APPENDIX E. TEXAS VETERANS LAND BOARD LOANS

a. Background. The Texas Veterans Land Board (TVLB) has administered a state benefit called the Veterans Housing Assistance program (VHAP) since its inception in 1983. This program currently allows Texas Veterans to borrow a maximum of $325,000 to purchase property located only in Texas. In cases when the Veteran needs more than this amount to purchase a home, a TVLB participating lender must lend the additional funds to the Veteran. This is a “two-note loan,” which 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. By combining a VHAP loan with another loan at the current market rate, the Veteran has a lower blended rate over the overall mortgage and a lower monthly payment. For more information on the TVLB, visit [www.glo.state.tx.us/vlb/general/index.html](file://vbacofpc2/shared/LGY-26/261/Terry/Local%20Settings/Local%20Settings/Temp/Temporary%20Directory%201%20for%20VA%20Technician%20Guide_FINAL_2008.05.15.zip/www.glo.state.tx.us/vlb/general/index.html).

b. Servicing. VA guarantees Texas VHAP loans. 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. Otherwise, VALERI will not be able 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 pursing loss mitigation options and when referring the loan to foreclosure. The terms of the TVLB loans cannot be modified without the prior written approval of the TVLB. This includes changes to the interest rate, maturity date, and monthly payment amount. If the loan is being terminated through a compromise sale, deed-in-lieu, or foreclosure, both notes must be terminated at the same time and the servicer who is 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. Claims Under Guaranty. VA’s guaranty applies to both loans. All TVLB loans will be 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.

Interest Rate Percent Principal Balance Amount of Interest

7.5 $10,000 $750

6.0 $10,000 $600

Total $20,000 $1,350