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SB-661 Veterans' farm and home loan program. (2021-2022)

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Senate Bill No. 661

CHAPTER 549

An act to amend Sections 78, 980, 987.50, 987.53, 987.56, 987.57, 987.59, 987.60, 987.62, 987.65, 987.655, 987.67, 987.71, and 987.85 of, to repeal Section 987.61 of, and to repeal Article 3 (commencing with Section 985) of Chapter 6 of Division 4 of, the Military and Veterans Code, relating to veterans.

[Approved by Governor October 05, 2021. Filed with Secretary of State October 05, 2021.]

LEGISLATIVE COUNSEL'S DIGEST

SB 661, Newman. Veterans' farm and home loan program.

Existing law establishes the Department of Veterans Affairs, which is headed by the Secretary of Veterans Affairs. Existing law requires the secretary, as head of the department and subject to the policies adopted by the California Veterans Board, to perform all duties, exercise all powers and jurisdiction, assume and discharge all responsibilities, and carry out and effect all provisions vested by law in the department. Existing law defines "veteran" for the purposes of the various programs granting benefits to veterans.

This bill would authorize the secretary to designate a deputy, employee, or other official in the department to act for them and to represent them at meetings. The bill would authorize the secretary to delegate powers and duties, as specified. The bill would include in the definition of "veteran" a person who qualifies for funds made available from a qualified mortgage revenue bond issued pursuant to federal law, as specified, and who, at the time of application for Cal-Vet benefits, was a member of the California National Guard or a reserve component of any branch of the Armed Forces of the United States who has completed not less than a 6-year commitment and was released under honorable conditions.

Existing law provides for farm and home purchase benefits for qualifying veterans under the Veterans' Farm and Home Purchase Act of 1943 and the Veterans' Farm and Home Purchase Act of 1974, which are collectively referred to as the CalVet Home Loan Program, and places responsibility for program administration with the Department of Veterans Affairs. Existing law establishes program requirements, including that homes, condominiums, and mobilehomes, in the opinion of the department, suit the needs of the purchaser and that the department process loan applications with the intent of delivering a loan within an average of 30 days. Existing law permits the department to purchase property subject to a participation contract for a loan term of not less than 23 years and requires the purchase price plus the participation contract to not exceed the maximum purchase prices available under the program.

This bill would repeal the Veterans' Farm and Home Act of 1943. The bill would, for purposes of the Veterans' Farm and Home Purchase Act of 1974, provide that in cases of homes, condominiums, and mobilehomes, the determination that the purchase meets required standards is within the sole opinion of the department. This bill would require the department to efficiently process loans with the intent of achieving loan delivery within an industry standard average number of days, rather than requiring 30 days. This bill would repeal the requirement that property purchased subject to a participation contract be limited to a term of not less

than 23 years. This bill would allow the department to acquire a home for the purpose of refinancing an existing loan, as specified. This bill would make other technical changes.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 78 of the Military and Veterans Code is amended to read:

78. (a) The Secretary of Veterans Affairs is head of the department and, as head of the department and subject to the policies adopted by the board, shall perform all duties, exercise all powers and jurisdiction, assume and discharge all responsibilities and carry out and effect all provisions now or hereafter vested by law in the department.

(b) The secretary may designate a deputy, employee, or other official in the department to act for them and to represent them at meetings.

(c) The secretary may delegate to one or more of their designees, or to any other official or employee of the department, any powers and duties that they may deem proper, including, but not limited to, the power to enter into contracts, and authorize and sign any and all documents necessary for effectuating the sale of bonds.

SEC. 2. Section 980 of the Military and Veterans Code is amended to read:

980. (a) As used in this chapter, "veteran" means any of the following:

(1) A citizen of the United States who served in the active military, naval, or air service of the United States on or after April 6, 1917, and prior to November 12, 1918, and who received an honorable discharge or was released from active duty under honorable conditions.

(2) A person who did all of the following:

(A) Served in the active military, naval, or air service of the United States for a period of not less than 90 consecutive days or was discharged from the service due to a service-connected disability within that 90-day period.

(B) Received an honorable discharge or was released from active duty under honorable conditions.

