Chapter 407

1989 EDITION

Veteran Loans

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407.010 [Amended by 1975 c.219 §1; 1977 c.383 §6; subsection (3) enacted as 1977 c 383 §9; 1979 c.176 §1; 1981 c.661 §1; 1982 s.s. 1 c.11 §10; 1983 c.445 §1; renumbered 407.085]

407.020 [Amended by 1967 c.245 §1, 1971 c.221 §2; renumbered 407.115]

407.030 [Amended by 1977 c.383 §8; renumbered 407.125]

407.035 [1981 c.659 §7, renumbered 407.505]

407.040 [Amended by 1953 c.97 §2; 1957 c.125 §1; 1963 c.163 §1; 1965 c.269 §1; 1967 c.112 §1; 1969 c.615 §1; 1971 c.221 §3; 1973 c.574 §1; 1975 c.6 §1; 1975 c.263 §1; 1977 c.676 §3; 1979 c.177 §1, 1981 c.604 §1; 1982 s s.1 c 11 §12; 1983 c 387 §1; renumbered 407.205]

407.042 [1981 c 366 §2; renumbered 407 385]

407.043 [1977 c.676 §2, renumbered 407 397]

407.045 [1969 c.523 §1, renumbered 407.215]

407.048 [1977 c.315 §2; 1981 c.628 §1; 1982 s s 1 c.11 §13; 1983 c.445 §4; renumbered 407.255]

407.050 [Amended by 1957 c 125 §2; 1971 c 221 §4; 1973 c.574 §2; 1975 c.219 §2; renumbered 407.225]

407.055 [1977 c.383 §1; 1981 c.565 §3, 1983 c.445 §5; renumbered 407.175]

407.058 [1977 c.383 §3; 1983 c.445 §6; renumbered 407.235]

407.060 [Repealed by 1971 c.743 §432]

407.061 [1977 c.383 §4; 1983 c.445 §7; renumbered 407.245]

407.063 [1981 c.387 §1; 1982 s.s.1 c.11 §14; renumbered 407.305]

407.065 [1979 c.176 §3; renumbered 407.265]

407.070 [Amended by 1955 c.151 §1; 1957 c.125 §3; 1969 c.615 §5; 1971 c.221 §5; 1975 c.219 §3, 1977 c.676 §4; 1981 c.387 §2; 1982 s.s.1 c.11 §17; renumbered 407.275]

407.072 [1969 c.615 §3; 1971 c.221 §6; 1975 c.219 §4; 1977 c.645 §1; 1981 c.659 §5; renumbered 407.325]

407.073 [1969 c 615 §4; 1971 c.221 §7; 1977 c.676 §5; 1983 c.420 §3; renumbered 407.335]

407.074 [1955 c.102 §§2, 3, 7; 1975 c.219 §5; 1979 c.238 §1; renumbered 407.465]

GENERAL PROVISIONS

407.075 Purpose; legislative intent. (1) The provisions of this chapter are intended to carry out the purposes of Article XI-A of the Oregon Constitution. The Legislative Assembly recognizes that its authority to define the scope and purpose of this chapter is limited by the purposes expressed in Article XI-A.

(2) The primary purpose of this chapter is to provide loan funds to qualifying Oregon veterans for the acquisition or improvement of farms and homes. The Legislative Assembly does not intend, by any past or present enactment, to establish as a principal purpose of this chapter the providing of subsidized energy financing. [1983 c.445 §9]

Note: 407.075 was enacted into law by the Legislative Assembly but was not added to or made a part of ORS chapter 407 or any series therein by legislative action. See Preface to Oregon Revised Statutes for further explanation.

407.076 [1955 c.102 §§4, 5, 6; 1969 c.433 §1; 1979 c.35 §1; 1979 c.238 §2; renumbered 407.475]

407.080 [Amended by 1975 c.219 §6; renumbered 407.135]

407.085 Definitions. (1) As used in section 1, Article XI-A, Oregon Constitution, and in this chapter, for the purposes of administration, "acquisition" means:

(a) Purchase and improvement of a home or farm.

(b) Payment of the balance of the purchase price and interest on a purchase contract, and the improvement of property thereby acquired.

(c) Refinancing of an existing purchase-money mortgage or mortgage in the nature thereof, and the improvement of property thereby purchased.

(d) Improvement of a home or farm.

(2) As used in Article XI-A, Oregon Constitution, and in ORS 407.165, 407.415, 407.495 and 407.515 to 407.575, "bond" includes, but is not limited to, serial bonds, term bonds, notes and other evidence of indebtedness.

(3) As used in this chapter:

(a) "Director" means Director of Veterans' Affairs.

(b) "Committee" means the Advisory Committee provided for by ORS 406.210.

(c) "Home" means any residential-type structure, including outbuildings and the real property in connection with it, if any, including long-term leaseholds, which is established, maintained and used primarily as a principal residence by the veteran.

(d) "Improvement" means new construction or any necessary or beneficial additions, alterations or changes appurtenant to the home or farm which protect or improve the basic livability or energy efficiency of the premises.

(e) "Mobile home" means a structure, transportable in one or more sections, which is 10 feet or more in width, and contains more than 500 square feet of living space figured on exterior dimensions of the structure, exclusive of any hitch and is designed to be used as a dwelling by one family, and which remains as personal property under the laws of this state. [Formerly 407.010]

407.095 Policy against foreclosure. (1) It is the policy of the State of Oregon to make every reasonable attempt to keep a veteran in the home purchased under the loan program when the veteran is unable to make required loan payments because of illness, injury, death, involuntary job loss or economic stress due to factors beyond individual control. The director, by rule, shall implement such state policy. Rules adopted by the director under this section:

(a) May provide for a temporary reduction of loan payment.

(b) May provide for any other solution jointly agreed to by the borrower and the director.

(c) Shall provide for repayment of the amount of any loan payments reduced under the rules in accordance with terms and conditions agreed upon by the borrower and the director.

(2) In reducing loan payments under this section, the director must consider the effect of such reduction on the solvency of the program as a whole, on estimates of the most probable financial position of the program for one or more future periods, the condition of the tax exempt bond market, and the effect on other borrowers in the program. [1982 s.s.1 c.11 §3]

407.100 [Renumbered 407.155]

407.110 [Renumbered 407.595]

POWERS AND DUTIES OF DIRECTOR

407.115 Director to administer loan program. The director shall administer the provisions of ORS 407.125, 407.165, 407.205, 407.275, 407.415, 407.495 and 407.515 to 407.575. The director may adopt and promulgate all necessary rules and regulations not inconsistent with those sections to carry into effect their provisions. The director may appoint assistants and agents necessary to expeditious and efficient administration and fix their compensation. [Formerly 407.020]

407.120 [Amended by 1975 c 219 §8; renumbered 407.165]

407.125 Director may make loans; committee to establish policy. (1) All moneys in the Oregon War Veterans' Fund created by ORS 407.495 may be advanced by the director as loans to any person qualified for loans under the provisions of section 3, Article XI-A, Oregon Constitution, for the acquisition of farms and homes, as provided in ORS 407.115, 407.165, 407.205, 407.235, 407.275, 407.415, 407.495 and 407.515 to 407.575 and not otherwise.

(2) Subject to the limitations otherwise provided for in this section and ORS 407.115, 407.165, 407.205, 407.235, 407.275, 407.415, 407.495 and 407.515 to 407.575, the committee shall establish and declare the policy of the state to be followed in the administration of those sections. [Formerly 407 030]

407.129 Settlement or waiver of loan or contract obligations other than principal; criteria for settlement. (1) Notwithstanding ORS 293.240, the director may compromise, release, discharge, waive, cancel or otherwise settle amounts, other than principal, payable to the director in connection with a home or farm loan, or in connection with a home or farm purchase contract.

