lender upon completion.

(i) The housing accommodation and garage, if applicable, shall be fully completed and final inspection shall be made by an approved appraiser or architect prior to closing.

(j) A single disbursement by the department will be made only upon compliance with all of the foregoing requirements and, in the case of a secondary loan, upon assurance that the primary lender's funds have been fully disbursed.

(5) CONDOMINIUM LOANS (a) No condominium project shall be approved by the department unless a copy of the recorded declaration and any

amendments thereto and a copy of the By-laws and Articles of Incorporation are on file with the department and have been accepted as complying with the department's requirements:

(b) Professional management must be provided for if the declaration was recorded after January 1, 1975. (Professional management means: a real estate management firm contracted for by the developer or the Homeowners' Association to manage the condominium project.)

(c) The condominium documents shall provide assurance that the unit holder's interest in common areas and facilities (as defined in section 703.02(6), Wis. Stats.) will not be diminished in any manner based upon the maximum number of units to be built without the consent of the unit owners and mortgagees.

(d) The declaration or by-laws must provide for the orderly transfer of the ownership and management of the condominium common elements after the sale of 51% of the units in the current phase but in no event more than 2 years from the date of the declaration.

(e) Payment of unit owner's share of the common expenses must be made monthly and will constitute part of the mortgagor's anticipated annual shelter cost. Evidence of such payment shall be submitted to the lender on an annual basis.

- (6) SECOND APPLICATIONS (a) Favorable consideration may be given to an applicant's second application for a housing loan from the department or to an applicant's request for the issuance of a certificate of eligibility in cases where the applicant has previously had a housing loan from the department if the applicant invests sufficient net

proceeds from the sale of such property in the new property which the applicant intends to acquire as provided in par. (b) and if the applicant's previous property was sold because at the time of the sale of the previous property such property was:

1. Located more than a reasonable distance from the applicant's principal place of employment;
2. Unacceptable for occupancy by the applicant for medical reasons as substantiated by medical evidence;
3. Acquired from the applicant under eminent domain proceedings;
4. Sold as a result of the applicant's divorce;
5. Incapable of being occupied by the applicant as his residence because the applicant was required as a condition of employment to reside in a municipality other than the one in which such property was located;
6. Inadequate because it had an insufficient number of bedrooms for the applicant and applicant's family as a result of an increase in the size of the applicant's family since the housing loan was made thereon; or
7. Unacceptable for occupancy by the applicant and the applicant's family for exceptional reasons which are deemed adequate by the secretary.

(b) The applicant shall invest all net proceeds, except as provided below, from the sale of such property toward the downpayment on the new property which the applicant intends to acquire. The department may permit the applicant to retain funds in an amount not exceeding

the asset maximum set forth in section 45.74(4), Wis. Stats., and, to pay from such net proceeds, obligations incurred for closing costs, including title insurance or abstract extension and moving expenses or obligations incurred during or after the life of the previous mortgage for medical, hospital or funeral expenses or approve a housing loan where the applicant has paid such expenses from the net proceeds prior to application.

(c) A sale of a property on which the department had a housing loan which occurred more than a year prior to the date of application for a certificate of eligibility or a secondary loan will not be subject to the provisions of pars. (a) and (b).

(d) No applicant may have both a secondary loan and a direct loan or two direct loans from the department at the same time and no direct loan proceeds shall be utilized to repay any balances owing the department on secondary loans or other department loans.

(e) Where an applicant applying for a certificate of eligibility is still obligated to the department on either a secondary loan or another direct loan and such applicant is otherwise qualified for such certificate, a conditional certificate of eligibility will be prepared authorizing application for a direct loan, subject to the requirement that the property on which such existing secondary loan or direct loan was made will be sold and such loan fully paid prior to or at the time of closing of the direct loan applied for and that funds, including funds to be realized from the net proceeds of the sale of the home on which the existing loan was made, will be applied as required by section 45.74(4), Wis. Stats., and par. (b).

