

FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, January 12, 1945

**To All Banking Institutions
in the Eleventh Federal Reserve District:**

There are enclosed two pamphlets published by the United States Veterans' Administration regarding the guaranty of loans under the Servicemen's Readjustment Act of 1944. One of these relates to the guaranty of loans on farms and farm equipment, and the other relates to the guaranty of loans for the purchases of businesses, etc. Specimen copies of the forms to be used in connection with loans of the types covered by these pamphlets will, upon receipt, be distributed to all banks in this district.

Requests for supplies of forms and additional information regarding the Servicemen's Readjustment Act of 1944 should be addressed to a Regional Office of the United States Veterans' Administration. Regional Offices serving this district are located at Waco, Texas; Muskogee, Oklahoma; New Orleans, Louisiana (333 St. Charles Street); Albuquerque, New Mexico, and Tucson, Arizona.

Yours very truly,

R. R. GILBERT

President



UNITED STATES OF AMERICA
VETERANS' ADMINISTRATION

GUARANTY OF LOANS

Regulations Under Title III

(FARMS AND FARM EQUIPMENT)

SERVICEMEN'S READJUSTMENT ACT OF 1944

(Public Law 346—78th Congress)

(Chapter 268—2d Session)

(58 Statutes at Large 284)

(38 U. S. Code 693 et seq.)



(NOTE: This pamphlet covers the subject of Guaranty of Loans for the Acquisition of Farms and Farm Equipment pursuant to Section 502 of the Act. The subject of the Guaranty of Loans for the Purchases of Businesses, etc., pursuant to Section 503 will be printed in a separate pamphlet. The subject of Guaranty of Home Loans has been printed in a separate pamphlet.)

This publication may be procured from the
Superintendent of Documents, U. S. Government Printing Office,
Washington 25, D. C., at 5 cents per copy.

FOREWORD

The Servicemen's Readjustment Act of 1944 and these regulations constitute a part of each contract of guaranty issued by the Administrator of Veterans' Affairs on behalf of the United States of America, pursuant to Title III of said Act.

The officials and employees of the Veterans' Administration from time to time assigned to duties in connection with the administration of the Act shall act on behalf of the Administrator of Veterans' Affairs, and when so acting within the scope of authority delegated to them shall for all purposes of the Act and these regulations be deemed to be acting for said Administrator.

Central Office of the Veterans' Administration, Washington 25, D. C., is the main office of the Administrator of Veterans' Affairs. The functions pursuant to Title III of the Act will also be performed in field offices of the Veterans' Administration from time to time designated for that purpose. Transactions and communications with, and contracts by such designated field offices shall have the same effect as if with, or made by, Central Office.

These regulations should be carefully read. The completed application or

other papers submitted should be carefully examined by the applicants, (borrowers and lenders) in order to be certain of accuracy and avoid any possible embarrassment resulting from errors.

It will facilitate the service of the Veterans' Administration to the veterans and the lenders if, in correspondence, reference is made to the appropriate section numbers, if any, involved in the subject of the correspondence.

In view of the large number of veterans with the same or similar names, it is important not only in correspondence, but also in documents to use the veteran's full first name instead of his initial only, and also his middle initial. If unobjectionable, it will be helpful to use his full middle name. In addition to the full name, other available identifying data should be used in correspondence, such as serial number allocated to the veteran while in active service, rank, and organization at date of discharge, current residence address, etc. In mortgages and other documents it will be desirable to use the service serial number in addition to the full name, although if there is objection the number will not be required. If there has been a guaranty ap-

plication previously submitted by the veteran and the number assigned thereto by the Veterans' Administration is known, that number should be used in all communications; and on all documents pertaining to that application.

It should be clearly understood that the Act does not authorize the Veterans' Administration or the Administrator of Veterans' Affairs to lend money to the veteran under Title III; but only to guarantee loans within the prescribed limitations.

NOTICE

Federal statutes provide severe penalties including forfeitures, fines and imprisonment, for fraud on the part of the applicant and also as to "any person who shall knowingly make or cause to be made, or conspire, combine, aid, or assist in, agree to, arrange for, or in any wise procure the making or presentation of a false or fraudulent affidavit, declaration, certificate, statement, voucher, or paper, or writing purporting to be such" concerning any application for the guaranty of a loan by the Administrator. (38 U. S. C. A. 697, 715, 450, 451, 454 (a), 556 (a); 18 U. S. C. A. 80.)

TITLE 38—PENSIONS, BONUSES AND VETERANS' RELIEF¹

Chapter I—Veterans' Administration

PART 36—REGULATIONS UNDER SERVICE-MEN'S READJUSTMENT ACT OF 1944

GUARANTY OF LOANS ON FARMS AND FARM EQUIPMENT

The following regulations govern the guaranty of loans on farms and farm equipment under Title III of the Servicemen's Readjustment Act of 1944:

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- (e) Federal agency.
- (f) Guaranty.
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AUTHORITY: §§ 36.4100 to 36.4151, inclusive, issued under 58 Stat. 284.

§ 36.4100 *Definitions.* Wherever used in these regulations, unless the context otherwise requires, the terms defined in this section shall have the meaning herein stated, namely:

(a) "Administrator" means the Administrator of Veterans' Affairs or any employee of the Veterans' Administration designated by him to act in his stead.

(b) "United States" used geographically means the several States, Territories and possessions, and the District of Columbia.

(c) "State" means any of the several States, Territories and possessions, and the District of Columbia.

(d) "Designated agency" or "agency" as used in respect to processing applications for guaranty of loans, means any Federal instrumentality designated by the Administrator (including Veterans' Administration if so designated) to certify whether an application meets the requirements of the act and regulations, and recommend whether the application should be approved if the applicant is found eligible.

(e) "Federal agency" as used with respect to agencies making, guaranteeing, or insuring primary loans, means any Executive Department, or administrative agency or unit of the United States Government (including a corporation essentially a part of the Executive Branch) at any time authorized by law to make, guarantee or insure such loans.

(f) "Guaranty" means the obligation of the United States of America assumed by virtue of the guaranty by the Administrator as provided in Title III of the Servicemen's Readjustment Act of 1944 (58 Stat. 284; 38 U.S.C. 693), and subject to the limitations and conditions thereof and of these regulations. The subject of the guaranty is that portion of an eligible loan procured by an eligible veteran which may be subject to being guaranteed as provided in said Title III, as determined by the Administrator upon application in accordance with these regulations.

(g) "Mortgage" means an applicable type of security instrument commonly used or legally available to secure loans or the unpaid portion of the purchase price of real or personal property in a State, District, Territory or possession of the United States of America in which the property is situated. It includes, for example, deeds of trust, security deeds, escrow instruments, real estate mort-

gages, conditional sales agreements, chattel mortgages.

(h) "Secondary" or "junior" loan means a loan which is secured by a lien or liens subordinate to any other lien or liens on the same property.

(i) "Guaranteed loan" means a loan, unsecured, or secured by a primary lien, or where permissible under the act and these regulations, a secondary lien, which loan is guaranteed in whole or in part by the Administrator as evidenced by endorsement thereon; or by a Loan Guaranty Certificate issued by the Administrator, and which shall have become effective as prescribed by these regulations; or by such other legal evidence as may be provided by the Administrator.

(j) "Farming operations" are those which involve actual production and marketing of crops, livestock, livestock products, or other agricultural commodities, and which constitute the applicant's major occupation. No acreage limit will be established but size will be a factor in determining practicability.

(k) "Reasonable normal value" for the purposes of the act is that which can be justified as a fair and reasonable price to be paid for the real or personal property for the purposes for which it is being acquired, assuming a reasonable business risk, but without undue speculative or other hazard as to the future of such value. There must also be taken into consideration the normal earning capacity value of the farm or other property, assuming average managerial ability, and yields and prices for farm products that may reasonably be anticipated during the period of the loan. There will not be unreasonably rigid adherence to long-time average prices or reliance upon a continuation of abnormal prices.

(l) (1) "Real property" as used in section 502 of the act refers to an interest in realty defined in this section and subject to the conditions therein. It includes buildings and other improvements that are deemed to be real property under the law of the State where situated.

(i) An interest in realty may be a fee simple estate, or certain other estates indicated in subdivisions (i) to (vi), inclusive, of this subparagraph including an estate for years, eligible as security for guaranteed loans. But in any event the estate shall be one limited to end at a date more than 14 years after the ultimate maturity date of the loan, or when the fee simple title shall vest in the lessee; except that, if it is a leasehold that terminates earlier, it shall nevertheless be acceptable if lessee has the irrevocable right to renew for a term ending more than 14 years after the ultimate maturity date of the loan or until the fee simple title shall vest in lessee; provided the mortgagee obtains a mortgage lien of the required dignity upon such option right or anticipated reversion or remainder in fee.

(ii) A life estate or other estate of uncertain duration is excluded, unless the remainder interests are also encumbered by liens of the same dignity to secure the same debt.

(iii) A remainder interest in realty shall be eligible as security for a guaran-

¹ As printed in the FEDERAL REGISTER, Volume 9, Number 246, Washington, Saturday, December 9, 1944.

teed loan only in the event that all the owners of intervening immediate or remainder interests lawfully can and do (a) join in the mortgage in such manner as to subject all such intervening estates to the lien; or (b) execute and deliver a lease or other proper conveyance to the owner of the ultimate remainder in fee simple in such manner as to assure his legal right to possession and enjoyment until the vesting of his ultimate remainder interest.

(iv) If other than a fee simple estate or estate for years with minimum duration as stated in subdivision (i) of paragraph (1) (1) of this section is offered as security, full information may be submitted to the Administrator before taking application from the veteran. The Administrator shall determine the eligibility of any such estate.

(v) The existence of any of the following will not require denial of the guaranty, hence will not require special submission:

(a) Outstanding easements for public utilities, party walls, driveways, and similar purposes;

(b) Customary building or use restrictions for breach of which there is no reversion and which have not been violated to a material extent;

(c) Slight encroachments by adjoining improvements;

(d) Outstanding water, oil, gas or other mineral rights which do not and will not materially impair the value for farming purposes, and which are customarily waived by prudent lenders in the community; *Provided, however,* That if there is outstanding any legal rights to quarry, mine, or drill within 400 feet of the principal residence or barn on the encumbered farm, the application for guaranty may be denied for that reason, unless upon consideration of all the facts, the Administrator determines otherwise. Such determination at the option of the lender or borrower may be obtained upon a special submission of all the facts prior to taking application for guaranty.

(vi) A mortgage on an undivided interest in realty shall not be acceptable unless all co-tenants of the veteran join in the mortgage and unless such joinder has the legal effect of creating a lien on the property such as is otherwise required. In such cases it shall not be required that the co-tenants join in, endorse, or otherwise become personally liable on the veteran's indebtedness. Notwithstanding such joinder in the mortgage by the co-tenants the value of the security for purpose of guaranty shall be determined with respect to the individual interest of the veteran only, and the guaranty will be limited to the proper proportion of that sum, irrespective of the actual amount of the loan.

(2) "Personal property" means tangible or intangible property other than "real property" as defined in paragraph (1) (1) of § 36.4100 if such property is to be used in farming operations conducted by the veteran as prescribed in these regulations. It includes property which by reason of the contract of the seller and purchaser remains personally notwithstanding that except for such contract it would become a "fixture", or otherwise a part of the realty.

(3) Livestock, equipment, machinery or implements for the purchase price of, or loan upon, which a guaranty under section 502 is applied for shall be those to be used directly in farm operations to be conducted by the veteran on farm land in which he holds any estate mentioned in subdivisions (i) to (vi), inclusive, of paragraph (1) (1) of § 36.4100, or any farm land to the use and occupancy of which he is entitled for a sufficient period to make a suitable crop. The latter right shall be evidenced by a lease, or by an appropriate letter from the landlord, evidencing the veteran's right to use of the land.

(m) "Indebtedness" means the unpaid principal and accrued interest on the note, bond or other obligations, the subject of the guaranty, and includes also taxes, insurance premiums and any other items for which the debtor is liable under the terms of the mortgage or other contract, including proper contractual or statutory trustee fees and attorney fees, if any.

(n) "Note" means a promissory note, a bond, or other instrument evidencing the debt and the debtor's promise to pay same.

(o) "Appraiser" means an individual or firm or corporation of recognized standing, approved in writing by the Administrator to appraise property. An applicant for designation as an approved appraiser shall show to the satisfaction of the Administrator that he is of good character and that his experience and information enable him to form sound opinions as to the reasonableness of the purchase price or cost of property to be appraised in the territory in which he expects to operate. He shall also be experienced in determining the earning capacity of farms.

A list of appraisers, considered by the Administrator to be in good standing at the time these regulations become effective, may be approved.

(p) "Certificate of title" means with respect to real property a written and signed opinion or statement as to title by a qualified member of the bar of, or by a title company authorized to do such business in, the jurisdiction in which the mortgaged property is situated; or at the option of borrower and lender a title insurance or guaranty contract by a corporation authorized to engage in such business in the State wherein the property is situated; or appropriate evidence of title in the proposed encumbrancer pursuant to a Torrens or other similar title registration statute.

(q) "Credit report" means the report submitted by any credit reporting agency of at least five years' experience with facilities for national coverage, approved by the Administrator, or any other form of report acceptable to the Administrator for the purpose of determining the applicant's credit standing. (See §§ 36.4124 and 36.4125 before ordering credit report).

(r) "Eligible veteran" means a veteran who:

(1) Served in the active military or naval service of the United States on or after September 16, 1940, and before the officially declared termination of World War II;

(2) Shall have been discharged or released from active service under conditions other than dishonorable either (i) after active service of ninety days or more, or (ii) because of injury or disability incurred in service in line of duty, irrespective of length of service; and

(3) Applies for the benefits of this Title within two years after separation from the military or naval forces, or within two years after the officially declared termination of World War II, whichever is later. In no event, however, may an application be filed later than five years after such termination of such war.

(s) "Eligible lenders" are persons, firms, association, corporations and governmental agencies and corporations, either State or Federal. (Section 500 (c).)

(t) "Creditor" means the payee, or any subsequent holder of the indebtedness, and includes a mortgagee.

(u) "Debtor" means the maker of the note, or obligor in any other obligation, or any other person who is, or becomes, liable thereon, by reason of a contract of assumption or otherwise.

(v) "Conducted by a veteran" means personally directed and operated by a veteran on the site, with or without hired labor; not solely operated by a tenant or an employee who does not receive supervision and direction by the veteran.

(w) "Interest" means the compensation fixed by law, or by the parties to a contract, for the use or detention of, or forbearance with respect to money, irrespective of the name applied to such compensation.

§ 36.4101 *Miscellaneous.* Throughout these regulations unless the context otherwise requires; (a) the singular includes the plural; (b) the masculine includes the feminine and neuter; (c) person includes corporations, partnerships and associations; (d) month means calendar month, i. e., the period beginning on a certain date in one month and ending at midnight the preceding date of the next month; (e) "the act" or "the statute" means the Servicemen's Readjustment Act of 1944: Ch. 268, 78th Congress, 2d Session (Public No. 346) 58 Stat. 284; 38 U. S. C. 693; (f) Title III means Title III of the act.

LOANS ELIGIBLE FOR GUARANTY

§ 36.4102 *Eligible loans.* (a) The real or personal property encumbered to secure a loan guarantee pursuant to Title III of the Act shall be situated within the United States as defined in § 36.4100 (b).

(b) (1) The veteran must possess such actual knowledge of farming and be of such character and industry as to indicate that because of his ability and experience relevant to farming he likely will be able to succeed in the conduct of farming operations. Agricultural courses in schools of recognized standing and other training will be given due weight in evaluating experience.

(2) It must appear that the veteran's financial situation will be such that he likely will be able to carry on the farming enterprise successfully. The amount of

"readjustment allowance", if any, payable pursuant to Title V of the act (38 U. S. C. 696, 696d) shall be considered in this connection.

(c) A farming operation must be of sufficient size and productivity to enable an operator of average ability, operating under normal circumstances as to yields and prices, to derive sufficient subsistence and income from it to meet necessary living and operating expenses and debt obligations. The area of the farm unit and its composition (i. e., crop acres, pasture, woodland, etc.) must be carefully related to and reconciled with the type of operations which would be undertaken by a typical operator. Improvement and farm facilities must be appropriate, or feasibly adjustable, to operations to be undertaken.

§ 36.4103 *Agricultural loans.* Section 502 of the act provides for granting to an eligible veteran "the guaranty of a loan to be used in purchasing any land, building, livestock, equipment, machinery, or implements, or in repairing, altering, or improving any buildings or equipment, to be used in farming operations conducted by the applicant" if the Administrator of Veterans' Affairs finds that:

(a) The proceeds of such loan will be used in payment for real or personal property purchased or to be purchased by the veteran, or for repairing, altering or improving any buildings or equipment, to be used in bona fide farming operations conducted by him;

(b) Such property will be useful in and reasonably necessary for efficiently conducting such operation;

(c) The ability and experience of the veteran, and the nature of the proposed farming operations to be conducted by him are such that there is a reasonable likelihood that such operations will be successful; and

(d) The purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal.

§ 36.4104 *Repairs, improvements, taxes, delinquent indebtedness, etc.* (a) "Alterations" in respect to a farm, means any structural changes in or additions to an existing building, or equipment, on or to be used on the farm, including heating and other equipment that become fixtures; or operations of a protective nature, which increase the usefulness of such buildings or equipment.

(b) "Improvements" means construction of new buildings (other than the main residence), new or improved fencing, installation or extension of water supply, or of electricity for domestic or other purposes on the farm, sewers and other waste disposal systems on the farm, silos, barns, and other structures thereon.

(c) "Repairs" means the work and material necessary to restore the building or fixture therein, or the equipment, to a condition that is useful and appropriate to the circumstances, the need therefor having arisen because of wear and tear, accident or other cause.

(d) "Taxes" means general or special taxes assessed against the real property.

(e) "Special assessments" means any charges for improvement purposes assessed against the real property.

(f) "Delinquent indebtedness" means past due amounts of principal or interest (and without giving effect to any acceleration provisions) on an obligation secured in whole or in part by lien or liens on property of an eligible veteran and occupied as his home. (See § 36.4105 (a).)

(g) "Purchased or to be purchased" as used in section 502 (1) of the act refers to real or personal property to be used for the purpose stated in section 502 of the act, whether the property is purchased contemporaneously with such application, or is to be purchased subsequent thereto. But as to any loan for a future purchase the guaranty will become effective only from the time the purchase is consummated.

§ 36.4105 *Loan for delinquent indebtedness and taxes on farm home.* (a) Under appropriate circumstances a guaranty pursuant to section 501 (b) of the act may be obtained if the loan is "for the purpose of * * * paying delinquent indebtedness, taxes, or special assessments on residential property owned by the veteran and used by him as his home * * *". Section 501 (b) is applicable to a farm if it is the veteran's home. (See § 36.4104 (d), (e), (f).)