(2) The director shall adopt an administrative rule establishing criteria approved by the Secretary of State for settling the amounts referred to in subsection (1) of this section. [1987 c.509 §§2, 3]

407.130 [Amended by 1967 c.369 §2; 1979 c.115 §1; repealed by 1981 c.660 §18]

407.131 Discount of principal. The director, by rule, may discount a portion of the principal payable to the director in connection with a home or farm loan or in connection with a purchase contract for a home or farm if such action results in economic benefit to the home and farm loan program after considering the time value of money. [1987 c.509 §4]

407.135 Authority to maintain legal proceedings to protect state interests. The director is authorized and empowered, in the name and in behalf of the state to commence and prosecute to final judgment or decree all suits, actions and proceedings necessary to protect the interest of the state; to bid in property offered for sale under such proceedings and to acquire title to property for and in behalf of the state as a result of such proceedings; to accept deeds from borrowers in lieu of foreclosure; to sell, transfer, convey, lease or assign any property acquired by the director for and in behalf of the state; to make repairs and improvements or alterations; to pay taxes, liens and charges of every kind superior to the lien of the state; and otherwise to administer such property in such manner as the director deems to the best interest of the state. All money received by the director from the sale, leasing or other disposition of any property shall be paid over to the State Treasurer and deposited in the Oregon War Veterans' Bond Sinking Account. [Formerly 407.080; 1987 c 652 §3]

407.140 [Amended by 1975 c.462 §12; 1981 c.660 §36; renumbered 407.415]

407.145 Purchase and control of property by director; disbursements to protect security. (1) The director may acquire property by purchase when the acquisition of such property is necessary to protect the interest of the state because of default in repayment of loans made in accordance with ORS 407.125 or statutes supplementary thereof. The control of all such property while the title remains vested in the state shall be exercised by the director.

(2) The director may take such action and make such disbursements as may be necessary to protect the securities for loans acquired under this chapter. Any disbursement so made shall be added to the amount due from the borrower and shall bear inter-

est at the rate then fixed for new loans under ORS 407.325 or at the rate on the existing loan, whichever is higher. Any such disbursement shall be made only upon order of the director.

(3) Funds for the protection of security may be disbursed from the Oregon War Veterans' Fund including the Oregon War Veterans' Bond Sinking Account as the director shall determine. [Formerly 407.090, 1987 c.131 §1; 1987 c.652 §4]

407.150 [Repealed by 1981 c.660 §18]

407.155 Execution and custody of documents. All deeds, leases, contracts, releases of mortgages and other instruments necessary or proper in the administration of this chapter shall be executed in behalf of the state by the Director of Veterans' Affairs and shall be acknowledged by the director; and all deeds, mortgages, notes, insurance policies, abstracts and other instruments, documents and papers delivered to the director in the administration of those sections shall be kept in the custody of the director. [Formerly 407.100]

407.160 [Amended by 1967 c.335 §49; 1967 s.s c.19 §2; 1983 c.798 §10; renumbered 407.495]

407.165 Director authorized to hold certain funds received from borrower. The director may receive and hold for future disposition conditional payments from borrowers who have executed mortgages and security instruments under authority of ORS 407.225, indemnities for fire losses on secured property, and such other sums as must be held by the director in suspense pending further or final disposition thereof. Said funds shall be deposited in the State Treasury in the revolving account authorized by ORS 407.565 until they can be properly applied to the purposes for which they were paid to and received by the director. [Formerly 407.120]

407.169 Escrow accounts; standards; interest on accounts. (1) Not later than December 1, 1990, the director shall make escrow accounts available to current and future borrowers and contract purchasers in connection with loan agreements and purchase contracts made under this chapter.

(2) Escrow accounts established under this section shall be consistent with general lending and servicing standards for real estate loan agreements in this state and with the standards used by the United States Department of Veterans' Affairs and the Federal Housing Administration.

(3) Notwithstanding ORS 86.245 (2) and (4), the director shall pay interest to a borrower or contract purchaser on funds deposited in the escrow account for the borrower or contract purchaser in the manner and at the rate of interest described in ORS 86.245 (1).

(4) The director shall adopt such rules as the director considers necessary to establish criteria for implementation of this section.

(5) As used in this section, "escrow account" means any account which is part of a real estate loan agreement or purchase contract, whether incorporated into the agreement or contract or as part of a separately executed document, whereby the borrower makes periodic prepayment to the director of estimated property taxes, and the director pays the charges out of the account at the due dates. [1989 c 580 §2]

407.170 [Amended by 1967 c.335 §50, 1981 c 660 §37; renumbered 407.515]

407.175 Weatherization standards. By July 1, 1982, the Director of the Department of Energy shall by rule adopt weatherization standards for homes, as defined in ORS 407.085, constructed before July 1, 1974. The directors of the Department of Energy and the Department of Veterans' Affairs shall insure the compatibility of these standards with those adopted under ORS 469.155. The standards shall be designed to insure that the cost of the weatherization in the typical dwelling, if added to the principal of a veteran's loan made pursuant to this chapter and paid off as part of that principal, would not exceed projected savings in energy costs over the payment period. Weatherization standards may be adopted for various designs of homes, including homes located in different regions of the state. [Formerly 407.055]

407.177 Loan processing and servicing contracts with lending institutions; terms; procedures. (1) When the director considers such contracts necessary to improve the financial condition of the loan program conducted under this chapter, the director is authorized to enter into contracts with lending institutions under which the lending institutions may provide any of the following services:

(a) Processing of new loans and purchase contracts; and

(b) Management and servicing of new loans and purchase contracts.

(2) Contracts entered into by the director under this section may provide that the lending institution:

(a) Receive applications for loans for the acquisition of homes or farms under this chapter;

(b) Immediately investigate and process an application for a loan as provided by law;

(c) Determine whether the home, or farm including a home, meets the weatherization standards adopted under ORS 407.175; and

(d) For approved loans or contracts, if requested by the director, service the loan or purchase contract for a period of time specified by the director.

(3) When a lending institution, pursuant to a contract authorized by this section, receives an application for a loan for the acquisition of a manufactured home, as defined in ORS 197.295, the lending institution shall investigate and process the application in the manner prescribed in the contract between the lending institution and the director.

(4) When a lending institution, pursuant to a contract authorized by this section, investigates and processes a loan application that it considers eligible for approval under this chapter, the lending institution shall notify the director and state the reasons why the loan may be approved under this chapter. The director shall retain final authority to approve or disapprove the loan. If the director disapproves the loan, the director shall notify the lending institution and the applicant of the disapproval and shall indicate the reasons for the disapproval. When the director is satisfied that all requirements for approval of a loan have been met by the applicant and the lending institution and that the property offered as security for the loan protects the interests of the state, the director shall transfer to the lending institution an amount of money from the Oregon War Veterans' Fund equal to the loan amount approved by the director. The lending institution shall disburse the money in the manner prescribed by the director. The lending institution shall record the mortgage, trust deed, contract or other security agreement relating to the loan and then shall forward all the original loan documents to the director.

(5) All moneys received by a lending institution as payments on principal and interest for loans made under this chapter shall be paid to the director in accordance with the terms of the contract between the director and the lending institution.

(6) The director and lending institution shall mutually agree upon the compensation to be paid to the lending institution for services performed under a contract authorized by this section. Such compensation may be a fixed annual payment or a percentage of the amount of each loan or purchase contract processed or serviced by the lending institution under the contract.

(7) Contracts entered into under this section are exempt from the requirements of ORS 291.021 (2)(c).

