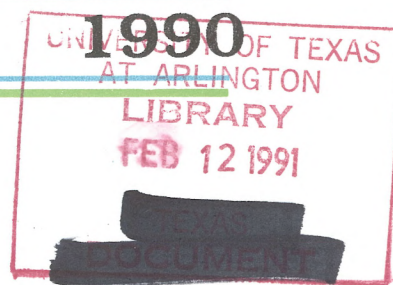

Texas Veterans Land Board

Land Loan Program Handbook



Garry Mauro, Chairman



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Veterans Land Board

AUSTIN, TEXAS 78701 - 1496
GARRY MAURO, CHAIRMAN

Dear Texas Veteran:

Congratulations! You are now a landowner through the Texas Veterans Land Program.

This Land Loan Program Handbook provides general information about your rights and responsibilities as a borrower and landowner. Most of the information applies to anyone who owns land; however, some of the points addressed are unique to the Texas Veterans Land Program. You may want to keep the handbook readily accessible, as the information will prove useful as your plans or needs for your land change.

This booklet is not intended as a substitute for personal legal advice. So, if you have specific questions regarding your rights, you should consult an attorney.

I hope that owning a piece of Texas will be a rewarding experience for you. If you have questions or concerns that are not covered in this handbook, please do not hesitate to call us toll free at 1-800-252-VETS.

It has been a pleasure to afford you this opportunity for land ownership, and we look forward to working with you throughout the term of your contract.

Sincerely,

A handwritten signature in cursive script that reads "Garry Mauro".

Garry Mauro
Chairman
Veterans Land Board

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SECTION I
IMPORTANT INFORMATION
ABOUT YOUR LOAN

1. The mailing address for all correspondence is:

Veterans Land Board
1700 North Congress
Austin, Texas 78701-1496
2. Monthly payment coupon booklets will be mailed each year. Each installment payment covers the previous month's interest and should be mailed to P. O. Box 149001, Austin, Texas 78714-9001.
3. Penalty interest will be charged on all late payments. There is no grace period. Past due amounts resulting from penalty interest will be reflected on a separate statement once a predetermined amount has accrued.
4. Receipts are not mailed after each payment. Instead, an Annual Statement of Payments showing the breakdown of all payments applied during the calendar year will be mailed in January of each year.
5. This office does not prepare nor furnish amortization schedules.
6. "Extra principal payments" may be made at any time and in any amount and are given interest credit from the date received.
7. When making a payment to the Board without your coupon, please be sure to supply the account name, account number and purposes of the payment. Monthly installments can be automatically withdrawn from your personal bank account. Only the amount of your monthly installment may be drafted. Forms are available from the Veterans Land Board office.
8. When making address changes, please use the address change forms provided in the back of your monthly payment coupon booklet.
9. You can obtain clear title (severance deed) to a portion of your tract at any time for a consideration to be determined by the Board. (See page 5 for instructions.)
10. Any consideration paid for a pipeline, road or other easement must accompany the easement instrument. At its option, the Board may return the consideration to the contract holder.
11. In all leases other than oil, the disposition of payments will be determined by the Board.

SECTION II
QUESTIONS & ANSWERS

A. LAND USAGE

QUESTION: CAN I DO ANYTHING I WANT WITH MY LAND?

ANSWER: No. Because the Board holds legal title to the land, you must obtain the Board's approval for anything related to the title: assumptions, severances for home sites, leases, easements, mobile home waivers, etc. Minor improvements such as fences do not require approval. The land may be used for recreational or agricultural purposes.

B. EASEMENTS AND MINERAL RIGHTS

QUESTION: WHAT IS AN EASEMENT?

ANSWER: An easement permits a person to make use of land owned by someone else. Typically, it is the right to cross land to gain access to another tract of land. If you own an easement across someone's land, you have the right to cross that land; however, you have the duty to maintain the easement. If someone owns an easement over your tract, you may still do whatever you wish with that land as long as you do not interfere with the right to cross.

An access easement differs from a public road in that only people who have been granted the easement can use it. The owner of the tract that is crossed retains title to the land upon which the easement lies. Problems arise when an easement is closed or a gate on the easement is locked. The general rule is that an easement cannot be locked or closed. Utility and pipeline easements sometimes cause problems when an oil or utility company does not repair the damage it has done when installing its lines.