(b) Guaranty of a loan for alterations, improvements, or repairs (as each is defined and limited in § 36.4104) for the farm may be granted if otherwise proper, notwithstanding that such loan is not secured by a first lien.

(c) Satisfactory evidence will be required to establish that:

(1) The proceeds of the loan will be used for an appropriate purpose as prescribed in paragraphs (a) and (b) of this section.

(2) The amount of the loan will bear a proper relation to the value and earning power of the property, and the alterations, improvements or repairs of the real or personal property will enhance its value to a reasonable degree.

§ 36.4106 *Prior liens*—(a) *Real property.* The existence of a lien or liens on the real property in respect to which a guaranty of a loan is sought pursuant to section 501 (b) will not necessarily require a denial of the application for guaranty; but full consideration will be given to the amount, rate of interest, and maturity dates of the primary loan in determining whether a suitable relation will exist between the veteran's obligation and probable available income.

(b) *Personal property.* Unless section 501 (b) of the act is applicable, or unless the circumstances are extraordinary, a loan which is to be secured by a lien on personalty shall be secured by a first lien thereon. (See §§ 36.4104 and 36.4105.)

§ 36.4107 *First liens required.* Except as provided in section 505 of the act, loans for the purpose of purchasing a farm with or without a residence thereon, and loans for constructing a residence thereon, and in respect to which any guaranty is sought, shall be secured by a first lien on the property, but the

existence of tax or special assessment prior liens will not necessarily disqualify security which is adequate and otherwise acceptable.

§ 36.4108 *Mortgages required.* (a) (1) Each loan guaranteed in whole or in part by the Administrator shall be secured by a "mortgage" except that when the principal amount of a loan to be guaranteed does not exceed \$500 and the lender does not require a mortgage, the Administrator may nevertheless guarantee such loan provided it complies otherwise with the Act and these regulations. (As to procedure see § 36.4124 (c) and (f).)

(2) If indebtedness of the veteran is not adequately secured by a lien on the entire interest in specific chattels or other personal property, but is secured by undivided interests therein, the requirements of § 36.4100 (1) (1) (vi) relating to undivided interests in realty shall be applicable to the interests in said chattels or other personal property.

(3) The "mortgage" shall include all intangible property rights which are incident to the encumbered property, real or personal.

(4) If the encumbered real or personal property is owned by a partnership all partners shall join in the encumbrance or their authorization to the person or persons executing the encumbrance shall be in writing in due form and properly acknowledged. The Veterans' Administration will not require that a partner other than the veteran become personally liable on the obligation.

(b) The law of the "State" where the contract is made determines the capacity of the parties to contract. Similarly the law of the "State" wherein the real estate or personal property is situated determines the capacity of "mortgagor" to encumber and of the "mortgagee" to hold the legal rights resulting from encumbrance. The act does not modify such law of the "State". The guaranty by the Administrator will be available only in the event that under the applicable "State" law the contract between the borrower and lender is binding on both, and the "mortgage" has the legal effect intended. Paragraph (b) of this section will be applicable particularly in cases involving minors, "persons of unsound mind", and persons under other legal disability by reason of the law of the "State". It will be applicable also in cases involving "mortgage" or other loans which any guardian, conservator, or other fiduciary seeks to make, or obtain; and to a guaranty thereof for which application is submitted.

(c) *Type of loan and mortgage.* (1) Except as otherwise provided in paragraph (a) of this section each loan guaranteed under the provisions of Title III must be evidenced by a "note" or "notes" secured by appropriate security instrument or instruments ("mortgage legally sufficient in the jurisdiction in which the property to be encumbered is situated"), including a pledge or hypothecation when appropriate.

(2) A term loan, which is in accord with applicable State or Federal law, and regulations, if any, may be eligible for guaranty if the amount of the loan to be guaranteed plus the unpaid amount of

all obligations secured by liens superior to the lien securing the proposed loan does not exceed two-thirds of the "reasonable normal value" of the property encumbered to secure the loan and if the ultimate maturity date of the "mortgage" indebtedness so secured, and to be guaranteed, is not more than five years from the date of the "note". Such superior liens shall not be "mortgage" liens except when the guaranty is issued pursuant to § 36.4105 and § 36.4106 of these regulations.

(3) Except as provided in subparagraph (2) of this paragraph the loan shall be amortized. If the obligation to be amortized is secured by realty it may, and except for a period not in excess of the first three years shall, require periodical payments not less frequently than annually. The amounts so payable shall be substantially equal as to principal, or if the parties so agree, as to principal and interest. In any event they shall be such as will result in payment of the entire principal and interest within not more than 20 years from the date of the loan, or the date of assumption by the veteran, whichever is later. At the request of the mortgagor the payments for the first year shall be less than the amounts required in other years by the sum representing the interest charge on the guaranteed part of the loan, and which interest charge the Administrator will pay at the end of the first year. The mortgagor and mortgagee may agree that no payment on principal will be required during a period not extending beyond the first three years. The ultimate maturity, and the dates and amounts of periodical payments, shall be fixed so as to maintain until the ultimate maturity substantially the same ratio between the indebtedness and the value of the real and personal property encumbered to secure same, taking into consideration the fact that the useful life of portions of the real or personal property will have ended prior thereto.

§ 36.4109 *Transfer of title.* The conveyance of, or other transfer of title to the property after the creation of a lien thereon to secure the veteran's debt, which is guaranteed in whole or in part by the Administrator, shall not terminate or otherwise affect the contract of guaranty, unless (a) the "creditor" by express agreement for that purpose releases or otherwise discharges the veteran from personal liability thereon; or (b) by indulgence of, or by agreement with, the veteran's immediate or remote grantee or vendee contrary to these regulations and without the consent of the Administrator the creditor so alters the contract made by the veteran with the lender as to cause discharge of the veteran by operation of law.

§ 36.4110 *Obligation of guarantor.* To the extent prescribed the obligation of the United States is that of a guarantor, not an indemnitor.

§ 36.4111 *Contract provisions.* Subject to the provisions of the act and these regulations, the contract between the lender and borrower may contain such provisions as they agree upon and which are reasonable and customary in the locality where the property is situated.

§ 36.4112 *Repayment provisions.* (a) If the loan be an amortized loan the lender and borrower may contract for periodical payments at monthly or other intervals, but not less frequently than annually, subject to the provisions of § 36.4108 (c) (3).

(b) If the mortgagor consents the mortgage may provide that such monthly or other periodical payment shall include in addition to the proper amount to be credited to the principal and interest a proportionate part of the estimated amounts required annually for all taxes, rents, special assessments, if any, and fire and other hazard insurance premiums. Such provisions may direct the method of crediting the additional amounts included in the periodical payments for the purposes stated in this paragraph.

(c) The method may be by crediting the note with the amounts so received and debiting same with disbursements by the creditor for such purposes; or by crediting and debiting a separate "trust account", or otherwise as the debtor and creditor agree. Unless otherwise provided by the parties, all periodical payments made by the debtor on the obligation shall be applied to the following items in the order set forth:

(1) Taxes, special assessments, fire and other hazard insurance premiums and rents (allocated among such items as the creditor elects);

(2) Interest on the mortgage debt; and

(3) Principal of the mortgage debt.

§ 36.4113 *Prepayments.* (a) When the debt is to be amortized the note or other evidence thereof, or the mortgage securing same, shall contain appropriate provisions granting any person liable for such debt, the right to pay at any time the entire unpaid balance or any part thereof. Unless otherwise agreed all such prepayments shall be credited to the unpaid principal balance of the loan as of the due date of the next installment. No premium shall be charged for any partial or entire prepayment.

(b) Any person liable shall be entitled to prepay a term loan, or any part thereof, upon not less than one month's notice. The note or mortgage shall so provide.

(c) Any prepayment shall be applied in the manner and to the items directed by the person making the prepayment.

§ 36.4114 *Pro rata decrease of guaranty.* The amount of the guaranty shall decrease pro rata with any decrease in the amount of the unpaid principal of the loan, prior to the date the claim is submitted.

§ 36.4115 *Insurance coverage required.* (a) Buildings, the value of which enter into appraisal forming the basis for the loan guaranteed, shall be insured against fire, and other hazards against which it is customary in the community to insure, and in reasonable amount at least equal to the amount by which the loan exceeds the value of the encumbered land plus that of the improvements included in the appraisal but which are not subject to the hazards insured against; *Provided:* That upon a satisfactory showing at the time of the application for guaranty that (1) it is impossible or impracticable to obtain such insurance be-

cause of location, prohibitive cost, or other good reason; (2) prudent lenders in such community customarily do not require such insurance, or some portion thereof, (amount or hazard) and (3) the lender submitting the application is willing to make the loan without insurance coverage on one or more of the buildings, or without certain coverage, or in a reduced amount, and subject to the provisions of paragraphs (b) and (c) of this section; the Administrator may at the time of approving the application waive all or part of such insurance requirements, subject to the provisions of said paragraphs (b) and (c) of this section. No waiver will be granted on the basis of premium cost in any case wherein the premium cost on an annual basis does not exceed \$5.00 per \$1000 of insurance against the hazard of fire, or \$10.00 per \$1000 for fire and all other hazards covered by the insurance. For loans on personalty insurance collectible in amount equal to the debt and against the hazards usually insured against, if reasonably available at reasonable cost, shall be required. The insurance coverage on personalty will be a factor in determining the practicability of the loan. The procuring of insurance of the amount and coverage stated in the approved application shall constitute conclusive evidence of waiver by the Administrator of insurance in excess of the amount stated in or in connection with the application and also all hazards and property not mentioned therein as hazards and property to be covered.

The creditor shall require that there be maintained in force such insurance of the coverage stated in the approved application in an amount not less than the amount stated or the amount of the unpaid indebtedness whichever is the lesser.

In the event insurance becomes unavailable the fact shall be reported to the Administrator for determination whether waiver shall be granted or loan declared in default.

(b) For the sole purpose of determining the amount payable upon a claim under the guaranty after an uninsured loss (partial or total) has been sustained, the unpaid balance of the loan (except as provided in paragraph (c) of this section) will be deemed to have been reduced by an amount equal to the amount of the uninsured loss, but in no event below an amount equal to the value of the land and other property remaining and subject to the mortgage.

(c) There shall be no reduction of the amount of the guaranty as provided in paragraph (b) of this section by reason of an uninsured loss which is uninsured (as to hazard or amount) by reason of a waiver by the Administrator as provided in paragraph (a) of this section.

(d) All insurance effected on the mortgaged property shall contain appropriate provisions for payment to the "creditor," (or trustee, or other appropriate person for the benefit of the "creditor"), of any loss payable thereunder. If by reason of the "creditor's" failure to require such loss payable provision in the insurance policy, payment is not made to the "mortgagee" the liability on the guaranty nevertheless shall be reduced as provided in paragraph (b) of this section

with respect to an uninsured loss, except to the extent that the liability under the policy was discharged by restoring the damaged property, by the insurer, or out of payments thereunder to the insured, or otherwise. No waiver pursuant to paragraph (a) of this section shall modify this paragraph.

(e) Upon the "creditor" (or trustee or other person) collecting the proceeds of any insurance contract, or other sum from any source by reason of loss of or damage to the "mortgaged" property, he shall be obligated to account for same, by applying it on the indebtedness, or by restoring the property to the extent the expenditure of such proceeds will permit. As to any portion of such proceeds the "mortgagee" is not entitled to retain for credit on such indebtedness or by reason of other legal right, he shall hold and be obligated to pay over the same as trustee for the United States and for the debtor, as their respective interests may appear.

(f) Nothing in these regulations shall operate to prevent the veteran from procuring acceptable insurance through any authorized insurance agent or broker he selects. In all cases the insurance carrier shall be one licensed to do such business in the State wherein the property is situated.

§ 36.4116 *Loan charges.* (a) In the case of a purchase of real or personal property by the veteran and a guaranty pursuant to the act and these regulations of an indebtedness representing part of the purchase price, there may be charged to the veteran and included in said note amounts actually paid or incurred by the seller ("mortgagee") for such expenses and charges as are chargeable to such purchaser in accord with local custom, if the purchaser so agrees, such as fees for appraisals, credit and character report on the veteran, surveys, fees of purchaser's (not seller's) attorney, recording fees for recording the deed and the "mortgage" only, premiums on fire and other hazard insurance that may be required in accordance with these regulations.

(b) In the case of a loan to the veteran, charges in accord with local custom, such as fees for appraisals, credit and character report, surveys, abstract, or title search, curative work and instruments, attorney fees, fees for tax certificates showing all taxes paid, premiums on fire and other hazard insurance that may be required in accordance with these regulations, revenue stamps, recording fees, etc., all limited to amounts actually paid or incurred by the lender, may be charged to the borrower and withheld from the gross amount of the loan.

(c) Any unreasonable charges shall be ground for denying an application for guaranty. No brokerage or other charges shall be made against the veteran for obtaining any loan guaranty under this title.

§ 36.4117 *Interest.* (a) The rate of interest chargeable on a loan guaranteed fully or in part, shall not exceed 4 per centum per annum on unpaid principal balances. Interest may be computed in accordance with standard amortization practices.

(b) The rate of interest on a secondary loan which is guaranteed pursuant to section 505 of the act may exceed by not more than 1% per annum the rate charged on the principal loan, but in no event shall the rate on the secondary loan exceed 4% per annum.

§ 36.4118 *Advances.* (a) Nothing herein shall prevent the creditor from making advances for the benefit of the mortgagor to pay taxes, assessments and insurance premiums as they become due, and the cost of emergency repairs needed to protect the property. The amount guaranteed by the Administrator shall be increased pro rata with all such increases in the unpaid principal balance of the loan: *Provided*, (1) That the annual interest rate on all advances shall not exceed 4 per centum per annum; (2) that the terms of repayment shall not extend the date of the amortization of the loan and (3) that the amount of the guaranty shall in no event exceed the original amount thereof, nor exceed the percentage of the indebtedness originally guaranteed.

(b) In the case of any advance made by a creditor to a debtor, the creditor with the consent of the debtor may apply any and all payments made by the debtor for a period of twelve months to the liquidation of the advance without considering the original loan in default. This shall not be construed to extend the period of indulgence contemplated by §§ 36.4134 and 36.4135.

§ 36.4119 *Construction loans.* Under certain circumstances loans relating to new construction may be guaranteed pursuant to the act. (See § 36.4132.)

GUARANTY BY THE ADMINISTRATOR

§ 36.4120 *Limits.* In no event will the aggregate obligations of the United States as guarantor under Title III exceed \$2,000 in respect to one veteran, whether there be one or several loans, and whether some are obtained for the acquisition of a home, others for a farm, and others for business, or equipment, or other purposes. Repayment of a loan or loans in whole or in part, or transfer of the encumbered property does not modify or enlarge such limitation. The guaranty shall not at any time exceed 50 per centum of the aggregate of the indebtedness for any of the purposes specified in sections 501, 502 and 503 of the act.

§ 36.4121 *Second loan under section 505 (a).* Section 505 (a) of the act provides that when the principal loan for any of the purposes stated in sections 501, 502 or 503 is "approved by a Federal agency to be made or guaranteed or insured by it pursuant to applicable law and regulations, and the veteran is in need of a second loan to cover the remainder of the purchase price or cost, or a part thereof", the Administrator may guarantee the full amount of the second loan, *Provided*:

(a) It does not exceed 20 per centum of the purchase price or cost.

(b) The amount guaranteed together with all other guarantees under Title III for the same veteran does not exceed \$2,000.

(c) The loan conforms to all other applicable requirements of these regulations.

§ 36.4122 *Two or more eligible veterans or borrowers.* (a) In the absence of a statement to the contrary, an application signed by two or more eligible veterans shall be conclusively presumed to be an application by each for the guaranty of an equal proportionate part of the entire amount to be guaranteed: *Provided, however*, That if husband and wife execute the application, both being eligible veterans, it will be conclusively presumed in the absence of a contrary statement in the application that it is an application for guaranty on behalf of the husband only, unless the amount of the guaranty then available to the husband is insufficient to meet the requirement of the case for guaranty of a proper amount under these regulations and the terms of the application; in which event the deficiency may be charged against the amount available to the wife, unless she has in the application or otherwise (before approval) stated in writing her unwillingness to be so charged.

(b) The Administrator will not require a wife to sign an application made by her husband. If she also is an eligible veteran and desires to exercise her right as such to obtain a guaranty, a separate application by her will be required. Signature of her husband to indicate his pro forma joinder will be required only when the wife is resident of, or the application is signed in, or the property to be encumbered is situated in, a State under the laws of which such contract cannot be legally executed by a married woman alone as in the case of an unmarried woman.

§ 36.4123 *Maximum liability where there are two or more veterans.* (a) For the purpose of determining the maximum amount of the potential liability of the United States under a guaranty incident to an obligation on which two or more eligible veterans who applied for the guaranty are liable, the obligation will be deemed a several, and not a joint, obligation of the respective applicants who were charged with the guaranty or a part thereof notwithstanding that as among the debtors or any of them, and as between them, or any of them, and the creditor, the obligation is in fact and law a joint obligation or a joint and several obligation.

(b) In no event will the amount of any veteran's debt thereunder be deemed to exceed for guaranty purposes the amount for which each veteran is legally liable to the holder of the obligation, nor the value of the interest of the veteran in the property. If more than one of the obligors is an eligible veteran and application by him or them is granted, the maximum aggregate amount of the guarantees will be the sum of the amounts available to each applying veteran but in no event will the aggregate of the guarantees for more than one veteran exceed 50 per centum of the total loan except as provided under section 505 of the act.

(c) For the purpose of § 36.4123 the wife of a principal obligor shall not be counted unless (1) she is legally liable on the obligation under the law of the jurisdiction where she executed it, and (2) if she is a veteran she be properly

chargeable with a part or all of the guaranty as provided in § 36.4122.

§ 36.4124 *Veteran's application.* (a) To apply for a guaranteed loan the veteran and the prospective lender shall complete and sign in duplicate Form 1822, Application for Farm Loan Guaranty. Before or after preparing the application, and before submitting it, the lender and the veteran will address a joint inquiry to the nearest office of the Veterans Administration on Form 1800, Certification of Eligibility, or otherwise. In addition to the necessary identifying information, they will state whether the property to be encumbered is real or personal, or both, the State and county in which it is situated, and the nearest highway. The Administrator will reply on said Form 1800 or otherwise, stating the name and address of an approved appraiser of realty, and in the case of personal property, the person or persons to function as such.

(b) If instructed by the Administrator so to do, on Form 1300, Certification of Eligibility, or otherwise, the creditor will secure a credit report. If not so instructed such report will not be required by the Veterans Administration. (See paragraph (d) of this section.)