- (7) SURVEY. Where the legal description of the property is in "metes and bounds" a survey, or copy of a survey, clearly delineating a single perimeter of the entire plot and location of any existing or proposed improvements, shall be required, unless the cost of such a survey would be excessive (more than \$750) and there is little question as to the location of the improvements within the perimeter. In such cases a surveyor's or professional engineer's letter will be required.
- (8) FLOOD PLAIN. In purchase loan applications, if the subject property is in a flood plain, the offer to purchase shall contain a statement by the broker or seller to that effect. If it is in a flood plain, flood insurance shall be obtained on the property and available at the time of closing. The property shall be deemed to be in the flood plain only if the buildings thereon are in the flood plain.
- (9) WELLS AND SEPTIC SYSTEMS. If the property the applicant wishes to purchase, construct, improve or refinance involves a well, community water supply (not municipally operated) or a private septic disposal system, then a well agreement, safe water report (from a laboratory certified by the State of Wisconsin), percolation tests if a construction loan is involved or documentation evidencing an adequate sewage disposal system (not municipally operated) must be submitted to the department with the application. Housing loans will not be approved for the purchase of or construction of housing accommodations on properties where the septic disposal systems are gas fired, chemical toilets or mound type septic systems and such housing loans will not be approved on properties where the septic disposal systems rely upon a holding tank with

regular pumping and removal on a contract basis unless evidence is submitted showing that public sanitary service will become available within 2 years after the loan closing and the applicants can submit contracts covering emptying of such tanks during the 2 year period or until the public sanitary service installation will take place.

(10) SEPARATE DWELLINGS. The department shall not approve a housing loan to an applicant and co-applicant for a duplex or a multiple unit housing accommodation where the applicant and co-applicant are occupying or intend to occupy separate dwelling units therein even though both are veterans.

(11) TERM. The amortization period of a housing loan must be at least five years less than the remaining economic life of the housing accommodation as set forth in the appraisal, not to exceed 30 years.

Section VA 4.05 of the Wis. Adm. Code is repealed and recreated to read:

VA 4.05 (Subchapter 2 of Chapter 45, Stats.) FINANCIAL REQUIREMENTS. (1) FUNDS

(a) Includes cash on hand liquid investments, and except as provided in paragraph (b), any asset the conversion of which to cash would not result in substantial loss. Stocks and bonds, including U.S. Savings Bonds, are valued at market price as of the date of application and therefore no loss shall be considered upon sale. The funds of an applicant shall include all funds owned individually and jointly by the applicant and co-applicant. An applicant's vendor's interest in a land contract shall be considered funds unless the department determines that the conversion of such interest to cash would result in substantial loss to the applicant.

(b) "Funds" shall not include cash value of automobiles, household furnishings and appliances, personal effects, life insurance policies, retirement investment plans, stock or interest in an employer's business required as a condition of current employment, irrevocable trusts of which the applicant or co-applicant is the settler but not the beneficiary or the proceeds of loans, except proceeds from loans against life insurance policies shall be considered funds.

(c) Business assets of a self-employed applicant shall not be included as funds unless working capital is determined to be in excess of normal business requirements in which case the excess shall be considered "funds".

(2) VETERAN'S CONTRIBUTION. If the applicant's contribution required under sections 45.74(5) and 45.77, Wis. Stats., or such closing costs and moving expenses as the applicant may be required to pay have been or are to be acquired by borrowing, the application will not be approved. The applicant must be financially able with the aid of the housing loan applied for to complete the contemplated purchase, construction, improvement or refinance and to pay all required closing and moving expenses. Work credits, rent credits or other reductions of the price of the property being acquired by an applicant may be allowed but only after the applicant evidences that a 5% down payment has been made from such applicant's own funds. Mortgage funds shall not be utilized to pay closing costs. Applicants shall submit verifications of all deposits in excess of \$100 which will constitute a portion of their contribution.

(3) OTHER OWNED NON-RESIDENTIAL REAL ESTATE. (a) The applicant shall

sell such real estate or provide the department with a copy of the warranty deed, previous year's tax bill and list of encumbrances against the other owned real estate. The legal description of the other owned real estate will then be included in the mortgage executed to the department as Parcel II and prefaced by the following statement: "This mortgage encumbers only such interest as the mortgagor may have in the following described real estate." The value of other owned real estate so mortgaged as additional security shall not be considered funds. The mortgage must then be recorded in the county where such other owned real estate is located.

(b) If the applicant's real estate is to be sold, the net proceeds from the sale shall be invested in the property to the extent required by section VA 4.03(6)(b), Wis. Adm. Code and the department shall be provided with a preliminary closing statement on the sale of the applicant's real estate. This preliminary closing statement and an offer to purchase shall verify the net proceeds due the applicant upon sale. In any event, the sale of the existing real estate must close before the department housing loan is closed.