QUESTION: DO I HAVE TO GRANT AN EASEMENT ACROSS MY TRACT?

ANSWER: No; however, utility companies and public authorities can take you to court under their power of eminent domain and obtain the easement, but you must be compensated for the value of the property you have lost. Also, a landlocked neighbor may be able to get a court ordered "easement by necessity."

If you decide to grant an easement, part or all of the money you receive may have to be applied to your loan balance, and the Board must review and sign any easement deed to be used.

If any problems occur, it is your responsibility to negotiate with the parties involved and do whatever is necessary to protect your land. Unfortunately, this may involve legal fees and court costs. You should notify the Board as soon as possible if you anticipate any legal action.

Correction deeds, correction contracts, boundary line agreements, quitclaim deeds and easement deeds are some of the more common instruments used to solve such problems. The Board should be consulted when drafting these documents, as it will have to review and approve them.

QUESTION: WHAT IF SOMEONE ELSE OWNS ALL OR A PORTION OF THE MINERAL RIGHTS, OR HAS A LEASE OR EASEMENT ACROSS MY TRACT?

ANSWER: It is very important that you examine all leases, reservations, easements and exceptions set forth in your contract (usually listed under the "Save and Except" paragraph).

Several parties may hold leases for different purposes on the same tract of land. One party may hold a grazing lease, another may have surface mineral rights, another may have oil and gas drilling rights, and the local electric company may have a utility easement.

Anyone owning or leasing a part or all of the minerals in and under your tract has a right to a share of the royalties and a right to extract those minerals. This includes the right to enter your property, drill a well, build roads and pipelines and use surface water. This may include driving large trucks and equipment over your property, possibly coming through your fences.

The actions of the mineral owner (or the owner's lessee) are limited to those actions which are "reasonable and necessary" to extract the minerals from the tract. These actions may be further limited by any explicit language set out in the deed or lease which conveyed the minerals. Unless otherwise specified, the oil company or mineral owner does not have to repair any surface damage.

C. LEASING

QUESTION: MAY I LEASE MY TRACT?

ANSWER: Yes. You may lease the surface of your tract for hunting, farming, ranching, etc., without the Board's approval. However, if you own some or all of the oil and gas and other minerals and wish to lease these minerals, the following rules and contract terms apply:

1. The Board's lease form must be used, and the Board must approve the lease. A lease is not in force until it is approved by the Board. Furthermore, you must pay the appropriate processing fee.
2. If your payments are up-to-date, one-half (1/2) or more of all proceeds (bonuses, rentals and royalties, etc.) payable to you under the terms of the lease must be paid to the Board. All such funds are credited to the unpaid balance of your loan. All regular installments must continue to be paid.
3. If you are behind in your payments, all the proceeds are paid to the Board and will be credited to your past due amount, and all regular installments must continue to be paid.

You may also lease your tract for surface minerals, such as timber, sand, gravel, topsoil, etc. You must obtain the Board's approval and pay the appropriate processing fee. Proceeds from such leases are applied to the unpaid balance of your loan.

D. ENCROACHMENTS

QUESTION: WHAT IS AN ENCROACHMENT?

ANSWER: An encroachment occurs when someone fences or uses a portion of your property. This may lead to an adverse possession claim. The required period of time varies and is set by law.

The most common encroachment occurs when someone fences in a portion of a neighbor's tract, often by accident. The best way to avoid an encroachment is to know your boundaries and make sure your neighbors do, too.

Before the Board will purchase any tract, it requires inspection by a surveyor and an appraiser. Both of them should report any existing encroachments. When an encroachment is discovered before the sale, the Board requests that it be corrected before the tract is purchased. In some cases, even when both parties acknowledge that the fence or other structure is encroaching, it may be difficult to sell the tract.

Subsequent owners often assume the fences mark the correct boundary lines and may not acknowledge your survey. THE BEST COURSE OF ACTION IS TO AVOID THE POSSIBILITY OF A LAWSUIT BY ELIMINATING ALL ENCROACHMENTS.

QUESTION: WHAT IF A NEIGHBOR CLAIMS PART OF MY LAND?

ANSWER: Have the neighbor provide copies of the documents which are considered as proof of the claim. Contact the Veterans Land Board Legal Department, in writing, and submit the documentation for review. The claim will be investigated.