(8) As used in this section, "lending institution" means any banking institution, mortgage banking company, savings and loan association, national bank or federal savings and loan association maintaining an office in this state. [1989 c.746 §2]

407.179 Additional powers delegated to lending institution; authority of director. In addition to the powers described in ORS 407.177, the director also may delegate by contract to a lending institution any of the powers granted to the director in ORS 407.165, 407.225, 407.235 and 407.355. The director shall retain final authority to approve or disapprove loans and interpret the duties and responsibilities of borrowers under this chapter. [1989 c 746 §4]

407.180 [Renumbered 407.525]

407.181 Authority of lending institution. In exercising the authority granted to it by ORS 407.177 to 407.181, a lending institution shall perform only the services that are delegated to it by contract entered into under ORS 407.177, and shall comply with the terms of the contract and applicable laws. [1989 c.746 §3]

Note: Section 5, chapter 746, Oregon Laws 1989, provides:

Sec. 5. The director shall cause a feasibility study to be conducted in order to determine the cost effectiveness of contracting with lending institutions to perform services described in section 2 of this Act [ORS 407.177]. [1989 c.746 §5]

407.183 [1967 s.s. c.1 §2; 1967 s.s. c.19 §1; 1969 c.615 §6; renumbered 407.535]

407.185 Cash flow projection; annual review; report. In addition to, and not in lieu of, the audit required by ORS 297.210 the director shall contract with an independent public accounting firm for a review of the cash flow projection for the loan program established under this chapter and Article XI-A of the Oregon Constitution and of the assumptions used in developing that projection. The review shall be conducted in accordance with the review guidelines developed by the American Institute of Certified Public Accountants (AICPA). Such contract shall require a written report, copies of which shall be provided to the Governor, the Secretary of State, the State Treasurer, the President of the Senate, and the Speaker of the House of Representatives by the director no later than December 31 of each year. Payment for the services required under the contract shall be paid from funds appropriated for the administration of the Department of Veterans' Affairs. [1982 s.s.1 c.11 §4; 1989 c.489 §1]

407.186 [1967 s.s. c.1 §3; renumbered 407.545]

407.190 [Amended by 1967 c.454 §45; 1971 c.80 §3; renumbered 407.555]

407.195 Loans not being amortized; identification; notice to borrowers. (1) The director shall identify each farm or home loan made under this chapter with moneys

from the Oregon War Veterans' Fund which, at the current rate of payment by the borrower, is not being amortized or will not be fully amortized by the agreed to date.

(2) The director shall notify each borrower making payments on a loan identified under subsection (1) of this section that, at the current rate of payment, the loan principal will not be fully paid by the final payment date. The notice shall also include:

(a) The current principal balance.

(b) The current monthly principal and interest payment.

(c) The estimated monthly principal and interest payment necessary to reduce the principal balance to zero by the agreed to date.

(d) The estimated time remaining until the obligation is fully paid at the current payment level and the difference between that time and the agreed to date.

(3) The notice required under this section shall be made a part of the annual statement to borrowers for the calendar year 1989 and thereafter. [1987 c.652 §22]

407.200 [Amended by 1967 c.189 §1; 1971 c.80 §4, 1983 c.740 §128, renumbered 407.565]

407.201 Required disclosure of credit information and loan terms. (1) When making a loan or otherwise extending credit under this chapter with moneys from the Oregon War Veterans' Fund, the director shall comply with Title I (Truth in Lending Act) of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 et seq.) in the same manner required for a bank or national bank, as defined in ORS 706.005, when the bank extends credit in a transaction in which a security interest in real property is or will be acquired.

(2) In addition to the requirements of subsection (1) of this section, the director shall notify each person seeking to acquire a home or farm under this chapter, prior to the signing of a loan agreement or contract, of the variable interest rate provisions of ORS 407.275, 407.315, 407.325 and 407.335. Information required to be disclosed under this subsection includes a history of the interest rate increases on loans during the preceding 10 years and an estimate of the financial effect that an increase of one percent in the interest rate will have on the borrower's obligation under the mortgage, contract or other security agreement. [1987 c.652 §20]

LOAN PROCEDURES AND CONDITIONS

407.205 Application for loan; amount of loan; limit on number of loans; exception. (1) Applications for loans for acquisition of a home or farm under this chapter shall be made to the director. Loans exclusive of funds disbursed under ORS 407.145 (2) and 407.275 (4) shall not exceed $80,000 for a home or $185,000 for a farm at a rate of interest provided by ORS 407.325. Except as provided in subsection (2) of this section, an eligible individual shall not receive or, under ORS 407.305, assume more than two loans under this chapter. No applicant is entitled to borrow more than the maximum amount allowed under this section, except that where a loan is made on property which is destroyed by fire or other natural hazard, taken through condemnation or lost or disposed of for a compelling reason devoid of fault on the part of the applicant and where the loan is repaid or the property is transferred by deed or otherwise, such loan may be excluded from consideration in computing the maximum loan allowable. However, the loan right provided in this section may be restored not more than once while an unrepaid balance remains on a previous loan granted to the applicant.

(2) The director may allow an eligible individual to receive or, under ORS 407.305, assume more than two loans under this chapter when:

(a) The loan received or assumed is an additional loan made for the improvement of the farm or home acquired with an initial loan for the acquisition of that property; or

(b) The last official certification of record by the United States Veterans Administration or any branch of the Armed Forces of the United States shows the eligible individual to be at least 50 percent disabled. However, a loan may be made to an eligible disabled veteran under this paragraph only if the veteran must acquire a different principal residence for compelling medical reasons or because the veteran is transferred by an employer for employment purposes or because the veteran's spouse is transferred by an employer for employment purposes and the spouse provides more than 50 percent of the household income.

(3) For the purposes of this section, an applicant owns a home when the applicant has fee simple title to the home or is the purchaser of the home under a contract of sale or other instrument of sale. Earnest money or preliminary sales agreements, options or rights of first refusal are not contracts or instruments of sale under this subsection.

(4) As used in this section, "home" includes mobile homes and houseboats. [Formerly 407.040; 1989 c.677 §5]

407.210 [Amended by 1963 c.9 §23; renumbered 407.575]

407.215 Loan transferred by annulment or dissolution decree excluded in determining maximum allowable. No applicant is entitled to borrow more than the maximum amount allowed under ORS 407.205 other than for reasons specified in ORS 407.205 except that when the property on which the loan was made becomes the property of the applicant's spouse as a result of a decree declaring a marriage void or dissolved and the loan is repaid or remains unrepaid and there is an assumption of primary liability on the loan by a party, such loan may be excluded from consideration in computing the maximum loan allowable under ORS 407.205. [Formerly 407.045]

407.225 Investigation and processing of loan application; security needed. (1) When the director receives an application pursuant to ORS 407.205, the director shall immediately investigate and process it as provided by law. The security for the loan shall consist of the property to be acquired by the veteran as a home or a farm. The security shall be secured by a mortgage or security agreement in the full amount of the loan which mortgage or security agreement shall be either a first lien or a lien insured by mortgagee's title insurance against loss from any prior encumbrance. The mortgage or security agreement shall provide that the borrower, or any subsequent owner of the secured property, may pay all or any part of the loan at any time without penalty.

(2) A mobile home shall be secured by a security agreement in the full amount of the loan and the director shall perfect a security interest in favor of the State of Oregon. The security agreement shall provide that the borrower or any subsequent owner of the mobile home, may pay all or any part of the loan at any time without penalty. The security agreement shall provide for immediate acceleration of the unpaid balance of the loan if the mobile home is moved from the original site listed in the security agreement without first obtaining the written consent of the director. The security agreement shall also provide that removal of the mobile home to a site outside of this state shall constitute an act of default and result in immediate acceleration of the unpaid balance of the loan.

(3) Loans shall not exceed: 95 percent of the net appraised value on homes which are real property; 85 percent of the net appraised value on homes which are not real property; and 90 percent of the net appraised value on farms which are real property. [Formerly 407.050; 1985 c.296 §3]

407.235 Inspection for weatherization; conditional approval; effect of failure to meet weatherization standards. (1) The Director of Veterans' Affairs while processing the application pursuant to ORS 407.205 to 407.225 and 407.255 for a loan on a home, or farm including a home, constructed before July 1, 1974, shall order an inspection of the home for the purpose of determining whether it meets the weatherization standards adopted pursuant to ORS 407.175.

(2) If the director finds, based upon this inspection, that the home does not meet the weatherization standards, the director shall deny the loan or approve the loan subject to the condition that the weatherization standards be met within 120 days after issuance of the loan.

(3) Failure by the applicant to bring the home into compliance with the weatherization standards within the time allowed shall be considered a breach of the loan agreement and grounds for foreclosure by the director. [Formerly 407.058, 1985 c.296 §4]

407.245 Exception to weatherization standards. Except for the requirement of caulking and sealing of all cracks and construction joints which shall not be waived, the director may grant an exception to the requirements of ORS 407.235, if after application and a showing of proof the director finds:

(1) An inspection of the home pursuant to a previous application for a loan under this chapter disclosed that the home was in compliance with the existing weatherization standards.

