

Chapter VA 3

ECONOMIC ASSISTANCE LOANS

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Note: Chapter VA 3 as it existed on December 31, 1979 was repealed and a new chapter VA 3 was created effective January 1, 1980.

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

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

(1m) "Anticipated debt payments" means anticipated monthly payments on debts, debt repayments required to be made on other than a monthly basis converted to monthly payments and 10% of indebtedness on which periodic repayments is not required.

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

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

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

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

(5) "Total debt payments" means one-twelfth of an applicant's "annual shelter payment" and the applicant's anticipated debt payments.

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

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80; cr. (1m) and (3m), am. (5), Register, February, 1989, No. 398, eff. 3-1-89; am. (2), Register, January, 1990, No. 409, eff. 2-1-90.

VA 3.02 General. (1) OBJECTIVE. The department may lend to any veteran who qualifies for a loan under the provisions of this chapter and s. 45.351 (2) (a) 1., Stats., an amount not more than the statutory limit from the veter-

ans trust fund to provide economic assistance for the purposes set forth in s. 45.351 (2) (a) 1., Stats., where the veteran's need to provide funds for such economic assistance is established to the satisfaction of the department and such veteran is unable to meet that need from available resources or credit upon manageable terms.

(2) **RESOURCES.** (a) A veteran's resources shall include, but not be limited to, all cash on hand and liquid assets, and non-liquid assets the conversion of which to cash would not result in a substantial loss, including all resources owned by the veteran and the veteran's spouse, individually or jointly, unless the veteran and spouse are separated or in the process of obtaining a divorce, but shall not include assets excluded as funds by s. VA 4.05 (1) (b) and (c). The applicant may be permitted to retain from the cash and liquid assets portion of such resources an amount up to \$2,500 plus 6 months living expenses computed as set forth in s. VA 9.03.

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

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

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80; am. (2) (b), Register, May, 1982, No. 317, eff. 6-1-82; am. (2), Register, April, 1986, No. 364, eff. 5-1-86; am. (1), Register, February, 1989, No. 398, eff. 3-1-89; am. (1) and (2) (a), Register, January, 1990, No. 409, eff. 2-1-90.

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

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

that the applicant would be unlikely to find credit available upon manageable terms.

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

(5) **DISCLOSURE, VERIFICATION AND EVALUATION OF INCOME.** All of an applicant's income shall be disclosed and verified. Income from other than the applicant's regular work which the department determines will not last for 5 years may be excluded. If the department is provided with a statement from an employer showing current hourly wage, income shall be based on 40 hour weeks and 52 weeks per year unless evidence to the contrary is provided.

(a) Income to be derived by an applicant from a new business which the applicant is establishing or purchasing may be based upon acceptable projected profit statement.

(b) Income of a self employed applicant shall be based on the person's prior year's income tax returns or a profit and loss statement for at least 6 of the 12 months immediately preceding the loan application date.

(c) Income from the national guard, military reserve or active duty military shall include all allowances except for clothing.

(d) Piece work pay, incentive pay, tips, shift differential and cost of living adjustments are "income" unless the department determines that they are not likely to continue for 5 years.

(e) Overtime pay and bonuses are generally not considered "income" except when the department determines that they are likely to be received for the next 5 years.

(f) Unemployment compensation is "income" when it is received for regular or seasonal layoffs from the applicant's current employment. Otherwise, unemployment compensation is not "income".

(g) Worker's compensation is "income" when the department determines that the applicant is likely to continue to receive it or return to employment or be declared totally and permanently disabled.

(h) Child support payments, separate maintenance payments and alimony are "income" when the department determines that they are likely to continue for 5 years.

(i) One-half of gross rental income is "income" if utilities are paid by the applicant and $\frac{2}{3}$ of gross rental income is "income" if utilities are paid by the tenants unless tax returns or a profit and loss statement are used to verify the income in which case the net profit is "income".

(j) Disability compensation, social security, social security disability, retirement pensions and social security for dependent children are "income" unless the department determines that they are not likely to continue for 5 years.

(k) AFDC, general relief and food stamps are "income" unless the department determines that they are not likely to continue for 5 years.

(l) The prior year's income tax returns shall not be acceptable verification for income which was not being received for all of the tax year covered by the returns.

(m) Applicants verifying their income by income tax returns shall submit a complete copy of their most recent federal tax return including all schedules.

(n) In addition to farm income reported on the applicant's last income tax return, income from farming shall include adjustments to reflect the value of food stuffs consumed by the applicant and members of the applicant's household and write-offs for accelerated depreciation and investment credits.

(6) **TERM OF LOANS.** All loans shall be amortized on a monthly basis and the initial term of all loans shall not exceed a maximum of 8 years. The department may require shorter repayment terms.

(7) **CONSOLIDATION OF DEBTS.** Loans may be made to finance existing debts if the department is satisfied that the veteran's debt commitments are beyond the veteran's capacity to repay in an orderly manner. Debt consolidation loans may be made only if they will substantially consolidate all the veteran's debts, other than the home mortgage, or result in significantly reduced total debt payments. Applications for debt consolidation loans shall include a listing of the applicant's total debts giving the dates the debts were incurred, the original amounts where possible, the purposes for which incurred and the amounts which the applicant's creditors will accept to satisfy the debts. If an applicant has received a debt consolidation loan within the 10 years immediately preceding an application for another debt consolidation loan, a further loan may be made for the payment of debts only when the need for the further loan arises from unusual and unforeseeable circumstances.

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

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

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

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

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

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

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

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

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

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

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

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

(g) For current month-to-month household and living expenses, except in the case of education loans.

(i) To purchase, or to pay existing obligations incurred exclusively for the purchase of television sets, stereos, tape decks, recording equipment, sporting equipment, recreational vehicles or equipment, leisure or hobby equipment, or motor vehicles which are not used exclusively for business purposes.

