



Home Improvement Program Loan Guidebook

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Texas Veterans Land Board
Garry Mauro, Chairman

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Garry Mauro,
Texas Land Commissioner

Dear Texas Veteran:

The Texas Veterans Home Improvement Loan Program is one of three outstanding benefits offered to Texas Veterans through the Texas Veterans Land Board. In addition to making improvements on an existing home, Texas Veterans may also apply for low-interest loans to help buy land and a home.

As Chairman of the Texas Veterans Land Board, I insist that these programs be operated in an efficient, businesslike manner. By maintaining a financially sound program and promptly servicing applications and loans, we will be able to continue to offer very generous terms to our veterans.

This guidebook is designed to explain how the Home Improvement Loan Program works and answer the questions we are most often asked. Whether you are just requesting information or have already received an application packet, this guidebook should prove very helpful. If you have additional questions please call our toll-free number, 1-800-252-VETS. We will be pleased to assist you.

I want to encourage as many veterans as possible to apply for these benefits in recognition of the service they gave and sacrifices they made in the Armed Forces of the United States of America.

Sincerely,


Garry Mauro
Chairman

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HISTORY OF TEXAS VETERANS PROGRAMS

Texas, unlike many other states, has been historically a "cash poor" but "land rich" state. Since the days of the Texas Republic, Texas has given its veterans land in recognition of their military service. In the days of Sam Houston, that debt for service was paid to Texas veterans in grants of land. Following World War II this tradition was continued with the creation in 1946 of the Texas Veterans Land Board (VLB) to administer a new program which would provide low-interest, long-term loans to Texas veterans for the purchase of land.

Since its inception, more than 100,000 Texas veterans have taken advantage of this self-supporting program without costing the taxpayers a single penny. The program is funded by issuing bonds authorized by the voters; the bonds -- plus the cost of administering the program -- are paid for by the veterans who participate in the program.

In 1983, the Legislature created the Veterans Housing Assistance Program to assist Texas veterans in purchasing a home. Texas voters overwhelmingly approved a constitutional amendment authorizing the issuance of bonds to fund the program.

In 1986, the VLB expanded the Veterans Housing Assistance Program, adding the Veterans Home Improvement Program to provide below market interest rate loans to qualified Texas veterans for home repairs and improvements to their existing homes. This pamphlet is designed to explain how the program works and the guidelines used to ensure a quality program is provided to you.

HOW THE PROGRAM WORKS

The VLB will loan a minimum of \$4,000 and maximum of \$17,500 for home improvements to your primary residence. After all necessary documentation has been submitted and your loan documents are processed and signed, the contractor you selected can begin work. Upon completion of the work, the VLB pays the contractor.

After closing, the loan is serviced by Lomas Mortgage USA. Lomas is responsible for maintaining the account and will send monthly payment statements to you.

ELIGIBILITY AS A TEXAS VETERAN

To participate in the Texas Veterans Home Improvement Program (VHIP) you must demonstrate that you satisfy all of the following conditions:

1. You must be discharged from either the Army, Navy, Air Force, Marines, Coast Guard or United States Public Health Service, or have completed your initial obligation and have been eligible for an honorable discharge, unless you were discharged sooner due to a service-connected disability.
2. You must be a bona fide resident of Texas at the time the application is made. A "bona fide" resident is someone who is living in Texas with the intent to remain in Texas.
3. You must have been a bona fide resident of Texas at the time of entry into the military or have been a bona fide resident of Texas for at least five consecutive years immediately prior to filing an application. You do not have to be a native Texan to participate in this program.
4. You must not have previously participated in the VHIP, but may have participated in the Veterans Housing Assistance Program and/or Veterans Land Program.
5. Service must have been after September 16, 1940.

The Texas Veterans Commission, not the VLB, will determine your eligibility in terms of service in the Armed Forces and residency in the State of Texas.

HOW TO APPLY

Call 1-800-252-VETS to request an Application for Certification (as a Texas veteran) and a list of registered contractors in your area. The information specialists can answer general questions about the program and send you information and brochures. We have established Loan Production Offices (LPO) throughout the state to provide information and assistance to Texas veterans. If there is an office in your area, you may wish to visit or call it (see pages 10-11, LOAN PRODUCTION OFFICE DIRECTORY).