(c) In the event the applicant does not wish to sell non-residential real estate or to include such real estate in the mortgage, such real estate must be listed at the equalized assessed value until sold or for at least 90 days. The net proceeds of the sale, above the maximum retained assets, must then be applied to the proposed improvement, purchase, refinance or construction. If such real estate cannot be sold, it shall be mortgaged for at least 2/3 of equalized assessed valuation, and the proceeds of such mortgage shall be defined as

funds. The monthly payment on this mortgage shall not be considered in shelter cost ratio, debt service payments, or total debt payments computations.

(d) When an applicant has sold real estate on a land contract, the department shall consider as income the payment being received by the applicant less the payment made on any underlying debt on the real estate and shall require the applicant to assign the applicants vendor's interest in land contract to the department if such interest is funds for the purpose of obtaining payment to the department or escrow for improvements to the principle residence of the net proceeds to be realized by the applicant at the time of the payment of the land contract balance.

(e) Release of all or any portion of other owned real estate included in direct loan mortgages may be made pursuant to section VA 4.08(9), Wis. Adm. Code and releases of such real estate from secondary loan mortgages may be made pursuant to section VA 4.09(12), Wis. Adm. Code.

(f) Any non-residential real estate owned by an applicant which the applicant proposes to retain and which borders on the property on which the applicant has applied for a housing loan shall be included as a part of such property, for all purposes, including the establishment of the cost of such property.

(g) Accepted offers to purchase for the sale of real estate shall not constitute the sale of such real estate for the purposes of this section and section VA 4.03(4), Wis. Adm. Code. Actual closing of the sale of such real estate must take place prior to the closing of the department housing loan mortgage.

(4) OTHER OWNED RESIDENTIAL REAL ESTATE. (a) If the applicant owns residential real estate on date of application, regardless of location, such real estate must be sold prior to closing. A land contract vendee's interest in residential real estate shall be deemed to be ownership of such real estate for the purposes of this paragraph. Residential real estate shall not include vacant lots or seasonal cottages.

(b) If the applicant owns residential real estate on the date of application, regardless of the location, such real estate must be sold prior to closing and the net proceeds from the sale of the applicant's real estate shall be invested in the property to the extent required by section VA 4.03(6)(b), Wis. Adm. Code and the department shall be provided with the accepted offer to purchase and a preliminary closing statement on the sale of the applicant's real estate. This preliminary closing statement and an offer to purchase shall verify the net proceeds due the applicant upon sale. In any event, the sale of the existing real estate must close before the housing loan is closed.

(5) INCOME. (a) The adjusted gross income shown on an applicant's income tax return for the prior year shall be the "income" of a self-employed applicant or of an applicant who must pay substantial job connected expenses. However, in proper cases involving such applicants, the authorized lender or the department may accept a recent profit and loss statement and balance sheet covering a period of not less than 6 months or a recent profit and loss statement and balance sheet covering a lesser period and a copy of the income tax return of the former owner of the applicant's business as evidence of the "income" of such

applicant. Such profit and loss statements and balance sheets must be professionally prepared. Construction or seasonal employees income will be based on the applicant's previous year's tax return plus unemployment compensation if such compensation is customary for the applicant's type of employment and is verified.

(b) The "income" to be used for an applicant with an Individual Retirement Account (IRA) is the adjusted gross income. The IRA adjustment to income shall not be added back to the applicant's income.

(c) One-half of gross rental income will be considered "income" if services are furnished to tenants and 2/3 of gross rental income will be considered "income" if no services are furnished. Such income shall be applied in full in the case of a sole applicant and in the case of an applicant and co-applicant such income shall be divided equally between the applicant and co-applicant. "Income" shall not include income from room rental in the home proposed for purchase, construction, improvement or refinance with a housing loan.

(d) Unless temporary in nature, tax free pensions and disability compensation may be considered "income" at 120% of face value if necessary to qualify an application.

(e) Part-time or overtime pay, bonuses, National Guard or Military Reserve pay, unemployment compensation and the income of the applicant or co-applicant will be considered "income" only if acceptable, independent evidence is submitted to substantiate the regular and dependable nature thereof. The gross income the applicant is receiving from regular work shall in all cases be verified by the employer.

(f) Piece work pay and incentive pay may be considered "income" only if a history or other acceptable evidence of such income is submitted and accepted by the department.

(g) Scholarships, stipends and education benefits for actual time in school may be considered "income" only if they are regular and dependable.