(C) Performed any portion of that service during any of the following periods:

(i) On or after December 7, 1941, and prior to January 1, 1947, including, but not limited to, members of the Philippine Commonwealth Army, the Regular Scouts ("Old Scouts"), and the Special Philippine Scouts ("New Scouts").

(ii) On or after June 27, 1950, and prior to February 1, 1955.

(iii) On or after February 28, 1961, and prior to August 5, 1964, in the case of a veteran who served in the Republic of Vietnam during that period.

(iv) On or after August 5, 1964, and prior to May 8, 1975.

(v) On or after August 2, 1990, to and including the date on which the territories in and around the Arabian Peninsula cease to be designated as a place where the Armed Forces of the United States are engaged in combat, as described in Executive Order 12744 of the President of the United States. It is the intent of the Legislature, in enacting this clause, that the benefits provided by this chapter shall be available to all veterans who were on active duty in the Armed Forces of the United States or who were called to active duty in the reserves or National Guard during the pendency of the deployment of forces for Operation Desert Shield or Desert Storm, which resulted in Executive Order 12744, irrespective of whether these veterans served overseas or in the United States.

(vi) At any time, in a campaign or expedition for service in which a medal has been authorized by the government of the United States, regardless of the number of days served on active duty.

(vii) At any time in Somalia, or in direct support of the troops in Somalia, including, but not limited to, persons stationed on ships of the Armed Forces of the United States conducting support activities offshore in the vicinity of Somalia, during Operation Restore Hope, regardless of the number of days served.

(3) A member of the reserves or National Guard who does all the following:

(A) Is called to, and released from, active duty or active service, regardless of the number of days served.

(B) Is called during any period when a presidential executive order specifies the United States is engaged in combat or homeland defense.

(C) Has received an honorable discharge or was released from active duty or active service under honorable conditions.

(4) A person who did all of the following:

(A) Served in the Merchant Marine Service of the United States.

(B) Has been granted veteran status by the United States Secretary of Defense under Title IV of the GI Improvement Act of 1977 (Public Law 95-202, as amended).

(5) A person who qualifies under federal laws for revenue bond or unrestricted funds (26 U.S.C. Sec. 143) and did all of the following:

(A) Served in the active military, naval, or air service of the United States for a period of not less than 90 consecutive days.

(B) Received an honorable discharge or was released from active duty or active service under honorable conditions.

(6) A person who qualifies for funds made available from a qualified mortgage revenue bond issued pursuant to Section 143 of Title 26 of the United States Code and is, at the time of application for Cal-Vet benefits, a member of the California National Guard or a reserve component of any branch of the Armed Forces of the United States who has enlisted or been commissioned in that service for a period of not less than six years and has completed a minimum of one year of satisfactory service, or who was a member of the California National Guard or a reserve component of any branch of the Armed Forces of the United States who has completed not less than a six-year commitment and was released under honorable conditions.

(b) For purposes of this chapter "veteran" does not include any of the following:

(1) A person who was separated from the Armed Forces under other than honorable conditions.

(2) A person who was separated from the Armed Forces on account of alienage.

(3) A person who performed no military duty whatever or refused to wear the uniform.

(4) A person who served only in an auxiliary or reserve component of the Armed Forces whose service therein did not provide an exemption from the operation of the federal Selective Training and Service Act of 1940 (Public Law 76-783: 54 Stat. 885, as amended).

(5) A person whose service with the Armed Forces was due to temporary active duty orders for the sole purpose of training duty, processing, or a physical examination, except as provided for in paragraph (6) of subdivision (a).

(6) A person whose only service was as a student at a military academy and who, for any reason, failed to complete the course of study and subsequently did not serve on active duty.

(c) For purposes of this section, "active duty" or "active service" is defined as provided in Section 101(d) of Title 10 of the United States Code.

SEC. 3. Article 3 (commencing with Section 985) of Chapter 6 of Division 4 of the Military and Veterans Code is repealed.

SEC. 4. Section 987.50 of the Military and Veterans Code is amended to read:

987.50. This article may be cited as the Veterans' Farm and Home Purchase Act of 1974, also known as the CalVet Home Loan Program.

SEC. 5. Section 987.53 of the Military and Veterans Code is amended to read:

987.53. As used in this article:

(a) "Farm" means a tract of land, which, in the opinion of the department, is capable of producing sufficient income to provide payment of the amortized contract installments, including principal, interest, and taxes.

