

# DRAFT

## SUMMARY

Directs Department of Veterans' Affairs to develop program under which providers contracting with department provide credit guarantees for qualified borrowers for purpose of refinancing home mortgages.

Prohibits department from paying amounts due under loan or credit guarantee agreement from any source other than available moneys in Veterans Refinancing and Reintegration Services Fund. Authorizes financial institution to exercise rights against security if there are insufficient available moneys to pay amounts due under loan or credit guarantee agreement.

Establishes Veterans Refinancing and Reintegration Services Fund. Continuously appropriates moneys in fund to department for purposes of program.

Directs Oregon Department of Administrative Services to include in Governor's budget for each fiscal period amounts sufficient to permit payment of amounts due on unpaid loan and credit guarantees for that fiscal period.

## A BILL FOR AN ACT

Relating to refinancing options for veterans.

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

### **SECTION 1. (1) As used in this section:**

(a) "Financial institution" means a bank, a commercial bank, a national bank, a savings bank, a savings and loan association, a credit union or other similar entity authorized to do business in this state.

(b) "Provider" means a financial institution or other provider of loan guarantees, coinsurance or other forms of credit guarantees.

(c) "Qualified borrower" means:

(A) A veteran as defined in ORS 408.225;

(B) A person who is a member of the Oregon National Guard who

1 has been demobilized after serving on federal active duty for more  
2 than 30 days; or

3 (C) A person who is an Oregon resident, is a member of the reserves  
4 and has been demobilized after serving on federal active duty for more  
5 than 30 days.

6 (2)(a) The Department of Veterans' Affairs shall develop a program  
7 under which providers contracting with the department provide loan  
8 guarantees, coinsurance in conjunction with other providers of loan  
9 guarantee programs or other forms of credit guarantees for qualified  
10 borrowers for the purpose of refinancing existing purchase-money  
11 mortgages or similar mortgages of homes used primarily as principal  
12 residences by qualified borrowers.

13 (b) The department may enter into contracts with one or more  
14 providers to implement the program.

15 (c) A contract entered into between the department and a provider  
16 under this subsection must require the provider to finance and service  
17 loans and mortgages refinanced under the program. The contract must  
18 prohibit the provider from selling loans or mortgages refinanced under  
19 the program to a third party.

20 (3) In administering the program, the department shall consult and  
21 cooperate with the providers contracting with the department under  
22 subsection (2) of this section. The program must be administered so  
23 that administrative procedures and application procedures are as re-  
24 sponsive to the needs of qualified borrowers and providers as practi-  
25 cable, consistent with prudent investment and lending practices and  
26 criteria.

27 (4) The department shall prescribe by rule the procedure for a pro-  
28 vider to submit a loan or credit guarantee application to the depart-  
29 ment on behalf of a qualified borrower.

30 (5) When the department approves a loan or credit guarantee, the  
31 department shall enter into a loan or credit guarantee agreement with

1 the provider. The department may enter into an agreement under this  
2 subsection only if sufficient funds are available in the Veterans Refi-  
3 nancing and Reintegration Services Fund established in section 2 of  
4 this 2019 Act. The agreement must specify:

5 (a) The fee to be charged to the provider, if any;

6 (b) The evidence of debt assurance of, and security for, the loan or  
7 credit guarantee;

8 (c) A loan or credit guarantee that does not exceed 15 years;

9 (d) That amounts that become due and payable, including interest,  
10 under the agreement are payable solely from amounts available in the  
11 Veterans Refinancing and Reintegration Services Fund;

12 (e) That amounts due and payable under the agreement do not  
13 constitute a debt of the state or a lending of the credit of the state  
14 within the meaning of any constitutional or statutory limitation, al-  
15 though nothing in this section or in the terms of an agreement entered  
16 into pursuant to this section is intended to impair the rights of the  
17 provider to exercise any rights granted to the providers against the  
18 security for the loan or credit guarantee; and

19 (f) Other terms and conditions considered necessary or desirable by  
20 the department.

21 (6) The department may not pay amounts due under a loan or credit  
22 guarantee agreement from any source other than available funds in  
23 the Veterans Refinancing and Reintegration Services Fund. If there  
24 are insufficient available funds to pay amounts due under a loan or  
25 credit guarantee agreement, the provider may exercise any rights  
26 granted to the provider in the agreement against the security for the  
27 loan or credit guarantee and may apply amounts so received toward  
28 payments due under the agreement.

29 (7) The department, with due regard for the possibility of losses and  
30 administrative costs, shall set fees and other terms at levels sufficient  
31 to reasonably ensure that the program is self-financing.

**SECTION 2. (1) There is established in the State Treasury, separate and distinct from the General Fund, the Veterans Refinancing and Reintegration Services Fund. Interest earned on the Veterans Refinancing and Reintegration Services Fund must be deposited into the fund. All moneys in the fund are continuously appropriated to the Department of Veterans' Affairs for the following purposes:**

**(a) Payment of claims pursuant to contracts for loan or credit guarantees under section 1 of this 2019 Act.**

**(b) Payment of actual and necessary expenses incurred by the department in administering the fund and establishing and maintaining the program developed under section 1 of this 2019 Act.**

**(c) Repayment of transfers of funds required or authorized by law.**

**(d) Purchase or buyout of superior or prior liens, mortgages or security interests.**

**(2) Moneys in the Veterans Refinancing and Reintegration Services Fund consist of:**

**(a) Moneys appropriated to the department by the Legislative Assembly for deposit in the fund.**

**(b) Proceeds from collateral assigned to the department.**

**(c) Interest earned on moneys in the fund.**

**(d) Transfers of moneys to the fund from any source.**

**(e) Fees assessed for guarantees, as determined by the department by rule.**

**(f) Moneys from gifts.**

**(g) Moneys from any grant made to the department by any federal agency for deposit in the fund.**

**SECTION 3. The Oregon Department of Administrative Services shall include in the Governor's budget for each fiscal period amounts sufficient to permit the payment of all amounts that will be due on unpaid loan and credit guarantees under section 1 of this 2019 Act during that fiscal period.**