E. TITLE INSURANCE

QUESTION: WHY IS TITLE INSURANCE REQUIRED?

ANSWER: The Board requires a title policy on all tracts purchased because title insurance eliminates certain risks involved in the purchase of land. The title insurance policy obligates the issuing title company to defend problems with regard to the title that began or existed prior to the Board's purchase that are discovered after the Board's purchase. It does not cover rollback taxes. If you become aware of a question of ownership to all or part of the property under contract of sale to you, you should contact the Veterans Land Board, in writing, immediately.

On completion of payment of your contract, you may consider purchasing an Owner's Title Policy in your name for an amount equal to the then current market value. A title company of your choice can help you at that time.

F. CREDIT LIFE INSURANCE

QUESTION: CAN I GET INSURANCE THAT WILL PAY OFF THE TRACT IF I DIE?

ANSWER: Yes. Credit Life Insurance is available through the Texas Veterans Land Board.

QUESTION: WHO GETS THE TRACT IF I DIE?

ANSWER: The tract is subject to property, probate and intestacy laws. Whoever inherits the tract can keep the contract with the Board at the same interest rate if the Board is provided the necessary court documents. If Credit Life Insurance is in effect, the heirs should contact the Veterans Land Board so that the loan will be paid in full.

G. COMMUNITY PROPERTY

QUESTION: IS THE TRACT SEPARATE OR COMMUNITY PROPERTY?

ANSWER: Generally, the land is community property if purchased during a marriage and separate if purchased before the marriage. There are other rules that apply, especially if payment is made from separate or community funds. Any court order concerning the land under contract must take the rules of the Board into account. The following options are available as part of a property settlement:

1. The tract can be awarded to either of the parties without a change in the interest rate.
2. The tract can be ordered for sale and the proceeds divided. The purchaser can assume the contract at the higher rate (unless he/she is a veteran and uses his/her eligibility).

3. The tract can be paid off, and the Board will deed the tract to the veteran; a division of the property can then be ordered by the court.
4. The veteran can request a severance (see "severances"). The court can then divide the two tracts between the parties -- one still subject to a Veterans Land Board loan, the other free and clear of all liens.

Many times, courts order parties to divide the tract. Although the Board has no objections to placing the contract in the names of both, the full installment amount must continue to be paid. If one of the parties refuses to pay his/her part of the installment, the entire tract is subject to forfeiture.

H. LIENS AND COLLATERAL

QUESTION: CAN I USE MY LAND TO OBTAIN A LOAN FROM ANOTHER LENDER?

ANSWER: No. You cannot use your tract as collateral.

QUESTION: DOES THIS MEAN THAT NO ONE CAN PUT A LIEN ON MY PROPERTY?

ANSWER: No. A creditor can place a judgment lien on the property and foreclose on your interest. A local taxing authority or the Internal Revenue Service can also put a tax lien on your tract and can foreclose on your interest if you do not pay your taxes.

I. SEVERANCES

QUESTION: WHAT IS A SEVERANCE, AND HOW CAN I OBTAIN ONE?

ANSWER: The granting of clear title to a portion of your property is called a severance. If you wish to obtain a severance, you must submit a scale drawing with dimensions of the area to be severed. This must show the direct relation to the parent (original) tract. Both tracts must maintain access to a public road.

Once the drawing is received and reviewed by the Veterans Land Board, a valuation of the acreage will be made to determine the amount (consideration) to be paid for the severed acreage. (This amount will be credited to the principal of your account.)

The consideration, an \$80.00 deed fee, a current ground survey (made by a qualified surveyor) and field notes must be submitted before final approval.

NOTE: Do not have the survey done until after submission and review of original drawing.

J. DELINQUENCY AND FORFEITURE

QUESTION: WHAT HAPPENS IF I GET BEHIND ON MY PAYMENTS?

ANSWER: Any installment is considered delinquent if received after the due date and will accrue penalty interest. Any account that remains delinquent for 90 or more consecutive days is eligible for forfeiture. The Board can order you to vacate the premises and forfeit the loan and all payments made on it.

The loan can be reinstated by you or any approved assignees until the Board orders the land to be advertised for resale or lease for mineral development. There are other rules that apply, depending on the situation.