(b) "Home" means a parcel of real estate upon which there is a dwelling house and other buildings that will, in the sole opinion of the department, meet or exceed industry health and safety standards. "Home" includes all of the following:

(1) A condominium as defined in subdivision (h).

(2) A mobilehome as defined in subdivision (k).

(3) A residence with two to four units, inclusive, that satisfies the requirements of Section 143(k)(7) of the Internal Revenue Code where at least one unit is occupied by a veteran and their family.

(4) A cooperative dwelling unit as defined in subdivision (s).

(c) "Purchaser" means a veteran or any person who has entered into a contract of purchase of a farm or home from the department.

(d) "Purchase price" means the price that is paid for the acquisition of any farm or home.

(e) "Selling price" means the price for which any farm or home is sold.

(f) "Initial payment" means the first payment to be made by a purchaser to the department or the seller for a farm or home.

(g) "Progress payment plan" means payment by the department for improvements on real property in installments as work progresses.

(h) "Condominium" means an estate in real property consisting of an undivided interest in common in a portion of a parcel of real property together with a separate interest in space in a residential building on the real property, such as an apartment, which, in the sole opinion of the department, meets minimum property standards as defined by the department. A condominium may include, in addition, a separate interest in other portions of the property.

(i) "Effective rate of interest" means the average rate of interest on the unpaid balance due on a participation contract to which the department's legal rights are subject, and the rate of interest on the unpaid balance of the purchase price, as determined by the department.

(j) "Participation contract" means an obligation secured by a deed of trust or mortgage, or other security interest, to include, but not be limited to, mortgage-backed securities, established pursuant to regulations of the department.

(k) "Mobilehome" means either a parcel of real estate, or an undivided interest in common in a portion of a parcel of real property, on which is sited one or more mobilehome modules, or a site in a mobilehome park, as defined in Section 18214 of the Health and Safety Code, on which one or more mobilehome modules are sited or are to be sited that will, in the sole opinion of the department, meet minimum property standards as defined by the department and meet all requirements of local governmental jurisdictions. However, where the mobilehome module or modules are sited on trust land, "local governmental jurisdictions" means the tribal governing body.

For purposes of this subdivision, "module" means a section of a mobilehome at least 10 feet wide and at least 40 feet long.

(l) "Indian veteran" means a veteran, as defined in Section 980, who, in addition, either belongs to an Indian tribe, band, group, reservation, rancheria, or community which is recognized by the United States as eligible for services from the United States Bureau of Indian Affairs or is an Indian beneficiary and who is eligible under this article for purchase by the department of a home or farm sited on trust land.

(m) "Trust land," with respect to an Indian veteran, means land held in trust by the United States government for individual Indians, Indians who belong to Indian tribes, or Indian tribes.

(n) "Allotment trust land" means land held by the United States under the Indian General Allotment Act of 1887, as amended, (Chapter 9 (commencing with Section 331) of Title 25 of the United States Code), in trust for an individual Indian or for two or more Indians holding individual interests in common. It includes both trust and restricted public domain allotments and allotments within the boundaries of an Indian reservation.

(o) "Tribal trust land" means land held in trust by the United States for an Indian tribe or band.

(p) "Tribe" means any Indian tribe, band, group, reservation, rancheria, or community which is recognized by the United States as eligible for services from the United States Bureau of Indian Affairs.

(q) "Immediate family" means the spouse or registered domestic partner of a purchaser, the natural or adopted dependent children of the purchaser, and the parents of the purchaser if they are dependent on the purchaser for 50 percent or more of their support.

(r) "Indian beneficiary" means an Indian for whom land is held in trust by the United States government.

(s) "Cooperative dwelling unit" means a unit in a development owned by a stock cooperative as defined in subdivision (m) of Section 1351 of the Civil Code, including a limited-equity housing cooperative as defined in Section 817 of the Civil Code, or similar entity, the exclusive occupancy of which is established in accordance with cooperative dwelling unit ownership documents.

(t) "Cooperative dwelling unit ownership documents" means cooperative housing stock together with any occupancy agreements or similar arrangements between the stock company and the owner of the cooperative housing stock. The cooperative dwelling unit ownership documents for a cooperative dwelling unit shall have terms that are acceptable to the department to allow the department to protect its rights under the applicable contract of purchase.