(c) If the proposed loan is for repairs, alterations or improvements to realty the appraisal report shall reflect an examination of the building contract, and the plans and specifications, if any, and shall include appropriate data sufficient to afford a basis for estimating the increased value of the farm to result from such repairs, alterations or improvements: *Provided, however,* That if the cost of such repairs, alterations and improvements does not exceed \$500 the appraisal requirements of these regulations will be met by an appraisal report by the agency, and no plans or detailed specifications will be required as a condition to a guaranty otherwise proper. Such appraisal report may be abbreviated and consist of bill of material, estimate of labor cost, general description of the work to be done, and opinion of the agency as to reasonable normal value, and the enhancement of the value of the property.

(d) The veteran, the lender, and the appraiser shall be entitled, before or during the preparation of the application and other papers preliminary to a loan or purchase, to consult with the agency.

(e) In every case the appraiser's report shall indicate the basis, by survey or otherwise, of identifying the real property appraised as that to be encumbered to secure the proposed loan.

(f) If (1) the loan does not exceed \$500, (2) the lender does not require a mortgage, and (3) the loan otherwise complied with these regulations, the provisions of paragraphs (b), (c) and (e) of this section; paragraphs (d), (e) and (h) of § 36.4125; paragraphs (a), (c) and (d) of § 36.4130; subparagraphs (2) and (3) of paragraph (a) of § 36.4131; and paragraphs (c) and (e) of § 36.4132 shall be inapplicable to such loan and any guaranty thereof: *Provided, however,* That in every such case there shall be submitted with the application a report by the agency as to the reasonable normal value of the work, or property, real

or personal, to be purchased, repaired, altered, or improved.

(g) If the guaranty is applied for in connection with the acquisition of, or a loan upon livestock, equipment, machinery, or implements, the agency shall upon inspection or evidence and review of the application report its opinion as to the reasonable normal value of such property, and its recommendation as to the guaranty. Such report shall constitute an appraisal.

§ 36.4125 *Papers required.* The prospective lender shall submit to the agency the following papers:

(a) Certification of eligibility (see § 36.4124 (a)).

(b) Loan Guaranty Certificate (Form 1821 attached to application).

(c) Original application for guaranty signed by prospective lender and borrower (see § 36.4124 (a)).

(d) The credit report, if required. (See § 36.4124 (b) and (d).)

(e) The original appraisal report, Form 1833. (See § 36.4124 (c), (f) and (g).)

(f) Copy of purchase option, if any; and copy of conditional sales agreement if loan is to be predicated on such an instrument.

(g) Proposed loan closing statement of the estimated amounts to be disbursed by the lender for the account of the borrower (see Form 1806).

(h) Unless stated in the mortgage, or otherwise in the papers submitted, a statement of the kinds and amounts of insurance to be required to protect the mortgagor, the lender and the Administrator against loss by fire and other hazards, and the estimated premium cost thereof. (See § 36.4115.)

(i) When applicable, the original and copy (both signed) of Form 1862, Application to Amend Loan Guaranty Certificate. (See § 36.4131 (c) and (d).)

§ 36.4126 *Recommendation for approval of guaranty.* The Agency shall review the papers to determine whether it will recommend approval of the application for guaranty. Thereupon the Agency shall forward all the papers to the appropriate office of the Administrator with recommendation that (a) the Administrator approve the application, or (b) he disapprove it. If disapproval is recommended the reasons therefor shall be stated in writing at the time the papers are forwarded. A recommendation that the application be approved, shall be appropriately endorsed on the original of the application. If more than one person functions as or for the Agency in making such recommendation each such person shall sign the recommendation made, indicating concurrence or dissent. In case any such person fails to participate in the decision or is absent, the appropriate fact and name of such person shall be noted on the recommendation.

§ 36.4127 *Administrator's action on application.* (a) Upon receipt of the papers from the Agency, the Administrator will determine whether to approve the application. If disapproved he shall return to the proposed lender all papers received from the lender except the original application for guaranty and the

original appraisal report and shall state that the application for guaranty has been denied and the reasons therefor. He shall send a copy of the letter to the veteran and the Agency. Upon denial any expenses incurred by the lender or the borrower shall be borne by them or either of them as they shall have agreed.

(b) (1) The veteran and the proposed lender, or either, may appeal to the Administrator for review of a denial of the application.

(2) Such appeal may be by letter, or on any prescribed form, and shall be mailed or delivered to central office of the Veterans Administration within one month after receipt of notice of denial.

(c) (1) If for any reason the loan transaction is not concluded and the same or another lender thereafter wishes to consider making a loan on the same security described in the original application, a supplemental application, if the same lender, or a new application if a different lender, may be submitted. If accompanying it is a statement by the borrower and lender that the condition of the security is substantially the same as when the appraisal report was made, the supplemental or new application may be approved without a new appraisal, if the supplemental or new application shall have been received by the Administrator within three months from the date of the appraisal report.

(2) Without reference to the time limit stated in subparagraph (1) hereof, a copy of the appraisal report will be supplied without cost to a prospective new lender or to the original proposed lender at the currently prescribed price for a copy.

§ 36.4128 *Execution and form of guaranty.* (a) If the Administrator approves the application he shall notify the Agency and the veteran thereof. For the purpose of evidencing the contract of guaranty, he shall execute a Loan Guaranty Certificate, to become effective upon the conditions therein stated. It shall be in substantially the form following:

Finance Form 1821
Nov. 1944

UNITED STATES OF AMERICA

LOAN GUARANTY CERTIFICATE ISSUED BY VETERANS' ADMINISTRATION

State -----
(Where property is located)

Number L.F. -----
(To be filled in by V. A.)

(Lender) (Exactly as Payee's name will appear on note)

(Borrower-Veteran) (Exactly as to be signed on note and mortgage)

(House or Box Number—R.F.D. or Street—Post Office—County)

(State)

(House or Box Number—Street—Post office—County)

(State)

I

A. This certificate shall become effective when the requirements of the statute and regulations have been complied with and the acts certified in Part III hereof have been accomplished in compliance with said requirements.

B. When it becomes effective as hereinabove prescribed, this certificate shall obligate the United States of America to pay to the legal holder of the "note" described on the reverse hereof upon his duly filing claim therefor:

1. All or such portion of the maximum amount hereby guaranteed as becomes payable upon the conditions, at the times stated in, and in accordance with the provisions of the Servicemen's Readjustment Act of 1944 (38 U. S. Code 693; 58 Stat. 284), and the regulations issued pursuant thereto which are in effect on the date of this certificate. In no event will the obligation under this certificate exceed \$2,000. Subject to the foregoing, this guaranty is for _____ per centum of the principal amount of said "note", but not for more than \$_____. In no event will it exceed said percentage of the principal amount.

2. At the expiration of 1 year from the date of the "note", an amount equal to the interest for 1 year at the contract rate on that portion of the indebtedness ("note") originally guaranteed hereby, such payment to be credited on the indebtedness as prescribed by said regulations.

C. Executed on behalf of the United States of America by the Administrator of Veterans' Affairs, through the undersigned authorized agent on this date, to become effective in the manner hereinabove prescribed.

Dated _____

ADMINISTRATOR OF VETERANS' AFFAIRS

By _____ (Authorized Agent)

At _____ (Post Office)

NOTE: If loan is not closed the proposed lender, or when paid the holder of the note will mark this certificate "Cancelled", sign thereunder and return the Veterans' Administration.

II

Description of property to be "Mortgaged" (Lot and block, section and township, land lot and Land District, etc., and surveyor's field notes where appropriate and any other language proper to complete description. Include description of personal property, (if any). Describe fully: show serial numbers, if available, or any other means of identification.

Premises identified as _____ (Name of farm, if any, and R. F. D. also number or name of nearest highway)

(City, Town, Village)

(County, Parish)

(State, District, Territory)

and further described as: _____

(If more space is needed, detach and continue description on reverse)

III

CERTIFICATION BY BORROWER AND LENDER

A. We hereby warrant that (1) the undersigned borrower named on the reverse hereof executed the note, the face amount of which is \$_____ consisting of \$_____ principal and \$_____ interest as defined in the Regulations; (2) it is dated _____ day of _____ 19____; (3) borrower(s) and mortgagor(s) delivered it together with the "mortgage" (as defined in the regulations) bearing the same date, and executed to secure payment of said note; (4) said note and mortgage are in the form and type contemplated in the application of the undersigned pursuant to which this loan guaranty certificate was issued; and (5) the principal stated above has been paid to, or according to the directions of, the undersigned borrower(s).

B. The undersigned lender warrants that (1) the same "mortgage," duly executed and witnessed, acknowledged, or proved as required by law, was properly filed, or filed for record, if and as provided by law on the _____ day of _____, 19____; at _____ M; and was given file No. _____ by the Recorder of other proper official; (2) that it covers the property described on the reverse hereof, which is the same property described, or otherwise identified, or referred to, in the above-mentioned application for guaranty and in this loan guaranty certificate, or in the application to amend loan guaranty certificate, if any, applicable to such loan; (3) that no lien superior to said "mortgage" has intervened since the date of said application; and (4) if the approved application for guaranty related to a loan wholly or partly to be secured by a hypothecation or a pledge of personal property, such hypothecation or pledge has become effective by appropriate delivery to the lender and no superior lien has intervened since date of application.

(If a corporation) (All signatures must be in ink)

Mr. _____
Mrs. _____
Miss _____
Lender(s)

(Secretary)

By _____
Title (president, vice president, etc.)

Mr. _____
Mrs. _____
Miss _____
Mr. _____
Mrs. _____
Miss _____
Borrower(s)

NOTE 1. If the note is unsecured, references to "mortgage" in paragraph "A" and "B" above are inapplicable. (See Regulations, § 36.4108, Par. (c).)

NOTE 2. If the local law provides for filing only, not recording, chattel mortgages or similar instruments paragraph "B" above nevertheless is to be completed. It refers not only to the County Recorder or Clerk, but also the State Commissioner of Motor Vehicles or other officials who keep motor vehicle mortgage records, and to other similar officials, State or County. (See § 36.4133 of Regulations.)

§ 36.4129 Disposition of papers. The original application for guaranty and the appraisal report will be retained in the files of the Veterans Administration. The Loan Guaranty Certificate and all other papers will be forwarded to the proposed lender with instructions as to closing the loan in a manner to make the guaranty effective.

§ 36.4130 Loan procedure after approval of guaranty. Upon receipt of the papers from the Administrator, the lender shall:

(a) Satisfy himself by "title certificate", as defined in these regulations, as to the title to the real estate to be encumbered (§ 36.4100 (p)), and satisfy himself in such reasonable manner as may be available as to the title to personal property to be encumbered.

(b) Cause all necessary instruments to be properly signed and those to be filed, or filed and recorded, properly witnessed, acknowledged or proved so as to entitle them to filing or recordation.

(c) Disburse all funds in substantial accord with the proposed loan closing statement submitted with the application. (See § 36.4125 (g) and Form 1806 or 1861.)

(d) File with the proper State, County or other public official to be retained

where required, or recorded and returned, the "mortgage", and any other appropriate instrument which under the law of the State is required or permitted to be filed or recorded for the purpose of establishing a valid lien as between the parties, or third persons, or of giving actual or constructive notice of the "mortgage," pledge, hypothecation, or other transaction.

(e) Take possession or do any other necessary act to make effective the pledge, or hypothecation, if any.

§ 36.4131 Report of closing loan.

(a) Within two months after closing the loan and filing with appropriate public official of the proper instruments, or the taking of other appropriate steps, if any, to make the lien effective, the lender shall complete and forward to the Administrator (using prescribed form, if available) a properly signed report of closing the loan stating that:

(1) The disbursement of the amount named in such report as the principal of the note has been completed by the lender, which amount may be not more than 3% in excess of the amount of the proposed loan as stated in the original application for guaranty, without complying with the procedure stated in paragraphs (c) and (d) of this section.

(2) Such disbursements were as estimated on the loan closing statement submitted with the application, except as otherwise stated on the reverse side of the report of closing loan. (See §§ 36.4116 (a) and 36.4125 (g) and Form 1806 or 1861.)

(3) The note and the mortgage (or other security instrument) were properly executed, stating the date, and the latter was duly acknowledged, witnessed, or proved, so that it was legally eligible for filing and in which it was properly filed and the filing number thereof; or in the case of a pledge, or hypothecation the necessary possession, or other steps were taken to make same effective.

(4) The note was dated (stating the date thereon) and signed by the debtor; the actual principal amount thereof; and the rate of interest provided therein.

(5) The Loan Guaranty Certificate (stating its L-Number) was completed, and appropriately signed by the lender and the borrower as therein provided.

(b) If the lender is a corporation, its corporate seal shall be impressed on such report.

(c) If the transaction to be closed is essentially the same as indicated in the original application except that:

(1) The amount of the loan actually to be made is more than 103% of the amount stated in the application, or

(2) Personal property to be acquired differs from that described but is for the same use or purpose, and substantially similar in kind, quality and value.

Form 1862, Application to Amend Loan Guaranty Certificate, will be completed and signed in duplicate.

(d) The lender will forward the original and copy of Form 1862, Application to Amend Loan Guaranty Certificate, to the "Agency," which will recommend approval or disapproval and forward both to the Veterans Administration office which issued the Loan Guaranty Certificate. Such office will determine whether

to approve the Application to Amend Loan Guaranty Certificate. Such determination will be based on the original application, the evidence submitted in or with the original application, the application to amend, the recommendation of the Agency, and such other evidence, if any, as it considers necessary. Notice of action will be given as in the case of original applications. If approved such approval will be appropriately indicated on the original, and such original, duly executed by the Veterans Administration will be forwarded to the lender. It may be attached to the original Loan Guaranty Certificate to evidence amendment thereof as reflected by such "rider."

§ 36.4132 *Construction loans.* (a) Upon the submission to an Agency of an application made pursuant to section 502 of the Act for the guaranty of a loan for construction on a farm owned by the veteran, or for repairs, alterations or improvements thereon (hereinafter collectively referred to as "construction loans") the guaranty will be issued to become effective only upon completion thereof, and upon fulfillment of the same requirements of these regulations as are applicable to the guaranty of loans for the acquisition of residential or non-residential farm buildings other than by construction.

(b) Notwithstanding the provisions of paragraph (a) of this section, the guaranty mentioned therein may become effective without the entire amount of the loan having been disbursed if:

(1) Complete disbursement is prevented, in the exercise of ordinary care, by reason of the filing of mechanics' liens or other liens, or other controversy or threat of litigation, as to entitlement to any part of the proceeds of such loans; and

(2) There is paid to an escrow agent approved by the Administrator so much of such proceeds as have not been disbursed, or other arrangements satisfactory to the Administrator have been made for assuring the availability of such sums; and

(3) There is issued by the Administrator Form 1863, Approval of Escrow Certificate, which may be attached to the Loan Guaranty Certificate.

(c) For construction loans the lender will follow the procedure provided in §§ 36.4124 to 36.4131, inclusive, for the guaranty of loans for the purchase of farms, and in addition will furnish to the Agency:

(1) Complete plans and specifications, except as provided in § 36.4124 (c). When complete plans and specifications are not required the data mentioned in said paragraph (c) will be supplied unless § 36.4124 (g) is applicable, in which event the requirements will be those stated therein.

(2) An estimate, prepared by a qualified appraiser, of the normal agricultural value of the property on which the improvements will be situated together with a separate estimate of the increased value of the property which will result from the improvements according to the plans and specifications or other data. (See § 36.4124 (c).) Such estimates of value are in addition to the appraiser's report, otherwise required;

(3) A copy of the agreement or agreements (which may be unsigned) on which the proceeds of the proposed loan will be disbursed.

(d) Upon the receipt of such papers the Agency will follow the procedure prescribed in § 36.4126 and submit same to the Administrator for action as prescribed in §§ 36.4127 and 36.4128.

(e) The Loan Guaranty Certificate shall become effective only upon the conditions stated in § 36.4130 and in addition the further condition that there be supplied to the Administrator a statement by an appraiser on Form 1803 (a), Statement by Appraiser on Completion of New Construction. It shall recite that:

(1) He has inspected the construction, repairs, alterations, or improvements.

(2) The same have been constructed and completed in substantial conformity with the contract, the plans and specification, (if any), and any authorized changes therein (if any), permitted by these regulations, or, in those cases embraced in § 36.4124 (c) or § 36.4124 (f) there are no plans and specifications, within good building practices.

(3) The increased value of the property as completed and which will be encumbered is substantially in accord with his estimate.

(f) During the course of construction the Administrator shall be entitled at his expense, to cause such inspection of the construction work at such time or times as he may determine.

(g) Upon compliance with the requirements of this section and of §§ 36.4130 and 36.4131 relating to the guaranty becoming effective in other than construction loan cases, said Loan Guaranty Certificate shall become effective as originally executed (and subject to § 36.4131), or as amended pursuant to approval of application therefor on Form 1862, Application to Amend Loan Guaranty Certificate. (See § 36.4131 (c) (d).)

(h) The borrower and lender may contract for the payment to the lender of a reasonable sum for the advance of funds during the construction and supervision or inspection of the construction.

(i) Minor changes may be made in the plans and specifications or substitution of material of substantially equal quality or value, as the creditor, the debtor, and the builder (contractor) may agree if same are not of a major character and in the aggregate do not increase or decrease the cost more than five per centum of the contract price. This does not modify the provisions of § 36.4131. Changes or substitutions other than as herein stated must have the approval of the Administrator.

§ 36.4133 *When guaranty does not apply.* The guaranty shall not cover any loss sustained by the creditor as the result of:

(a) The acceptance by the mortgagee of a "mortgage" on any real or personal property, title to which is not merchantable;

(b) Failure of the mortgagee to procure a duly recorded lien of the dignity required by these regulations; or a lien of such dignity by filing, without recording, if lawful, or by pledge or otherwise as required or permitted by applicable law in the jurisdiction where the prop-

erty is situated at the time the loan is closed.

(c) Failure of the mortgagee to comply with § 36.4115 with respect to insurance,

(d) A tax sale pursuant to execution, or otherwise as provided by law, occasioned by nonpayment of taxes accruing against the mortgaged property after the date of the "mortgage" if "mortgagee" fails to give notice to the Administrator of the delinquent taxes at least one month before such sale.

