

## **BILL ANALYSIS**

Senate Research Center  
77R10428 SGA-F

H.B. 3567  
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Veteran Affairs & Military Installations  
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Engrossed

### **DIGEST AND PURPOSE**

Currently, the Veterans' Land Board (board) is authorized to finance land purchases for veterans through a "contract for deed" method. There is not a ready market for servicing of these transactions requiring the board to service all of these loan contracts in-house. All other board mortgage transactions with veterans are serviced by professional mortgage servicers on contract with the board. Furthermore, since title to the land remains in the board's name until completion of the contract, the purchaser cannot obtain a mortgage loan for construction of a home on the land unless they can afford to purchase outright a portion of the land from the board through a complex transaction known as a severance, which divides the title to the original tract between the board and the purchaser, sometimes resulting in undesirable boundaries, access, and frontage problems. H.B. 3567 authorizes the board to make or acquire a land mortgage loan from the Veterans' Land Fund secured by a mortgage on a veteran's land.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Veterans' Land Board in SECTION 2 (Sections 161.504, 161.505, 161.507, 161.508, and 161.509, Natural Resources Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 161.001, Natural Resources Code, to define "lending institution."  
Makes a conforming change.

SECTION 2. Amends Chapter 161, Natural Resources Code, by adding Subchapter K, as follows:

#### **SUBCHAPTER K. LAND MORTGAGE LOANS**

Sec. 161.501. DEFINITION. Defines "loan."

Sec. 161.502. PURPOSE. Provides that this subchapter provides an alternative method for a veteran to purchase land from the board under the Veterans' Land Program using a purchase money mortgage instead of a contract for deed.

Sec. 161.503. ADDITIONAL MONEY AND INTERESTS INCLUDED IN VETERANS' LAND FUND. Provides that in addition to the items listed in Section 161.171, the veterans' land fund also includes certain interests, proceeds, and income.

Sec. 161.504. LAND MORTGAGE LOANS. (a) Requires the Veterans' Land Board (board) to make or acquire land mortgage loans with money from the fund in accordance with this subchapter and the rules adopted by the board.

(b) Requires a person, to qualify for a loan under this subchapter, a person to be a veteran at the time the person applies for the loan. Authorizes the surviving spouse, if an eligible veteran dies after filing an application, to complete the transaction.

(c) Requires the final principal payment on any loan under this subchapter to be made not later than the 40th anniversary of the date the loan was made. Requires the board to determine the maximum principal amount of loans to any veteran that may be outstanding at any time.

(d) Requires the board, to minimize losses on the nonpayment of loans by veterans, to obtain insurance covering a certain portion of certain losses.

(e) Requires all fees to be charged to a veteran receiving a loan under this subchapter to be approved by the board. Authorizes the board to enter into contracts with lending institutions to assist in processing, originating, servicing, or administering loans under this subchapter. Authorizes any fees and expenses incurred in connection with a loan, including the cost of insurance, to be charged to the veteran and made a part of the veteran's payments.

(f) Authorizes the board by rule to determine the number of loans that a veteran may receive under this subchapter.

(g) Authorizes the board to permit a veteran to combine a loan under this subchapter with a home mortgage loan under Chapter 162 and to prescribe the amounts and forms of those loans under certain conditions.

Sec. 161.505. INTEREST RATE. Requires a loan under this subchapter to bear a fixed, variable, floating, or other rate or rates of interest determined by the board. Authorizes the board to set the interest rate or rates to provide a margin over the rate paid by the board on the bonds issued under this chapter. Authorizes the difference between the cost of the money to the board and the interest rate or rates charged to a veteran to be used in whole or in part to defray the expense of administering the program. Requires the board, to ensure the maximum benefit of the program to the veteran, to adopt rules relative to the fees, charges, and interest rates charged by the lending institutions on the financing of the land with money other than from the fund and to limit to the maximum extent practicable the fees, charges, and interest rates to those collected by the lending institution in the normal course of the institution's land mortgage lending business.

Sec. 161.506. SECURITY FOR LOAN. Prohibits money from being disbursed in connection with a loan under this subchapter unless the loan is secured by a mortgage, deed of trust, or other lien on the land. Authorizes a mortgage retained by or a deed of trust to the board or any other lien to be a participation in a lien securing any other loan for the purchase of the property, including a lien on a home as described by Chapter 162. Requires payments to retire the loan to be made at times determined by the board.

Sec. 161.507. INITIAL PAYMENT OR EQUITY. Authorizes the board to require an initial payment on a loan under this subchapter or to require an investment in the land by the veteran in an amount or amounts set by the rules of the board.

Sec. 161.508. TIME LIMITATION ON TRANSFER. (a) Prohibits a veteran from leasing, transferring, selling, or conveying in whole or in part any interest in land against which there is a mortgage, deed of trust, or any other lien securing a loan under this subchapter unless the veteran has met certain conditions.

(b) Authorizes the land, after the conclusion of the three-year period, to be transferred, sold, or conveyed subject to any lien securing a loan under this subchapter at any time if all mature interest, principal, and taxes have been paid, the requirements of this subchapter and the rules of the board have been met, and the approval of the board has

been obtained.

(c) Authorizes the board to waive the time limitation of Subsection (a) under certain conditions.

(d) Authorizes the board, if the requirements of Subsection (a) are not met and the board does not waive the time limitation as provided by Subsection (c), to provide by rule for the escalation of the interest rate on the loan to a higher rate of interest, the acceleration of all principal and interest on the loan, or any other remedy the board considers appropriate.

Sec. 161.509. FORECLOSURE AND RESALE. Requires the board to adopt rules and procedures for the foreclosure and resale of land financed with a loan under this subchapter.

Sec. 161.510. INTEREST RATE ON DELINQUENT PRINCIPAL AND INTEREST. Requires principal and interest that become delinquent to bear interest at a rate fixed by the board.

SECTION 3. Effective date: September 1, 2001.