

ASSEMBLY BILL

No. 2096

Introduced by Assembly Member Margett

February 18, 1998

An act to amend Section 987.71 of the Military and Veterans Code, relating to veterans.

LEGISLATIVE COUNSEL'S DIGEST

AB 2096, as introduced, Margett. Veterans: Cal-Vet loans.

(1) Existing law provides for farm and home purchase benefits for qualifying veterans under the Veterans' Farm and Home Purchase Act of 1974, and subsequent acts. For these purposes, existing law requires the purchaser to make an initial payment of at least 5% of the selling price of the property and, where the purchase price is equal to or less than \$60,000, existing law requires the purchaser to make an initial payment of at least 3% of the selling price of the property.

This bill instead would require the purchaser of the property to make an initial payment of at least 2% of the selling price of the property.

(2) Existing law authorizes the Department of Veterans Affairs to waive the initial payment in any case where the value of the property, as determined by the department appraisal, equals the amount to be paid by the department plus at least 5% where the purchase price is greater than \$60,000. In addition, existing law authorizes the department, in the case of homes where the purchase price is equal to or less than \$60,000, to waive the initial payment where the

appraised value of the property equals the amount to be paid by the department plus at least 3%.

This bill instead would authorize the department to waive the initial payment in any case where the value of the property, as determined by the department from an appraisal, equals the amount to be paid by the department plus at least 5%. In addition, the bill would require the purchaser, in the case of a purchase requiring a loan guaranty by the United States Department of Veterans Affairs, to pay the loan guaranty fee, which may be added to the loan amount. The bill also would authorize the department to require the purchaser to pay a loan origination fee, not to exceed 1% of the loan amount, which also may be added to the loan amount.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 987.71 of the Military and
 2 Veterans Code is amended to read:
 3 987.71. (a) The purchaser shall make an initial
 4 payment of at least ~~5~~ 2 percent of the selling price of the
 5 property. ~~Purchasers of homes where the purchase price~~
 6 ~~is equal to or less than sixty thousand dollars (\$60,000)~~
 7 ~~shall make an initial payment of at least 3 percent of the~~
 8 ~~selling price of the property.~~ The department may waive
 9 the initial payment in any case where the value of the
 10 property as determined by the department *from an*
 11 appraisal equals the amount to be paid by the department
 12 plus at least 5 percent ~~where the purchase price is greater~~
 13 ~~than sixty thousand dollars (\$60,000).~~ ~~In the case of homes~~
 14 ~~where the purchase price is equal to or less than sixty~~
 15 ~~thousand dollars (\$60,000), the department may waive~~
 16 ~~the initial payment where the value of the property as~~
 17 ~~determined by the department appraisal equals the~~
 18 ~~amount to be paid by the department plus at least 3~~
 19 ~~percent.~~ *In the case of a purchase requiring a loan*
 20 *guaranty by the United States Department of Veterans*
 21 *Affairs, the purchaser shall pay the loan guaranty fee,*
 22 *which may be added to the loan amount. The department*



1 *may require the purchaser to pay a loan origination fee,*
2 *not to exceed 1 percent of the loan amount, which may*
3 *be added to the loan amount.*

4 (b) The balance of the ~~purchase price~~ *loan amount*
5 *may be amortized over a period fixed by the department,*
6 *not exceeding 40 years for farms or homes and not*
7 *exceeding 30 years for mobilehomes located in*
8 *mobilehome parks, as defined in Section 18214 of the*
9 *Health and Safety Code, together with interest thereon*
10 *at the rate determined by the department pursuant to*
11 *Section 987.87 for these amortization purposes.*

12 (c) The department may, in order to allow the veteran
13 to purchase the home selected without incurring
14 excessive monthly payments, at the time of initial
15 purchase, postpone the commencement of payment of
16 the principal balance for not to exceed five years if the
17 veteran's current income meets the standards for
18 purchase on these terms and if the department
19 determines, in accordance with previously established
20 criteria for these determinations, that the veteran's
21 income can reasonably be expected to increase
22 sufficiently within the five-year period to make the
23 transition to fully amortized principal and interest
24 payments, so long as the total term of the contract of
25 purchase does not exceed 40 years, or 30 years where the
26 contract relates to a mobilehome located in a
27 mobilehome park, as defined in Section 18214 of the
28 Health and Safety Code.

29 (d) The purchaser on any installment date may pay
30 any or all installments still remaining unpaid.

31 (e) In any individual case, the department may for
32 good cause postpone, from time to time, upon terms the
33 department determines to be proper, the payment of the
34 whole or any part of any installment of the purchase price
35 or interest thereon.

36 (f) Each installment shall include an amount sufficient
37 to pay the principal and interest on the participation
38 contract to which the interest of the department is
39 subject, and any amount as may be required by a



1 covenant or provision contained in any resolution of
2 issuance.

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