(h) An application from an applicant about to retire or who is retired shall be analyzed based upon retirement income.

(i) Child support payments, separate maintenance payments, or alimony may be considered as "income" to the extent that they are likely to be received consistently. Applicants must be advised that income from such sources need not be revealed if they do not desire to have such income considered in conjunction with their applications for housing loans.

(j) The income of an applicant who is required by court order to make alimony or child support payments may, upon the applicant's request, be reduced by the amount of such required payments solely for the purpose of computing the applicant's debt servicing payments and total debt payments and only the remaining income shall be considered in computing the applicant's debt servicing payments and total debt payments, but not for the purpose of qualifying an applicant whose income exceeds the maximum annual income limitation.

(k) The income of the co-applicant and part-time income shall be evaluated by the same standards as the income of an applicant and will be considered "income" only if verified.

(l) Where "income" exceeds the maximum annual income limitation the application will be denied.

(6) GIFTS. Money or the value of real estate received by an applicant as a gift shall be considered the applicant's own funds. However, to be considered funds of the applicant, the donor shall certify that the gift is

combined with either a demonstrated ability to accumulate savings as evidenced by a larger than normal down payment of at least 7 1/2% or such other factors as the department finds to be relevant to the applicant's ability and motivation to make higher than normal debt servicing or shelter cost payments. In the recommendation concerning the application the lender should cite factors which evidence the applicant's ability to make higher than normal shelter cost payments or debt servicing payments. Where total debt payments are excessive the application will be denied.

(9) EMPLOYMENT. The applicant must have stable employment and must evidence sufficient income and financial stability to assure repayment according to the terms of the loan. In the case of a direct loan, income and employment that is not maintained at closing as stated on the application should result in the authorized lender cancelling the loan commitment. Employment must be verified for at least the past two years, or since separation from the U.S. Armed Forces, whichever is less. If there has been more than one employer in the past two years, additional verifications must be completed by each employer. Any increase in income anticipated, if it is to be used, shall be verified by the employer and shall be effective prior to the date of the first payment.

(10) LIABILITIES. The department and authorized lender shall analyze the stated purposes for which an applicant's debts were incurred, the total amount of the indebtedness in relation to income, and the applicant's record of meeting past financial obligations in determining whether the level of indebtedness is excessive. The purpose for which all debts were incurred shall be stated on the application. If the department or authorized lender

determines the accumulated indebtedness indicates financial instability or the amount of monthly payments will impair the applicant's ability to make shelter cost payments and meet ordinary living expenses, the loan application shall be denied. Accumulation of net worth may be considered an indication of creditworthiness.

- (11) INCREASE IN HOUSING OBLIGATIONS. Where an applicant whose total housing obligations on a property which the applicant proposes to purchase, construct, improve or refinance with the assistance of a housing loan will exceed the rental or housing obligations which the applicant is required to pay for the housing accommodation being occupied on the date of application, and where such applicant has been operating at a breakeven point or less as evidenced by increasing debts, the application will be approved only if the applicant has a history of acceptable credit practices.
- (12) BAD CREDIT PRACTICES. Applications from applicants who have failed to pay their obligations in a timely manner shall be denied unless such applications have strong offsetting characteristics or unless the financial difficulties responsible for the applicant's inability to pay their obligations in a timely manner could not have been avoided by prudent management.
- (13) BANKRUPTCY, JUDGMENTS, ETC. Applications from applicants currently under federal Chapter 13 plans will not be accepted unless the applicants are in the final year of their plans, have satisfactory payment records under their plans and have made all required payments under their plans. Any application from an applicant who has been subject to bankruptcy proceedings or to liens and judgments within the five years immediately preceding the

application, shall be examined carefully and the circumstances fully analyzed to determine whether the applicant is creditworthy and has demonstrated financial recovery. A copy of the petition, schedules of debts and discharge in bankruptcy along with the applicant's signed statement of the reason for such bankruptcy must be submitted with the housing loan application. In the absence of an acceptable reason for the bankruptcy, liens or judgments, there must be a strong history of recover and good present financial standing. If the applicant's credit is to be considered favorable, liens and judgments must be satisfied prior to the time of closing of a housing loan and alimony and support payments must be current as of the date of approval of the housing loan application by the department. Evidence from the clerk of courts that the applicant is current shall be submitted to the department in the case of support, alimony and separate maintenance payments.