(e) A release by the creditor of the lien on any of the real or personal property securing the guaranteed loan, or any part thereof unless the Administrator consents in writing. Such consent may be granted if the debt is appropriately reduced or on such other terms as the Administrator may determine: *Provided however*, That if the land is sought by a public authority for highway or other purposes, consent is hereby given for the creditor to release without consideration or for such consideration as he deems proper and without reference to the Administrator, the creditor's lien on land without any buildings thereon if the land so released does not exceed five percent of the acreage encumbered and does not exceed \$200 in value. The same consent is hereby given when the release, easement grant, or other instrument is sought by a public or private agency, or person, for the purpose of pipe line, telephone, telegraph or electric transmission lines: *Provided, however*, That when such releases, or grants by the lender for any one or more of the purposes stated in this paragraph, or otherwise, with or without specific consent by the Administrator, shall have decreased the security as much as five percent in acreage, or \$200 in value, no further releases shall be executed, without consent of the Administrator. If release of lien is executed contrary to the provisions of these regulations the amount of the guaranty will be reduced proportionately in the same manner as if the value of the released property were applied as a credit on the unpaid balance of the loan. The provisions of this paragraph will not be construed to affect the guaranty in the event of any grant of title or easement that leaves unaffected the lien on the property affected thereby; or

(f) Sale by reason of foreclosure of a superior lien if the holder of the guaranteed loan secured by a subordinate lien has knowledge of such foreclosure sale as much as 10 days prior thereto and fails to notify the Administrator of the time and place thereof.

CLAIM UNDER A GUARANTY

§ 36.4134 *Default.* (a) In the event of default, not cured, continuing three months on an amortized loan or one month on a term loan the "creditor" may elect to assert claim under the guaranty, and give notice thereof to the Administrator.

(b) If any default occasioned by failure seasonably to pay to the "creditor" entitled any amount of principal or interest due him under the contract (not cured) shall have persisted as long as six months the holder of the indebtedness shall give notice thereof to the Ad-

ministrator notwithstanding the failure results from payments on "advances" as provided in § 36.4118 or from any indulgence of the debtor as provided in §§ 36.4135 and 36.4141.

(c) (1) The notice shall state the loan guaranty number if available. If not available other identifying data shall be included, such as date and amount of original obligation, location of Veterans' Administration office that issued the guaranty and the property encumbered.

(2) In all cases the notice shall state the name and last known address of the debtor, of the veteran, and of the creditor, and the date and manner of default, and amount past due. If he desires, the creditor may also state his views as to any indulgence that should be extended.

(3) The notice to the Administrator shall be mailed by registered mail or personally delivered in exchange for a written receipt within one month after the expiration of said six months' period.

§ 36.4135 Claim on notice of default.

(a) In the notice of default, or separately, then, or later, the creditor may make claim under the guaranty.

(b) Then or thereafter the creditor may also give notice of his intention to foreclose the lien or liens securing the indebtedness.

(c) The Administrator may approve the creditor's request, if any, to postpone action to press his claim against the mortgagor, or the property. Such postponement with the consent of the Administrator, shall not operate to void or diminish the ultimate liability under the guaranty. In no event shall indulgence or postponement of action authorized by these regulations impair any right of the creditor to thereafter proceed within the applicable statute of limitations period as if there had been no indulgence or postponement.

§ 36.4136 Legal action. (a) The creditor shall not begin action in court or give notice of sale under a power of sale, until the expiration of 30 days after receipt by the Administrator of the notice of intention to foreclose. Notwithstanding paragraph (a) of § 36.4134 such notice may be given at any time after default.

(b) (1) If the circumstances require immediate action to protect the interest of the creditor or the Administrator, the Administrator may waive the requirement for prior notice if notice of the action taken is immediately given.

(2) Without limiting the foregoing, the existence of conditions justifying the appointment of a Receiver for the property shall be sufficient excuse for beginning suit without prior notice to the Administrator if within ten days after commencement of the suit or action, plaintiff gives the Administrator notice thereof.

§ 36.4137 Notice of suit and subsequent sale. (a) Within ten days after beginning suit or causing notice of sale without suit to be given, the creditor shall notify the Administrator thereof by registered mail, or by personal delivery of notice in exchange for written receipt. The notice shall state whether the foreclosure will be by proceeding in court, or under a power of sale; the style

and number of the suit, if any, and the name and location of the court in which pending.

(b) The creditor shall give written notice to the Administrator by registered mail (or delivery) of any foreclosure sale, judicial, or under a power of sale; or of any proposed termination of the rights of any vendee or his immediate or remote guarantee (assignee) pursuant to any power or option in a sales contract, or in any other instrument affecting the property which constitutes any security for the obligation guaranteed. Such notice shall be given so that it is received at least thirty days before such sale or other proposed action. It shall state the date, hour and place thereof. The Administrator may bid thereon on the same terms as the lender or other bidders, and may exercise any right the debtor could exercise by virtue of the contract, or any statute, or otherwise. This section is applicable whether the suit, or the sale, or termination, occur before or after payment of the guaranty.

§ 36.4138 Death of veteran or other owner.

(a) In the event the creditor has knowledge of the death of the veteran or of any owner of an interest in the encumbered property, or the death of any other person liable on the indebtedness which is guaranteed in whole or in part, the creditor shall take such steps, if any, as are legally necessary, and reasonably available, in the jurisdiction where the encumbered property is situated, to avoid loss of the lien, or impairment thereof, or of all or part of the proceeds of any sale of the property as a result of, or incident to, such death, or of any probate proceedings thereby occasioned in said jurisdiction.

(b) In addition to protecting the lien rights as required by paragraph (a) of this section, the creditor at his discretion may proceed in probate, or otherwise, as may be permissible and feasible, in any jurisdiction where administration proceedings are pending or properly may be instituted, or other appropriate legal action taken, against assets or persons, to assert any rights, by means of any remedies, therein available to a similarly situated creditor of the decedent.

(c) Upon direction of the Administrator and his designation of an accessible attorney for the purpose, and making appropriate provisions for advancing or paying the costs and expenses of the proceeding, the creditor shall proceed as provided in paragraph (b) of this section: *Provided, however,* That in any case the Administrator may, at his option, proceed immediately in respect to protecting the lien, or asserting claim as contemplated by paragraph (b) of this section, or as to both remedies. If the Administrator takes action, it may be in his name or the name of the creditor as the Administrator may elect and as may be appropriate under applicable law. If action is taken by the Administrator he shall seasonably notify the creditor thereof.

(d) Nothing in this section shall impair any right of set-off or other right or remedy of the Administrator.

§ 36.4139 Death or insolvency of creditor. (a) Immediately upon the death of the "creditor" and without the

necessity of request or other action by the debtor or the Administrator, all sums then standing as a credit balance in a "trust," or "deposit," or other account, to cover taxes, insurance accruals, or other items in connection with the loan secured by the encumbered property, whether stated to be such or otherwise designated, and which have not been credited on the "note" shall, nevertheless, be treated as a set-off and shall be deemed to have been credited thereon as of the date of the last debit to such account, so that the unpaid balance of the note as of that date will be reduced by the amount of such credit balance: *Provided, however,* That any unpaid taxes, insurance premiums, rents, or advances may be paid by the holder of the indebtedness, at his option, and the amount which otherwise would have been deemed to have been credited on the note reduced accordingly. This section shall be applicable whether the estate of the deceased creditor is solvent or insolvent.

(b) The provisions of paragraph (a) of this section shall also be applicable in the event of:

(1) Insolvency of creditor;

(2) Initiation of any bankruptcy or reorganization, or liquidation proceedings as to the creditor, whether voluntary or involuntary;

(3) Appointment of a general or ancillary receiver for the creditor's property; or, in any case

(4) Upon the written request of the debtor if all accrued and due insurance premiums, taxes, and rents have been paid, and appropriate provisions made for future accruals.

(c) Upon the occurrence of any of the events enumerated in paragraph (a) or (b) of this section interest on the note and on the credit balance of the "deposits" mentioned in paragraph (a) shall be set-off against each other at the rate payable on the principal of the note, as of the date of last debit to the deposit account. Any excess credit of interest shall be treated as a set-off against the unpaid "advances", if any, and the unpaid balance of the note.

(d) The provisions of paragraphs (a), (b) and (c) of this section shall apply also to corporations. The dissolution thereof by expiration of charter, by forfeiture, or otherwise, shall be treated as is the death of an individual as provided in paragraph (a).

§ 36.4140 Filing claim under guaranty. Claim under the guaranty may be made on Form 1864, Claim under the Guaranty. Subject to the limitation that the total amount payable under the guaranty shall in no event exceed the original amount thereof, the amount payable under the guaranty shall be the percentage of the indebtedness originally guaranteed applied to the indebtedness (as defined in § 36.4100 (m)), computed as of the date of the claim, and reduced by any payments theretofore made by the United States pursuant to the guaranty.

§ 36.4141 Options available to Administrator. Upon receipt of claim under the guaranty, or notice of intention to foreclose, the Administrator shall have the following options:

(a) Pay to the creditor not later than one month after receipt of notice of any default, as a partial payment of any actual or potential claim under the guaranty, the amount of principal, interest, taxes, advances, or other items in default; and in consideration of such payment the lender shall be deemed to have agreed to refrain from giving effect to any acceleration provisions by reason of defaults prior to the date of notice of default theretofore given: *Provided, however*, That unless the creditor consents, the Administrator may exercise this option once only, and in an amount not exceeding an amount equivalent to the aggregate of principal and interest payable in one year, or not exceeding ten per centum of the original amount of the guaranty, whichever sum is less.

(b) Pay the creditor within one month after receipt of claim the full amount payable under the guaranty without requiring foreclosure, or personal action.

(c) Pay to the creditor promptly after receipt of claim any amount agreed upon, not exceeding the amount due under the guaranty; and notify him to institute appropriate foreclosure proceedings, with or without legal action to reduce the debt to judgment, against all or any of the parties liable thereon, and whose names are stated in such notice to the creditor.

(d) If the creditor does not begin appropriate action within two months after receipt of notice to institute action as provided in paragraph (c) of this section, the Administrator shall be entitled to begin and prosecute the same to completion in the name of the creditor, or of the Administrator on behalf of the United States, as may be appropriate under applicable laws and rules of procedure; *Provided, however*, That in such event the Administrator shall pay (in advance if required under the practice in the jurisdiction) all court costs, and other expenses, and provide the legal services required.

§ 36.4142 *Refinancing and extension of guaranty.* (a) When the Administrator shall have received notice from the creditor that he intends to institute foreclosure proceedings, the Administrator shall be entitled to obtain a refinancing which will prevent the consummation of the foreclosure sale. Nothing herein shall be construed to require a creditor to lend money for such refinancing.

(b) If refinanced in any manner the Administrator may continue in effect the guaranty granted with respect to the previous loan in such manner as to cover the loan which affected the refinancing.

(c) The Administrator in appropriate cases shall be entitled to exercise any redemption rights of a debtor, or a creditor, in connection with the loan guaranteed or property rights arising out of, or incident to such loan.

§ 36.4143 *Subrogation.* (a) Any amounts paid to the creditor by the Administrator pursuant to the guaranty shall constitute a debt due to the United States by the veteran on whose application the guaranty was made; and by his estate upon his death. The Administra-

tor is subrogated to the contract and the lien rights of the creditor to the extent of such payments, but junior to the creditor's rights as against the debtor or the encumbered property until the creditor shall have received the full amount payable under his contract with the debtor. No partial or complete release by the creditor of the debtor or of the lien shall impair any rights of the Administrator, by virtue of the lien, or otherwise.

(b) The creditor, upon request, shall execute, acknowledge and deliver an appropriate instrument tendered him for that purpose, evidencing any payment received from the Administrator and the Administrator's resulting right of subrogation.

§ 36.4144 *Future action against mortgagor.* In addition to the amount, if any, collected from the proceeds of the encumbered property by reason of the right of subrogation, the United States will collect from the veteran, or his estate, by set-off against any amounts otherwise payable to the veteran or his estate; or in any other lawful manner, any sums disbursed by the United States on account of the claim pursuant to the guaranty.

§ 36.4145 *Suit by Administrator.* (a) Whenever pursuant to these regulations, the Administrator institutes, or causes to be instituted by the creditor, or otherwise, any suit in equity; action at law; or probate proceedings or the filing of a claim in such; or other legal or equitable proceedings of any character, or any sale, in court or pursuant to any power of sale, the person or persons properly instituting the same (including the Administrator) shall be entitled to recoup from any proceeds realized therefrom any expenses reasonably incurred, including trustee fees, court costs, and attorney fee paid (or the reasonable value of the services of the trustee and of the attorney, if performed by salaried person or persons, or by the party himself, when proper).

(b) The net proceeds, after setting off such items that may properly be recouped, shall be credited to the indebtedness, or otherwise as may be proper under the facts.

(c) In determining the propriety of recoupment and the amount thereof consideration shall be given to any provisions in the "note" or "mortgage" relating to such items, and any amounts actually realized pursuant thereto.

§ 36.4146 *Creditor's records and reports required.* (a) The creditor shall maintain a record of the amounts of payments received on the obligation and disbursements chargeable thereto, and the dates thereof. Any creditor who fails to maintain such record shall be presumed to have received on the dates due all sums which by the terms of the contract are payable prior to date of claim for default, and the burden of going forward with evidence and of ultimate proof of the contrary shall be on such creditor; not on the debtor, or the United States.

(b) On any delinquent loan the creditor shall report annually on the anniversary

of the earliest unremedied default any amount received or disbursed, the unpaid balance of principal and accrued interest and any other items chargeable; and the nature of any defaults not already reported. He shall include such additional information, if reasonably necessary and obtainable, which may from time to time be requested by the Administrator.

(c) A proposed lender may be required to submit evidence satisfactory to the Administrator of his equipment for maintenance of adequate records on, and his ability to service, loans if guaranteed pursuant to the provisions of the Act and these regulations.

§ 36.4147 *Failure to supply information.* Failure to supply any available information required by these regulations within two months after request therefor will entitle the Administrator to obtain such information otherwise, and the expense of so obtaining it, plus ten dollars to cover estimated overhead expenses, shall be chargeable to the creditor who failed to comply with such request.

§ 36.4148 *Notice to Administrator.* Any notice required by these regulations to be given the Administrator shall be sufficient if in writing, and delivered at, or mailed to, the Veterans Administration office at which the application for guaranty was approved or to any changed address of which the creditor has been given notice or, at the option of the creditor, to the central office of the Veterans Administration, Washington 25, D. C. If mailed the notice shall be by registered mail when so provided by these regulations.

§ 36.4149 *Right to inspect books.* The Administrator has the right to inspect, at a reasonable time and place the papers and records pertaining to the loan and guaranty. If permission to inspect is declined the Administrator may enforce the right by subpoena under the provisions of Title III of Public No. 844, 74th Congress, 49 Stat. 2031-35, 38 U.S.C. 131, or in any other lawful manner.

§ 36.4150 *Forms, construction to be placed on references to.* All references in the regulations to Form 1800, Certification of Eligibility, or to other form numbers, shall be construed to include any revision of the same forms, identified by the same, or by different numbers.

§ 36.4151 *Disqualified lenders and bidders.* Except under unusual circumstances and upon prior approval by the Administrator an application for guaranty of a loan will not be approved if the lender is known to be an employee of the Veterans Administration or of the Agency; and without such approval, an employee of either may not bid at a foreclosure sale of the security for a guaranteed loan.

[SEAL]

FRANK T. HINES,
Administrator.

DECEMBER 8, 1944.

[F. R. Doc. 44-18638; Filed, Dec. 8, 1944;
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UNITED STATES OF AMERICA
VETERANS ADMINISTRATION

GUARANTY OF LOANS

Regulations Under Title III

(PURCHASES OF BUSINESSES, ETC.)

SERVICEMEN'S READJUSTMENT ACT OF 1944

(Public Law 346—78th Congress)

(Chapter 268—2d Session)

(58 Statutes at Large 284)

(38 U. S. Code 693 et seq.)



(NOTE: This pamphlet covers the subject of Guarantee of Loans for the purchases of businesses, etc., pursuant to Section 503 of the Act. The subjects of Guaranty of Home Loans and of Guaranty of Loans for the Acquisition of Farms and Farm Equipment have been printed in separate pamphlets. This pamphlet also includes changes in and additions to the regulations under Title III governing the Guaranty of Home Loans (§§ 36.4000 to 36.4049), and the Guaranty of Loans on Farms and Farm Equipment (§§ 36.4100 to 36.4151).)

This publication may be procured from the
Superintendent of Documents, U. S. Government Printing Office,
Washington 25, D. C., at 5 cents per copy.

FOREWORD

The Servicemen's Readjustment Act of 1944 and these regulations constitute a part of each contract of guaranty issued by the Administrator of Veterans Affairs on behalf of the United States of America, pursuant to Title III of said Act.

The officials and employees of the Veterans Administration from time to time assigned to duties in connection with the administration of the Act shall act on behalf of the Administrator of Veterans Affairs, and when so acting within the scope of authority delegated to them shall for all purposes of the Act and these regulations be deemed to be acting for said Administrator.

Central Office of the Veterans Administration, Washington 25, D. C., is the main office of the Administrator of Veterans Affairs. The functions pursuant to Title III of the Act will also be performed in field offices of the Veterans Administration from time to time designated for that purpose. Transactions and communications with, and contracts by such designated field offices shall have the same effect as if with, or made by, Central Office.

These regulations should be carefully read. The completed application or

other papers submitted should be carefully examined by the applicants, (borrowers and lenders) in order to be certain of accuracy and avoid any possible embarrassment resulting from errors.

It will facilitate the service of the Veterans Administration to the veterans and the lenders if, in correspondence, reference is made to the appropriate section numbers, if any, involved in the subject of the correspondence.

In view of the large number of veterans with the same or similar names, it is important not only in correspondence, but also in documents to use the veteran's full first name instead of his initial only, and also his middle initial. If unobjectionable, it will be helpful to use his full middle name. In addition to the full name, other available identifying data should be used in correspondence, such as serial number allocated to the veteran while in active service, rank, and organization at date of discharge, current residence address, etc. In mortgages and other documents it will be desirable to use the service serial number in addition to the full name, although if there is objection the number will not be required. If there has been a guaranty ap-

plication previously submitted by the veteran and the number assigned thereto by the Veterans Administration is known, that number should be used in all communications; and on all documents pertaining to that application.

It should be clearly understood that the Act does not authorize the Veterans Administration or the Administrator of Veterans Affairs to lend money to the veteran under Title III; but only to guarantee loans within the prescribed limitations.

NOTICE

Federal statutes provide severe penalties including forfeitures, fines and imprisonment, for fraud on the part of the applicant and also as to "any person who shall knowingly make or cause to be made, or conspire, combine, aid, or assist in, agree to, arrange for, or in any wise procure the making or presentation of a false or fraudulent affidavit, declaration, certificate, statement, voucher, or paper, or writing purporting to be such" concerning any application for the guaranty of a loan by the Administrator. (38 U. S. C. A. 697, 715, 450, 451, 454 (a), 556 (a); 18 U. S. C. A. 80.)

