

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 2901]
February 8, 1945

GUARANTY OF LOANS TO VETERANS
PURSUANT TO SERVICEMEN'S READJUSTMENT ACT OF 1944

To all Banks and Trust Companies
in the Second Federal Reserve District:

For your information, we are enclosing copies of the following forms prescribed by the Veterans' Administration for use in connection with the guaranty of loans pursuant to the Servicemen's Readjustment Act of 1944:

Business or business realty loans

- (a) Loan Guaranty Certificate (Finance Form 1841)
- (b) Application for Business or Business Realty Loan Guaranty (Finance Form 1842)
- (c) Application for Business or Business Realty Loan Guaranty (Duplicate) (Finance Form 1842a)
- (d) Supplement to Application for Business or Business Realty Loan Guaranty (Exhibit A) (Finance Form 1842b)
- (e) Supplement to Application for Business or Business Realty Loan Guaranty (Exhibit B) (Finance Form 1842c)
- (f) Explanation of Business Loan or Business Realty Loan Guaranty (Finance Form 1844)
- (g) Appraiser's Check Sheet (Finance Form 1845)

Farm loans

- (h) Loan Guaranty Certificate (Finance Form 1821)
- (i) Application for Farm Loan Guaranty (Finance Form 1822)

Other forms for use in connection with the guaranty of farm loans to veterans were forwarded to you with our Circular No. 2891, dated January 11, 1945.

The Certification of Eligibility (Finance Form 1800) and the Loan Closing Statement (Finance Form 1806) forwarded to you with our Circular No. 2873, dated November 28, 1944, should be used in connection with applications for the guaranty of business and business realty loans and farm loans, as well as home loans.

Among the enclosures sent you with our Circular No. 2891, dated January 11, 1945, was a pamphlet published by the Veterans' Administration, containing regulations issued by the Administrator of Veterans' Affairs relating to the guaranty of loans for the purchases of

(OVER)

businesses, etc. Pages 10, 11 and 12 of such pamphlet contain an amendment to the regulations theretofore issued by the Administrator relating to the guaranty of home loans and farm loans. We are enclosing herewith a separate reprint of this amendment with the thought that it might be helpful to you in considering the regulations relating to the guaranty of home loans and farm loans if this reprint is used in conjunction with the original regulations relating to such loans which were enclosed with our Circular No. 2859, dated November 1, 1944, and our Circular No. 2891, dated January 11, 1945, respectively.

We are also enclosing a pamphlet issued by the Veterans' Administration, entitled "Handbook for Lenders—Home Loans", relative to matters of policy and procedure in connection with home loans to veterans pursuant to the Servicemen's Readjustment Act of 1944.

We are not in a position to furnish you with additional supplies of the enclosed material but have been informed that such supplies may be obtained from the following regional offices of the Veterans' Administration:

Newington, Connecticut
Lyons, New Jersey
Batavia, New York
215 West 24th Street, New York 11, New York.

Inquiries by veterans concerning the guaranty of loans pursuant to the Servicemen's Readjustment Act of 1944 should be made to the nearest regional office. Inquiries by lending institutions should be made to the loan guarantee office of the Veterans' Administration at 2 Park Avenue, New York 16, New York.

ALLAN SPROUL,
President.

UNITED STATES OF AMERICA
LOAN GUARANTY CERTIFICATE

Issued by
VETERANS ADMINISTRATION

ate _____
(Where property is located)

No. L-B _____
(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)

(R. F. D. or street) (Post office) (County)

(State)

(R. F. D. or street) (Post office) (County)

(State)

I

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. 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.

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,

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

By _____
(Authorized agent)

At _____
(Post office)

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)

and further described as:

Applicant's age _____ 5. Sex _____ 6. Race _____ 7. Service or serial No. _____
 Date of birth _____ 9. Place of birth _____

Indicate by a cross (x) the branch of service in which you served:
 Army Navy Marine Corps Coast Guard
 Date entered service _____ 12. Date separated from active duty _____

Rank and organization at time of separation _____
 If you have served in any branch under another name, state that name, the branch, and dates between which you served under that name. If none, so answer _____

Have you applied to the Administrator of Veterans' Affairs for guaranty of any other loan or loans? _____
 (Yes or no)

If yes, give the following information for each application.