(14) WORKING CAPITAL. In the case of a self-employed applicant operating a business, the cash flow shall be considered and if the department determines that the applicant will have insufficient cash or working capital remaining to fulfill the applicant's obligations, the loan shall not be approved.

VA 4.06(1) of the Wis. Adm. Code is amended to read:

VA 4.06(1) PROPERTY QUALIFICATIONS (section 45.76(3), Wis. Stats.) (1) GENERAL.

A housing loan will be approved only on a home which is determined to be adequate ~~for the veteran applicant and family~~ housing, which is located or, in the case of a mobile home, which is to be located in Wisconsin, and the total cost of which does not exceed its market value. The home must be occupied by the applicant as the applicant's and dependent's residence and

may not be more than 50 miles from the applicant's principal place of employment provided, however, that exceptions may be made by the department to the mileage limitation if the applicant has no principal place of employment or is transferred routinely by the applicant's employer, or hiring agent, on a job-to-job basis or where travel beyond the 50 mile limit is in conformity with local conditions and customs.

VA 4.06(6) of the Wis. Adm. Code is created to read:

VA 4.06(6) (section 45.70, Wis. Stats.) PROPERTY INVOLVING BUSINESS PREMISES.

(a) Housing loans on property involving a business premises may be approved if the structure is designed principally for residential use and the applicant will reside in it. However 50% or more of the total square footage shall be used for resident purposes and occupied by the applicant and the appraisal should show the percentage.

(b) The property shall contain no more than one business unit and one residential dwelling unit.

(c) The applicant must use the business unit solely for the operation of the applicant's business.

VA 4.07(4), (5) and (6) of the Wis. Adm. Code are created to read: (sections 45.73 and 45.76(3), Wis. Stats.)

VA 4.07(4) DISINTEREST. The appraiser shall not have an interest in the property to be purchased, constructed or refinanced, or be employed by the lender except under exceptional circumstances with prior approval of the department.

(5) ADDRESSEES. The appraisal must be addressed jointly to the applicant, lender and the department on the form itself or in a letter accompanying the appraisal, clearly identifying the subject property and a copy of the appraisal must be given to the applicant.

- (6) MISCELLANEOUS REQUIREMENTS. (a) The appraiser shall consider and comment upon encroachments, easements, code violations or variances.
- (b) The appraisal shall contain a statement that the subject property is or is not in a flood plain. Construction loans in a flood plain shall not be approved unless the plans and specifications comply with the requirements of the Wis. Adm. Code, N.R.116. The appraisal shall state whether or not they comply with such requirements.
- (c) Condominium appraisals must be submitted on Form FHLMC #465.
- (d) The appraiser shall state the previous year's property taxes on existing properties or the estimated property taxes on new or proposed construction properties.
- (e) The appraisal shall state estimated fair market rental of rental units if the property has rental units.
- (f) The appraiser shall evaluate personal property if personal property is included in the property to be purchased or constructed.

VA 4.08 (4), (6) and (8) of the Wis. Adm. Code are amended to read: (Sections 45.72(6) and 45.79(5)(a)1. Wis. Stats.)

VA 4.08(4) DENIAL BY AUTHORIZED LENDER. If at any time during the course of the development or evaluation of an application for a loan, the authorized lender determines that the application does not meet the statutory requirements set forth in Chapter VA 4, Wis. Adm. Code and Subchapter 2 of Chapter 45,

Wis. Stats., or that it would not approve a loan to the applicant under its normal underwriting standards because the property to be acquired or refinanced does not meet its minimum or FHLMC minimum property standards, because the applicant does not meet its credit standards, etc., the authorized lender shall inform the borrower applicant that ~~his~~ the application is denied and provide reasons for such denial. Applications denied by authorized lenders shall not be forwarded to the department but the department shall be notified promptly of such denials.

- (6) CONSTRUCTION LOANS. Construction loan funds shall be disbursed on the basis of guidelines set forth in ~~the department's lenders manual~~ section VA 4.03(3), Wis. Adm. Code and in compliance with all conditions set forth therein. ~~and the borrower's obligation to make principal repayments on such loans may be deferred for up to 8 months following first disbursement of loan funds or until after completion of construction and disbursement of all loan proceeds, whichever is sooner.~~
- (8) SERVICING AGREEMENTS. (a) General. Servicing agreements shall set forth in detail the servicing powers and responsibilities of authorized lenders, shall require such lenders to remit principal payments and interest payments, except for the portion thereof constituting the authorized lender's servicing fee, to the department or the authority at least twice monthly, ~~as soon as possible following the 15th day after such lender's last business or computer day of the month~~ or whenever payments received total \$5,000 whichever is ~~sooner~~ more frequent and shall specify the manner in which the authorized lenders shall report on loan collections.