(u) "Cooperative housing stock" means a certificate of stock, a certificate of membership, or other evidence of ownership of an interest, in a stock cooperative as defined in subdivision (m) of Section 1351 of the Civil Code, including a limited-equity housing cooperative as defined in Section 817 of the Civil Code, or similar entity that entitles the purchaser to enter into occupancy agreements or similar arrangements with the stock cooperative, including a limited-equity housing cooperative, or similar entity, to occupy a cooperative dwelling unit.

(v) "Property," except when used in the phrase "real property" or "personal property," means a farm or a home.

SEC. 6. Section 987.56 of the Military and Veterans Code is amended to read:

987.56. (a) The department shall prescribe and determine the eligibility and qualifications of all veterans. Any person deeming themselves a veteran and desiring to benefit hereunder, shall submit to the department information, in the form prescribed by the department, that will enable the department to determine their eligibility and qualifications. The department may make further inquiries and investigations in order to determine eligibility and qualifications.

(b) Whenever the department determines that a shortage of funds exists in any of the funding sources available, the department shall use the following preference categories for the use of those funds.

(1) Veterans who are otherwise qualified because of service during a time of war and who were wounded or disabled as a result of their service shall be given first preference in the benefits conferred by this article. The department shall determine, in each case, whether the veteran was wounded or disabled as a result of service.

(2) The following group shall be given second preference in the benefits conferred by this article:

(A) The unmarried spouse or registered domestic partner of individuals who were members of the Armed Forces on active military duty and were killed in the line of duty while on active duty.

(B) Members of the Armed Forces who were held as prisoners of war.

(C) The unmarried spouse or registered domestic partner of members of the Armed Forces who have been designated by the Armed Forces as missing in action.

(3) Veterans whose eligibility is derived from service any portion of which was on or after August 2, 1990, and prior to a date to be set by law or by a Presidential proclamation ending the Gulf War, and veterans with wartime service discharged or released from active duty within 10 years of their application to the department shall be given third preference in the benefits conferred by this article.

(4) Active members of the California National Guard or a reserve component of a branch of the United States Armed Forces who meet the eligibility criteria of paragraph (3) of subdivision (a) of Section 980 shall be given fourth preference in the benefits conferred by this article.

(5) Veterans with wartime service discharged or released from active duty more than 10 years prior to their application to the department shall be given fifth preference in the benefits conferred by this article.

(6) Veterans who are otherwise qualified and whose only military service was during a time of peace shall be given sixth preference for the benefits conferred by this article.

(7) Veterans eligible for a subsequent loan under subdivision (a) of Section 987.86 shall be given seventh preference in the benefits conferred by this article.

(c) Nothing in this section regarding preferences shall affect any eligibility requirement for benefits conferred by this article.

SEC. 7. Section 987.57 of the Military and Veterans Code is amended to read:

987.57. (a) The department shall require that all applicants under this article qualify under applicable federal laws and regulations governing the permitted uses of tax-exempt bond funds, and file within the time limits required under applicable federal law and regulations.

(b) Notwithstanding any other provision of state law to the contrary, no time limit for filing shall be imposed upon any veterans who served in the Philippine Commonwealth Army, or the Regular Scouts ("Old Scouts"), or the Special Philippine Scouts ("New

Scouts") during World War II, except as required by federal law.

(c) Notwithstanding subdivision (a) or any other law, the department shall require all applicants whose loans would be funded from sources other than tax-exempt bond funds, including, but not limited to, mortgage-backed securities, to qualify under the applicable federal laws and regulations governing the source of funds, whether taxable or tax exempt.

SEC. 8. Section 987.59 of the Military and Veterans Code is amended to read:

987.59. (a) When a veteran has been authorized by the department to select a farm or home, the veteran shall submit that selection for approval, as the department prescribes. The department shall have the sole responsibility for the underwriting and approval of all farm or home loans, subject to this article.

(b) In order to achieve efficient processing and approval of loans, the department shall do all of the following:

(1) The department shall establish all systems, procedures, technologies, and guidelines necessary to achieve efficient processing of farm or home loans submitted for approval by the department, with the intent of achieving loan delivery within the industry standard average number of days. These shall include, but may not be limited to, systems and technologies for the electronic transfer of loan funds and related fees.