(a) Date of Application(s)	(b) Name and Address of Lender(s)	(c) Purpose of Loan(s)	(d) Was Loan Closed?	(e) Amount of Guaranty

(a) Purpose of loan hereby applied for: _____
 _____ (b) Purchase price, \$ _____
 (c) Amount of loan hereby applied for \$ _____ (d) Rate of interest _____% (e) Guaranty
 requested \$ _____ (f) Secured by a _____ mortgage, or _____
 _____ (g) For _____ years (h) Payable \$ _____ each _____

(a) Is loan to be secured by a second lien pursuant to section 505 of the Act? _____
 (b) If "yes," state name and address of holder of primary loan _____
 _____ (c) Amount of primary loan \$ _____

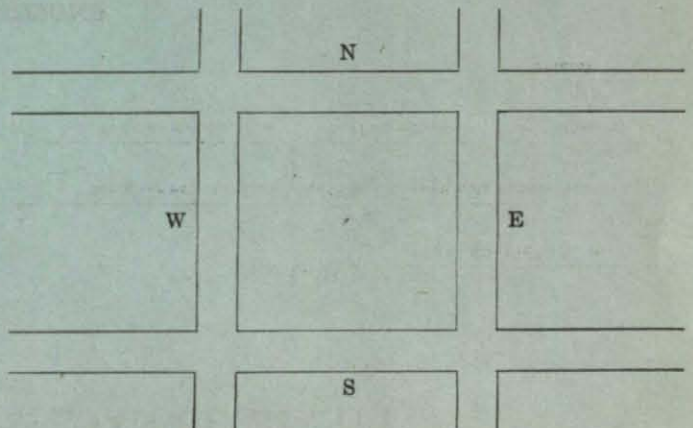
(d) Interest rate _____% per year. (e) Final maturity date _____ (f) Amount
 of payments \$ _____ (g) How often due _____ (h) Name of Federal agency
 making, insuring or guaranteeing primary loan _____

Land:

(a) The land has _____ feet frontage
 on _____ Street (or road),
 and is _____ feet deep. Area
 about _____ (sq. ft. or acres).

(b) Easements (location and purpose: Also mark
 on diagram).

PLAT.—Indicate below shape, location, and dimensions of
 lot, distance from nearest intersections, and names of
 streets or roads.



Leasehold _____ Rental, \$ _____ per year. Lease is dated _____
 (Yes or no)

and expires _____ Options: Renewable for _____ years: Purchasable for \$ _____

Option expires _____

What estate in the land described on page 1 hereof are you to own or do you now own? _____

(State whether fee simple, or other estate. If a lease only, so state and when it expires)

(Also state whether all, or an undivided interest; and if latter, how much)

Street: (a) Right-of-way width _____ feet. (b) Surfaced with _____ feet wide. (c) Curbs and gutters in place _____ (d) Sidewalks in place _____ (Yes or no) (Yes or no)

Utilities (answer "Yes" or "No" as to each connected to the building): (a) Electricity _____ (b) Gas (public main) _____ (c) Public sewers _____ (d) Septic tank and drain _____ (e) Water supply: Public _____ Private _____ Other (specify) _____

Structure: (a) When built _____ (b) Type of construction: Frame _____ Brick veneer _____ Masonry _____ Other _____; (c) Roof material _____ (d) Stories above basement _____ (e) Floor area _____ sq. ft. (f) For improvements other than buildings use separate sheet and describe fully.

Taxes and assessments: (a) Real estate taxes: Amount levied this fiscal year, \$ _____ (b) Special assessments: Total amount outstanding \$ _____; (c) Amount payable this fiscal year \$ _____ (d) Per year \$ _____, beginning _____

Personal status of veteran: (a) Period of residence in this city, county, or town _____ (b) Indicate by X: _____ Married _____ Single _____ Divorced _____ Widower (c) Number of dependents _____ (d) Ages _____

Data concerning spouse: (a) Name _____ (b) Occupation _____ (c) Income per year: (i) Salary \$ _____ (ii) Other \$ _____ (d) Employed by _____ (e) At _____ (f) Assets owned separately by spouse or jointly by veteran and spouse (other than property described in Par. 3 hereof or in Supplement to this Application (Exhibit A or B as applicable)):

Type of Asset	Owned in the Name of	Estimated Value
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

Debts owing by spouse, showing (a) type of obligations; (b) name of creditor; (c) amount owing; (d) repayments periods; and (e) repayments amounts required.

Have you read or had read to you Form 1844, "Explanation of Business or Business Realty Loan Guaranty"? _____ (Yes or no)

Insurance will be obtained against: (a) Fire \$ _____ (b) Windstorm \$ _____ (c) Extended coverage, Form No. _____ \$ _____ (d) Other _____ (Specify)

The person signing this application as the veteran hereby represents that he is the veteran named in question 2 on page 1 of this application. His identity as such has been established to the satisfaction of the lender by _____

(State method, e. g., personal acquaintance of stated period; comparing signature and description on certificate of discharge; etc.)

All the information reflected by the application is true to the best of lender's information and belief.

The undersigned borrower (veteran) and lender (or seller) hereby apply for guaranty by the United States of a loan in accordance with this application, which is also an application to the lender by the borrower for said loan; said guaranty to be pursuant to the Servicemen's Readjustment Act of 1944 (58 Stat. 284), which Act and the regulations issued pursuant thereto and in effect on the date of the loan guaranty certificate issued pursuant to this application shall be a part of the contract between the United States, the borrower, the lender, and each of them.

