

House Bill 2878

Sponsored by Representative EVANS (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

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

1
2 Relating to refinancing options for veterans.

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

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

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

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

10 (c) **"Qualified borrower" means:**

11 (A) **A veteran as defined in ORS 408.225;**

12 (B) **A person who is a member of the Oregon National Guard who has been demobilized**
13 **after serving on federal active duty for more than 30 days; or**

14 (C) **A person who is an Oregon resident, is a member of the reserves and has been de-**
15 **mobilized after serving on federal active duty for more than 30 days.**

16 (2)(a) **The Department of Veterans' Affairs shall develop a program under which provid-**
17 **ers contracting with the department provide loan guarantees, coinsurance in conjunction**
18 **with other providers of loan guarantee programs or other forms of credit guarantees for**
19 **qualified borrowers for the purpose of refinancing existing purchase-money mortgages or**
20 **similar mortgages of homes used primarily as principal residences by qualified borrowers.**

21 (b) **The department may enter into contracts with one or more providers to implement**
22 **the program.**

23 (c) **A contract entered into between the department and a provider under this subsection**
24 **must require the provider to finance and service loans and mortgages refinanced under the**
25 **program. The contract must prohibit the provider from selling loans or mortgages refinanced**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 under the program to a third party.

2 (3) In administering the program, the department shall consult and cooperate with the
 3 providers contracting with the department under subsection (2) of this section. The program
 4 must be administered so that administrative procedures and application procedures are as
 5 responsive to the needs of qualified borrowers and providers as practicable, consistent with
 6 prudent investment and lending practices and criteria.

7 (4) The department shall prescribe by rule the procedure for a provider to submit a loan
 8 or credit guarantee application to the department on behalf of a qualified borrower.

9 (5) When the department approves a loan or credit guarantee, the department shall enter
 10 into a loan or credit guarantee agreement with the provider. The department may enter into
 11 an agreement under this subsection only if sufficient funds are available in the Veterans
 12 Refinancing and Reintegration Services Fund established in section 2 of this 2021 Act. The
 13 agreement must specify:

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

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

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

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

20 (e) That amounts due and payable under the agreement do not constitute a debt of the
 21 state or a lending of the credit of the state within the meaning of any constitutional or
 22 statutory limitation, although nothing in this section or in the terms of an agreement en-
 23 tered into pursuant to this section is intended to impair the rights of the provider to exercise
 24 any rights granted to the providers against the security for the loan or credit guarantee; and

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

26 (6) The department may not pay amounts due under a loan or credit guarantee agree-
 27 ment from any source other than available funds in the Veterans Refinancing and Reinte-
 28 gration Services Fund. If there are insufficient available funds to pay amounts due under a
 29 loan or credit guarantee agreement, the provider may exercise any rights granted to the
 30 provider in the agreement against the security for the loan or credit guarantee and may
 31 apply amounts so received toward payments due under the agreement.

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

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

40 (a) Payment of claims pursuant to contracts for loan or credit guarantees under section
 41 1 of this 2021 Act.

42 (b) Payment of actual and necessary expenses incurred by the department in adminis-
 43 tering the fund and establishing and maintaining the program developed under section 1 of
 44 this 2021 Act.

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

- 1 **(d) Purchase or buyout of superior or prior liens, mortgages or security interests.**
2 **(2) Moneys in the Veterans Refinancing and Reintegration Services Fund consist of:**
3 **(a) Moneys appropriated to the department by the Legislative Assembly for deposit in the**
4 **fund.**
5 **(b) Proceeds from collateral assigned to the department.**
6 **(c) Interest earned on moneys in the fund.**
7 **(d) Transfers of moneys to the fund from any source.**
8 **(e) Fees assessed for guarantees, as determined by the department by rule.**
9 **(f) Moneys from gifts.**
10 **(g) Moneys from any grant made to the department by any federal agency for deposit in**
11 **the fund.**

12 **SECTION 3.** **The Oregon Department of Administrative Services shall include in the**
13 **Governor's budget for each fiscal period amounts sufficient to permit the payment of all**
14 **amounts that will be due on unpaid loan and credit guarantees under section 1 of this 2021**
15 **Act during that fiscal period.**

16