(2) Strict enforcement of the requirements would cause an extraordinary, unnecessary and unreasonable hardship on the applicant. [Formerly 407.061]

407.255 Subsequent loans to improve energy efficiency; rules; limitation on amount. (1) The director, with the advice and assistance of the Director of the Department of Energy, shall adopt rules prescribing eligibility criteria for improvements for energy efficiency. The director may contract with the Department of Energy for certification of improvements which comply with the rules adopted under this section. The director may prescribe exceptions to the required location of improvements for energy efficiency if the home occupied by the borrower will be benefited.

(2) No more than five percent of the program funds may be loaned for improvements for energy efficiency. As used in this subsection, "program funds" means the total amount of all loan funds disbursed under this chapter.

(3) The director shall determine when funds for loans to improve energy efficiency are disbursed from the Oregon War Veterans' Fund bearing interest at the current rate per annum as provided in ORS 407.325

or from the Oregon War Veterans' Bond Sinking Account bearing interest at the same rate per annum as on the principal indebtedness of the loan. [Formerly 407 048; 1987 c.652 §5]

407.265 Loans for home or farm improvements; terms and conditions. (1) An applicant for a loan solely for the improvement of a home or farm may receive the loan if:

(a) The applicant has not previously received a loan under this chapter;

(b) The applicant has received a loan under this chapter for the acquisition of that home or farm for which there is an unpaid balance and repayment has been satisfactory; or

(c) The applicant has previously received a loan under this chapter and there is no unpaid balance remaining on that loan.

(2) Any loan made to an applicant who qualifies under paragraph (b) of subsection (1) of this section for a loan solely for the improvement of a home or farm shall be added to the amount due from the applicant and shall bear interest at the rate prescribed in ORS 407.325. [Formerly 407.065; 1987 c.221 §1]

407.275 Terms of loan to veteran and transferee. (1) Loans may be made bearing interest at the rate per annum prescribed as provided by ORS 407.325. Loans may be amortized over a period of not more than 30 years for homes other than mobile homes and not more than 40 years for farms. Loans for mobile homes may be amortized over a period not exceeding the expected life of the mobile home, as determined by the director. The limitations contained in this subsection shall not preclude the director from later extending the amortization period.

(2) If the ownership of the secured property is transferred by deed or otherwise to anyone other than the original borrower, the surviving spouse, unremarried former spouse, surviving child or stepchild of the original borrower, or a veteran eligible for a loan under this chapter and Article XI-A of the Oregon Constitution, who assumes the previous loan for the property as described in ORS 407.305, the interest from the date of transfer shall be at the rate per annum then fixed as provided by ORS 407.335. However, the director, during the term of the loan, may periodically prescribe the interest rates to be paid by the transferee.

(3) Ownership of property that constitutes security for a loan made under this chapter and Article XI-A of the Oregon Constitution shall not be transferred by deed or otherwise to anyone other than the surviving spouse, unremarried former spouse, surviving child or stepchild of the original borrower, or a veteran eligible for a loan under this chapter and Article XI-A of the Oregon Constitution, who assumes the previous loan as described in ORS 407.305, unless the property is used primarily as the principal residence of the transferee for at least two years after the transfer or such shorter period of time as the director for good cause may allow.

(4) Mortgages, trust deeds or security agreements on property given to secure any loan made under ORS 407.125 or statutes supplementary thereof may provide that the taxes and insurance premiums may be paid by the director from the Oregon War Veterans' Bond Sinking Account. The amount so paid may be added to and become part of the principal of the loan and be repaid as prescribed by the director. The director may prescribe any method or period for repayment of the amount so paid that is not in conflict with the mortgage, trust deed or security agreement. The director may prescribe any method or period for repayment of interest on the amount so paid that is not in conflict with the mortgage, trust deed, security agreement or a separate agreement with the borrower. [Formerly 407 070; 1987 c.221 §2; 1987 c.652 §6; 1987 c.767 §1]

407.285 Rate of interest payable by certain transferees. (1) Notwithstanding the repeal of section 5, chapter 11, Oregon Laws 1982 (first special session), during the term of a loan for which the interest rate was initially fixed under section 5, chapter 11, Oregon Laws 1982 (first special session), the director may periodically prescribe the interest rate to be paid by the transferee. However, the interest rate for such loans shall not at any time be less than the rate initially fixed under section 5, chapter 11, Oregon Laws 1982 (first special session), nor exceed a rate per annum which is one percent higher than the rate initially fixed under section 5, chapter 11, Oregon Laws 1982 (first special session).

(2) The director may prescribe the interest rate to be paid by the transferee at a rate greater than the rate described in subsection (1) of this section, but only to the extent necessary to avoid invoking the provisions of section 4, Article XI-A of the Oregon Constitution. [1982 s.s.1 c 11 §7; 1987 c 221 §3]

407.295 Transfer to spouse; notice to director; notice of delinquent payment. When an ownership interest or possession of a home or farm securing a loan received under this chapter is transferred to the spouse or former spouse of the original borrower as a result of any judicial order, judgment or decree, the director shall be notified in writing of the transfer by the transferee not later than 30 days after the transfer occurs. If the original borrower remains obligated under

the order, judgment or decree to make the payments on the principal and interest of the loan, the director shall notify the transferee when any such loan payment is not received by the 30th day after the payment is due. [1983 c.420 §5]

407.305 Assumption of previous loan by eligible veteran; additional funds. When a veteran who is eligible for a loan under this chapter and Article XI-A of the Oregon Constitution seeks to acquire a home or farm that is serving as security for a previous loan made under this chapter, the veteran may choose either to receive a new loan for the property or to assume the previous loan. If the loan balance for the loan being assumed does not exceed the amount of the veteran's entitlement under ORS 407.205, the interest rate to be paid on the assumed loan balance shall be the rate per annum prescribed under ORS 407.315. In addition to the amount assumed, the veteran may apply for and receive additional funds to be applied to the purchase price. The interest rate to be paid on the additional funds shall be the rate per annum currently prescribed under ORS 407.325. The sum of the assumed loan balance and the additional funds shall not exceed the amount of the veteran's entitlement under ORS 407.205 or the percentage of the net appraised value prescribed by ORS 407.225 (3). An assumption or an assumption with additional funds under this section shall be deemed to be one loan and the veteran making the assumption or the assumption with additional funds shall be deemed to be a borrower for the purposes of ORS 407.145, 407.205, 407.215, 407.235, 407.325, 407.385, 407.465 and 407.475. [Formerly 407.063; 1985 c.296 §5; 1987 c.221 §4]

407.310 [Repealed by 1981 c.660 §18]

407.315 Interest rate for veteran's assumption; variable rate; effect of rate on cash flow. (1) When a veteran assumes a previous loan under ORS 407.305, the interest rate to be paid by the veteran from the date of assumption shall be the rate per annum prescribed periodically by the director, taking into consideration the solvency of the loan program and the interest rates currently prevailing in this state for loans secured by owner-occupied residential property.

(2) The director shall make a cash flow projection to determine if assumptions at the interest rate established under subsection (1) of this section are among the causes of a negative cash flow projection for the loan program. The cash flow projection required by this section shall be an estimate of the revenue received from the repayment of mortgages, interest earnings, administrative expenses of the loan program, payment of interest and principal on outstanding debt and other relevant factors during the period in which current outstanding bonds are required to be retired.