(2) The department may ensure optimal participation of qualified mortgage brokers and other qualified financial institutions and shall review, standardize, and where possible simplify, the documentation required of mortgage brokers and other qualified financial institutions. The department shall provide adequate training of participating mortgage brokers and other qualified financial institutions.

(3) The department shall establish an outreach program to effectively disseminate program information to professional real estate and mortgage broker associations.

(4) The department, within the financial constraints of the program, shall offer broker compensation and fees sufficient to ensure optimal participation of the private sector in the loan origination process and consistent with the veteran borrower's interest in efficient and economical loan processing.

(5) The department shall provide access over the internet to veteran applicants and their authorized agents to enable loan applications to be filed electronically.

(6) In cooperation with the Office of Administrative Law, the department shall maintain regulations necessary to implement the provisions of this section and Section 987.67.

SEC. 9. Section 987.60 of the Military and Veterans Code is amended to read:

987.60. The department may acquire the farm or home, or may provide financing so that a veteran may acquire the farm or home, from its owner or may contract with a veteran for the construction of a dwelling and other improvements for a farm or home, upon the terms agreed under all of the following terms and conditions:

(a) The department is satisfied of the desirability of the property submitted.

(b) The veteran has agreed with the department that they, or members of their immediate family, will actually reside on the property within 60 days from the date of purchase or, if the residence on the property is not complete on the date of purchase, within 60 days after the residence is completed, and will continue to reside on the property until all payments due the department have been paid or the farm or home is sold, except where the occupancy requirement is waived pursuant to Section 987.62.

(c) If the department is to contract with a veteran for the construction of a dwelling and other buildings, or for the purchase of a mobilehome, all of the following are required:

(1) The veteran shall be the owner of the real property on which the dwelling and other buildings are to be constructed, or shall be the owner of the real property or shall be the owner of an undivided interest in common in a portion of a parcel of real property on which a mobilehome or cooperative dwelling unit is to be situated, and agrees to convey that property to the department or to allow the department to perfect a security interest in which the property is pledged as collateral in order to secure financing without unnecessary cost.

(2) The veteran has paid a reasonable fee set by the department to cover the cost of any preliminary service of the department that may be necessary to process the application.

(3) The veteran has filed with the department adequate plans and specifications for the improvements to be constructed upon the real property, together with a contract, executed by a contractor licensed by the State of California for the construction of the improvements in accordance with the plans and specifications within 12 months after the acquisition of the property by the

department. The department may require a bond or other security instrument executed by the contractor in an amount determined by the department providing for compliance with the terms of the contract and for the payment of persons furnishing material or labor on the job, executed by a surety company, or other financial institution, authorized to do business in the State of California. The department may also require course-of-construction insurance for public liability, property damage, and workers' compensation.

(4) The plans, specifications, contract, and other required documents or security instruments are approved by the department.

(5) The veteran has placed in escrow all sums of money to be advanced by the veteran, where the cost is in excess of the maximum that may be expended by the department.

SEC. 10. Section 987.61 of the Military and Veterans Code is repealed.

SEC. 11. Section 987.62 of the Military and Veterans Code is amended to read:

987.62. (a) The department, after consummating a purchase transaction under the provisions of this article and the veteran having occupied the property as required by Section 987.60 of this article, may:

(1) Annually waive the occupancy requirement on a showing of good cause. The property financed under this article is intended to remain owner-occupied, and not become an investment, rental, or business property.

(2) Waive the occupancy requirement for any period of time if the property is a farm and if the veteran personally cultivates the property and harvests the crops or tends livestock.

(3) Annually waive the veteran-occupied unit of a residence with two or four units.

(b) The department shall establish standards for the occupancy waiver and shall make those standards known.

(c) The department shall waive the occupancy requirement in any case where the State Department of Health determines that health hazards on adjacent property render the farm, home, or mobilehome unsuitable for occupancy, and the waiver shall be effective as long as those conditions exist.