K. TRESPASSING

QUESTION: WHAT DO I DO IF SOMEONE CROSSES OR USES MY LAND?

ANSWER: People who use your tract as a dump, cross it freely or enter to remove trees, etc., are trespassing and are both criminally and civilly liable. Notify your local law enforcement agency if you are having problems with trespassers. Violent self-help should be avoided, and you should not place a "spring gun" or "booby-trap" on your property.

NOTE: Sometimes, oil and utility companies have an easement across your tract. They would have a right to use and cross designated areas.

L. TAXES

QUESTION: IS MY LAND STILL SUBJECT TO TAXES?

ANSWER: Yes. Although the Board has legal title to your tract, the tract is still subject to taxes that you are responsible for paying.

County and local school districts can increase taxes or impose rollback taxes. The Board has no control over taxes or rules by local taxing authorities. You should direct any questions regarding these matters to those offices.

QUESTION: WHAT ARE ROLLBACK TAXES?

ANSWER: Sometimes property taxes are reduced when land is being used for agricultural purposes. When the use changes or the land is sold, additional taxes may be imposed. If this happens, the new owner is often held responsible for these taxes. They are called "rollback" taxes because they apply to previous years' taxes. The new owner may be asked to pay taxes for up to five years prior to his/her purchase. You can contact the county tax assessor to determine if a rollback may occur on your land.

M. PAYING IN FULL

QUESTION: MAY I PAY OFF THE LOAN EARLY?

ANSWER: Yes. You may pay off the loan and financed expenses early without penalty.

QUESTION: DO I HAVE TO PAY OFF THE BOARD'S LOAN BEFORE I CAN SELL MY LAND?

ANSWER: No. You may assign your contract to someone else. You must use the Board's forms and obtain the Board's approval if you wish to assign your contract. Only in the event of extreme financial hardship can you assign your contract during the first three years you own it. If the assignment is taken by a non-veteran or by someone who does not want to use his/her eligibility, the interest rate will change. The loan may be paid in full at any time. There is no three-year limitation on selling the tract if the loan is paid in full. The Board does not permit you to retain a second lien on the tract. Therefore, you may not finance any part of the sale price unless the Board's loan is paid in full.

N. TIMBER SALES

QUESTION: CAN I HARVEST THE TIMBER WHICH IS ON MY TRACT, AND WHO CAN GIVE ME ADVICE ON HARVESTING?

ANSWER: You may harvest timber from your tract only with approval by the Board. Guidelines are available from the Veterans Land Board office.

In addition, the Texas Forest Service will survey and provide a written land management recommendation free of charge to Texas landowners. The Forest Service will also provide a list of consultant foresters who will value a crop, acquire bidders and supervise the harvest of timber. For detailed information on this program, contact the Texas Forest Service at its regional office in Lufkin, Texas.

SECTION III
ADDITIONAL INFORMATION

A. LOCATION AND OFFICE HOURS

The Veterans Land Board is located in the Stephen F. Austin Building in Austin, Texas, and is open to the public from 7:30 a.m. until 6:00 p.m. The address is:

Texas Veterans Land Board
1700 North Congress, Room 700
Austin, Texas 78701-1496

B. OTHER VETERANS LAND BOARD BENEFITS

In addition to the Land Program, the Veterans Land Board offers two other programs to eligible Texas veterans.

The first, the Veterans Housing Assistance Program (VHAP), enables veterans to borrow up to \$20,000 for the purchase of a home. The VHAP loan may be used in conjunction with VA, FHA or other conventional financing. The VHAP interest rate is currently 8.5%, a rate well below other mortgage financing available today.

The second, the Veterans Home Improvement Program (VHIP), offers up to \$17,500 to veterans to finance home improvements to their primary residence. Eligible improvements must substantially protect or improve the basic livability or energy efficiency of the property or correct damage resulting from a natural disaster. Attached garages, driveways, room additions, roofs, carpet and fences are only some of the projects available under this program.

As an eligible Texas veteran, you should be aware you are now able to use each of the three Veterans Land Board Programs once, bringing your total benefits package to \$57,500.

For more information on any of these programs, please call the toll-free number, 1-800-252-VETS.

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Texas Veterans Land Board
1700 North Congress Avenue
Austin, Texas 78701-1496

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