Borrower and lender understand and agree that, if issued, the guaranty will be issued in reliance upon the information contained in this application.

The lender, or authorized employee, or agent of the lender, has read this entire application as completed, has seen and spoken with applicant, believes he is the veteran, and he appears to be competent to understand the nature of the transaction and to enter into it.

(If a corporation)

Lender.

Attest _____
Secretary.

(Authorized signature)

[CORPORATE
SEAL]

(Title)

(If required by State law)

Borrower(s).

(Date of application)

Signatures of lender and borrower must exactly correspond in every detail with the names as typed at top of page notwithstanding name of borrower so shown may differ from name in question 14. A married woman will include her surname before marriage, but sign husband's surname as her surname.

Recommendation of Designated Agency

This application and the attached papers are forwarded to the Administrator of Veterans' Affairs by the undersigned designated Federal agency, which hereby recommends that said Administrator _____ aid application for a guaranty.

(Designated agency)

(Date of recommendation)

By _____
(Authorized signature)

INSTRUCTIONS—Continued

- 1. Reference is made to the following sections of the regulations for guidance in connection with applications for (a) acquisition of a business, sec. 4204; (b) purchase of supplies, equipment, machinery or tools (new or used), sec. 4205; (c) purchase of business realty, sec. 4208; (d) two or more borrowers, sec. 4222; (e) second loans under section 505 (a) of the Act, sec. 4221.
- 7. The veteran should have read Form 1844, "Explanation of Business or Business Realty Loan Guaranty," before signing application.
- 7. Permissible loan charges, see regulations, sec. 4216.
- 1. A notary's certificate is not required on the application. Nevertheless, it must be remembered that 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 anywise 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. Code 697, 715, 450, 451, 454a, 556a; 18 U. S. Code 80.)

VETERANS ADMINISTRATION
APPLICATION FOR BUSINESS
OR BUSINESS REALTY LOAN GUARANTY

ate (Where property is located) No. L-B (To be filled in by V. A.)
(Lender, exactly as payee's name will appear on note) 2. (Borrower-veteran, exactly as to be signed on note and mortgage)
(R. F. D. or street) (Post office) (County) (R. F. D. or street) (Post office) (County)
(State) (State)

INSTRUCTIONS

(Read carefully before beginning to fill out this form)

1. LOAN GUARANTY CERTIFICATE (Form 1841).

Fill in all spaces at top of the form, except the "L-B" number. Also complete Part II, "Description of Property to be Mortgaged," in such manner that all required information will be duplicated by a carbon impression in the proper spaces on page 1 of the application.

2. APPLICATION FOR BUSINESS OR BUSINESS REALTY LOAN GUARANTY Supplement (EXHIBIT A and EXHIBIT B) (Form 1842 b and Form 1842 c).

(a) The application and Exhibit A are to be executed in duplicate in every case. Exhibit B also in duplicate is only required if the loan is in excess of \$5,000.

(b) Every question must be answered except that if no real property is to be encumbered, questions 18 to 24 inclusive, need not be answered.

(See continuation of instructions, page 4)

3. 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.

remises 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)

(If more space is needed, continue carbon copy of description on page 2 of application)

III

CERTIFICATION BY BORROWER AND LENDER

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 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).

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 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, 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)

f a corporation)

Mr.
Mrs.
Miss _____

Secretary.

Lender(s).

By _____

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

CORPORATE

SEAL

(Required here in all cases)

Mr.
Mrs.
Miss _____

Date _____

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, Sec. 4205, 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.

VETERANS ADMINISTRATION
APPLICATION FOR BUSINESS
OR BUSINESS REALTY LOAN GUARANTY

State (Where property is located) No. L-B (To be filled in by V. A.)
(Lender, exactly as payee's name will appear on note) 2. (Borrower-veteran, exactly as to be signed on note and mortgage)
(R. F. D. or street) (Post office) (County) (R. F. D. or street) (Post office) (County)
(State) (State)

INSTRUCTIONS

(Read carefully before beginning to fill out this form)

I. LOAN GUARANTY CERTIFICATE (Form 1841).

Fill in all spaces at top of the form, except the "L-B" number. Also complete Part II, "Description of Property to be Mortgaged," in such manner that all required information will be duplicated by a carbon impression in the proper spaces on page 1 of the application.

II. APPLICATION FOR BUSINESS OR BUSINESS REALTY LOAN GUARANTY Supplement (EXHIBIT A and EXHIBIT B) (Form 1842 b and Form 1842 c).

(a) The application and Exhibit A are to be executed in duplicate in every case. Exhibit B also in duplicate is only required if the loan is in excess of \$5,000. The duplicate will be retained by the lender. The original signed copy will be permanently retained by the Veterans Administration and should be sent to the agency with other papers. (See regulations, sec. 4225.)

(b) Every question must be answered except that if no real property is to be encumbered, questions 18 to 24 inclusive, need not be answered. Place a check mark (✓) in space for answer to any question that is not applicable.