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

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

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

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

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

(16) **BAD CREDIT PRACTICES.** Applications from applicants who have failed to pay their obligations in a timely manner or have quitclaimed previously owned real estate back to a lender in lieu of foreclosure within the last 5 years shall be denied unless such applications have strong offsetting characteristics. The department may consider whether the lender did not incur a loss as a result of the quitclaim and whether a loss of employment due to no fault of the applicant or other unavoidable circumstances caused the underlying repayment problem.

(17) **DELINQUENT SUPPORT, SEPARATE MAINTENANCE AND ALIMONY.** If the applicant's credit is to be considered favorable, alimony, support and separate maintenance payments must be current as of the date of approval of the economic assistance loan by the department or the proceeds of the economic assistance loan shall be used to pay any arrearage. Evidence from the clerk of courts that the applicant is current shall be required. If the applicant is in arrears, then an economic assistance loan may only be made to that applicant, if the proceeds of the department's economic assistance loan will bring the account current or if the veteran provides evidence that regular payments have been made every month for not less than 12 months immediately preceding the loan application date and that the applicant has made arrangements which the department deems satisfactory for payment or deferment of the

amount in arrears and supporting evidence is submitted to the department.

(18) SATISFACTION OF LOAN UPON VETERAN'S DEATH. If a veteran who has obtained a loan dies before completing repayment, the department shall satisfy the loan. A veteran shall not have obtained a loan until all loan documents have been signed and the check representing the loan proceeds has been placed in the U.S. mail or actually received by the county veterans service officer, whichever applies. If there is a co-applicant on an approved application which is canceled because of the veteran's death before the checks are mailed or actually received by the county veterans service officer, the co-applicant may still receive a loan, but only if the co-applicant is eligible to apply and only if the co-applicant qualifies in his or her own right.

(19) SUBORDINATION AGREEMENT. (a) The department may execute a subordination agreement to permit an increase in a mortgagor's present mortgage which is superior to the department mortgage securing an economic assistance loan or to replace the present superior mortgage with another in an amount equal to or in excess of the balance owing on the present superior mortgage when it is satisfied that the property will provide adequate security for its mortgage after the proposed increase in the superior mortgage.

(b) The mortgagor shall submit evidence of the mortgagor's present income and of the shelter cost payments under the repayment terms of the proposed new note and mortgage to establish that the new shelter cost payments will not be excessive in view of present income.

(c) The department may execute a subordination agreement to give priority to a proposed superior mortgage if the department's mortgage has been prematurely recorded or in exceptional cases without requiring the evidence set forth in par. (a).

(d) The following criteria shall be met for approval of all subordination agreements:

1. Minimum of 10% equity remaining after subordination.
2. A satisfactory repayment record on department loans.
3. The economic assistance loan is not currently delinquent.
4. Shelter cost ratio is not excessive based upon the criteria established by the department for the approval of economic assistance loans.

(e) In those cases where the proceeds of the mortgage to which the department is requested to subordinate will be used for any purpose except refinancing, the request will be denied if all of the following apply:

1. The veteran's and spouse's total income is greater than the amount specified in s. 45.351 (2) (b) 2., Stats.
2. The veteran's equity in the home after the subordination is greater than 20% as derived from the current appraised value and the outstanding mortgage principal balance.

3. One-twelfth of the veteran's calculated anticipated annual shelter payment after the subordination would be less than 20% of the veteran's and spouse's combined gross monthly income.

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80; r. (2), am. (3), (4), (6), (11) (a) and (b), Register, April, 1986, No. 364, eff. 5-1-86; r. and recr. (5), am. (12) (g) and (i), r. (12) (h) and (13) (b), Register, February, 1989, No. 398, eff. 3-1-89; cr. (16), Register, September, 1990, No. 417, eff. 10-1-90; am. (11) (intro.), r. (11) (a) and (b), cr. (17), Register, June, 1992, No. 438, eff. 7-1-92; am. (7), cr. (18) and (19), Register, August, 1993, No. 452, eff. 9-1-93.

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

(1) GUARANTORS. The department may accept as adequate security the guarantee of loan promissory notes by creditworthy and financially acceptable guarantors. No employee of the department, no county veterans service officer and no other person in any way connected with the administrative duties of the department or serving in an advisory capacity thereto shall be accepted as guarantor on any loan unless the applicant is a member of the guarantor's immediate family. Any other Wisconsin resident who is determined by the department to be financially responsible and whose joining in the obligation will provide adequate security for the loan may be accepted as a guarantor.

(2) REAL ESTATE SECURITY. When real estate is offered as security, the applicant shall carry fire and extended coverage insurance on the real estate improvements in an amount acceptable to the department, the loan applied for shall be \$1,000 or more, and the applicant shall submit evidence of sufficient equity therein to provide adequate security for the loan, an insurance binder showing the department's security interest, and, except as hereinafter provided, of the possession of merchantable title to the real estate. In exceptional cases, with the approval of the chief of the economic assistance loan section, the department may accept real estate mortgages or security assignments of purchasers' interests in land contracts on properties in which the applicants have land contract purchasers' interests as security for department loans.

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

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80; am. (1) and (2), Register, April, 1986, No. 364, eff. 5-1-86; r. and recr. (1), Register, February, 1989, No. 398, eff. 3-1-89.

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

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

the period of the veteran's contemplated educational program.

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

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

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

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

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

(3) CHILDREN'S EDUCATION. A loan to a veteran or to a veteran's unremarried surviving spouse may be made for

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

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

History: Cr. Register, December, 1979, No. 288, eff. 1-1-80; am. (4), Register, February, 1989, No. 398, eff. 3-1-89.