**PART 36—REGULATIONS UNDER SERVICE-
MEN'S READJUSTMENT ACT OF 1944¹**

**GUARANTY OF LOANS ON PURCHASES OF
BUSINESSES, ETC.**

The following regulations govern the guaranty of loans on businesses, etc., under Title III of the Servicemen's Readjustment Act of 1944:

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- 36.4200 Definitions.
- (a) Administrator.
- (b) United States.
- (c) State.
- (d) Designated agency or agency.
- (e) Federal agency.
- (f) Guaranty.
- (g) Mortgage.
- (h) Secondary or junior loans.
- (i) Guaranteed loan.
- (j) (1) Business.
- (2) Business loan.
- (3) Business realty loan.
- (4) Purchased or to be purchased.
- (k) Reasonable normal value.
- (l) (1) Land.
- (2) Buildings.
- (3) Personal property.
- (4) Supplies.
- (5) Equipment.
- (m) Indebtedness.
- (n) Note.
- (o) Appraiser.
- (p) Certificate of title.
- (q) Credit report.
- (r) Eligible veteran.
- (s) Eligible lenders.
- (t) Creditor.
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- 36.4201 Miscellaneous.
- LOANS ELIGIBLE FOR GUARANTY**
- 36.4202 Eligible location.
- 36.4203 Loans for business purposes.
- 36.4204 Loans for the acquisition of a business.
- 36.4205 Loans for purchase of equipment and supplies.
- (a) Loans for the purchase of equipment, machinery or tools (new or used).
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- 36.4206 Second loans to complete a purchase.
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- (a) Loans for the purchase of business realty (land, building).
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- 36.4209 Transfer of title.
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GUARANTY BY THE ADMINISTRATOR

- 36.4220 Limits.
- 36.4221 Second loan under section 505 (a).
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- 36.4223 Maximum liability where there are two or more veterans.
- 36.4224 Veteran's application.
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- 36.4226 Recommendation for approval of guaranty.

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- 36.4228 Execution and form of guaranty.
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- 36.4231 Report of closing loan.
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- CLAIM UNDER A GUARANTY**
- 36.4234 Default.
- 36.4235 Claim on notice of default.
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- 36.4237 Notice of suit and subsequent sale.
- 36.4238 Death of veteran or other owner.
- 36.4239 Death or insolvency of creditor.
- 36.4240 Filing claim under guaranty.
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- 36.4247 Failure to supply information.
- 36.4248 Notice to Administrator.
- 36.4249 Right to inspect books.
- 36.4250 Forms, construction to be placed on references to.
- 36.4251 Disqualified lenders and bidders.

AUTHORITY: §§ 36.4200 to 36.4251, inclusive, issued under 58 Stat. 284.

§ 36.4200 *Definitions.* Wherever used in §§ 36.4200 to 36.4251, inclusive, unless the context otherwise requires, the terms defined in this section shall have the meaning herein stated, namely:

(a) "Administrator" means the Administrator of Veterans Affairs or any employee of the Veterans Administration designated by him to act in his stead.

(b) "United States" used geographically means the several States, Territories and possessions, and the District of Columbia.

(c) "State" means any of the several States, Territories and possessions, and the District of Columbia.

(d) "Designated agency" or "agency" as used in respect to processing applications for guaranty of loans, means any Federal instrumentality designated by the Administrator (including Veterans Administration if so designated) to certify whether an application meets the requirements of the Act and regulations, and recommend whether the application should be approved if the applicant is found eligible.

(e) "Federal agency" as used with respect to agencies making, guaranteeing or insuring primary loans, means any Executive Department, or administrative agency or unit of the United States Government (including a corporation essentially a part of the Executive Branch) at any time authorized by law to make, guarantee or insure such loans.

(f) "Guaranty" means the obligation of the United States of America assumed by virtue of the guaranty by the Administrator as provided in Title III of the Servicemen's Readjustment Act of 1944 (58 Stat. 284; 38 U.S.C. 693) and subject to the limitations and conditions thereof and of §§ 36.4200 to 36.4251, inclusive. The subject of the guaranty is that portion of an eligible loan procured by an eligible veteran which may be subject to being guaranteed as provided in said

Title III, as determined by the Administrator upon application in accordance with §§ 36.4260 to 36.4251, inclusive.

(g) "Mortgage" means an applicable type of security instrument commonly used or legally available to secure loans or the unpaid portion of the purchase price of real or personal property in a State, District, Territory, or possession of the United States of America in which the property is situated. It includes, for example, deeds of trust, security deeds, escrow instruments, real estate mortgages, conditional sales agreements and chattel mortgages.

(h) "Secondary" or "junior" loan means a loan which is secured by a lien or liens subordinate to any other lien or liens on the same property.

(i) "Guaranteed loan" means a loan unsecured, or secured by a primary lien, or where permissible under the act and §§ 36.4200 to 36.4251, inclusive, a secondary lien, which loan is guaranteed in whole or in part by the Administrator as evidenced by endorsement thereon; or by Loan Guaranty Certificate issued by the Administrator, and which shall have become effective as prescribed by §§ 36.4200 to 36.4251, inclusive, or by such other legal evidence as may be provided by the Administrator.

(j) (1) "Business" means any gainful occupation or profession other than farming which constitutes the applicant's major occupation.

(2) "Business loan" means an obligation for all or part of the purchase price, or a loan obtained for the purpose of paying all or part of the purchase price of (i) the entire, or a part interest in, an existing business enterprise whether it is, or is to be operated by an individual, partnership or joint venture, and includes leasehold rights as lessor or lessee of real or personal property a part of such enterprise and similarly good will, franchise rights, and rights as licensee, (ii) supplies, machinery, equipment or tools.

(3) "Business realty loan" means a loan for the purchase of land or buildings or both to be used by the applicant in pursuing a gainful occupation other than farming. Leasehold rights included in subparagraph (2) will not be deemed "business realty."

(4) "Purchased or to be purchased" as used in section 503 (1) of the act refers to real or personal property to be used for a purpose stated in section 503 of the act, whether the property is purchased contemporaneously with such application, or is to be purchased subsequent thereto. But as to any loan for a future purchase the guaranty will become effective only from the time the purchase is consummated.

(k) (1) "Reasonable normal value" for the purposes of the act is that which can be justified as a fair and reasonable price to be paid for the real or personal property for the purposes for which it is being acquired, assuming a reasonable business risk, but without undue speculative or other hazard as to the future of such value.

(2) The purpose and intent are to assure that the price to be paid is not in excess of that on which a fair profit

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can be earned based on (i) the past record, if any; (ii) the reasonable probabilities of the future; and (iii) reasonably efficient management.

(1) (1) "Land" as used in section 503 of the act refers to an interest in realty defined in this section, and subject to the conditions therein.

(i) An interest in realty may be a fee simple estate, or certain other estates indicated in subdivisions (i) to (vi) of this subparagraph (1) (including an estate for years) eligible as security for guaranteed loans. But in any event the estate shall be one limited to end at a date more than 14 years after the ultimate maturity date of the loan, or when the fee simple title shall vest in the lessee; except that, if it is a leasehold that terminates earlier, it shall nevertheless be acceptable if lessee has the irrevocable right to renew for a term ending more than 14 years after the ultimate maturity date of the loan or until the fee simple title shall vest in lessee: *Provided* The mortgagee obtains a mortgage lien of the required dignity upon such option right or anticipated reversion or remainder in fee.

(ii) A life estate or other estate of uncertain duration is excluded, unless the remainder interests are also encumbered by a lien of the same dignity to secure the same debt.

(iii) A remainder interest in realty shall be eligible as security for a guaranteed loan only in the event that all the owners of intervening immediate or remainder interests lawfully can and do (a) joint in the mortgage in such manner as to subject all such intervening estates to the lien; or (b) execute and deliver a lease or other proper conveyance to the owner of the ultimate remainder in fee simple in such manner as to assure his legal right to possession and enjoyment until the vesting of his ultimate remainder interest.

(iv) If other than a fee simple estate or estate for years with minimum duration as stated in subdivision (i) of this subparagraph (1) is offered as security full information may be submitted to the Administrator before taking application from the veteran. The Administrator shall determine the eligibility of any such estate.

(v) The existence of any of the following will not require denial of the guaranty; hence will not require special submission:

(a) Outstanding easements for public utilities, party walls, driveways, and similar purposes;

(b) Customary building or use restrictions for breach of which there is no reversion and which have not been violated to a material extent;

(c) Slight encroachments by adjoining improvements;

(d) Outstanding water, oil, gas or other mineral, or timber rights which do not and will not materially impair the value for business purposes, and which are customarily waived by prudent lenders in the community: *Provided, however*, That if there is outstanding any legal right to quarry, mine or drill within 400 feet of the encumbered building the ap-

plication for guaranty may be denied for that reason unless upon consideration of all the facts the Administrator determines otherwise. Such determination at the option of the lender or borrower may be obtained upon a special submission of all the facts prior to taking application for guaranty.

(vi) A mortgage on an undivided interest in realty shall not be acceptable unless all co-tenants of the veteran join in the mortgage, and unless such joinder has the legal effect of creating a lien on the property such as is otherwise required. In such case it shall not be required that the co-tenants join in, endorse, or otherwise become personally liable on the veteran's indebtedness. Notwithstanding such joinder in the mortgage by the co-tenants the value of the security for purpose of guaranty shall be determined with respect to the individual interest of the veteran only, and the guaranty will be limited to the proper proportion of that sum, irrespective of the actual amount of the loan.

(2) "Buildings" as used in section 503 of the act refer to structures of a permanent nature which are attached to and become a part of the land.

(3) "Personal property" means tangible or intangible property other than land or buildings as defined in paragraph (1) (1) and (1) (2) of § 36.4200 if such property is to be used in a business conducted by the veteran as prescribed in §§ 36.4200 to 36.4251, inclusive. It includes property which by reason of the contract of the seller and purchaser remains personalty notwithstanding that except for such contract it would become a "fixture," or otherwise a part of the realty.

(4) "Supplies" mean those articles normally used, necessary and expended in the operation of a business or profession, including those required by the service industries, both personal and industrial.

(5) "Equipment, machinery and tools" mean all such articles commonly so described, and which are required for use in pursuing a gainful occupation other than the resale thereof and which will be useful and reasonably necessary for the efficient and successful pursuit of such occupation. Equipment shall include structures which by operation of law or the terms of the applicable lease or other contract of the parties, do not become a part of the realty, and which may be removed without consent, or further consent, of the land owner.

(m) "Indebtedness" means the unpaid principal and accrued interest on the note, bond or other obligations, the subject of the guaranty, and includes also taxes, insurance premiums and any other items for which the debtor is liable under the terms of the mortgage, or other contract, including proper contractual or statutory trustee fees and attorney fees, if any.

(n) "Note" means a promissory note, a bond, or other instrument evidencing the debt and the debtor's promise to pay same.

(o) "Appraiser" means an individual or firm or corporation of recognized

standing, approved in writing by the Administrator to appraise property. An applicant for designation as an approved appraiser shall show to the satisfaction of the Administrator that he is of good character and that his experience and information enable him to form sound opinions as to the reasonableness of the purchase price or cost of property to be appraised in the territory in which he expects to operate.

A list of appraisers, considered by the Administrator to be in good standing at the time §§ 36.4200 to 36.4251, inclusive, become effective, may be approved.

(p) "Certificate of title" means, with respect to real property, a written and signed opinion or statement as to title by a qualified member of the bar of, or by a title company authorized to do such business in, the jurisdiction in which the mortgaged property is situated; or at the option of borrower and lender a title insurance or guaranty contract by a corporation authorized to engage in such business in the State wherein the property is situated; or appropriate evidence of title in the proposed encumbrancer pursuant to a Torrens or other similar title registration statute.

(q) "Credit report" means the report submitted by any credit reporting agency of at least five years' experience with facilities for national coverage, approved by the Administrator, or any other form of report acceptable to the Administrator for the purpose of determining the applicant's credit standing.

(r) "Eligible veteran" means a veteran who:

(1) Served in the active military or naval service of the United States on or after September 16, 1940, and before the officially declared termination of World War II.

(2) Shall have been discharged or released from active service under conditions other than dishonorable, either

(i) After active service of ninety days or more, or

(ii) Because of injury or disability incurred in service in line of duty, irrespective of the length of service; and

(3) Applies for the benefits of this Title within two years after separation from the military or naval forces, or within two years after the officially declared termination of World War II, whichever is later. In no event, however, may an application be filed later than five years after such termination of such war.

(s) "Eligible lenders" are persons, firms, associations, corporations and "governmental agencies and corporations, either State or Federal".

(t) "Creditor" means the payee or any subsequent holder of the indebtedness, and includes a mortgagee.

(u) "Debtor" means the maker of the note or obligor in any other obligation, or any other person who is, or becomes, liable thereon, by reason of a contract of assumption or otherwise.

(v) "Used or conducted by a veteran" means personally directed and operated by a veteran on the site, with or without hired labor; not solely operated by a tenant or an employee who does not receive supervision and direction by the veteran.

(w) "Interest" means the compensation fixed by law or by the parties to a contract, for the use or detention of, or forbearance with respect to, money, irrespective of the name applied to such compensation.

§ 36.4201 *Miscellaneous.* Throughout §§ 36.4200 to 36.4251, inclusive, unless the context otherwise requires: (a) the singular includes the plural; (b) the masculine includes the feminine and neuter; (c) person includes corporations, partnerships and associations; (d) month means calendar month, i. e., the period beginning on a certain date in one month and ending at midnight on the preceding date of the next month; (e) "the act" or "the statute" means the Servicemen's Readjustment Act of 1944, Ch. 268—78th Congress—2d Session, (Public No. 346), 58 Stat. 284; 38 U.S.C. 693; (f) Title III means Title II of the act.

LOANS ELIGIBLE FOR GUARANTY

§ 36.4202 *Eligible location.* To be eligible for guaranty a loan for any of the purposes stated in section 503 must be in connection with an enterprise which has its principal place of business within the United States and any real or personal property encumbered to secure a loan shall be situated within the United States. Temporary removal for use in the course of the business will not affect the guaranty if the lien is not affected.

§ 36.4203 *Loans for business purposes.* Section 503 of the act provides for granting to an eligible veteran "the guaranty of a loan to be used in purchasing any business, land, buildings, supplies, equipment, machinery, or tools, to be used by the applicant in pursuing a gainful occupation (other than farming)." The application, therefore, may be approved by the Administrator if he finds that:

(a) The proceeds of such loan will be used for payment for real or personal property purchased or to be purchased by the veteran and used by him in the bona fide pursuit of such gainful occupation;

(b) Such property will be useful in and reasonably necessary for the efficient and successful pursuit of such occupation;

(c) The ability and experience of the veteran, and the conditions under which he proposes to pursue such occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such occupation;

(d) The purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal; and

(e) The loan appears practicable.

§ 36.4204 *Loans for the acquisition of a business.* (a) The assets to be acquired may consist of real or personal property, tangible or intangible, or a combination of any such. The business so acquired may be operated by an individual or a partnership. The appropriate contracts or circumstances shall assure that upon acquisition of the contemplated interest in the business enterprise the veteran, as sole owner or as partner, shall have an

active part in the management and direction thereof. The ultimate maturity of such loans shall not be in excess of 5 years.

(b) When the veteran purchases an interest in an existing business which interest will constitute security for a guaranteed loan, the bill of sale or other appropriate instrument shall expressly provide that the good will is included, and when appropriate, and in every case in the service industries, shall contain appropriate provisions, lawful in the jurisdiction, forbidding or restricting the seller's engaging in a similar business within such period of time and such area as the seller and purchaser agree. Encumbrance on interests in the business so acquired shall include all such rights, and in all cases, encumbrances on business interests shall expressly include good will.

(c) (1) To the extent practicable and legally permissible, all assets of the business acquired shall be pledged as security for the loan.

(2) Cash, notes, accounts receivable and other choses in action not an integral part of the business may be excluded.

(3) The lien on personalty may be a secondary lien provided the first lien secures only an obligation for part of the purchase price thereof.

(4) If realty is acquired in the transaction the lien on the realty shall be a first lien unless § 36.4206 is applicable.

(d) If the indebtedness of the veteran is not adequately secured by lien on the entire interest in specific chattels or other personal property but is secured by undivided interests in specific chattels or other personal property, or in a business enterprise owned by more than one person, the requirement of paragraph (1) (vi) of § 36.4200, relating to undivided interests in realty shall be applicable to the interests in said chattels or business or other personal property.

(e) Loans for the acquisition of additional inventory or for other working capital purposes are not included in the act.

§ 36.4205 *Loans for purchases of equipment and supplies—*(a) *Loans for the purchase of equipment, machinery or tools (new or used).* (1) A loan for the entire purchase price of such articles, to be guaranteed in whole or in part, shall be secured by a conditional sales agreement, or by a first lien. The ultimate maturity of such loans shall not be in excess of 3 years.

(2) A loan for the initial payment on the purchase price of such articles shall not exceed one-third of the purchase price and subject to the same limitation shall not exceed \$1,000.00. The ultimate maturity of such loans shall not be in excess of one year for loans which do not exceed \$500.00, or 2 years for loans exceeding \$500.00. Loans for such purposes shall be secured by second lien.

(3) In an event will application for guaranty be granted in respect to an obligation for the unpaid purchase price or any part thereof if application for guaranty shall have been granted (or is

pending) in respect to the initial payment on the purchase price of the same property as contemplated by subparagraph (2).

(b) *Loans for the purchase of supplies.* A loan for the purpose of purchasing supplies as defined in § 36.4200 (1) (4) may be made if the loan does not exceed \$1,000.00 and the maturity does not exceed 1 year. Such loans may be unsecured if security is not practicable or customary.

§ 36.4206 *Second loans to complete a purchase.* If the loan secured by a first lien is made, guaranteed or insured by a Federal Agency pursuant to law or regulation applicable thereto as provided in section 505 (a) of the act, and application is made to the Administrator to guarantee a second loan to cover all or part of the purchase price, such application may be granted if otherwise proper under the act and §§ 36.4200 to 36.4251, inclusive, notwithstanding the loan is not secured by a first lien.

In such case the second loan shall not exceed 20% of the purchase price and the rate of interest shall not exceed 4% per annum.

§ 36.4207 *Life insurance, or additional security.* The lender and borrower may make mutually acceptable arrangements for life insurance, or for other security in addition to the property, if any, encumbered to secure the guaranteed loan.

§ 36.4208 (a) *Loans for the purchase of business realty (land, building).* Except as provided in section 505 of the act, loans for the purpose of purchasing business realty and in respect to which any guaranty is sought, shall be secured by a first lien on such property; but the existence of tax or special assessment prior liens will not disqualify security which is adequate and otherwise acceptable.

(b) *Mortgages required on business realty.* (1) Each business realty loan guaranteed under the provisions of Title III must be evidenced by a note or notes secured by appropriate security instrument or instruments (mortgage legally sufficient in the jurisdiction in which the property to be encumbered is situated). If the loan to be guaranteed does not exceed \$500 and the lender does not require a mortgage, the Administrator may nevertheless guarantee such loan provided it complies otherwise with the act and §§ 36.4200 to 36.4251, inclusive.