SEC. 12. Section 987.65 of the Military and Veterans Code is amended to read:

987.65. (a) The purchase price of a home, or the sum to be expended by the department pursuant to a contract for the construction of a dwelling house and other improvements, or the purchase price of a mobilehome sited on a lot owned by the purchaser and installed on a foundation system pursuant to Section 18551 of the Health and Safety Code, or the purchase price of a mobilehome converted to a fixture and improvement to the underlying real property in a mobilehome park that has been converted to a resident-owned subdivision, cooperative, condominium, or nonprofit corporation as set forth in Section 18555 of the Health and Safety Code, shall not exceed 125 percent of the then current maximum United States Department of Veterans Affairs loan limit.

(b) The purchase price of a mobilehome that is to be sited in a mobilehome park, as defined in Section 18214 of the Health and Safety Code, in addition to any assistance provided by the department to a veteran pursuant to subdivision (e) of Section 987.85, may not exceed 50 percent of the Federal Housing Finance Agency conforming loan limit for the county in which the mobilehome park is located.

(c) A veteran purchasing the home may advance, subject to Section 987.64, the difference between the total price or cost of the home and the sum of the purchase price of the home and any amount the department adds, under Section 987.69, to the purchase price of the home in fixing the selling price to the veteran. Any amount of the purchase price may be provided by funds from participation contracts, revenue bonds, or other traditional funding options, including mortgage backed securities.

(d) The purchase price of a farm shall not exceed 150 percent of the limit described in subdivision (a). A veteran purchasing the farm may advance the difference between the total price of the farm, or the cost of the dwelling and improvements to be constructed on a farm under a contract, and the sum of the purchase price or contract price to the department and any amount that the department adds, under Section 987.69, to the purchase or contract price to the department in fixing the selling price of the farm to the veteran.

SEC. 13. Section 987.655 of the Military and Veterans Code is amended to read:

987.655. For a mobilehome which is to be sited in a mobilehome park as defined in Section 18214 of the Health and Safety Code, the department shall charge a rate of interest higher than that which is charged to purchasers of conventional housing or of a mobilehome sited on a lot owned by the purchaser. The interest rate shall be set by the department to balance lending risk while maintaining a rate at or below the market rate for a mobilehome in a park.

SEC. 14. Section 987.67 of the Military and Veterans Code is amended to read:

987.67. Except as set forth in regulations adopted by the department pursuant to Section 987.93 with respect to cooperative dwelling units in lieu of, or in addition to, the provisions of this section, before the purchase of any property by the department there shall be filed with the department (1) an appraisal of the market value of the property by an employee or an authorized agent of the department, (2) an appraisal of the market value of the property by either the Federal Housing Administration or the Veteran's Administration, and in addition there may be filed with the department an appraisal of the market value of the property by an authorized appraiser of a banking corporation formed under the laws of this state or of a national banking association having a place of business in this state, or (3) an appraisal of the market value of the property by an appraiser licensed or certified in this state. Each appraisal shall be certified by the maker thereof. The certification shall state that it is made in good faith, and that the valuation is honestly determined and represents the bona fide opinion of the maker.

SEC. 15. Section 987.71 of the Military and Veterans Code is amended to read:

987.71. (a) The purchaser shall make an initial payment of at least 2 percent of the selling price of the property or a higher amount that shall be determined based upon the creditworthiness of the purchaser, and with consideration of their military record, employment record, financial condition, and other similar factors as determined by the department. The department may 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 percent. In the case of a purchase requiring a loan guaranty by the United States Department of Veterans Affairs, the department may waive the initial payment and the purchaser shall pay the loan guaranty fee, which may be added to the loan amount. The department may require the purchaser to pay a loan origination fee, not to exceed 1 percent of the loan amount, which may be added to the loan amount.

(b) The balance of the loan amount may be amortized over a period fixed by the department, not exceeding 40 years for farms or homes, not including cooperative housing stock related to mobilehomes, and not exceeding 30 years for mobilehomes, including cooperative housing stock related to mobilehomes, located in mobilehome parks, as defined in Section 18214 of the Health and Safety Code, together with interest thereon at the rate determined by the department pursuant to Section 987.87 for these amortization purposes.

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

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

(e) In any individual case, the department may for good cause postpone, from time to time, upon terms the department determines to be proper, the payment of the whole or any part of any installment of the purchase price, impounds, fees, charges, or interest thereon. The amount postponed shall be due and payable upon the payment in full of the contract, or upon sale, refinance, or transfer of the farm or home. A loan may be secured by a deed of trust or, if authorized by the department, another form of security.