(See continuation of instructions, page 4)

3. 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)

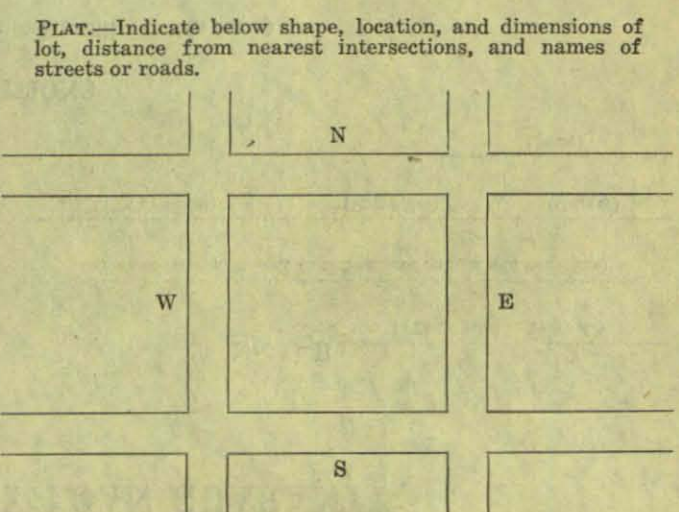
(If more space is needed, continue carbon copy of description on page 2 of application)

4. Applicant's age _____ 5. Sex _____ 6. Race _____ 7. Service or serial No. _____
 8. Date of birth _____ 9. Place of birth _____
 10. Indicate by a cross (x) the branch of service in which you served:
 Army Navy Marine Corps Coast Guard
 11. Date entered service _____ 12. Date separated from active duty _____
 13. Rank and organization at time of separation _____
 14. If you have served in any branch under another name, state that name, the branch, and dates between which you served under that name. If none, so answer _____
 15. Have you applied to the Administrator of Veterans' Affairs for guaranty of any other loan or loans? _____
 (Yes or no)
 If yes, give the following information for each application.

(a) Date of Application(s)	(b) Name and Address of Lender(s)	(c) Purpose of Loan(s)	(d) Was Loan Closed?	(e) Amount of Guaranty

16. (a) Purpose of loan hereby applied for: _____ (b) Purchase price, \$ _____
 (c) Amount of loan hereby applied for \$ _____ (d) Rate of interest _____ % (e) Guaranty
 requested \$ _____ (f) Secured by a _____ mortgage, or _____
 (g) For _____ years (h) Payable \$ _____ each _____
 17. (a) Is loan to be secured by a second lien pursuant to section 505 of the Act? _____
 (b) If "yes," state name and address of holder of primary loan _____
 (c) Amount of primary loan \$ _____
 (d) Interest rate _____ % per year. (e) Final maturity date _____ (f) Amount
 of payments \$ _____ (g) How often due _____ (h) Name of Federal agency
 making, insuring or guaranteeing primary loan _____

18. Land:
 (a) The land has _____ feet frontage
 on _____ Street (or road),
 and is _____ feet deep. Area
 about _____ (sq. ft. or acres).
 (b) Easements (location and purpose: Also mark
 on diagram).



19. Leasehold _____ Rental, \$ _____ per year. Lease is dated _____
 (Yes or no)
 and expires _____ Options: Renewable for _____ years: Purchasable for \$ _____
 Option expires _____

1. What estate in the land described on page 1 hereof are you to own or do you now own? _____

(State whether fee simple, or other estate. If a lease only, so state and when it expires)

(Also state whether all, or an undivided interest; and if latter, how much)

2. Street: (a) Right-of-way width _____ feet. (b) Surfaced with _____ feet wide. (c) Curbs and gutters in place _____ (d) Sidewalks in place _____ (Yes or no) (Yes or no)

3. Utilities (answer "Yes" or "No" as to each connected to the building): (a) Electricity _____ (b) Gas (public main) _____ (c) Public sewers _____ (d) Septic tank and drain _____ (e) Water supply: Public _____ Private _____ Other (specify) _____

4. Structure: (a) When built _____ (b) Type of construction: Frame _____ Brick veneer _____ Masonry _____ Other _____; (c) Roof material _____ (d) Stories above basement _____ (e) Floor area _____ sq. ft. (f) For improvements other than buildings use separate sheet and describe fully.

5. Taxes and assessments: (a) Real estate taxes: Amount levied this fiscal year, \$ _____ (b) Special assessments: Total amount outstanding \$ _____; (c) Amount payable this fiscal year \$ _____ (d) Per year \$ _____, beginning _____

6. Personal status of veteran: (a) Period of residence in this city, county, or town _____ (b) Indicate by X: _____ Married _____ Single _____ Divorced _____ Widower (c) Number of dependents _____ (d) Ages _____

7. Data concerning spouse: (a) Name _____ (b) Occupation _____ (c) Income per year: (i) Salary \$ _____ (ii) Other \$ _____ (d) Employed by _____ (e) At _____ (f) Assets owned separately by spouse or jointly by veteran and spouse (other than property described in Par. 3 hereof or in Supplement to this Application (Exhibit A or B as applicable)):

Type of Asset	Owned in the Name of	Estimated Value
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

8. Debts owing by spouse, showing (a) type of obligations; (b) name of creditor; (c) amount owing; (d) repayments periods; and (e) repayments amounts required.