(2) The law of the State where the contract is made determines the capacity of the parties to contract. Similarly the law of the State wherein the real estate or personal property is situated determines the capacity of mortgagor to encumber and of the mortgagee to hold the legal rights resulting from encumbrance. The act does not modify such law of the State. The guaranty by the Administrator will be available only in the event that under the applicable State law the contract between the borrower and lender is binding on both, and the mortgage has the legal effect intended. Subparagraph (2) of this paragraph will be applicable particularly in cases involving minors, "persons of unsound mind,"

and persons under other legal disability by reason of the law of the State. It will be applicable also in cases involving mortgage or other loans which any guardian, conservator, or other fiduciary seeks to make or obtain; and to a guaranty thereof for which application is submitted.

(3) A term loan, which is in accord with applicable State or Federal law, and regulations, if any, may be eligible for guaranty if the amount of the loan to be guaranteed plus the unpaid amount of all obligations secured by liens superior to the lien securing the proposed loan does not exceed two-thirds of the reasonable normal value of the property encumbered to secure the loan and if the ultimate maturity date of the mortgage indebtedness so secured, and to be guaranteed, is not more than five years from the date of the note. Such superior liens shall not be mortgage liens, except when the guaranty is issued pursuant to section 505 of the act.

(4) Except as provided in subparagraph (3) of this paragraph the loan shall be amortized. The obligation to be amortized may, and except for the first year shall, require such periodical payments of stated sums as will in accordance with standard amortization practice result in payment of the entire principal and interest within not more than 20 years from the date of the loan, or the date of assumption by the veteran, whichever is later. At the request of the mortgagor the payments during the first year shall be less than the amount required thereafter, by the sum representing the interest charge on the guaranteed part of the loan, and which interest charge the Administrator will pay at the end of that year.

§ 36.4209 *Transfer of title.* The conveyance or other transfer of a veteran's interest in a business, or in other property, real, personal or mixed, which has been acquired wholly or in part with the proceeds of a loan guaranteed in whole or in part by the Administrator, shall not terminate or otherwise affect the contract of guaranty, unless (a) the creditor by express agreement for that purpose releases or otherwise discharges the veteran from personal liability thereon; or (b) by indulgence of, or by agreement with, the veteran's immediate or remote grantee, or vendee, contrary to §§ 36.4200 to 36.4251, inclusive, and without the consent of the Administrator the creditor so alters the contract made by the veteran with the lender as to cause discharge of the veteran by operation of law.

§ 36.4210 *Obligation of guarantor.* To the extent prescribed the obligation of the United States is that of a guarantor, not an indemnitor.

§ 36.4211 *Contract provisions.* Subject to the provisions of the act and §§ 36.4200 to 36.4251, inclusive, the contract between the lender and borrower may contain such provisions as they agree upon and which are reasonable and customary in the locality where the property is situated.

§ 36.4212 *Repayment provisions, business loans.* (a) Subject to §§ 36.4204, 36.4205 and 36.4208 the terms of repayment of the loan to be guaranteed may be such as the lender and borrower agree. Such terms should be predicated primarily upon the anticipated earning capacity of the business, the nature and normal useful life of the security, if any, and other material factors that would be considered by reasonably prudent persons similarly situated. Generally, such loans should be repayable on a monthly, quarterly, or seasonally amortized basis. An unamortized loan, except as provided in § 36.4208 (b) (3) will not be guaranteed.

(b) The loan agreement may provide for variable amortization payments dependent upon the earnings of the business, and for such other reasonable protective options as usually are required by prudent lenders of the community in comparable transactions.

(c) Any loan guaranteed by the Administrator under Title III of the act shall be payable in full in not more than twenty years.

§ 36.4213 *Prepayments.* (a) When the debt is to be amortized the note or other evidence thereof, or the mortgage securing same, shall contain appropriate provisions granting any person liable for such debt, the right to pay at any time the entire unpaid balance or any part thereof. Unless otherwise agreed all such prepayments shall be credited to the unpaid principal balance of the loan as of the due date of the next instalment. No premiums shall be charged for any partial or entire prepayment.

(b) Any person liable shall be entitled to prepay a term loan, or any part thereof, upon not less than one month's notice. The note or mortgage shall so provide.

(c) Any prepayment shall be applied in the manner and to the items directed by the person making the prepayment.

§ 36.4214 *Pro rata decrease of guaranty.* The amount of the guaranty shall decrease pro rata with any decrease in the amount of the unpaid principal of the loan, prior to the date the claim is submitted.

§ 36.4215 *Insurance coverage required.*

(a) Buildings the value of which enter into the appraisal forming the basis for the loan guaranteed shall be insured against fire, and other hazards against which it is customary in the community to insure and in reasonable amount, at least equal to the amount by which the loan exceeds the value of the encumbered land, plus that of the improvements included in the appraisal but which are not subject to the hazards insured against: *Provided*, That upon a satisfactory showing at the time of application for guaranty that (1) it is impossible or impracticable to obtain such insurance because of location, prohibitive cost, or other good reason; (2) prudent lenders in such community customarily do not require such insurance, or some portion thereof (amount or hazard), and (3) the lender submitting the application is willing to make the loan without insurance coverage on one or

more of the buildings, or without certain coverage, or in a reduced amount, and subject to the provisions of paragraphs (b) and (c) of this section; the Administrator may at the time of approving the application waive all or part of such insurance requirements, subject to the provisions of said paragraphs (b) and (c) of this section. No waiver will be granted on the basis of premium cost in any case wherein the premium cost on an annual basis does not exceed \$5.00 per \$1,000 of insurance against the hazard of fire, or \$10.00 per \$1,000 for fire and all other hazards covered by the insurance. For loans on personality, insurance collectible in amount equal to the debt and against the hazards usually insured against, if reasonably available, at reasonable cost shall be required. The insurance coverage on personality will be a factor in determining the practicability of the loan. The procuring of insurance of the amount and coverage stated in the approved application shall constitute conclusive evidence of waiver by the Administrator of insurance in excess of the amount stated in or in connection with the application and also all hazards and property not mentioned therein as hazards and property to be covered.

The creditor shall require that there be maintained in force such insurance of the coverage stated in the approved application in an amount not less than the amount stated or the amount of the unpaid indebtedness whichever is the lesser.

In the event insurance becomes unavailable the fact shall be reported to the Administrator for determination whether waiver shall be granted or loan declared in default.

(b) For the sole purpose of determining the amount payable upon a claim under the guaranty after an uninsured loss (partial or total) has been sustained, the unpaid balance of the loan (except as provided in paragraph (c) of this section) will be deemed to have been reduced by an amount equal to the amount of the uninsured loss, but in no event below an amount equal to the value of the land and other property remaining and subject to the mortgage.

(c) There shall be no reduction of the amount of the guaranty as provided in paragraph (b) of this section by reason of an uninsured loss which is uninsured (as to hazard or amount) by reason of a waiver by the Administrator as provided in paragraph (a) of this section.

(d) All insurance effected on the mortgaged property shall contain appropriate provisions for payment to the creditor (or trustee, or other appropriate person for the benefit of the creditor), of any loss payable thereunder. If by reason of the creditor's failure to require such loss payable provision in the insurance policy payment is not made to the mortgagee the liability on the guaranty nevertheless shall be reduced as provided in paragraph (b) of this section with respect to an uninsured loss, except to the extent that the liability under the policy was discharged by restoring the damaged property, by the insurer, or out of payments thereunder to the insured, or otherwise. No waiver pursuant

to paragraph (a) of this section shall modify this paragraph (d).

(e) Upon the creditor (or trustee or other person) collecting the proceeds of any insurance contract, or other sum from any source by reason of loss of or damage to the mortgaged property, he shall be obligated to account for same, by applying it on the indebtedness, or by restoring the property to the extent the expenditure of such proceeds will permit. As to any portion of such proceeds the mortgagee is not entitled to retain for credit on such indebtedness or by reason of other legal right he shall hold and be obligated to pay over the same as trustee for the United States and for the debtor, as their respective interest may appear.

(f) Nothing in §§ 36.4200 to 36.4251, inclusive, shall operate to prevent the veteran from procuring acceptable insurance through any authorized insurance agent or broker he selects. In all cases the insurance carrier shall be one licensed to do such business in the State wherein the property is situated.

§ 36.4216 *Loan charges.* (a) In the case of a purchase of business or real or personal property by the veteran, and a guaranty pursuant to the act and §§ 36.4200 to 36.4251, inclusive, of an indebtedness representing part of the purchase price, there may be charged to the veteran and included in said note amounts actually paid or incurred by the seller (mortgagee) for such expenses and charges as are chargeable to such purchaser in accord with local custom, if the purchaser so agrees, such as fees for appraisals, credit and character report on the veteran, surveys, fees of purchaser's (not seller's) attorney, recording fees for recording the deed (or other conveyance) and the mortgage only, premiums on fire and other hazard insurance that may be required in accordance with §§ 36.4200 to 36.4251, inclusive.

(b) In the case of a loan to the veteran, charges in accord with local custom, such as fees for appraisals, credit and character report, surveys, abstract, or title search, curative work and instruments, attorney fees, fees for tax certificates showing all taxes paid, premiums on fire and other hazard insurance that may be required in accordance with §§ 36.4200 to 36.4251, inclusive, revenue stamps, recording fees, etc., all limited to amounts actually paid or incurred by the lender, may be charged to the borrower and withheld from the gross amount of the loan.

(c) Any unreasonable charges shall be grounds for denying an application for guaranty. No brokerage or other charges shall be made against the veteran for obtaining any loan guaranty under this title.

§ 36.4217 *Interest.* (a) The rate of interest chargeable on a loan guaranteed fully or in part, shall not exceed 4 per centum per annum on unpaid principal balances. Interest may be computed in accordance with standard amortization practices.

(b) The rate of interest on a secondary loan which is guaranteed pursuant to section 505 of the act may exceed by not more than 1% per annum the rate

charged on the principal loan, but in no event shall the rate on the secondary loan exceed 4% per annum.

§ 36.4218 *Advances.* (a) Nothing herein shall prevent the creditor from making advances for the benefit of the mortgagor to pay taxes, and assessments on the real property (if any) securing the indebtedness, insurance premiums as they become due and the cost of the emergency repairs needed to protect the some particular emergency requirement of the business other than a working capital requirement, in order to prevent a default or to protect the security for the loan. The amount guaranteed by the Administrator shall be increased pro rata with all such increases in the unpaid principal balance of the loan; *Provided*, That (1) the annual interest rate on all advances shall not exceed 4 per centum per annum; (2) the terms of repayment shall not extend the date of the amortization of the loan, (3) the amount of the guaranty shall in no event exceed the original amount thereof, nor exceed the percentage of the indebtedness originally guaranteed, and (4) as to advances to cover an emergency requirement, the transaction is reported to the Administrator before or within 10 days after such advance, and is approved by him.

(b) In the case of any advance made by a creditor to a debtor, the creditor with the consent of the debtor, may apply any and all payments made by the debtor for a period of twelve months to the liquidation of the advance without considering the original loan in default. This shall not be construed to extend the period of indulgence contemplated by §§ 36.4234 and 36.4235.

GUARANTY BY THE ADMINISTRATOR

§ 36.4220 *Limits.* In no event will the aggregate obligations of the United States as guarantor under Title III exceed \$2,000 in respect to one veteran, whether there be one or several loans, and whether some are obtained for the acquisition of a home, others for a farm, and others for business, or equipment, or other purposes. Repayment of a loan or loans in whole or in part, or transfer of the encumbered property does not modify or enlarge such limitation. The guaranty shall not at any time exceed 50 per centum of the aggregate of the indebtedness for any of the purposes specified in sections 501, 502 and 503 of the act.

§ 36.4221 *Second loan under section 505 (a).* Section 505 (a) of the act provides that when the principal loan for any of the purposes stated in section 501, 502 or 503 is "approved by a Federal agency to be made or guaranteed or insured by it pursuant to applicable law and regulations, and the veteran is in need of a second loan to cover the remainder of the purchase price or cost, or a part thereof," the Administrator may guarantee the full amount of the second loan, *Provided*:

(a) It does not exceed 20 per centum of the purchase price or cost.

(b) The amount guaranteed together with all other guarantees under Title III

for the same veteran does not exceed \$2,000.

(c) The loan conforms to all other applicable requirements of §§ 36.4200 to 36.4251, inclusive.

§ 36.4222 *Two or more eligible veterans or borrowers.* (a) In the absence of a statement to the contrary, an application signed by two or more eligible veterans shall be conclusively presumed to be an application by each for the guaranty of an equal proportionate part of the entire amount to be guaranteed; *Provided, however*, That if husband and wife execute the application, both being eligible veterans, it will be conclusively presumed in the absence of a contrary statement in the application that it is an application for guaranty on behalf of the husband only, unless the amount of guaranty then available to the husband is insufficient to meet the requirements of the case for guaranty of a proper amount under §§ 36.4200 to 36.4251, inclusive, and the terms of the application; in which event the deficiency may be charged against the amount available to the wife, unless she has in the application or otherwise (before approval) stated in writing her unwillingness to be so charged.

(b) The Administrator will not require a wife to sign an application made by her husband. If she also is an eligible veteran and desires to exercise her right as such to obtain a guaranty, a separate application by her will be required. Signature of her husband to indicate his pro forma joinder will be required only when the wife is resident of, or the application is signed in, or the property to be encumbered is situated in, a State under laws of which such contract cannot be legally executed by a married woman alone as in the case of an unmarried woman.

§ 36.4223 *Maximum liability where there are two or more veterans.* (a) For the purpose of determining the maximum amount of the potential liability of the United States under a guaranty incident to an obligation on which two or more eligible veterans who applied for the guaranty are liable, the obligation will be deemed a several, and not a joint, obligation of the respective applicants who were charged with the guaranty or a part thereof notwithstanding that as among the debtors or any of them, and as between them, or any of them, and the creditor, the obligation is in fact and law a joint obligation or a joint and several obligation.

(b) In no event will the amount of any veteran's debt thereunder be deemed to exceed for guaranty purposes the amount for which such veteran is legally liable to the holder of the obligation, nor the value of the interest of the veteran in the property. If more than one of the obligors is an eligible veteran and application by him or them is granted, the maximum aggregate amount of the guaranty will be the sum of the amounts available to each applying veteran but in no event will the aggregate of the guarantees for more than one veteran exceed 50 per centum

of the total loan except as provided under section 505 of the act.

For the purpose of § 36.4223 the wife of a principal obligor shall not be counted unless (1) she is legally liable on the obligation under the law of jurisdiction where she executed it, and (2) if she is a veteran she be properly chargeable with a part or all of the guaranty as provided in § 36.4222.

§ 36.4224 *Veteran's application.* (a) To apply for a guaranteed loan the veteran and the prospective lender shall complete and sign in duplicate Form 1842, Application for Business or Business Realty Loan Guaranty, Form 1842b, if loan does not exceed \$5,000, and both that form and Form 1842c, if the loan exceeds \$5,000, Supplement to Application for a Business or Business Realty Loan Guaranty (Exhibit A and Exhibit B). Before or after preparing the application, and before submitting it, the lender and the veteran will address a joint inquiry to the regional office or combined facility having jurisdiction of the territory in which the veteran resides whether the proposed borrower is eligible and the amount of his available guaranty. This information will be supplied on Form 1800, Certification of Eligibility. In addition to the necessary identifying information, they will state whether the property to be encumbered is real or personal, or both, the State and county in which it is situated and the nearest highway. The Administrator will reply on said Form 1800 or otherwise, stating the name and address of an approved appraiser of realty, and in the case of personal property, the person or persons to function as such. When the lender is a bank Form 1845, Appraiser's Check Sheet, may be completed by the bank and forwarded with the application to the agency.

(b) Before forwarding the executed application the prospective lender shall procure a credit report on the borrower and an appraisal of the business or real property by the appraiser designated.

(c) In every case involving real property, the appraiser's report shall indicate the basis, by survey or otherwise, of identifying the property appraised as that to be encumbered to secure the proposed loan. Serial numbers, if any, and other identifying data will be included in a report dealing with personal property to a sufficient extent to identify the property appraised as that which is to be encumbered.

(d) If the supplies, equipment, machinery, or tools purchased are new and bought through normal commercial channels, the invoice price will be considered "the reasonable normal value" provided such price does not exceed the published price less any available trade or other discounts, and does not include any amount representing a premium or other charge for immediate possession or delivery. If the articles are "used" an appraiser will be designated by the Administration as provided in paragraph (a) of this section.

(e) If (1) under §§ 36.4200 to 36.4251, inclusive, a mortgage is not required and (2) the lender does not require a mortgage, and (3) the loan otherwise com-

plies with §§ 36.4200 to 36.4251, inclusive, paragraph (c) of this section; paragraph (e) of § 36.4225; paragraphs (a), (d) and (e) of § 36.4230 shall be inapplicable to such loan and any guaranty thereof.

§ 36.4225 *Paper required.* The prospective lender shall submit to the agency the following papers:

(a) Certification of eligibility. (See § 36.4224 (a).)

(b) Loan guaranty certificate. (Form 1841 attached to application.)

(c) Original application for guaranty signed by prospective lender and borrower. (See § 36.4422 (a).)

(d) The credit report. (See § 36.4224 (b) and (d).)

(e) The appraisal report, if required.

(f) Copy of any option agreement, loan agreement or conditional sales agreement used in the transaction.

(g) Proposed loan closing statement of the estimated amounts to be disbursed by the lender for the account of the borrower. (See Form 1861.)

(h) Unless stated in the mortgage, or otherwise in the papers submitted, a statement of the kinds and amounts of insurance to be required to protect the mortgagor, the lender and the Administrator against loss by fire and other hazards, and the estimated premium cost thereof. (See § 36.4215.)

(i) When applicable, the original and copy (both signed) of Form 1862, Application to Amend Loan Guaranty Certificate. (See § 36.4231 (c) and (d).)

§ 36.4226 *Recommendation for approval of guaranty.* The agency shall review the papers to determine whether it will recommend approval of the application for guaranty. Thereupon the agency shall forward all the papers to the appropriate office of the Administrator with recommendation that (a) the Administrator approve the application, or (b) he disapprove it. If disapproval is recommended the reasons therefor shall be stated in writing at the time the papers are forwarded. A recommendation that the application be approved shall be appropriately endorsed on the original of the application.

§ 36.4227 *Administrator's action on application.* (a) Upon receipt of the papers from the agency, the Administrator will determine whether to approve the application. If disapproved he shall return to the proposed lender all papers except the original application for guaranty and the original appraisal report and shall state that the application for guaranty has been denied and the reasons therefor. He shall send a copy of the letter to the veteran and the agency. Upon denial any expenses incurred by the lender or borrower shall be borne by them or either of them as they shall have agreed.