VA 4.09(12) of the Wis. Adm. Code is amended to read:

4.09(12) (section 45.72(5)(d), Stats.) PARTIAL RELEASE OF MORTGAGE. The department may release a portion of the property providing security for its mortgage if the release of such property will not unduly diminish the value of the remainder of the property. The department may require that any funds received by a ~~veteran~~ mortgagor from the sale of the property so released must be applied pro rata to all mortgages thereon in the ratio existing between such mortgages at the time the department's loan was made. If the primary mortgagee waives claim to such funds or if the department holds the primary mortgage, then such funds shall be applied as a principal reduction of the department's mortgage loan. If all or part of such funds are to be used to improve the property the department may approve such use, provided that the expenditure of said funds will be supervised. Notwithstanding the provisions of this section, ~~of Wis. Adm. Code section VA-4.05(3)~~, the department may, in exceptional cases, release a portion of the property providing security for its mortgage without requiring either that funds received by the ~~veteran~~ mortgagor from the sale of the property be applied to the mortgages thereon or that such funds must be used for the improvement of the ~~veteran's~~ mortgagor's property if it is satisfied that the property remaining after execution of the partial release will adequately secure its mortgage balance.

VA 4.11 of the Wis. Adm. Code is created to read: (sections 45.73, 45.79, and 227.07 to 227.13, Stats.)

VA 4.11 PROCEDURE FOR SUSPENSION OF BUILDERS, AUTHORIZED LENDERS AND APPRAISERS.

Upon determination by the department that adequate cause exists for the suspension of a builder, authorized lender or appraiser (affected party) from participation in the housing loan programs, the procedures set forth below shall be followed by the department:

- (1) NOTICE OF SUSPENSION. Notice of suspension signed by the secretary will be sent by the department to the affected party by certified mail, return receipt requested. The notice of suspension will outline the reasons for the act of suspension and the effective date of suspension and will inform the affected party that such party may file a written request with the department for a hearing.

- (2) NOTICE OF HEARING. If a written request for a hearing filed with the department by the affected party meets the four-fold test of section 227.075(1)a-d, Wis. Stats., and if such request is not denied by the department under section 227.075(2), Wis. Stats., the hearing granted by the department shall be treated as a "class 3 proceeding" as defined in section 227.01(2)(c), Wis. Stats., and written notice complying with section 227.07(1), (2) and (3), will be sent to the affected party by certified mail, return receipt requested, at least 10 days prior to the date of hearing.

- (3) CONDUCT OF HEARING. The hearing shall be held before a hearing examiner who shall be department employee designated by the secretary. The hearing examiner will have the powers enumerated under section 227.09, Wis. Stats. Every party to the hearing shall be afforded adequate opportunity

to present evidence and to rebut evidence presented or offer countervailing evidence. A stenographic, electronic or other record shall be made of the hearing. The record shall be transcribed by the department, and free copies of the written transcript may be provided to any party in interest upon request.

(4) FINAL DECISIONS. Under section 227.09(3) Wis. Stats. the department may, by order, direct that the hearing examiner's decision be the final decision of the department. Alternatively, the decision of a majority of officials of the department appointed by the secretary shall be final. Whether the hearing examiner's decision, or the decision of the officials appointed by the secretary is final, such decision shall be based solely on the evidence presented at the hearing and on matters officially noticed. The decision will be based on the standard of substantial evidence. It shall be in writing and contain findings of fact and conclusions of law. The findings of fact shall treat each material issue of fact. The final decision shall be served by personal delivery or mailing to each party to the hearing or to the party's attorney of record.

(5) PETITION FOR REHEARING. Any party who deems itself aggrieved by a final decision may within 20 days after entry of the order set forth in such final decision, file with the department a written petition for rehearing specifying in detail the grounds for the relief sought and supporting authorities. The department may also order a rehearing on its own motion within 20 days after a final order. The filing of a petition for rehearing shall not delay or suspend the effective date of the final order. The final order shall continue in effect unless the petition for rehearing is

granted or until the order is superceded, modified, or set aside as provided by law.