9. Have you read or had read to you Form 1844, "Explanation of Business or Business Realty Loan Guaranty"? _____ (Yes or no)

10. Insurance will be obtained against: (a) Fire \$ _____ (b) Windstorm \$ _____ (c) Extended coverage, Form No. _____ \$ _____ (d) Other _____ (Specify)

11. The person signing this application as the veteran hereby represents that he is the veteran named in question 2 on page 1 of this application. His identity as such has been established to the satisfaction of the lender by

(State method, e. g., personal acquaintance of stated period; comparing signature and description on certificate of discharge; etc.)

All the information reflected by the application is true to the best of lender's information and belief.

The undersigned borrower (veteran) and lender (or seller) hereby apply for guaranty by the United States of a loan in accordance with this application, which is also an application to the lender by the borrower for said loan; said guaranty to be pursuant to the Servicemen's Readjustment Act of 1944 (58 Stat. 284), which Act and the regulations issued pursuant thereto and in effect on the date of the loan guaranty certificate issued pursuant to this application shall be a part of the contract between the United States, the borrower, the lender, and each of them.

Borrower and lender understand and agree that, if issued, the guaranty will be issued in reliance upon the information contained in this application.

The lender, or authorized employee, or agent of the lender, has read this entire application as completed, has seen and spoken with applicant, believes he is the veteran, and he appears to be competent to understand the nature of the transaction and to enter into it.

(If a corporation)

Lender.

Attest _____
Secretary.

(Authorized signature)

[CORPORATE
SEAL]

(Title)

(If required by State law)

Borrower(s).

(Date of application)

Signatures of lender and borrower must exactly correspond in every detail with the names as typed at top of page—notwithstanding name of borrower so shown may differ from name in question 14. A married woman will include her surname before marriage, but sign husband's surname as her surname.

Recommendation of Designated Agency

This application and the attached papers are forwarded to the Administrator of Veterans' Affairs by the undersigned designated Federal agency, which hereby recommends that said Administrator _____ aid application for a guaranty.

(Designated agency)

By _____
(Authorized signature)

(Date of recommendation)

INSTRUCTIONS—Continued

- I. Reference is made to the following sections of the regulations for guidance in connection with applications for (a) acquisition of a business, sec. 4204; (b) purchase of supplies, equipment, machinery or tools (new or used), sec. 4205; (c) purchase of business realty, sec. 4208; (d) two or more borrowers, sec. 4222; (e) second loans under section 505 (a) of the Act, sec. 4221.
- V. The veteran should have read Form 1844, "Explanation of Business or Business Realty Loan Guaranty," before signing application.
- V. Permissible loan charges, see regulations, sec. 4216.
- I. A notary's certificate is not required on the application. Nevertheless, it must be remembered that 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 anywise 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. Code 697, 715, 450, 451, 454a, 556a; 18 U. S. Code 80.)

Supplement to
APPLICATION FOR BUSINESS OR BUSINESS REALTY LOAN GUARANTY

EXHIBIT A

Note (a).—If purpose of loan is to establish a business, state fully the nature thereof, your qualifications and experience to operate it, and describe the equipment, machinery, tools, or supplies you desire to purchase.

Note (b).—If purpose of loan is to purchase all or part of an existing business, state fully the nature thereof and your qualifications and experience to operate it.

Note (c).—If purpose of loan is to purchase additional equipment, machinery, tools, supplies for an established business, describe same fully. On loans for such purpose the Earnings Data called for in 5 is not required.

1. _____

2. If purpose of loan is to establish a new business, the following information is required:

Veteran's Estimated Income and Expense for the Next 12 Months

I. INCOME

II. EXPENSE

Source:	a. Total estimated income from Col. I.....	\$.....
a. From sales of goods and services.....	\$.....	b. Cost of goods and services sold.....
b. Compensation or pension from Government.....	\$.....	c. Operating expense.....
c. Other.....	\$.....	d. Income and other taxes.....
	Total, \$.....	e. Payments on loans.....
d. Specify source of Other Income (c).....		f. Other business expense.....
_____		\$.....
_____		g. Excess of all income over total business ex-
_____		pense.....
		\$.....
		h. Estimated personal and living expense.....
		\$.....

See reverse side hereof for financial data required to complete this application. This form must be signed by borrower and under in all cases. If loan applied for is in excess of \$5,000 do not fill in reverse hereof, use Exhibit B, Finance Form 1842c.

Fill in all blanks using "none" if appropriate.

