

Senate Bill 676

Sponsored by Senator BONHAM (at the request of Senator Noah Robinson) (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**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Limits the interest rate to no more than the prime rate plus one percent for loans advanced under the veterans' home and farm loan program. (Flesch Readability Score: 66.4).

Limits the interest rate to no more than the prime rate plus one percent for loans advanced under the veterans' home and farm loan program.

Appropriates moneys from the General Fund to the Department of Veterans' Affairs for deposit in the Oregon War Veterans' Fund, for the biennium beginning July 1, 2025, to be used to advance loans to qualified veterans for the acquisition of farms and homes.

A BILL FOR AN ACT

1
2 Relating to veterans' loans for acquisition of real property; creating new provisions; and amending
3 ORS 407.315 and 407.325.

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

5 **SECTION 1.** ORS 407.315 is amended to read:

6 407.315. (1) When a veteran assumes a previous loan under ORS 407.305, the interest rate to be
7 paid by the veteran from the date of assumption shall be the rate per annum, **not to exceed the**
8 **prime rate plus one percent**, prescribed periodically by the Department of Veterans' Affairs, tak-
9 ing into consideration the solvency of the loan program and the interest rates currently prevailing
10 in this state for loans secured by owner-occupied residential property.

11 (2) The department shall make a cash flow projection to determine if assumptions at the interest
12 rate established under subsection (1) of this section are among the causes of a negative cash flow
13 projection for the loan program. The cash flow projection required by this section shall be an esti-
14 mate of the revenue received from the repayment of loans, interest earnings, administrative expenses
15 of the loan program, payment of interest and principal on outstanding debt and other relevant fac-
16 tors during the period in which current outstanding bonds are required to be retired.

17 (3) If the cash flow projection required under subsection (2) of this section indicates that as-
18 sumptions of loans at the interest rate established under subsection (1) of this section are a cause
19 of a negative cash flow projection for the loan program, the department, by rule and notwithstanding
20 ORS 407.325 (3), shall increase the interest rate to be paid for loans assumed under ORS 407.305 to
21 the lowest rate per annum that assures a positive cash flow projection, but not exceeding the rate
22 then prescribed under ORS 407.325.

23 **SECTION 2.** ORS 407.325 is amended to read:

24 407.325. (1) The Department of Veterans' Affairs shall periodically prescribe the interest rate,
25 **not to exceed the prime rate plus one percent**, to be paid by an applicant for a home or farm
26 acquisition loan with a fixed interest rate, taking into consideration the current value of the money,
27 the solvency of the loan program and the effect of the rate on veteran applicants.

28 (2) The department shall periodically, during the term of a home or farm loan with a variable

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 interest rate, prescribe the interest rate, **not to exceed the prime rate plus one percent**, to be
2 paid by an applicant, taking into consideration the current value of the money, the solvency of the
3 loan program and the effect of the rate on veteran applicants.

4 (3) Except as provided in subsection (4) of this section:

5 (a) The rate of interest on a loan granted on or after May 27, 1971, and originally set at five
6 and nine-tenths percent per annum may not be increased to more than seven and nine-tenths percent
7 per annum.

8 (b) The rate of interest on a loan granted on or after January 1, 1981, and originally set at seven
9 and two-tenths percent per annum may not be increased to more than nine and two-tenths percent
10 per annum.

11 (4) The department may prescribe the interest rate to be paid by an applicant at a rate greater
12 than the rates described in subsection (3) of this section, but only if the department determines, at
13 the sole discretion of the department, that such action is necessary to avoid invoking the provisions
14 of Article XI-A, section 4, of the Oregon Constitution.

15 (5) When, during two consecutive fiscal years, the cash flow projection and the review of the
16 projection performed under ORS 407.185 indicate that the Oregon War Veterans' Bond Sinking Ac-
17 count will maintain a balance throughout the term of the projections that exceeds the succeeding
18 years' debt service and operating expenses for the loan program, the department shall prepare a
19 program for reducing the interest rates charged under this section in such a manner as to ensure
20 the future solvency and self-supporting nature of the loan program. However, no reduction in inter-
21 est rates shall occur if the variable rate debt, if converted to a fixed rate, requires retention of the
22 amounts in order to meet projections.

23 (6) Notwithstanding the rate prescribed for acquisition of a home as provided in subsections (1)
24 to (5) of this section, the department may periodically establish separate and distinct interest rates
25 for home improvement loans granted before January 1, 2020.

26 **SECTION 3. In addition to and not in lieu of any other appropriation, there is appropri-**
27 **ated to the Department of Veterans' Affairs, for the biennium beginning July 1, 2025, out of**
28 **the General Fund, the amount of \$40,000,000, to be deposited into the Oregon War Veterans'**
29 **Fund created by ORS 407.495, and to be used by the department to advance loans to any**
30 **person qualified for loans under the provisions of Article XI-A, section 3, Oregon Constitu-**
31 **tion, for the acquisition of farms and homes, as provided in ORS chapter 407.**

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