(3) If the cash flow projection required under subsection (2) of this section indicates that assumptions of loans at the interest rate established under subsection (1) of this section are a cause of a negative cash flow projection for the loan program, the director, by rule and notwithstanding ORS 407.325 (2), shall increase the interest rate to be paid for loans assumed under ORS 407.305 to the lowest rate per annum that assures a positive cash flow projection, but not exceeding the rate then prescribed under ORS 407.325. [1982 s s 1 c.11 §15, 1987 c 221 §5; 1987 c 564 §1]

Note: Section 16, chapter 11, Oregon Laws 1982 (first special session), as amended by section 6, chapter 221, Oregon Laws 1987, provides:

Sec. 16. Notwithstanding the interest rate established under ORS 407 305 on the date of assumption, if a veteran eligible for a loan under this chapter and Article XI-A of the Oregon Constitution assumed a previous loan under ORS 407.063 on or after November 1, 1981, but before February 3, 1982, the interest rate to be paid by the veteran shall be the rate per annum prescribed by the director under ORS 407.315. [1982 s.s.1 c 11 §16; 1987 c.221 §6]

407.320 [Repealed by 1981 c.660 §18]

407.325 Rate of interest payable by applicant. (1) The director, with the advice of the committee, will periodically, during the term of the loan, prescribe the interest rates to be paid by the applicant, taking into consideration the current value of the money, the solvency of the loan program, and the rates' effect on veterans. If the director, after considering the factors specified in this section, determines that there is an economic need for a higher rate of interest on loans made for the acquisition of mobile homes and houseboats, the director shall prescribe the rate of interest for the acquisition of a mobile home or houseboat at not higher than two percent more per annum than the basic rate established by this section.

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

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

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

(c) The rate of interest on a loan granted on or after May 27, 1971, for the acquisition of a mobile home or houseboat originally set at seven and nine-tenths percent per annum shall not be increased to more than nine and nine-tenths percent per annum.

(3) The director may prescribe the interest rates to be paid by the applicant at a rate greater than the rates described in subsection (2) of this section, but only if the director determines, at the sole discretion of the director, that such action reduces the probability that invoking the provisions of section 4, Article XI-A of the Oregon Constitution will become necessary.

(4) When, during two consecutive fiscal years, the cash flow projection and the review of the projection performed under ORS 407.185 indicate that the Oregon War Veterans' Bond Sinking Account will maintain a balance throughout the term of the projections that exceeds the succeeding years' debt service and operating expenses for the loan program, the director shall prepare a program for reducing the interest rates charged under this section in such a manner as to insure the future solvency and self-supporting nature of the loan program. However, no reduction in interest rates shall occur if the variable rate debt, if converted to a fixed rate, requires retention of the amounts in order to meet projections. [Formerly 407.072; 1985 c.296 §6; 1987 c.221 §7; 1989 c.171 §48; 1989 c.728 §4]

407.327 Director to prescribe fixed or variable interest rates. (1) The director may prescribe fixed or variable rates on the following:

(a) Loans or purchase contracts made after September 27, 1987, for acquisition of homes or farms.

(b) Obligations on loans or purchase contracts made on or before September 27, 1987, where ownership of the property subject to the loan or purchase contract is transferred after September 27, 1987.

(2) The director may modify loan agreements or purchase contracts made before September 27, 1987, by changing fixed interest rates to variable or variable interest rates to fixed, if all the parties to such loan agreements or contracts agree in writing to such modification. [1987 c.221 §§11, 12]

407.330 [Repealed by 1981 c.660 §18]

407.335 Rate of interest payable by transferee; limit on transfers. (1) The rate of interest referred to in ORS 407.275 (2) shall be prescribed periodically by the director, taking into consideration the solvency of the loan program and the interest rates currently prevailing in this state for loans secured by residential property. However, a transfer shall not be made at a rate lower than the interest rate existing on the loan immediately prior to the transfer.

(2) When the director considers it necessary to change the rate of interest under subsection (1) of this section, the director, after 30 days' notice to the public, may prescribe a new rate under this section.

(3) During the term of a loan for which the interest rate was initially prescribed under subsection (1) of this section, the director may periodically prescribe the interest rate to be paid by the transferee. However, the interest rate for such loans shall not at any time be less than the rate initially prescribed under subsection (1) of this section nor exceed a rate which is one percent higher than the rate initially prescribed under subsection (1) of this section.

(4) The director may prescribe the interest rate to be paid by the transferee at a rate greater than the rate described in subsection (3) of this section, but only to the extent necessary to avoid invoking the provisions of section 4, Article XI-A of the Oregon Constitution.

(5) Except for a sale or transfer to the original borrower, the surviving spouse, unremarried former spouse, surviving child or stepchild of the original borrower, or a veteran eligible for a loan under this chapter and Article XI-A of the Oregon Constitution, only one sale or transfer of the property referred to in ORS 407.275 (2) is permitted after July 20, 1983. In the event of a second sale or transfer of the property, or any part thereof, the entire unpaid balance of the loan for the property may become immediately due and payable at the discretion of the director as prescribed by rule. [Formerly 407.073; 1987 c.221 §8; 1987 c.653 §1; 1989 c.490 §1]

407.340 [Amended by 1975 c.462 §13; repealed by 1981 c.660 §18]

407.345 Loans bearing graduated interest rate; conditions. (1) Notwithstanding ORS 407.275 and 407.325, the director may offer to a qualified applicant for a loan for the acquisition of a home a loan which shall bear a graduated rate of interest as provided in subsection (2) of this section.

(2) Except for the first three years of the loan term, the director shall fix the basic interest rate to be paid for a loan made under this section at a rate per annum that is one-half of one percent higher than the effective interest rate payable on bonds last issued under ORS 407.445. For the first three years of the loan term, the director shall fix the interest rate for the loan at a rate per annum that:

(a) In the first year, is three percent lower than the basic interest rate for the loan;

(b) In the second year, is two percent lower than the basic interest rate for the loan; and

(c) In the third year, is one percent lower than the basic interest rate for the loan.

(3) A loan shall not be made under this section unless the seller of the property that is to be acquired by the loan applicant pays to the director before the sale an amount of money equal to the difference between the interest to be paid by the borrower during the first three years of the loan term and the computed interest due during that period using the basic interest rate for the loan. Such money shall be used to pay the monthly difference between the amount paid by the borrower during the first three years of the loan term and the amount required under a standard loan agreement computed using the basic interest rate for the loan. The director shall determine the amount to be paid by a seller under this subsection. Moneys paid under this subsection shall not bear interest to the seller.

(4) Moneys paid to the director under subsection (3) of this section become funds of the State of Oregon. Interest earned by investment of such moneys and any amount remaining at the end of the third year, or sooner if the contractual agreement is terminated for any reason, shall be deposited in the Oregon War Veterans' Bond Sinking Account and shall be available to the director in the same manner as other moneys deposited in the same fund.

(5) A borrower shall not be required to accept a loan offered under this section. [1982 s.s.1 c.12 §2; 1987 c.652 §7]

407.349 Late charges authorized for periodic payments; maximum amount. When a periodic instalment payment due under a loan agreement or purchase contract made pursuant to this section and ORS 407.169 or under a prior agreement or contract authorizing a late charge is not received by the director prior to the 30th day after the due date, the director may impose a late charge with respect to any such payment. A late charge imposed under this section shall be an amount not exceeding five percent of the sum of principal and interest of the delinquent periodic instalment payment. [1989 c.580 §3]

407.350 [Repealed by 1981 c.660 §18]

407.355 Property of historical significance; loan application procedure; waiver of weatherization and repair requirements. (1) It is the policy of the State of Oregon to preserve homes and farms of Oregon historical significance as defined in ORS 358.475 to 358.545. When the director receives an application under ORS 407.205 for a loan for the acquisition of real property which the applicant claims is a home or farm of Oregon historical significance, the director shall process the application as provided in this section.

(2) If the property is not currently listed in the National Register of Historic Places, the director shall refer the applicant to the state historic preservation officer. The state historic preservation officer shall review the application and may view the premises. Within 30 days after receiving the application, the state historic preservation officer shall determine whether the property described in the application has state historical value and either certify or refuse to certify the property as a home or farm of Oregon historical significance.

(3) When the home or farm is listed in the National Register of Historic Places or is certified by the state historic preservation officer under subsection (2) of this section, the director may approve and make a loan for the acquisition of the home or farm subject to the following considerations:

(a) The weatherization standards prescribed in ORS 407.175 and 407.235 may be waived.

(b) Any other repair or modification requirements normally imposed by the director by statute or by rule may be waived.