Cash on hand and in bank.....	\$.....	Notes, conditional sales contracts, chattel mortgages, or other obligations due within 1 year.....	\$.....
Accounts receivable.....	.....	Accounts payable.....	.....
Merchandise, supplies or other inventory.....	.....	Income or other taxes.....	.....
Total.....	\$.....	Total.....	\$.....
Land and buildings.....	.....	All liabilities due after 1 year (mtg. on R. E. <input type="checkbox"/> chattel mtg. <input type="checkbox"/> cond. sales contract <input type="checkbox"/> other (describe) <input type="checkbox"/>).....
Fixtures, machinery, tools, equipment, or other fixed assets.....	.....	Reserve accounts.....	.....
Life insurance—Cash surrender value (net).....	.....	Total all liabilities.....	\$.....
Good will.....	.....	Net worth.....	.....
Prepaid expense.....	.....	Total.....	\$.....
Other assets.....	.....	
Total.....	\$.....		

Are you a co-maker, endorser, or guarantor on any obligation? Yes No. If yes, describe _____

Condensed Statement of Sales, Profits, or Loss

<i>This year to date</i>	<i>Last year</i>		
....., 19.....	....., 19.....		
a) Gross sales.....	\$.....	(a) Gross sales.....	\$.....
b) Cost of goods sold.....	(b) Cost of goods sold.....	.....
c) Operating expenses (total)*.....	(c) Operating expenses (total)*.....	.....
d) Depreciation.....	(d) Depreciation.....	.....
e) Net profit or loss before owner's withdrawals.....	(e) Net profit or loss before owner's withdrawals.....	.....
f) Total withdrawn by owner.....	(f) Total withdrawn by owner.....	.....

*Do not include personal income taxes.

Give name and address of three credit references: _____

Each of the undersigned represents that to the best of his knowledge and belief all the information in this Exhibit A is true and complete.

Borrower and lender understand and agree that, if issued, the guaranty will be issued in reliance upon the information contained in this Exhibit A and the application of which it is to be considered a part.

Attest _____ Secretary. _____ Lender.

By _____ (Authorized signature)

CORPORATE SEAL
 (If required by State law)

 (Title)

(Date of application)

Borrower(s).

Supplement to
APPLICATION FOR BUSINESS OR BUSINESS REALTY LOAN GUARANTY

EXHIBIT B

(For use only when loan applied for is in excess of \$5,000)

Financial statement of _____ as of _____ 19____
(Name(s) of veteran and firm name if any)
(Fill in all blanks, using "none" where appropriate)

I. ASSETS	II. LIABILITIES
<p>(a) Cash on hand and in bank _____ \$ _____</p> <p>(b) Notes receivable (good) _____</p> <p>(c) Accounts receivable (good) _____</p> <p>(d) Merchandise (how valued):</p> <p style="padding-left: 20px;">(i) Finished _____ \$ _____</p> <p style="padding-left: 20px;">(ii) In process _____</p> <p style="padding-left: 20px;">(iii) Raw material _____</p> <p>(e) Other (itemize on separate sheet) _____</p> <p>(f) *Total current assets _____ \$ _____</p> <p>(g) Land _____ \$ _____</p> <p>(h) Buildings _____</p> <p>(i) Machinery and equipment _____</p> <p>(j) Furniture and fixtures _____</p> <p>(k) Life insurance—Cash surrender value (net) _____</p> <p>(l) Prepaid expenses _____</p> <p>(m) Goodwill _____</p> <p>(n) Patents and trade marks _____</p> <p>(o) Other assets (itemize on separate sheet) _____</p> <p>(p) Total _____ \$ _____</p>	<p>A. Amounts due in not more than 1 year—secured or unsecured. Notes:</p> <p>(a) To banks (except (c)) _____ \$ _____</p> <p>(b) To others (except (c)) _____</p> <p>(c) Conditional Sales Contracts or Chattel Mortgages (itemize on separate sheet) _____</p> <p>(d) Accounts payable _____</p> <p>(e) Income and other taxes _____</p> <p>(f) Other liabilities payable, due in not more than 1 year (itemize on separate sheet) _____</p> <p>(g) † Total current liabilities _____ \$ _____</p> <p>B. Amounts payable, due more than 1 year.</p> <p>(h) Secured by—</p> <p style="padding-left: 20px;">(1) Mortgages on real estate _____ \$ _____</p> <p style="padding-left: 20px;">(2) Conditional Sales Contracts or Chattel Mortgages _____</p> <p>(i) All other liabilities (secured or unsecured) (Itemize on separate sheet) _____</p> <p>(j) Reserve accounts (itemize) _____</p> <p>(k) Total liabilities _____ \$ _____</p> <p>(l) Net worth _____ \$ _____</p> <p>(m) Total _____ \$ _____</p>

2. (a) *Contingent liabilities: Accounts or notes receivable, discounted or sold with endorsement or guaranty, \$ _____

(Name of assignee)

(b) †If any of the current liabilities are secured, state amount and itemize collateral pledged as security _____

(c) Is the amount stated in (a) included in I (f) _____; in II (g) _____
(Yes or no) (Yes or no)

See reverse side hereof for financial data required to complete this application

3. Comparative statement of sales, profit or loss, etc.

	5th Prior Year 1	4th Prior Year 2	3d Prior Year 3	2d Prior Year 4	Last Year 5	This Year to Date 19____ 6
(a) Gross sales.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....
(b) Cost of goods sold.....						
(c) *Operating expenses (total).....						
(d) Depreciation.....						
(e) Net profit or loss before owner(s) with- drawal(s).....						
(f) Total withdrawn by owner(s).....						