(f) Each installment shall include an amount sufficient to pay the principal and interest on the participation contract to which the interest of the department is subject, and any amount as may be required by a covenant or provision contained in any resolution of issuance.

(g) When a purchaser makes an initial payment of less than 20 percent of the selling price of the property, the department shall do all of the following:

(1) Take prudent measures to minimize losses from loan defaults and loan delinquencies.

(2) (A) Ensure the continued financial solvency of the loan program by charging fees to cover the costs, as determined by the department, of any loan guaranty, primary mortgage insurance, or other similar arrangement.

(B) Fees charged under this paragraph may be included in the amount of the loan, collected in advance, or collected as part of the monthly payment.

(h) (1) Subject to paragraph (2), the department may provide purchase assistance to purchasers with limited assets, as defined by the department, by providing a deferred-payment second loan, upon which simple interest shall be charged at a rate

established by the department.

(2) A deferred-payment second loan described in paragraph (1) is subject to all of the following conditions:

(A) The loan may not exceed 5 percent of the selling price of the farm or home.

(B) The loan shall be secured by a deed of trust or, if authorized by the department, another form of security.

(C) The loan shall be due and payable upon the payment in full of the contract or upon the sale, refinance, or transfer of the farm or home.

SEC. 16. Section 987.85 of the Military and Veterans Code is amended to read:

987.85. (a) The department shall not acquire a home in which the veteran has an interest of record except in the following instances:

(1) Where the application is for aid for the construction of a home upon real property owned by the applicant and the improvements to be constructed thereon have not reached completion as evidenced by the issuance of a certificate of occupancy.

(2) Where the veteran had no interest of record in the property at the time of filing their application and thereafter secured interim financing pending the processing and approval of the application by the department.

(3) Where the application is for the purchase of a mobilehome to be situated upon real property, or an undivided interest therein, owned by the applicant.

(4) Where the applicant is an Indian veteran and the application is for the construction of a dwelling house or other improvements on, or for the purchase of a mobilehome to be sited on, trust land in which the Indian veteran has a beneficial interest or owns an interest of record.

(5) Where the application is for assistance to enable the veteran to purchase their space, or share in a mobilehome park, which is converted from a rental park to a nonprofit corporate resident-owned park or subdivision, cooperative, or condominium for mobilehomes, in which the veteran resides in their mobilehome. A veteran applying for assistance under this subdivision shall not be required to have their mobilehome reinstalled on a permanent foundation system as a condition of receiving the proceeds of the loan to purchase their space or share of the park. This subdivision shall be implemented by the department only to the extent that expenditures for the kind of financial assistance to veterans enumerated herein conform to the requirements of federal tax law with regard to the tax-exempt status of funding instruments utilized to provide the assistance.

(b) Notwithstanding subdivision (a), the department may acquire a home for the purpose of refinancing an existing mortgage loan that is not a mortgage loan acquired under the Veterans' Farm and Home Purchase Act of 1974, known as the CalVet Home Loan Program.

The certain funds used by the department for the purposes described in this subdivision shall be used in accordance with federal laws and regulations governing the use of qualified mortgage bonds and qualified veterans' mortgage bonds.

(c) (1) Notwithstanding subdivisions (a) and (b), the department may, for the sole purpose of stabilizing or preserving the CalVet Home Loan Program portfolio, refinance existing CalVet Home Loan Program mortgage loans, provided both of the following apply:

(A) The department did not solicit the veteran borrower solely for the purpose of refinancing their loan except in response to clear evidence the borrower was seeking that refinancing and would resort to paying in full their loan through the CalVet Home Loan Program through a third-party lender.

(B) For loans ensured by the United States Department of Veterans Affairs, the prospective refinanced loan meets all requirements of the United States Department of Veterans Affairs regarding refinanced loans.

(2) The certain funds used by the department for the purposes described in this subdivision shall be used in accordance with federal laws and regulations governing the use of those funds, including, but not limited to, the use of qualified mortgage bonds and qualified veterans' mortgage bonds.

(d) The department shall, consistent with the purposes of this article, adopt and publish rules and regulations that are necessary to implement this section.