(c) A loan shall not be granted under this section unless the property is or may be made safe, sound and sanitary, and may be occupied by the veteran buyer within 90 days as prescribed in ORS 407.385.

(d) The director may accept improvement of the property by the applicant in lieu of other means of satisfying the requirements of ORS 407.225 (3), in which case the provisions of ORS 407.375 (3) shall apply.

(4) In processing a loan under this section, the director shall not impose any requirements which will have a detrimental impact on the historic significance of the home or farm unless such requirement is needed to assure that the residence is safe, sound and sanitary. [1983 c.219 §2; 1985 c.287 §2; 1987 c 661 §2]

407.360 [Repealed by 1981 c.660 §18]

407.365 Free publication concerning ORS 407.355 required; contents. The director shall prepare a publication explaining the terms of ORS 407.355 and containing information as to where a veteran borrower may obtain information about state and federal tax credits available to purchasers of historically significant properties. The director shall make the publication available without charge to the public. [1983 c.219 §3]

407.370 [Amended by 1975 c.614 §15; repealed by 1981 c.660 §18]

407.375 Sale of foreclosed properties; improvement in lieu of down payment; interest rate; redemption of property. (1) When the director offers for sale a home or farm obtained for and in behalf of the state

under ORS 407.135 and 407.145 (1), the director shall provide notice of the proposed sale to prospective purchasers. The notice shall state the minimum bid that will be accepted.

(2) Subject to subsection (3) of this section, the director shall accept the highest such bid or offer received during the 15-day period after a home or farm acquired under ORS 407.135 or 407.145 (1) is first offered for sale unless the person making the highest bid or offer is disqualified from such purchase based on prior credit history, inadequate income or other grounds for refusal established in rules adopted by the director. Prior to such refusal, the person making the highest bid or offer shall be given the opportunity to purchase the property for cash.

(3) When the highest bid under subsection (2) of this section is made by a person who is not eligible for a loan under Article XI-A of the Oregon Constitution, the person who submits the highest bid or offer received from those persons eligible for a loan under Article XI-A of the Oregon Constitution shall be given the opportunity to purchase the property for the amount bid by the highest bidder. The property must be purchased by matching the highest bid within a period of time and at a place specified by rule of the director.

(4) When the director sells a home or farm obtained under ORS 407.135 or 407.145 (1) to a person, the director may accept improvement of the property by such purchaser in lieu of other means of satisfying the requirements of ORS 407.225 (3). For the purpose of this section, all purchasers are subject to the provisions of ORS 407.225 (3). The director shall require the purchaser to provide an improvement plan containing a description of the proposed improvements to be made and the cost of the necessary work and materials. An appraiser employed by the director must certify that the ratio of the purchase price and the net appraised value of the home and farm after the proposed improvement is completed will satisfy the requirements of ORS 407.225 (3). The director may then approve the sale subject to the condition that the improvement of the home or farm be completed within 180 days after purchase. Failure by the applicant to complete the improvement within the time allowed shall be considered a breach of the purchase agreement and grounds for foreclosure by the director. Upon timely application and a showing that the improvement cannot be completed within the time allowed because of circumstances beyond the applicant's control, the director may grant the applicant an additional period not to exceed 180 days in which to complete the improvement.

(5) The rate of interest for a contract made for the acquisition of a home or farm obtained by the director under ORS 407.135 or 407.145 (1) shall be the rate per annum prescribed by the director.

(6) Notwithstanding subsection (5) of this section, if the provisions of subsections (1) to (3) of this section have been complied with and no satisfactory bid has been received, the director, after considering the time value of money, may sell the home or farm at a private negotiated sale at any price or at any rate of interest, either fixed or variable, that the director considers to be necessary and prudent to sell the property and that provides an economic benefit to the home and farm loan program that is equivalent to the property being marketed at the current appraised value of the property and the rate prescribed under subsection (5) of this section.

(7) Except as provided in this subsection, redemption of a home or farm obtained and sold by the director under ORS 407.135 or 407.145 (1) shall be made as provided in ORS 23.520 to 23.590. When the director accepts improvement of property by a purchaser in lieu of purchase money or cash down payment under subsection (4) of this section, redemption shall be made by paying an amount equal to the fair market value of those improvements actually made to the property under the improvement plan described in subsection (4) of this section, with interest thereon at the rate of nine percent per annum from the date of sale. The director shall determine the fair market value of the improvements and such amount shall be paid in addition to the amount of purchase money and interest thereon required under ORS 23.560 (2). [1982 s.s.1 c.11 §2; 1983 c.184 §1; 1985 c.287 §1, 1987 c.426 §3; 1987 c.661 §§5, 6]

407.377 Sale or management of foreclosed property under personal services contract. If the director enters into any personal services contract under which any other person is authorized to sell or manage homes or farms obtained for and in behalf of this state under ORS 407.135 and 407.145 (1), then ORS 407.375 may not apply to the sale of such homes or farms by that person. [1987 c.661 §4]

407.380 [Amended by 1967 c.335 §51; repealed by 1980 c.17 §1 and by 1981 c.660 §18]

407.385 Prohibition against using loan for purpose other than farm or home acquisition; exception; prompt use of farm or home as principal residence; extension; penalty. (1) Money received as a loan under this chapter shall be used only for the acquisition of a home or farm.

(2) Except as provided in this section, use of all or any part of a loan received under this chapter for investment or any purpose other than the acquisition of a home or farm constitutes an act of default and results in immediate acceleration of the unpaid balance of the loan.

(3) When the director determines that a borrower is using loan moneys in violation of this section, the director shall immediately commence any action or proceeding necessary to recover for the state those moneys or any property obtained therewith.

(4) A failure by a borrower to move into the home or farm securing the borrower's loan and to use it as the borrower's principal residence within 90 days after the loan or assumption is made, or within such extension as may be granted in writing by the director, shall be conclusively presumed to constitute a violation of this section. A request for an extension for good cause shall be made in writing within the 90-day period. The applicant may file a written request for a hearing within 30 days after a denial of the request for extension.

(5) The director shall not approve any rental or lease of a home or farm that affects the tax exempt status of bonds issued under Article XI-A of the Oregon Constitution. When the rental or lease does not affect the tax exempt status of such bonds, the director may approve in writing the rental or lease of a home or farm after the home or farm is used as the principal residence of the borrower. The director shall impose conditions for such approval based on the following criteria:

(a) A significant change in the economy of this state;

(b) A significant change in the borrower's occupation;

(c) The dissolution or annulment of the borrower's marriage; or

(d) A significant geographical relocation by the borrower.

(6) Approval by the director of the rental or lease of a home or farm under subsection (5) of this section shall not be granted for any period longer than 12 months. [Formerly 407.042; 1987 c.767 §3]

407.390 [Repealed by 1981 c.660 §18]

407.395 [1953 c.595 §1; repealed by 1981 c.660 §18]

407.397 [Formerly 407 043; repealed by 1985 c.296 §10]

407.400 [Repealed by 1981 c.660 §18]

407.410 [Repealed by 1981 c.660 §18]

GENERAL OBLIGATION BONDS

407.415 Issuance of bonds. In order to provide funds for the purposes specified in Article XI-A of the Oregon Constitution, bonds may be issued in accordance with the provisions of ORS 286.031 to 286.061. [Formerly 407.140]

407.420 [Amended by 1971 c.418 §12; repealed by 1981 c.660 §18]

407.425 Special bond issue; conditions. In issuing bonds under ORS 407.415, the State Treasurer may structure an issue of bonds with regard to amounts, maturity dates, interest rates and such other terms and conditions of the bonds. In order to meet the specific requirements of a selected group of applicants for loans under this chapter and before asking the State Treasurer to structure an issue of bonds under this authority, the director must consider the number of applications on hand which will be funded by the issue, the solvency of the program as a whole, the current value of money, the condition of the tax exempt bond market and the effect of the issue on all veterans. [1982 s.s 1 c.12 §4]

407.430 [Repealed by 1971 c.743 §432]

407.435 Issuance of bonds for tax payment; conditions; term. Notwithstanding the general obligation and revenue bond limits required by ORS 286.525, on behalf of the Department of Veterans' Affairs, the State Treasurer may issue general obligation bonds in an amount not to exceed the amount reasonably expected to be advanced for the payment of taxes for veterans each tax year. Such bonds shall mature in no more than 18 months and may be sold at public competitive bid or private negotiated sale, as determined by the State Treasurer. [1983 c.445 §11]

407.440 [Repealed by 1981 c.660 §18]

407.445 Issuance of bonds for loans bearing graduated rates of interest. (1) The director, under ORS 286.033 and with the advice of the committee, may authorize the issuance of general obligation, interest bearing bonds of the State of Oregon, the proceeds of which shall be used for the purposes of ORS 407.345.

