

APPENDIX C. TEXAS VETERANS LAND BOARD LOANS

a. The Texas Veterans Land Board (TVLB) administers a state benefit called the Veterans Housing Assistance program (VHAP). This program allows Texas Veterans and Service members to borrow funds, up to the VHAP allowed maximum amount, to purchase property located in Texas. In the case when the Veteran requires more than VHAP maximum amount, a TVLB participating lender proposes a “two-note loan” to provide additional funds to the Veteran utilizing the VA Loan Guarantee (LGY) program. The “two-note loan” is underwritten as a co-first lien utilizing one deed of trust. The TVLB note is called the program note, and the other note is called the participant note. VA’s guaranty applies to both loans. By combining a VHAP loan with another loan at the current market rate, the Veteran can have a lower blended rate over the overall mortgage and a lower monthly payment. For more information on the TVLB, visit <http://www.glo.texas.gov/vlb/index.html>.

b. These loans are serviced the same as other loans in the VA Loan Electronic Reporting Interface (VALERI). Although the loan is comprised of two notes, it is treated as one loan, and VALERI only allows information from one servicer as the primary contact. The information on the loan in VALERI must match the information in WebLGY enabling VALERI to locate the loan. When either loan goes into default, the entire loan is considered in default. The servicer must take both loans into account when pursuing loss mitigation options and when referring the loan to foreclosure. The terms of the TVLB loans cannot be modified (ex. interest rate, maturity date) without the prior written approval of the TVLB. If the loan is terminated through a short sale, deed-in-lieu, or foreclosure, both notes must be terminated at the same time. The servicer pursuing termination is responsible for working with the other servicer to ensure that both loans are terminated at the same time. NOTE: Prior to foreclosure, the servicer must report the combined Unpaid Principal Balance (UPB) in the Delinquency Status Update (DSU) event. Additionally, the Results of Sale (ROS) event must include the Total Eligible Indebtedness (TEI) for both loans so the acquisition payment will be accurate.

c. All TVLB loans are non-routine and must be reviewed by a technician. For two-note loans, it is possible that the interest rate or due date is different. In the example below, the combined interest rate is 6.75 percent. This is found by dividing the combined total amount of interest by the combined principal balance. The interest rate and amount allowed on the claim must be adjusted to match the combined interest rate. Since VALERI contains the name of only one payee (holder) for each loan, only one claim payment can be disbursed.

d. Example.

Appendix C: Texas Veterans Land Board Loans

| <u>Interest Rate Percent</u> | <u>Principal Balance</u> | <u>Amount of Interest</u> |
|------------------------------|--------------------------|---------------------------|
| 7.5 | \$10,000 | \$750 |
| 6.0 | \$10,000 | \$600 |
| Total | \$20,000 | \$1,350 |