

# Enrolled Senate Bill 35

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Governor John A. Kitzhaber, M.D., for Department of Veterans' Affairs)

CHAPTER .....

## AN ACT

Relating to limits on loans made by the Department of Veterans' Affairs; amending ORS 407.225 and 407.305; and declaring an emergency.

### Be It Enacted by the People of the State of Oregon:

**SECTION 1.** ORS 407.225 is amended to read:

407.225. (1) When the Department of Veterans' Affairs receives an application pursuant to ORS 407.205, the department shall immediately investigate and process it as provided by law. The security for the loan shall consist of the property to be acquired by the veteran as a home or a farm. The security shall be secured by a mortgage or security agreement in the full amount of the loan which mortgage or security agreement shall be either a first lien or a lien insured by mortgagee's title insurance against loss from any prior encumbrance. The department may make subsequent loans for improvements to the security if there are no intervening liens between the first lien of the department created under this section and the recorded liens upon the security securing repayment of such subsequent improvement loans. Such consecutive liens, for the purposes of this chapter, shall be deemed collectively as a first lien upon the security. The mortgage or security agreement shall provide that the borrower, or any subsequent owner of the secured property, may pay all or any part of the loan at any time without penalty.

(2) A mobile home shall be secured by a security agreement in the full amount of the loan and the department shall perfect a security interest in favor of the State of Oregon. The security agreement shall provide that the borrower or any subsequent owner of the mobile home, may pay all or any part of the loan at any time without penalty. The security agreement shall provide for immediate acceleration of the unpaid balance of the loan if the mobile home is moved from the original site listed in the security agreement without first obtaining the written consent of the department. The security agreement shall also provide that removal of the mobile home to a site outside of this state shall constitute an act of default and result in immediate acceleration of the unpaid balance of the loan.

(3) Loans may not exceed:

*[(a) 100 percent of the net appraised value on homes that are real property;]*

**(a) The maximum loan-to-value ratio or combined loan-to-value ratio permitted by the United States Department of Veterans Affairs for its Home Loan Guaranty Program (38 U.S.C. 3701 et seq.; 38 C.F.R. part 36);**

(b) 85 percent of the net appraised value on homes that are not real property; and

(c) 90 percent of the net appraised value on farms that are real property.

**SECTION 2.** ORS 407.305 is amended to read:

407.305. When a veteran who is eligible for a loan under this chapter and Article XI-A of the Oregon Constitution seeks to acquire a home or farm that is serving as security for a previous loan made under this chapter, the veteran may choose either to receive a new loan for the property or to assume the previous loan. If the loan balance for the loan being assumed does not exceed the amount of the veteran's entitlement under ORS 407.205, the interest rate to be paid on the assumed loan balance shall be the rate per annum prescribed under ORS 407.315. In addition to the amount assumed, the veteran may apply for and receive additional funds to be applied to the purchase price. The interest rate to be paid on the additional funds shall be the rate per annum currently prescribed under ORS 407.325. The sum of the assumed loan balance and the additional funds shall not exceed the amount of the veteran's entitlement under ORS 407.205 or the [percentage of the net appraised value] **maximum loan amount** prescribed by ORS 407.225 (3). An assumption or an assumption with additional funds under this section shall be deemed to be one loan and the veteran making the assumption or the assumption with additional funds shall be deemed to be a borrower for the purposes of ORS 407.145, 407.205, 407.215, 407.325, 407.385, 407.465 and 407.475.

**SECTION 3. This 2013 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect on its passage.**

**Passed by Senate April 3, 2013**

.....  
Robert Taylor, Secretary of Senate

.....  
Peter Courtney, President of Senate

**Passed by House May 14, 2013**

.....  
Tina Kotek, Speaker of House

**Received by Governor:**

.....M.,....., 2013

**Approved:**

.....M.,....., 2013

.....  
John Kitzhaber, Governor

**Filed in Office of Secretary of State:**

.....M.,....., 2013

.....  
Kate Brown, Secretary of State