(2) In performing duties for the purposes of ORS 407.345, 407.425 and this section pursuant to ORS 286.031 to 286.061 the State Treasurer is not subject to the limit stated in ORS 288.520 (2).

(3) Bonds issued under this section shall be limited to an amount specifically required to satisfy applications for loans made under ORS 407.345. Such applications shall clearly indicate that the borrower is willing and able to pay a variable rate of interest which is one-half of one percent above the rate at which the bonds are sold. Such rate shall be the basic interest rate for determining the graduated payment interest rates allowed under ORS 407.345.

(4) Moneys received from the sale of bonds issued under this section shall be credited to a separate account in the Oregon War Veterans' Fund, which account is appropriated for the purposes of ORS 407.345. [1982 s.s.1 c.12 §3]

Note: Sections 1 and 2, chapter 296, Oregon Laws 1985, as amended by section 1, chapter 310, Oregon Laws 1987, and section 8, chapter 652, Oregon Laws 1987, provide:

Sec. 1. (1) Upon request by the Director of Veterans' Affairs, the State Treasurer may authorize the public sale of bonds issued under authority of Article XI-A of the Oregon Constitution by the publication of a notice of intent to sell such bonds. Persons who register with the State Treasurer shall be given notice not later than 4 p.m. Eastern Standard Time on the second business day prior to the sale of the time and place for public receipt of bids and such other information that the State Treasurer considers necessary to secure a public competitive sale of the bonds. The bonds must be sold not more than 45 days after the date of publication of the notice of intent to sell.

(2) The preliminary official statement described in ORS 287.018 for the sale of bonds issued under authority of Article XI-A of the Oregon Constitution shall be available not later than four business days prior to the date of sale of such bonds.

(3) Notwithstanding ORS 286.076, upon request by the Director of Veterans' Affairs, the State Treasurer may authorize and approve a private negotiated sale of refunding and advance refunding bonds issued under authority of Article XI-A of the Oregon Constitution, including refunding and advance refunding bonds, and tender bonds issued for the purpose of acquiring by purchase Veterans' Welfare Bonds and either discharging the acquired debt or retaining the acquired debt as an investment of the Oregon War Veterans' Bond Sinking Account. The sale of such bonds is exempt from the requirements of ORS 286 056, 286.058, 287.014, 287.016 and 287.022 to 287.026 if the State Treasurer:

(a) Approves the director's selection of the underwriter;

(b) Approves the terms and conditions of the proposed private sale, the price and interest rate for which the bonds are sold and any other relevant aspects of the sale; and

(c) Determines that the proposed private sale does not significantly affect the fiscal integrity of the State of Oregon. [1985 c.296 §1; 1987 c.652 §8]

Sec. 2. Section 1, chapter 296, Oregon Laws 1985, is repealed July 1, 1989. [1985 c.296 §2; 1987 c.310 §1]

Note: Sections 1 and 3, chapter 173, Oregon Laws 1987, provide:

Sec. 1. The Director of Veterans' Affairs may, with the approval of the State Treasurer, arrange for credit agreements, issue notes or other evidence of indebtedness maturing in one year or less and with interest payable as provided in the note or other evidence of indebtedness, for the purposes provided in ORS chapter 407. Notes or other evidence of indebtedness incurred under this section:

(1) Notwithstanding ORS 287.014 to 287.026 may be sold at public or private sale upon such notice and such terms as the director and the State Treasurer may determine.

(2) May be executed with the manual or facsimile signature of the State Treasurer.

(3) May be repaid as to principal and interest, from the Oregon War Veterans' Bond Sinking Account, or refunded at maturity by further short-term indebtedness or by the issuance of serial or term bonds, as the director and the State Treasurer may determine.

(4) Shall be limited to an amount outstanding that does not exceed $100 million or one-half the amount of funds in the bond debt reserve fund maintained by the Director of Veterans' Affairs, whichever is the lesser amount. [1987 c.173 §1]

Sec. 3. Section 1 of this Act is repealed on December 31, 1989. [1987 c.173 §3]

LIFE AND MORTGAGE INSURANCE

407.465 Loan cancellation life insurance. (1) Subject to the limitations provided for in this chapter the director may provide loan cancellation life insurance for any person who receives or assumes a loan or makes a contract under this chapter for the acquisition of a home or farm, and the spouse or former spouse of that person.

(2) Such insurance may insure the life of the person who receives or assumes the loan or who is the contract purchaser and the life of the spouse or former spouse of that person for all or a portion of the amount of principal and interest due on the state loan or contract. However, for each loan or contract, the lives of not more than two persons shall be insured. The State of Oregon shall be named the beneficiary of the insurance. When an individual insured under this chapter dies, the proceeds of the insurance shall be used to pay all or the insured portion of the balance of the state loan or contract, and the director shall issue a revised payment plan or a satisfaction of the loan or contract.

(3) The Department of General Services shall procure loan cancellation life insurance to meet the requirements of this chapter in compliance with the laws governing the purchase and furnishing of services to state agencies. [Formerly 407.074; 1985 c.221 §1; 1987 c.132 §1]

407.475 Persons insurable under ORS 407.465. Any person receiving or assuming a loan or making a contract under this chapter for the acquisition of a home or farm, and the spouse or former spouse of that person, may be insured under the insurance provided for by ORS 407.465 upon complying with such rules relating to that insurance as the director may adopt. [Formerly 407.076; 1985 c.221 §2; 1987 c.132 §2]

407.480 Definitions for ORS 407.480 to 407.490. As used in ORS 407.480 to 407.490:

(1) "Insurance" means any mortgage guarantee or mortgage insurance against financial loss by reason of:

(a) Collection activity;

(b) Foreclosure; or

(c) Foreclosure by the director under ORS 407.135.

(2) "Mortgage" includes a trust deed. [1989 c 677 §2]

407.485 Agreements for mortgage insurance; terms; amount; required coverage. (1) The director may enter into an agreement with any public or private organization or with any federal or state governmental agency to provide insurance for qualified mortgages.

(2) The terms of the agreement for insurance, including the amount of insurance and the premium therefor, shall be agreed upon by the director and the organization or agency.

(3) Insurance provided under this section shall not exceed coverage of $80,000 for a home secured by a mortgage or $185,000 for a farm secured by a mortgage.

(4) If a qualified borrower borrows an amount under this chapter that is less than 80 percent of the net appraised value of the home or farm that secures the loan, the director may approve the loan without requiring insurance. [1989 c.677 §3]

407.490 Mortgage insurance claims; liability of director. After assignment transfer and delivery by the director of all rights in the insured property to the organization or person providing insurance, the director shall not be liable to any borrower for any claim or grievance arising out of the insurance agreement or the loan agreement. [1989 c.677 §4]

FINANCES

407.495 Oregon War Veterans' Fund; sources; uses. (1) The money arising from the sale of each issue of bonds authorized under section 2, Article XI-A, of the Oregon Constitution, shall be deposited in the State Treasury and be credited to a special fund separate and distinct from the General Fund, to be known as the Oregon War Veterans' Fund; which fund hereby is appropriated for the purpose of carrying out the provisions of this section and ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415 and 407.515 to 407.575 and to purchase bonds issued for the purposes of such provisions. With the approval of the director, the moneys in the fund not immediately required for loaning may be invested as provided in ORS 293.701 to 293.776, 293.810 and 293.820. The earnings from such investments shall inure to the Oregon War Veterans' Fund.