Complete the Application for Certification and send it to the Texas Veterans Commission along with a filing fee of \$25. You should receive your Certificate of Eligibility, which is valid for 180 days, within two weeks. The process will qualify you to participate in the VHIP as a Texas veteran. It does not, in any way, indicate that you have been approved for a loan.

While you are waiting for your Certificate of Eligibility, you should contact registered contractors and get a minimum of two bids on the improvements you wish to make.

Once you have received your Certificate of Eligibility, call the toll-free number or the LPO and request a Veterans Credit Application. Submit the completed credit application and a \$50 credit investigation fee to the Veterans Land Board along with the yellow copy of the Certificate of Eligibility.

ELIGIBLE IMPROVEMENTS

The VHIP can be used only for alterations, repairs and improvements that are eligible for financing under the Department of Housing & Urban Development (HUD) Federal Housing Administration (FHA) Title I Loan Program.

All work and/or construction must be in compliance with all applicable building codes and standards. The VHIP loan can be used to make alterations, repairs and improvements to, or in connection with, your existing residence and only if the repairs will:

- substantially protect or improve the basic livability or energy efficiency of the property; or
- correct damage resulting from a natural disaster or correct conditions that are hazardous to health or safety.

Examples of eligible improvements include:

carpeting	patios	fencing
driveways	room additions	garages

Examples of ineligible improvements include:

exterior spas, saunas & whirlpools	swimming pools
tree surgery	barbecue pits
tennis courts	

You can obtain a listing of eligible and ineligible home improvements by calling or visiting any LPO or using the VLB's toll-free number, 1-800-252-VETS.

ELIGIBLE HOMES

The home must be geographically located in the State of Texas and must be your primary residence.

In addition to single family dwellings, condominiums, duplexes, triplexes and four-plexes are eligible as long as one of the units is your principal residence. Duplexes, triplexes and four-plexes must be at least five years old.

Modular or manufactured homes that are on a permanent foundation and are a part of the real estate may also be eligible, but the final decision on these types of loans will be determined by the VLB.

If the home is newly constructed, you must have lived in it a minimum of 90 days before you can apply for a VHIP loan.

BOARD'S INVESTMENT

The VLB will invest a minimum of \$4,000 and a maximum of \$17,500 for a home improvement loan, as follows:

Single Family Residence:	Minimum Loan \$ 4,000 Maximum Loan \$17,500
Manufactured/Modular Home:	Maximum \$5,000
Multi-Family Residence:	\$8,750 Maximum Per Unit Up to a Total Loan of \$17,500

FEES AND EXPENSES

Down Payment	None Required
Filing Fee	\$25; must be submitted with Application for Certification
Credit Review Fee	\$50; due when loan application is submitted
FHA Title I Insurance	.5% (one-half of one percent) annually on the original principal balance
Recording Fee	\$30

The VLB will also charge you all reasonable and customary charges permitted by law for processing and closing of home improvement loans. Every effort is made to keep these fees at a minimum. These fees include, but are not limited to:

- Escrow Fees for FHA Insurance
- Title Report Fee (Actual Cost)

If the contractor is not on our registered contractor listing, a \$55 contractor's application fee must be submitted along with his/her application for approval.

The contractor will pay a 2% discount fee plus \$120. These fees cover the VLB's costs of underwriting and establishing servicing of the loan.

You may choose a contractor that is not on our registered contractor listing; however, non-registered contractors must pay a \$150 Direct Loan Legal Fee per transaction. If you do not choose a registered contractor, at least three bids must be submitted to the VLB for review.

CONTRACT TERMS AND INTEREST RATE

The current interest rate is 10.5%, plus FHA insurance (see pages 4-5, FEES AND EXPENSES).

The terms of the loans vary. Loans for less than \$7,500 may be made for a term of two to ten years. Loans from \$7,500 to \$17,500 may be made for a term of two to fifteen years.

The loan is secured by a Deed of Trust which uses your home as collateral.