* Do not include personal income taxes.

Each of the undersigned represents that to the best of his knowledge and belief all the information in this Exhibit B is true and complete.

Borrower and lender understand and agree that, if issued, the guaranty will be issued in reliance upon the information contained in this Exhibit B and the application of which it is to be considered a part.

Attest _____ Secretary. _____ Lender.

By _____ (Authorized signature)

CORPORATE SEAL
(If required by State law)

(Title)

(Date of application)

Borrower(s).

VETERANS ADMINISTRATION

EXPLANATION OF BUSINESS LOAN OR BUSINESS REALTY LOAN GUARANTY

(Under the Servicemen's Readjustment Act of 1944)

Veterans should read this explanation before signing the application form

1. The Veterans Administration has no authority to make a loan. The loan is made by banks and other lenders at not over 4 percent interest. When made in accordance with the regulations it may be partially guaranteed by the Administrator. The guaranty is available on purchase money notes also. For convenience these transactions are called loans in this explanation. Payments may extend over a period of 20 years subject however to the requirement that the maturity shall not be in excess of the normal useful life of the collateral and the earning capacity of the business.

2. If the veteran fails to make payments as they become due according to his contract with the lender the property may be foreclosed. If the Veterans Administration is required to pay any or all of the amount guaranteed, the veteran will become obligated for the repayment to the Government of the amount paid on account of the guaranty.

3. Interest for the first year on the amount guaranteed will be paid by the Government. The veteran does not repay this amount.

4. Any lender has the right to refuse to make a loan, with or without stating a reason. The fact that a particular lender refuses to lend the money does not mean that another lender may not be willing to lend it. The Veterans Administration will determine whether to guarantee the loan on the basis of the facts presented, irrespective of who may be the proposed lender (or seller).

5. Neither the act nor the regulations limit the amount of the loan, but the maximum amount of guaranty available to an eligible veteran is \$2,000. Once this amount has been guaranteed by the Administrator it cannot be made available on another loan, for any purpose.

6. Under certain conditions the Administrator may guarantee a loan secured by a "second mortgage," obtained for the purpose of acquiring a business or business realty, if the "first mortgage" is to secure a loan "made, guaranteed, or insured" by a "Federal agency." Most lenders can furnish details about such a loan.

7. The Veterans Administration will not undertake to advise a veteran as to the purchase or nonpurchase of a specific property as this is a decision for which the veteran must accept personal responsibility, but information of a general character may be made available. However, there may be essential elements of a proposed transaction which require specialized knowledge and it may be to the veteran's interest to consult experts in such matters whose own interests are not involved, before agreeing to any transaction. Similarly it may be advisable to consult disinterested experts as to the legal and other details pertaining to the transaction.

8. You may obtain a loan for the total price of the equipment, machinery, or tools you desire to purchase, or you may obtain a loan for the initial down payment if you prefer to conserve the amount of guaranty that will be required to obtain the loan. The loan for a down payment may be obtained for as much as one-third of the purchase price but may not be in excess of \$1,000. The smaller down payment you make, the less of your guaranty right you will have to use. This is because you will not need to borrow so much for the down payment. This is the amount for which you will need the guaranty, not the remaining balance. On the other hand there are many situations where in fact it will be better business to make a larger down payment.

Circumstances will govern which plan is to your best interest, but it is important to remember that the total guaranty available to you is \$2,000. Later you may need an additional loan for some permissible business purpose. Furthermore, should you desire to purchase a home or farm, the loan will ordinarily require a substantial guaranty and, therefore, you should endeavor to conserve the amount of your guaranty.

9. Read the entire Application Form 1842 and Exhibit A, Form 1842B. This will suggest matters which, while not precisely covered in the application, require careful consideration in the purchase of a business or the purchase of fixtures, machinery, equipment, tools, or supplies, if you are going to establish a new business, for example:

(a) Experience in the line of business you intend to buy or establish is one of your most valuable assets. If you lack the experience but have some knowledge of the business, it may be desirable to establish a partnership with someone who has had actual experience in operating the same kind of a business. Most newly established businesses fail for lack of managerial capacity or sufficient working capital.