(2) In addition to the money arising from the sale of such bonds, the Oregon War Veterans' Fund shall also consist of:

(a) All moneys received as payments on principal and interest of loans made under ORS 407.125;

(b) All moneys received as accrued interest upon bonds sold;

(c) All moneys derived from tax levies provided for in ORS 407.575;

(d) All moneys derived from the sale, rental or administration of property acquired by foreclosure or other proceeding, or deed;

(e) All moneys received as interest earned on the investment of moneys in the Oregon War Veterans' Fund;

(f) All moneys received as proceeds from the sale of refunding bonds; and

(g) All other moneys accruing under this section and ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415, 407.425, 407.435 and 407.555 to 407.575.

(3) All moneys in the Oregon War Veterans' Fund are continuously appropriated to the Director of Veterans' Affairs for the following purposes:

(a) To carry out the provisions of this section and ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415, 407.425, 407.435 and 407.555 to 407.575;

(b) To purchase bonds issued for the purposes of such provisions; and

(c) Except for moneys derived from the sale of bonds or from tax levies, for payment of expenses of the administration of this section and ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415, 407.425, 407.435 and 407.555 to 407.575.

(4) With the approval of the director, the moneys in the Oregon War Veterans' Fund not immediately required to provide loans for the acquisition of farms and homes may be invested as provided in ORS 293.701 to 293.776, 293.810 and 293.820. The earnings from such investments shall be credited to the Oregon War Veterans' Fund. [Formerly 407.160, 1987 c.652 §10]

407.505 Loan moneys to be reserved for borrower prior to loan commitment. (1) When the director determines that an applicant's loan may be approved in accordance with this chapter, the director, before making a loan commitment, shall reserve an amount of money in the Oregon War Veterans' Fund equal to the amount requested by the applicant to be used only for payment to the applicant which shall be set aside in the Direct Commitment Reserve Account.

(2) Moneys in the Oregon War Veterans' Fund Direct Commitment Reserve Account shall be reserved as loan proceeds for an applicant under subsection (1) of this section and shall not be used for any other purpose unless the applicant cancels the application for the loan prior to receipt of the loan proceeds. [Formerly 407 035]

407.510 [Repealed by 1967 c.421 §206]

407.515 Oregon War Veterans' Bond Sinking Account; sources; use. (1) The Oregon War Veterans' Bond Sinking Account is created as a restricted account within the Oregon War Veterans' Fund. The sinking account shall consist of all moneys received as payments on principal and interest of loans made under ORS 407.125; all moneys received as accrued interest upon bonds sold; all moneys derived from tax levies provided for in ORS 407.575; all moneys derived from the sale, rental or administration of property acquired by foreclosure or other proceeding, or deed; all moneys received as interest upon investments of the account and the Oregon War Veterans' Fund; all moneys received as proceeds from the sale of refunding bonds; and all other moneys accruing under ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415, 407.495 and 407.515 to 407.575 not required to be credited to the Oregon War Veterans' Fund.

(2) Disbursements from the sinking account shall be made upon submission of duly verified claims, approved by the director, to the Secretary of State, who shall audit the same in the manner that other claims against the state are audited. The moneys in the sinking account, other than those derived from tax levies and from sales of refunding bonds, hereby are continuously appropriated for payment of expenses of administration of ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415, 407.495 and 407.515 to 407.575. The moneys in the sinking account may be invested as provided in ORS 293.701 to 293.776, 293.810 and 293.820.

(3) Amounts in the sinking account shall be held and set aside separately from the amounts in the Oregon War Veterans' Fund and any other funds or assets of this state, but such account may be accounted for as part of the Oregon War Veterans' Fund.

(4) The debt service reserve account within the sinking account shall be maintained as a subaccount within the sinking account dedicated to provide funds for the payment of bonds issued under authority of Article XI-A of the Oregon Constitution.

(5) Nothing in this section shall be construed so as to impair any covenant or agreement with the holders of such bonds heretofore entered into by the director on behalf of this state with respect to the maintenance of the sinking account as heretofore constituted and any such covenant and agreement shall remain in full force and effect. [Formerly 407.170; 1987 c.425 §7; 1987 c.652 §13; 1989 c 932 §4]

407.520 [Repealed by 1967 c.421 §206]

407.525 Transfer of sinking account moneys to veterans' fund; retransfer. If, at any time, there are applications for loans aggregating a total in excess of the money available therefor in the Oregon War Veterans' Fund, the director may transfer to said fund any moneys in the sinking account, except those derived from tax levies and those received from the sale of refunding bonds. When sufficient funds are available in the Oregon War Veterans' Fund, the director may transfer back to the sinking account an amount not exceeding the total so transferred from the sinking account to the Oregon War Veterans' Fund. [Formerly 407 180, 1987 c.652 §14]

407.530 [Repealed by 1967 c.421 §206]

407.535 [Formerly 407.183; repealed by 1987 c.652 §12]

407.540 [Repealed by 1967 c.421 §206]

407.541 [Repealed by 1967 c.421 §206]

407.545 [Formerly 407.186; repealed by 1987 c.652 §12]

407.550 [Repealed by 1967 c.421 §206]

407.555 Auditing and payment of claims. Except as provided in ORS 407.415, all claims duly approved by the director, incurred in pursuance of ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415, 407.495 and 407.515 to 407.575, shall be paid by warrants drawn upon the State Treasurer by the Executive Department upon the appropriate funds for the payment of such claims. [Formerly 407.190]

407.560 [Repealed by 1967 c.421 §206]

407.565 Revolving account. The Executive Department is authorized to draw a warrant on the Oregon War Veterans' Fund in favor of the director in a sum not to exceed $2 million, which sum shall constitute an advance to be used in anticipation of the verified vouchers supplied in accordance with this section; and shall be used only as a revolving account, separate and distinct from the General Fund, to be maintained with the State Treasurer, for receipt and disbursement of moneys received under authority of ORS 407.165 and for payment of general operating expenses. All reimbursement vouchers for claims paid from the revolving account shall be verified by the director and presented to the Executive Department for payment. The warrants issued by the Executive Department shall be drawn in favor of the director and shall be used to reimburse the revolving account. [Formerly 407.200; 1989 c.966 §45]

407.570 [Repealed by 1967 c.421 §206]

407.575 Tax levy authorized. Each year when the Department of Revenue determines the amount of money required to be raised for state purposes, it shall ascertain the amount of money necessary to meet the re-

quirements of ORS 407.115, 407.125, 407.165, 407.205, 407.275, 407.415, 407.495, 407.515, 407.525, 407.555 and 407.565 for the ensuing year. Such amount shall not exceed one-fortieth of one percent (.00025) of the true cash value of all taxable property within each respective county to which the same is apportioned for levy of the tax, such true cash value to be computed in accordance with ORS 308.207. The tax shall be collected by the county, paid to the State Treasurer as other taxes are paid and credited as provided by ORS 407.495 and 407.515. [Formerly 407.210; 1987 c.652 §11]

407.580 [Repealed by 1967 c.421 §206]

407.590 [Repealed by 1967 c.421 §206]

MISCELLANEOUS

407.595 Loans not subject to execution or assignment. No right, payment or proceeds of any loan made under ORS 407.125 or statutes supplementary thereof shall be subject to garnishment, attachment or execution or the claim of any creditor; nor shall any such right or payment be capable of assignment except as may be necessary for completion of any loan applied for and then only under such rules and regulations as may be prescribed by the director. [Formerly 407.110]

407.600 [Repealed by 1967 c.421 §206]

407.610 [Amended by 1953 c.106 §2; repealed by 1967 c.421 §206]

407.620 [Repealed by 1967 c.421 §206]

407.630 [Repealed by 1967 c.421 §206]

407.640 [Repealed by 1967 c 421 §206]

407.650 [Repealed by 1953 c 106 §2]

407.660 [Repealed by 1953 c.106 §2]

407.990 [Amended by 1967 c.421 §202; repealed by 1971 c.743 §432]