(b) (1) The veteran and the proposed lender, or either, may appeal to the Administrator for review of a denial of the application.

(2) Such appeal may be by letter, or on any prescribed form, and shall be mailed or delivered to central office of the Veterans Administration within one month after receipt of notice of denial.

(c) (1) If for any reason the loan transaction is not concluded and the same or another lender thereafter wishes to consider making a loan on the same security described in the original application, a supplemental application, if the same lender, or a new application if a different lender, may be submitted. If accompanying it is a statement by the borrower and lender that the condition of the security is substantially the same as when the appraisal report was made, the supplemental or new application may be approved without a new appraisal, if the supplemental or new application shall have been received by the Administrator within three months from the date of the appraisal report.

(2) Without reference to the time limit stated in subparagraph (1) of this paragraph (c) a copy of the appraisal report will be supplied without cost to a prospective new lender, or to the original proposed lender at the currently prescribed price for a copy.

§ 36.4228 *Execution and form of guaranty.* (a) If the Administrator approves the application he shall notify the Agency and the veteran thereof. For the purpose of evidencing the contract of guaranty, he shall execute a loan guaranty certificate, to become effective upon the conditions therein stated. It shall be in substantially the form following:

Veterans Administration
Finance Form 1841

UNITED STATES OF AMERICA
LOAN GUARANTY CERTIFICATE ISSUED BY
VETERANS ADMINISTRATION

State -----
(Where property is located)

(Lender, exactly as payee's name will appear on note.)

R. F. D. or Street Post Office

County (State)
Number LB -----
(To be filled in by V. A.)

(Borrower-Veteran, exactly as to be signed on note and mortgage.)

R. F. D. or Street Post Office

County (State)

I

A. This certificate shall become effective when the requirements of the statute and regulations have been complied with and the acts certified in part III hereof have been accomplished in compliance with said requirements.

B. When it becomes effective as hereinabove prescribed, this certificate shall obligate the United States of America to pay to the legal holder of the "note" described on the reverse hereof upon his duly filing claim therefor:

1. All or such portion of the maximum amount hereby guaranteed as becomes payable upon the conditions, at the times stated in, and in accordance with the provisions of the Servicemen's Readjustment Act of 1944 (38 U. S. Code 693; 53 Stat. 284), and the regulations issued pursuant thereto which are in effect on the date of this certificate. In no event will the obligation under this certificate exceed \$2,000. Subject to the foregoing, this guaranty is for ----- per centum of the principal amount of said "note."

but not for more than \$..... In no event will it exceed said percentage of the principal amount.

2. At the expiration of 1 year from the date of the "note," an amount equal to the interest for 1 year at the contract rate on that portion of the indebtedness ("note") originally guaranteed hereby, such payment to be credited on the indebtedness as prescribed by said regulations.

C. Executed on behalf of the United States of America by the Administrator of Veterans' Affairs, through the undersigned authorized agent on this date, to become effective in the manner hereinabove prescribed.

Dated.....
ADMINISTRATOR OF VETERANS' AFFAIRS,
By
(Authorized agent
At
(Post Office)

NOTE: If loan is not closed, the proposed lender, or when paid, the holder of the note will mark this certificate "Cancelled," sign thereunder, and return to Veterans Administration.

II

Description of Property to be "Mortgaged" (Lot and block, section and township, land lot and Land District etc. and surveyor's field notes where appropriate, and any other language proper to complete description. Include description of personal property, if any. Describe fully: show serial numbers, if available, or any other means of identification.)

Premises identified as
(Name of place, if any,
.....
and R. F. D. Also number or name of nearest
.....
highway. Street and number in city, etc.)
.....
(City, Town, Village) (County, Parish)
.....
(State, District, Territory)

III

CERTIFICATION BY BORROWER AND LENDER

A. We hereby warrant that (1) the undersigned borrower names on the reverse hereof executed the note, the face amount of which is \$..... consisting of \$..... principal and \$..... interest, as defined in the regulations; (2) it is dated the day of 19..; (3) borrower(s) and mortgagor(s) delivered it together with the "mortgage" (as defined in the regulations) bearing the same date, and executed to secure payment of said note; (4) said note and mortgage are in the form and type contemplated in the application of the undersigned pursuant to which this loan guaranty certificate was issued; and (5) the principal stated above has been paid to, or according to the directions of, the undersigned borrower(s).

B. The undersigned lender warrants that (1) the same "mortgage," duly executed and witnessed, acknowledged, or proved as required by law, was properly filed, or filed for record, if and as provided by law on the day of 19.., at M; and was given file No. by the Recorder or other proper officials; (2) that it covers the property described on the reverse hereof, which is the same property described, or otherwise identified, or referred to, in the above-mentioned application for guaranty, and in this loan guaranty certificate or in the Application to Amend Loan Guaranty Certificate, if any, applicable to such loan; (3) that no lien superior to said "mortgage" has intervened since the date of said appli-

cation unless the application indicates it is for a loan to be secured by a second lien as prescribed by the regulations; and (4) if the approved application for guaranty related to a loan wholly or partly to be secured by a hypothecation or a pledge of personal property, such hypothecation or pledge has become effective by appropriate delivery to the lender and no superior lien has intervened since date of application.

(All signatures must be in ink)
(If a corporation)
.....
(Secretary)

Mr.
Mrs.
Miss
(Lender(s))
[CORPORATE SEAL]
By
Title (President, vice president,
etc.)

Mr.
Mrs.
Miss
Mr.
Mrs.
Miss
(Borrower(s))

NOTE 1. If the note is unsecured, references to "mortgage" in paragraphs "A" and "B" above are inapplicable. (See Regulations, §§ 36.4205 and 36.4208).

NOTE 2. If the local law provides for filing only, not recording, chattel mortgages or similar instruments, paragraph "B" above nevertheless is to be completed. It refers to not only the County Recorder or Clerk, but also to the State Commissioner of Motor Vehicles or other official who keeps motor vehicle mortgage records, and to other similar officials, State or County.

(b) The word principal as used in the Loan Guaranty Certificate and the certification on the reverse thereof means the amount of money actually disbursed to or for the account of the borrower.

§ 36.4229 Disposition of papers. The original application for guaranty and the appraisal report will be retained in the files of the Veterans Administration. The Loan Guaranty Certificate and all other papers will be forwarded to the proposed lender with instructions as to closing the loan in a manner to make the guaranty effective.

§ 36.4230 Loan procedure after approval of guaranty. Upon receipt of the papers from the Administrator, the lender shall:

(a) Satisfy himself by title certificate as defined in these regulations as to the title to the real estate to be encumbered and satisfy himself in such reasonable manner as may be available as to the title to personal property to be encumbered.

(b) Cause all necessary instruments to be properly signed and those to be filed, or filed and recorded, properly witnessed, acknowledged or proved so as to entitle them to filing or recordation.

(c) Disburse all funds in substantial accord with the proposed loan closing statement submitted with the application. (See § 36.4225.)

(d) File with the proper State, County or other public official, to be retained where required, or recorded and returned, the "mortgage", and any other

appropriate instrument which under the law of the State is required or permitted to be filed or recorded for the purpose of establishing a valid lien as between the parties, or third persons, or of giving actual or constructive notice of the "mortgage", pledge, hypothecation, or other transaction.

(e) Take possession or do any other necessary act to make effective the pledge, or hypothecation, if any.

§ 36.4231 Report of closing loan. (a) Within two months after closing the loan and filing with the appropriate public official of the proper instruments, or the taking of other appropriate steps, if any, to make the lien effective, the lender shall complete and forward to the Administrator (using prescribed form, if available) a properly signed report of closing the loan stating that:

(1) The disbursement of the amount named in such report as the principal of the note has been completed by the lender which amount may be not more than 3% in excess of the amount of the proposed loan as stated in the original application for guaranty without complying with the procedure stated in paragraphs (c) and (d) of this section.

(2) Such disbursements were as estimated on the loan closing statement submitted with the application, except as otherwise stated on the reverse side of the loan closing statement. (See § 36.4225.)

(3) The note and the mortgage (or other security instrument) were properly executed stating the date, and the latter was duly acknowledged, witnessed, or proved so that it was legally eligible for filing and for recording if appropriate; the date and hour when, and county in which it was properly filed; and the filing number thereof; or in the case of a pledge or hypothecation the necessary possession, or other steps were taken to make same effective.

(4) The note was dated, (stating the date thereon), and signed by the debtor; the actual principal amount thereof, and the rate of interest provided therein.

(5) The Loan Guaranty Certificate (stating its L-number) was completed, and appropriately signed by the lender and the borrower as therein provided.

(b) If lender is a corporation its corporate seal shall be impressed on such report.

(c) If the transaction to be closed is essentially the same as indicated in the original application except that:

(1) The amount of the loan actually to be made is more than 103% of the amount stated in the application, or (2) personal property to be acquired differs from that described but is for the same use or purpose, and substantially similar in kind, quality and value, Form 1862, Application to Amend Loan Guaranty Certificate, will be completed and signed in duplicate.

(d) The lender will forward the original and copy of Form 1862, Application to Amend Loan Guaranty Certificate, to the "Agency", which will recommend approval or disapproval and forward both to the Veterans Administration office which issued the Loan Guaranty Certifi-

cate. Such office will determine whether to approve the Application to Amend Loan Guaranty Certificate. Such determination will be based on the original application, the evidence submitted in or with the original application, the application to amend, the recommendation of the agency, and such other evidence, if any, as it considers necessary. Notice of action will be given as in the case of original applications. If approved such approval will be appropriately indicated on the original, and such original, duly executed by the Veterans Administration will be forwarded to the lender. It may be attached to the original Loan Guaranty Certificate to evidence amendment thereof as reflected by such "rider".

§ 36.4233 *When guaranty does not apply.* The guaranty shall not cover any loss sustained by the creditor as the result of:

(a) The acceptance by the mortgagee of a mortgage on any real or personal property, title to which is not merchantable;

(b) Failure of the mortgagee to procure a duly recorded lien of the dignity required by §§ 36.4200 to 36.4251, inclusive; or a lien of such dignity by filing, without recording, if lawful, or by pledge or otherwise as required or permitted by applicable law in the jurisdiction where the property is situated at the time the loan is closed;

(c) Failure of the mortgagee to comply with § 36.4215 with respect to insurance;

(d) A tax sale pursuant to execution, or otherwise as provided by law, occasioned by nonpayment of taxes accruing against the mortgaged property after the date of the mortgage if mortgagee fails to give notice to the Administrator of the delinquent taxes at least one month before such sale;

(e) A release by the creditor of the lien on any of the real or personal property securing the guaranteed loan, or any part thereof unless the Administrator consents in writing. Such consent may be granted if the debt is appropriately reduced or on such other terms as the Administrator may determine; *Provided, however,* That if the land is sought by a public authority for highway or other purposes, consent is hereby given for the creditor to release without consideration or for such consideration as he deems proper and without reference to the Administrator, the creditor's lien on land without any buildings thereon if the land so released does not exceed five percent of the acreage encumbered and does not exceed \$200 in value. The same consent is hereby given when the release, easement grant, or other instrument is sought by a public or private agency, or person, for the purpose of pipe line, telephone, telegraph or electric transmission lines; *Provided, however,* That when such releases, or grants by the lender for any one or more of the purposes stated in this paragraph (e), or otherwise, with or without specific consent by the Administrator, shall have decreased the security as much as five percent in acreage, or \$200 in value, no further releases shall be executed, without consent of the Administrator. If such are executed with-

out consent the amount of the guaranty will be reduced proportionately in the same manner as if the value of the released property were applied as a credit on the unpaid balance of the loan. The provisions of this paragraph (e) will not be construed to affect the guaranty in the event of any grant of title or easement that leaves unaffected the lien on the property affected thereby; or

(f) Sale by reason of foreclosure of a superior lien if the holder of the guaranteed loan secured by a subordinate lien has knowledge of such foreclosure sale as much as 10 days prior thereto and fails to notify the Administrator of the time and place thereof.

CLAIMS UNDER A GUARANTY

§ 36.4234 *Default.* (a) In the event of default, not cured, continuing; (1) three months on an amortized loan which is secured by a mortgage on real property; (2) one month on an unamortized loan unsecured, secured by real or personal property; (3) two months on an amortized loan which is unsecured or secured by a lien on personal property, the creditor may elect to assert claim under the guaranty, and give notice thereof to the Administrator.

(b) If any default occasioned by failure seasonably to pay to the creditor entitled any amount of principal or interest due him under the contract (not cured) shall have persisted as long as six months on the type of loan described in paragraph (a) (1); or three months on the type described in paragraphs (a) (2) or (a) (3), the holder of the indebtedness shall give notice thereof to the Administrator notwithstanding the failure results from payments on advances as provided in § 36.4218 or from any indulgences of the debtor as provided in §§ 36.4235 or 36.4241.

(c) (1) The notice shall state the loan guaranty number if available. If not available other identifying data shall be included, such as date and amount of original obligation, location of Veterans Administration office that issued the guaranty and the property encumbered.

(2) In all cases the notice shall state the name and last known address of the debtor, of the veteran, and of the creditor, and the date and manner of default, and amount past due. If he desires, the creditor may also state his views as to any indulgence that should be extended.

(3) The notice to the Administrator shall be mailed by registered mail or personally delivered in exchange for a written receipt within one month after the expiration of the periods prescribed in paragraph (b) of this section.

§ 36.4235 *Claim on notice of default.* (a) In the notice of default or separately, then, or later, the creditor may make claim under the guaranty.

(b) Then or thereafter the creditor may also give notice of his intention to foreclose the lien or liens securing the indebtedness.

(c) The Administrator may approve the creditor's request, if any, to postpone action to press his claim against the mortgagor, or the property. Such post-

ponement, with the consent of the Administrator, shall not operate to void or diminish the ultimate liability under the guaranty. Consent is hereby given for the lender to agree to deferring or reducing payments for not more than six months on an amortized note but not beyond a date six months beyond its original maturity, and subject to the same limitation, not beyond 20 years from date of the note. In no event shall indulgence or postponement of action authorized by §§ 36.4200 to 36.4251, inclusive, impair any right of the creditor to thereafter proceed within the applicable statute of limitations period as if there had been no indulgence or postponement.

§ 36.4236 *Legal action.* (a) The creditor shall not begin action in court, or give notice of sale under a power of sale, until the expiration of 30 days after receipt by the Administrator of the notice of intention to foreclose. Notwithstanding paragraph (a) of § 36.4234 such notice may be given at any time after a default.

(b) (1) If the circumstances require immediate action to protect the interest of the creditor or the Administrator, the Administrator may waive the requirement for prior notice if notice of the action taken is immediately given.

(2) Without limiting the foregoing, the existence of conditions justifying the appointment of a receiver for the property shall be sufficient excuse for beginning suit without prior notice to the Administrator if within ten days after commencement of the suit or action, plaintiff gives the Administrator notice thereof.

(c) Subject to the provisions of this paragraph (c) the right to repossess personal property by virtue of law, or any contract, may be exercised without prior notice to the Administrator, but he shall be given notice thereof within ten days thereafter, and he or the debtor may exercise any rights of redemption or other legal rights available under the law of the jurisdiction within 30 days after such notice, or such longer period, if any, as is provided by such law. In any case the debtor or the Administrator shall be entitled to a good title to and possession of such property so repossessed upon compliance with the conditions of any agreement or upon paying or tendering to the person then in possession thereof within 30 days after such notice, the unpaid balance of the debt with interest to date of tender, and a reasonable sum in addition to cover expenses of the repossession.

§ 36.4237 *Notice of suit and subsequent sale.* (a) Within ten days after beginning suit or causing notice of sale without suit to be given, the creditor shall notify the Administrator thereof by registered mail or personal delivery in exchange for written receipt. The notice shall state whether the foreclosure will be by proceeding in court, or under a power of sale; the type and number of the suit, if any, and the name and location of the court in which pending.

(b) The creditor shall give written notice to the Administrator by registered

mail (or delivery) of any foreclosure sale, judicial, or under a power of sale; or of any proposed termination of the rights of any vendee or his immediate or remote grantee (assignee) pursuant to any power or option in a sales contract, or in any other instrument affecting the property which constitutes any security for the obligation guaranteed. Such notice shall be given so that it is received at least thirty days before such sale or other proposed action. It shall state the date, hour and place thereof. The Administrator may bid thereat on the same terms as the lender or other bidders, and may exercise any right the debtor could exercise by virtue of the contract, or any statute, or otherwise. This section is applicable whether the suit, or the sale, or termination, occur before or after payment of the guaranty.

§ 36.4238 *Death of veteran or other owner.* (a) In the event the creditor has knowledge of the death of the veteran, or of any owner of an interest in the encumbered property, or the death of any other person liable on the indebtedness which is guaranteed in whole or in part, the creditor shall take such steps, if any, as are legally necessary, and reasonably available, in the jurisdiction where the encumbered property is situated, to avoid loss of the lien, or impairment thereof, or of all or part of the proceeds of any sale of the property as a result of, or incident to, such death, or of any probate proceedings thereby occasioned in said jurisdiction.

(b) In addition to protecting the lien rights as required by paragraph (a) of this section, the creditor at his discretion may proceed in probate, or otherwise, as may be permissible and feasible in any jurisdiction where administration proceedings are pending or properly may be instituted, or other appropriate legal action taken against assets or persons, to assert any rights, by means of any remedies, therein available to a similarly situated creditor of the decedent.

(c) Upon direction of the Administrator and his designation of an accessible attorney for the purpose, and making appropriate provisions for advancing or paying the costs and expenses of the proceeding, the creditor shall proceed as provided in paragraph (b) of this section: *Provided, however,* That in any case the Administrator may, at his option, proceed immediately in respect to protecting the lien, or asserting claim as contemplated by paragraph (b) of this section, or as to both remedies. If the Administrator takes action, it may be in his name or the name of the creditor as the Administrator may elect and as may be appropriate under applicable law. If action is taken by the Administrator he shall seasonably notify the creditor thereof.

(d) Nothing in this section shall impair any right of set-off or other right or remedy of the Administrator.

§ 36.4239 *Death or insolvency of creditor.* (a) Immediately upon the death of the creditor and without the necessity of request or other action by the debtor or the Administrator, all sums then standing as a credit balance in a

"trust," or "deposit," or other account to cover taxes, insurance accruals, or other items in connection with the loan secured by the encumbered property, whether stated to be such or otherwise designated, and which have not been credited on the note shall, nevertheless, be treated as a set-off and shall be deemed to have been credited thereon as of the date of the last debit to such account, so that the unpaid balance of the note as of that date will be reduced by the amount of such credit balance: *Provided, however,* That any unpaid taxes, insurance premiums, rents, or advances may be paid by the holder of the indebtedness, at his option, and the amount which otherwise would have been deemed to have been credited on the note reduced accordingly. This section shall be applicable whether the estate of the deceased creditor is solvent or insolvent.