There is no prepayment penalty.

ASSUMPTIONS

VHIP loans may be assumed with the written consent of the Program Administrator, Lomas Mortgage USA, with the following conditions:

1. You must have occupied the home as your primary residence for a period of three years from the date of completion of the home improvements.
2. An Assumption and Release Agreement must be executed by the assuming eligible borrower which provides for the eligible borrower to assume your indebtedness.

3. The home improvement loan shall continue to be insured under all applicable insurance policies.
4. The assuming eligible borrower intends to use the home as his/her principal residence within 60 days after the home improvement loan is assumed.
5. All terms and rules of the VLB have been met and approval of the VLB has been obtained.

ADDITIONAL GUIDELINES/INFORMATION

The VHIP loan cannot be used to refinance any prior indebtedness you have.

If you are required to vacate your home while the improvements are being made, you must re-occupy it within 60 days of completion of the construction.

VHIP LOAN PROCESS

1. As a veteran, request an application for Certification of Eligibility and a list of registered contractors from the VLB.
2. Complete the Application for Certification and send it, along with a \$25 non-refundable fee, to the Texas Veterans Commission.
3. While waiting for certification (approximately two weeks), you may contact registered contractors and secure bids on the improvements you want made. Be sure to inform the contractor that you will be using the VHIP.
4. When the Texas Veterans Commission notifies the VLB of approval of your eligibility, the VLB will send your Certificate of Eligibility (original and a yellow copy) to you.
5. If you have not yet received a Veterans Credit Application, contact the LPO in your area or our toll-free number and request one.
6. Submit to the VLB each of the following:
 - Your completed Credit Application
 - \$50 Credit Investigation Fee
 - Title Report Fee (amount to be determined by your Loan Officer)
 - Yellow copy of your Certificate of Eligibility

7. After approval, you or the contractor submits to the VLB a Contract for Labor and Materials which has been signed by both you and the contractor.

CONSTRUCTION MUST NOT BEGIN PRIOR TO THE CONTRACTOR FILING A COMPLETED, NOTARIZED MECHANIC'S LIEN CONTRACT IN THE COUNTY WHERE THE PROPERTY IS LOCATED. FAILURE TO DO SO WILL PREVENT THE VETERANS LAND BOARD FROM SUPPLYING FINANCING FOR THE LOAN AND RENDER THE APPLICATION VOID!

8. Improvements to your property are undertaken and completed. (Construction cannot start until midnight of the third business day following execution of the Contract for Labor and Materials between you and the contractor.)
9. Eleven days prior to completion of the improvements the contractor notifies the VLB so that final paperwork can be processed. A Completion Certificate is sent to you for execution.
10. Once the improvements are completed to your satisfaction, you must complete and return the Completion Certificate to the VLB. The contractor will not be paid until this document is in the VLB office.

At this time you must pay:

- 14 months FHA Title I Insurance (escrow)
- \$30 Recording Fee
- Prepaid Interest, if due

The contractor must pay:

- 2% Discount Fee
- \$120 Servicing Fee
- \$150 Direct Loan Legal Fee if the contractor is not a VLB registered contractor.

11. After the loan has been funded, the VLB submits the file to the servicer, Lomas Mortgage USA, who will send monthly billing statements to you.

QUESTIONS AND ANSWERS

- Q. Can two veterans each get a \$17,500 VHIP loan on one home?*
- A. No. FHA will only insure home improvement loans up to \$17,500 per home. Since VHIP loans are FHA insured, they cannot exceed the limit on any one home.
- Q. Can I get a VHIP loan on rental property?*
- A. No. The home to be improved must be your principal residence, and you must own at least 50% interest in the home. The home must be owner-occupied for the first three years that the VHIP loan is in effect.
- Q. What happens if my Certificate of Eligibility expires before the work is completed?*
- A. The Board will accept written requests for extensions if the extension is needed due to a circumstance beyond your control. These requests must be submitted prior to the expiration date and will be reviewed on a case-by-case basis. If the request is made after the expiration date, you will be required to pay another \$25 for recertification.
- Q. I have already had my improvements done and want to finance them through your program. Can I do this?*
- A. No. The VHIP loan cannot be used to pay off any prior indebtedness.
- Q. Why does the work have to be done by a contractor?*
- A. VHIP loans are FHA Title I insured loans, and FHA requires that a mechanics and material lien be taken out against the property, and that the lien must be assigned to the VLB. This type of lien cannot be secured by the property owner, but can be made by a general contractor.
- Q. Why are certain types of improvements ineligible for a VHIP loan?*
- A. The FHA determines which improvements are eligible for a loan. Its guidelines state that the improvement must improve the basic livability or energy efficiency of the home or repair damage due to a natural disaster.