- (6) DISPOSITION OF PETITION. A rehearing will be granted only on the basis of some material error of law, some material error of fact or discovery of new evidence sufficient to reverse or modify the final order which could not have been previously discovered by due diligence. The department may enter an order with reference to the petition for rehearing without a hearing, and shall take final action on the petition within 20 days after it is filed.
- (7) APPEAL TO BOARD OF VETERANS AFFAIRS. (a) Upon the denial of a petition for rehearing by the department, an affected party may appeal to the board of veterans affairs (hereinafter referred to as the "board") within 20 days thereafter. The board shall hear and act upon the appeal within 30 days after submission. If the affected party which is aggrieved by the final decision of the department exercises the option not to appeal to the board, such party shall be deemed to have exhausted all administrative remedies.
- (b) If the affected party which is aggrieved by the final decision in the department exercises the option to appeal to the board and such appeal is denied by the board, the affected party shall be deemed to have exhausted all administrative remedies.
- (c) In all cases in which the affected party which is aggrieved by the final decision of the department exercises the option to appeal to the board and such appeal is granted by the board, the board shall make the final decision. This decision may affirm, reverse, change, modify or suspend the proposed final decision of the department.

VA 9.03 of the Wis. Adm. Code is amended to read: (section 45.28(1)(e), Wis. Stats.)


VA 9.03 STANDARD STUDENT BUDGETS. Standard single and married student educational budgets shall include standard living expenses budgets for single or married students, to which shall be added ~~50.00~~ 70.00 per dependent other than spouse per month, and all actual expenses for tuition, course fees, book and materials costs for the academic year. Standard living expenses budgets shall be based upon 9 months living expenses of ~~3,161~~ 4,425 for single veterans or upon 9 months living expense of ~~4,849~~ 6,789 for married veterans per academic year.

- TERM CHANGES (1) Wherever the term "homes" appears in the following sections of the Wisconsin Administrative Code, substitute the term "housing accommodations": VA 4.06(3) and (4) and VA 4.09(7).
- (2) Wherever the term "home" appears in section VA 4.06(4) of the Wisconsin Administrative Code, the term "housing accommodations" is substituted.
- (3) Wherever the term "lender" appears in section VA 4.10 of the Wisconsin Administrative Code, the term "authorized lender" is substituted.
- (4) Wherever the term "loan" appears in the following sections of the Wisconsin Administrative Code, the term "housing loan" is substituted: VA 4.02(2) and (7), VA 4.06(2) and VA 4.07(2).
- (5) Wherever the term "loan" appears in the following sections of the Wisconsin Administrative Code, substitute the term "primary loan": 4.09(4)(a) and (b).
- (6) Wherever the term "loan" appears in the following sections of the Wisconsin Administrative Code, substitute the term "secondary loan": VA 4.09(3), (5) and (7)(intro.)
- (7) Wherever the term "loans" appears in the following sections of the Wisconsin Administrative Code, the term "housing loans" is substituted: VA 4.06(3) and VA 4.07(2).

- (8) Wherever the term "veteran" appears in the following sections of the Wisconsin Administrative Code, substitute the term "applicant": 4.06(4), 4.09(2), and (4)(intro.) and (a) and wherever the term "veteran" appears in the following sections of the Wisconsin Administrative Code the term "mortgagor" is substituted: VA 4.08(9), VA 4.09(7)(c), (8)(intro.) and (c), (10), (11)(intro.) and (a) and (12) and VA 4.10(2) and (3).
- (9) Wherever the term "veteran's" appears in the section VA 4.08(3) of the Wisconsin Administrative Code, the term "applicant's" is substituted.
- (10) Wherever the term "veteran's" appears in the following sections of the Wisconsin Administrative Code, the term "mortgagor's" is substituted: VA 4.09(1), (7)(c), (8)(c), (11)(intro.) and (a) and (12).
- (11) Wherever the term "veteran borrower" appears in section VA 4.02(7) of the Wisconsin Administrative Code the term "applicant" is substituted and wherever the term "veteran borrower" appears in section VA 4.10(4), of the Wisconsin Administrative Code, the term "mortgagor" is substituted.
- (12) Wherever the term "veteran borrowers" appears in section VA 4.08(8)(b) of the Wisconsin Administrative Code the term "mortgagors" is substituted.

The rules contained herein shall take effect on the date as provided in s. 227.026(1), Wis. Stats.

Dated at Madison, Wisconsin the 21st day of July, 1978.


Italo Bensoni, Chairman
Board of Veterans Affairs