(b) The provisions of paragraph (a) of this section shall also be applicable in the event of:

(1) Insolvency of creditor;
(2) Initiation of any bankruptcy or reorganization, or liquidation proceedings as to the creditor, whether voluntary or involuntary;

(3) Appointment of a general or ancillary receiver for the creditor's property; or, in any case

(4) Upon the written request of the debtor if all secured and due insurance premiums, taxes, and ground rents have been paid, and appropriate provisions made for future accruals.

(c) Upon the occurrence of any of the events enumerated in paragraph (a) or (b) of this section interest on the note and on the credit balance of the "deposit" mentioned in paragraph (a) shall be set-off against each other at the rate payable on the principal of the note, as of the date of last debit to the deposit account. Any excess credit of interest shall be treated as a set-off against the unpaid advances, if any, and the unpaid balance of the note.

(d) The provisions of paragraphs (a), (b), and (c) of this section shall apply also to corporations. The dissolution thereof by expiration of charter, by forfeiture, or otherwise shall be treated as in the death of an individual as provided in paragraph (a).

§ 36.4240 *Filing claim under guaranty.* Claim under the guaranty may be made on Form 1864, Claim under the Guaranty. Subject to the limitation that the total amount payable under the guaranty shall in no event exceed the original amount thereof, the amount payable under the guaranty shall be the percentage of the indebtedness originally guaranteed applied to the indebtedness (as defined in § 36.4200 (m)) computed as of the date of the claim, and reduced by any payments theretofore made by the United States pursuant to the guaranty.

§ 36.4241 *Options available to administrator.* Upon receipt of claim under the guaranty or notice of intention to foreclose, the Administrator shall have the following options:

(a) Pay to the creditor not later than one month after receipt of notice of any

default, as a partial payment of any actual or potential claim under the guaranty, the amount of principal, interest, taxes, advances or other items in default; and in consideration of such payment the lender shall be deemed to have agreed to refrain from giving effect to any acceleration provisions by reason of defaults prior to the date of notice of default theretofore given: *Provided, however,* That unless the creditor consents, the Administrator may exercise this option once only, and in an amount not exceeding an amount equivalent to the aggregate of principal and interest payable in one year, or not exceeding ten per centum of the original amount of the guaranty, whichever sum is less.

(b) Pay the creditor within one month after receipt of claim the full amount payable under the guaranty without requiring foreclosure, or personal action.

(c) Pay to the creditor promptly after receipt of claim any amount agreed upon, not exceeding the amount due under the guaranty; and notify him to institute appropriate foreclosure proceedings, with, or without, legal action to reduce the debt to judgment, against all or any of the parties liable thereon, and whose names are stated in such notice to the creditor.

(d) If the creditor does not begin appropriate action within two months after receipt of notice to institute action as provided in paragraph (c) above, the Administrator shall be entitled to begin and prosecute the same to completion in the name of the creditor, or of the Administrator on behalf of the United States, as may be appropriate under applicable laws and rules of procedure: *Provided, however,* That in such event the Administrator shall pay (in advance if required under the practice in the jurisdiction) all court costs, and other expenses, and provide the legal services required.

§ 36.4242 *Refinancing and extension of guaranty.* (a) When the Administrator shall have received notice from the creditor that he intends to institute foreclosure proceedings, the Administrator shall be entitled to obtain a refinancing which will prevent the consummation of the foreclosure sale. Nothing herein shall be construed to require a creditor to lend money for such refinancing.

(b) If refinanced in any manner the Administrator may continue in effect the guaranty granted with respect to the previous loan in such manner as to cover the loan which effected the refinancing.

(c) The Administrator in appropriate cases shall be entitled to exercise any redemption rights of a debtor, or a creditor, in connection with the loan guaranteed, or property rights arising out of, or incident to, such loan.

§ 36.4243 *Subrogation.* (a) Any amounts paid to the creditor by the Administrator pursuant to the guaranty shall constitute a debt due to the United States by the veteran on whose application the guaranty was made; and by his estate upon his death. The Administrator is subrogated to the contract

and the lien rights of the creditor to the extent of such payments, but junior to the creditor's rights as against the debtor or the encumbered property, until the creditor shall have received the full amount payable under his contract with the debtor. No partial or complete release by the creditor of the debtor or of the lien shall impair any rights of the Administrator, by virtue of the lien, or otherwise.

(b) The creditor, upon request, shall execute, acknowledge and deliver an appropriate instrument tendered him for that purpose, evidencing any payment received from the Administrator and the Administrator's resulting right of subrogation.

§ 36.4244 *Future action against mortgagor.* In addition to the amount, if any, collected from the proceeds of the encumbered property by reason of the right of subrogation, the United States will collect from the veteran, or his estate, by set-off against any amounts otherwise payable to the veteran or his estate; or in any other lawful manner, any sums disbursed by the United States on account of the claim pursuant to the guaranty.

§ 36.4245 *Suit by Administrator.* (a) Whenever pursuant to §§ 36.4200 to 36.4251, inclusive, the Administrator institutes, or causes to be instituted by the creditor, or otherwise, any suit in equity; action at law; or probate proceedings or the filing of a claim in such; or other legal or equitable proceedings of any character, or any sale, in court or pursuant to any power of sale, the person or persons promptly instituting the same (including the Administrator) shall be entitled to recoup from any proceeds realized therefrom any expenses reasonably incurred, including trustee fees, court costs, and attorney fee paid (or the reasonable value of the services of the trustee and of the attorney, if performed by salaried person or persons, or by the party himself, when proper).

(b) The net proceeds, after setting off such items that may properly be recouped, shall be credited to the indebtedness, or otherwise as may be proper under the facts.

(c) In determining the propriety of recoupment and the amount thereof consideration shall be given to any provisions in the note or mortgage relating to such items, and any amounts actually realized pursuant thereto.

§ 36.4246 *Creditor's records and reports required.* (a) The creditor shall maintain a record of the amounts of payments received on the obligation and disbursements chargeable thereto, and the dates thereof. Any creditor who fails to maintain such record shall be presumed to have received on the dates due all sums which by the terms of the contract are payable prior to date of claim for default, and the burden of going forward with evidence and of ultimate proof of the contrary shall be on such creditor; not on the debtor, or the United States.

(b) On any delinquent loan the creditor shall report annually on the anniversary of the earliest unremedied de-

fault any amount received or disbursed the unpaid balance of principal and accrued interest and any other items chargeable; and the nature of any defaults not already reported. He shall include such additional information, if reasonably necessary and obtainable, which may from time to time be requested by the Administrator.

(c) A proposed lender may be required to submit evidence satisfactory to the Administrator of his equipment for maintenance of adequate records on, and his ability to service, loans if guaranteed pursuant to the provisions of the act and §§ 36.4200 to 36.4251, inclusive.

§ 36.4247 *Failure to supply information.* Failure to supply any available information required by §§ 36.4200 to 36.4251, inclusive, within two months after request therefor will entitle the Administrator to obtain such information otherwise, and the expense of so obtaining it, plus ten dollars to cover estimated overhead expenses, shall be chargeable to the creditor who failed to comply with such request.

§ 36.4248 *Notice to Administrator.* Any notice required by §§ 36.4200 to 36.4251, inclusive, to be given the Administrator shall be sufficient if in writing, and delivered at, or mailed to, the Veterans Administration office at which the application for guaranty was approved or to any changed address of which the creditor has been given notice or, at the option of the creditor, to the central office of the Veterans Administration, Washington 25, D. C. If mailed the notice shall be by registered mail when so provided by §§ 36.4200 to 36.4251, inclusive.

§ 36.4249 *Right to inspect books.* The Administrator has the right to inspect, at a reasonable time and place the papers and records pertaining to the loan and guaranty. If permission to inspect is declined the Administrator may enforce the right by subpoena under the provisions of Title III of Public No. 844, 74th Congress, 49 Stat. 2031-35, 38 U.S.C. 131, or in any other lawful manner.

§ 36.4250 *Forms, construction to be placed on reference to.* All references in §§ 36.4200 to 36.4251, inclusive, to Form 1800, Certification of Eligibility, or to other form numbers shall be construed to include any revision of the same forms, identified by the same, or by different numbers.

§ 36.4251 *Disqualified lenders and bidders.* Except under unusual circumstances and upon prior approval by the Administrator an application for guaranty of a loan will not be approved if the lender is known to be an employee of the Veterans Administration or of the Agency; and without such approval, an employee of either may not bid at a foreclosure sale of the security for a guaranteed loan.

[SEAL] FRANK T. HINES,
Administrator of Veterans' Affairs.

DECEMBER 20, 1944.

[F. R. Doc. 44-19317; Filed, Dec. 21, 1944;
3:58 p. m.]

PART 46—REGULATIONS UNDER SERVICE-
MEN'S READJUSTMENT ACT OF 1944¹

GUARANTY OF LOANS (HOME)

The following changes are made to the regulations governing the guaranty of loans under Title III of the Servicemen's Readjustment Act of 1944:

1. Paragraph (v) is added to § 36.4000, as follows:

§ 36.4000. *Definitions.* * * *

(v) "Interest" means the compensation fixed by law, or by the parties to a contract, for the use or detention of, or forbearance with respect to money, irrespective of the name applied to such compensation.

2. In § 36.4012, paragraph (b) is amended to read as follows:

§ 36.4012 *Repayment provisions.* * * *

(b) If the mortgagor consents the mortgage may provide that each monthly or other periodical payment shall include in addition to the proper amount to be credited to principal and interest a proportionate part of the estimated amounts required annually for all taxes, ground rents if any, special assessments if any, and fire and other hazard insurance premiums. Such provisions may direct the method of crediting the additional amounts included in the periodical payments for the purposes stated in this paragraph.

3. Paragraph (i) is added to § 36.4025, as follows:

§ 36.4025 *Papers required.* * * *

(i) When applicable, the original and copy (both signed) of Form No. 1862, Application to Amend Loan Guaranty Certificate, (see § 36.4031 (c) and (d)).

4. Paragraph (c) is added to § 36.4027, as follows:

§ 36.4027 *Administrator's action on application.* * * *

(c) (1) If for any reason the loan transaction is not concluded and the same or another lender thereafter wishes to consider making a loan on the same security described in the original application, a supplemental application, if the same lender, or a new application if a different lender, may be submitted. If accompanying it is a statement by the borrower and lender that the condition of the security is substantially the same as when the appraisal report was made, the supplemental or new application may be approved without a new appraisal, if the supplemental or new application shall have been received by the Administrator within three months from the date of the appraisal report.

(2) Without reference to the time limit stated in subparagraph (1) of this section, a copy of the appraisal report will

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be supplied without cost to a prospective new lender or to the original proposed lender at the currently prescribed price for a copy.

5. In § 36.4028 the existing text is designated (a) and paragraphs (b) and (c) are added as follows:

§ 36.4028 *Execution and form of guaranty.* (a) * * *

(b) The word principal as used in the Loan Guaranty Certificate and the certification on the reverse thereof means the amount of money actually disbursed to or for the account of the borrower.

(c) The certification by borrower and lender in paragraph III B (3) of the Loan Guaranty Certificates as printed in § 36.4028 shall be deemed to be correct, notwithstanding that the guaranteed loan is secured by a second lien, if, but only if, such is permissible under the regulations and the facts of the case, and if the application for guaranty indicates that the loan is to be secured by a second lien.

6. In § 36.4031, paragraph (a) (1) is amended and paragraphs (c) and (d) are added, as follows:

§ 36.4031 *Guaranty when effective.* (a) * * *

(1) The disbursement of the amount named in such report as the principal of the loan has been completed by the lender, which amount may be not more than 3% in excess of the amount of the proposed loan as stated in the original application for guaranty, without complying with the procedure stated in paragraphs (c) and (d) of this section.

(c) If the transaction to be closed is essentially the same as indicated in the original application except that:

(1) The amount of the loan actually to be made is more than 103% of the amount stated in the application, or

(2) Personal property to be acquired differs from that described but is for the same use or purpose and substantially similar in kind, quality and value, Form 1852, Application to Amend Loan Guaranty Certificate, will be completed and signed in duplicate.

(d) The lender will forward the original and copy of Form 1862, Application to Amend Loan Guaranty Certificate, to the "Agency", which will recommend approval or disapproval and forward both to the Veterans Administration office which issued the Loan Guaranty Certificate. Such office will determine whether to approve the Application to Amend Loan Guaranty Certificate. Such determination will be based on the original application, the evidence submitted in or with the original application, the application to amend, the recommendation of the Agency, and such other evidence, if any, as it considers necessary. Notice of action will be given as in the case of original applications. If approved such approval will be appropriately indicated on the original, and such original, duly executed by the Veterans Administration will be forwarded to the lender. It may be attached to the orig-

inal Loan Guaranty Certificate to evidence amendment thereof as reflected by such "rider".

7. In § 36.4032, paragraphs (a), (b) (3), (e) and (g) are amended, and paragraph (i) is added, as follows:

§ 36.4032 *Construction loans.* (a) Upon the submission to an agency of an application made pursuant to section 501 (a) or 505 (a) of the act for the guaranty of a loan for the construction of a dwelling on unimproved property owned by the veteran, or under section 501 (b) for construction involving alterations or improvements, the guaranty will be issued to become effective only upon completion of the construction project, and upon fulfillment of the same requirements of this part as are applicable to the guaranty of loans for the acquisition of homes other than by construction.

(3) There is issued by the Administrator Form 1863, Approval of Escrow Certificate, which may be attached to the loan guaranty certificate.

(e) Except where the construction shall have been inspected and approved and completion certified by a Federal Agency making or guaranteeing or insuring the principal loan on such property, as contemplated by section 505 (a) of the act, the Loan Guaranty Certificate shall become effective upon the condition, in addition to those set forth in § 36.4030, that there be supplied to the Administrator a statement by an appraiser on Form 1803 (a), Statement by Appraiser on Completion of New Construction,

(1) He has inspected the construction, repairs, alterations, or improvements.

(2) The same have been constructed and completed in substantial conformity with the contract, the plans and specifications (if any), and any authorized changes therein (if any), permitted by these regulations, or, in those cases embraced in § 36.4024 (c) or § 36.4024 (e) there are no plans and specifications, within good building practices.

(3) The increased value of the property as completed and which will be encumbered is substantially in accord with his estimate.

(g) Upon compliance with the requirements of this section and of §§ 36.4030 and 36.4031 relating to the guaranty becoming effective in other than construction loan cases, said Loan Guaranty Certificate shall become effective as originally executed (and subject to § 36.4031), or as amended pursuant to approval of application therefor on Form 1862, Application to Amend Loan Guaranty Certificate. (See § 36.4031 (c) and (d).)

(i) Minor changes may be made in the plans and specifications or substitution of material of substantially equal quality or value, as the creditor, the debtor, and the builder (contractor) may agree

if same are not of a major character and in the aggregate do not increase or decrease the cost more than five per centum of the contract price. This does not modify the provisions of § 36.4031. Changes or substitutions other than as herein stated must have the approval of the Administrator.

8. Paragraph (a) of § 36.4033 is amended, and paragraphs (e) and (f) are added as follows:

§ 36.4033 *Losses which are not guaranteed.* * * *

(a) The acceptance by the mortgagee of a mortgage on any property, title to which is not merchantable;

(e) A release by the creditor of the lien on any of the real or personal property securing the guaranteed loan, or any part thereof, unless the Administrator consents in writing. Such consent may be granted if the debt is appropriately reduced or on such other terms as the Administrator may determine: *Provided, however,* That if the land is sought by a public authority for highway or other purposes, consent is hereby given for the creditor to release without consideration or for such consideration as he deems proper and without reference to the Administrator, the creditor's lien on land without any buildings thereon if the land so released does not exceed five per cent of the acreage encumbered and does not exceed \$200 in value. The same consent is hereby given when the release, easement grant, or other instrument is sought by a public or private agency, or person, for the purpose of pipe line, telephone, telegraph or electric transmission lines; *Provided, however,* That when such releases, or grants by the lender for any one or more of the purposes stated in this paragraph, or otherwise, with or without specific consent by the Administrator, shall have decreased the security as much as five per cent in acreage, or \$200 in value, no further releases shall be executed, without consent of the Administrator. If release of lien is executed contrary to the provisions of these regulations the amount of the guaranty will be reduced proportionately in the same manner as if the value of the released property were applied as a credit on the unpaid balance of the loan. The provisions of this paragraph will not be construed to affect the guaranty in the event of any grant of title or easement that leaves unaffected the lien on the property affected thereby; or

(f) Sale by reason of foreclosure of a superior lien if the holder of the guaranteed loan secured by a subordinate lien has knowledge of such foreclosure sale as much as 10 days prior thereto and fails to notify the Administrator of the time and place thereof.

9. Section 36.4040 is amended to read as follows:

§ 36.4040 *Filing claim under guaranty.* Claim under the guaranty may be made on Form 1864, Claim under the Guaranty.

Subject to the limitation that the total amount payable under the guaranty shall in no event exceed the original amount thereof, the amount payable under the guaranty shall be the percentage of the indebtedness originally guaranteed applied to the indebtedness (as defined in § 36.4000 (m)), computed as of the date of the claim, and reduced by any payments theretofore made by the United States pursuant to the guaranty.

10. In § 36.4041, the text immediately preceding paragraph (a) is amended to read as follows:

§ 36.4041 *Options available to Administrator.* Upon receipt of claim under the guaranty, or notice of intention to foreclose, the Administrator shall have the following options:

11. Sections 36.4050 and 36.4051 are amended to read as follows:

§ 36.4050 *Forms, construction to be placed on reference to.* All references in

the regulations to Form 1800, Certification of Eligibility, or to other form numbers shall be construed to include any revision of the same forms, identified by the same, or by different numbers.

§ 36.4051 *Disqualified lenders and bidders.* Except under unusual circumstances and upon prior approval by the Administrator an application for guaranty of a loan will not be approved if the lender is known to be an employee of the Veterans Administration or of the Agency; and without such approval, an employee of either may not bid at a foreclosure sale of the security for a guaranteed loan.

(58 Stat. 284)

[SEAL] FRANK T. HINES,
Administrator of Veterans Affairs.

DECEMBER 20, 1944.

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PART 36—REGULATIONS UNDER SERVICE-
MEN'S READJUSTMENT ACT OF 1944¹

GUARANTY OF LOANS ON FARMS AND FARM
EQUIPMENT

Section 36.4128 (b) is amended to read as follows:

§ 36.4128 *Execution and form of guaranty.* * * *

(b) The word principal as used in the Loan Guaranty Certificate and the certification on the reverse thereof means the amount of money actually disbursed to or for the account of the borrower.

(58 Stat. 284)

[SEAL] FRANK T. HINES,
Administrator.

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