- Q. Why does the FHA insure these loans?*
- A. FHA insures these loans against default, which helps to maintain the stability of the program.
- Q. Can I get a VHIP loan if I have already used my Veterans Housing Assistance and/or Veterans Land Program loan(s)?*
- A. Yes. You can use each of these programs once.
- Q. I recently purchased a home. How long do I have to live in it before I can get a VHIP loan?*
- A. If the home is an existing home, you can apply and obtain the home improvement loan immediately. However, if it is a newly constructed home, you must reside in it for 90 days prior to applying for a VHIP loan.
- Q. Can I use my VHIP benefit to make improvements on my land?*
- A. No. The VHIP must be used to make improvements on your primary residence, so it may not be used to improve raw land.
- Q. I bought a tract under the Veterans Land Program and have built a home on it. Can I use the VHIP on this house?*
- A. If the house is your primary residence and you have obtained a severance on the land on which the home sits, you should be able to use the VHIP to make improvements to it.
- Q. Can I use the VHIP on a mobile home?*
- A. Yes, as long as the mobile home is on a permanent foundation which is a part of the real estate you can use the VHIP on it; however, home improvement loans for mobile homes may not exceed \$5,000. The tongue must have been removed and the mobile home must have been transferred from personal property to real property by submitting an affidavit of transfer and the title to the Texas Department of Licencing and Regulation. There are additional requirements which also must be met. Please consult with one of our loan officers for those requirements.
- Q. How can I get more information or help completing my applications?*
- A. For assistance you can contact the nearest VLB Loan Production Office or call our toll-free line, 1-800-252-VETS.

Q. Can I do the improvements myself?

A. No. All improvements must be completed by a registered contractor.

Q. What if there is not a registered contractor in my area?

A. There are two things which can be done if there is not a registered contractor in your area.

(1) You can locate a contractor who is willing to apply to become a registered contractor for this program.

or

(2) You can obtain three bids from area contractors and submit all of the bids to the VLB for review. After reviewing the bids and investigating the contractors, the VLB may make recommendations to you regarding the contractors' abilities to complete the job. (Please keep in mind that the best bid price is not necessarily the lowest bid.)

LOAN PRODUCTION OFFICE LOCATIONS

Loan Production Offices are located throughout the state. Addresses and phone numbers listed in this publication are as of May, 1990. Because situations can change, the information specialists on the toll-free line always have an up-to-date listing of LPO's. Please call them if you have difficulty reaching the LPO in your area.

AUSTIN

1700 N. Congress Ave. Room 700
Austin, Texas 78701-1496
(512) 463-5345

CORPUS CHRISTI

2908 Leopard Street
Corpus Christi, Texas 78408-3614
(512) 887-6358

DALLAS

3727 Dilido Drive, Ste. 124-B
Dallas, Texas 75228-5531
(214) 320-9098

EL PASO

7500 Viscount, Suite 122
El Paso, Texas 79925-5628
(915) 772-6285

HOUSTON

2656 S. Loop West, Suite 500
Houston, Texas 77054-2639
(713) 666-3091

McALLEN

718-A N. McColl Road
McAllen, Texas 78501-9337
(512) 686-8387

SAN ANTONIO

4204 Woodcock Drive, Suite 240
San Antonio, Texas 78228-1309
(512) 736-2042

TOLL-FREE NUMBER

(800) 252-VETS

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NOTES

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*"Remember...we don't need
to do our veterans a favor,
just repay one."*

– Garry Mauro, Chairman
Texas Veterans Land Board

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