(b) Guaranty of loans to provide working capital is not included in the Act. It is, therefore, an absolute necessity that you have sufficient cash or other working capital to assure the business a chance of success. Without sufficient working capital you will be in immediate difficulty. Budget your operations realistically and obtain expert accounting advice with respect to records you will require for tax purposes and other reports required by various State and Federal laws that regulate business.

(c) If you are going to be a retailer, choose the location of your business carefully, as a great deal of your chance for success depends on location, the kind of people likely to buy, the amount of the rent, the condition of the building, the modernness of fixtures, and store front. Check your competition and know what you will have to meet. Decide on your policies of operation, lower prices, poorer quality and volume, or higher-priced quality merchandise. Be sure you have the temperament necessary to meet and sell the public.

(d) The problems of manufacturing or wholesaling involve an entirely different set of factors, but here again experience and working capital are most frequently the deciding factors between success or failure.

10. The purchase or establishment of any business has many hazards. Eliminate all the foreseeable and be sure you are prepared for some of the unforeseen. A copy of the regulations, which are part of the contract, is available at any office of the Veterans Administration and probably at any bank or other lending institution.

FRANK T. HINES,
Administrator.

VETERANS ADMINISTRATION
APPRAISER'S CHECK SHEET
Business Loans

TO THE ADMINISTRATOR,
VETERANS ADMINISTRATION:

In connection with the application for guaranty of the business loan being negotiated by:

(Name of veteran-borrower) (Service serial No.) (Address: Show street No., city, State)

with -----
(Name of lender) (Address: Show street No., city, State)

the following information is submitted for consideration of the designated agency and the Administrator:

Total purchase price ----- \$ -----

Amount of loan -----

Amount of guaranty applied for -----

Purpose of Loan

Type of Organization

- To purchase an existing business.
- To purchase -----
(Describe)

- Operate as individual.
- Operate as partnership.
- Operate as -----
(Describe)

These questions pertain either to manufacturing, wholesale, retail, or service establishments, including restaurants and other types of eating and drinking places.

If applicable, the lender will supply information as follows:

1. Is the public now being adequately served by businesses of this type? ----- Yes No
2. Are such businesses old and well established? ----- Yes No
3. Will existing businesses afford keen competition? ----- Yes No
4. Have any businesses of this type closed recently? ----- Yes No

(If answer is yes, show number and state briefly the cause.) -----

5. Is the location which has been selected desirable for this type of business? ----- Yes No

6. Are there other similar establishments nearby?..... Yes No
7. From what sources will the business draw its trade?

8. Are the display windows suitable?..... Yes No
9. Is the store front modern and attractive?..... Yes No
10. Is the space adequate for present needs? Yes No For future needs?..... Yes No
11. Is the building of sound construction, and attractive?..... Yes No
12. Will any major remodeling or alterations be necessary?..... Yes No
13. Are the plumbing facilities adequate?..... Yes No
14. Is there a satisfactory heating plant?..... Yes No
15. Are there any built-in fixtures or equipment?..... Yes No
16. Are the terms of the lease satisfactory?..... Yes No
- (a) Does it provide for cancellation? Yes No For subleasing? Yes No
- For renewal?..... Yes No
17. Does it provide for reimbursement for alterations?..... Yes No
18. Is the rent a fixed dollar amount? Yes No Amount..... \$.....
19. If a percentage of sales, state percent and how computed.....

20. What is your estimate of gross sales per month? \$..... Expense? \$.....
 Net? \$.....
21. Are sales for cash or credit?..... If credit, show the usual
 terms.....
22. What do suppliers think of the prospects for success for a business of this type in this trading area?

23. What do local businessmen in noncompeting lines think of the prospects for success for a business of this type? _____

24. Have you checked applicant's references? _____ Yes No

25. Their opinion _____

26. The Business Loan Guaranty regulations of the Servicemen's Readjustment Act define "reasonable normal value" as follows:

"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.

"The purpose and intent are to assure that the price to be paid is not in excess of that on which a fair profit can be earned based on (a) the past record, if any; (b) the reasonable probabilities of the future; and (c) reasonably efficient management."

27. In your opinion does the purchase price stated herein represent a reasonable normal value as so defined? _____ Yes No

28. Comments, if any:

The answers to the foregoing questions and the statements made above are true and complete to the best of my information and belief. I have no financial interest in the subject matter of the transaction contemplated and do not represent a lender wholly or partially controlled by the vendor. The information hereinabove contained is and shall be confidential and shall not be disclosed except as provided by law.

(Signature of person functioning as appraiser)

(Appraiser's business address—street and number)

(Type his name on this line)

(City or town and State)

(Name of his employer)

(Employer's address)

(Title, if any)

(Date)

UNITED STATES OF AMERICA
Loan Guaranty Certificate
ISSUED BY
VETERANS ADMINISTRATION

State _____ Number L. F. _____
(Where property is located) (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) (House or box number, street, post office, county)

(State) (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 _____

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

ADMINISTRATOR OF VETERANS' AFFAIRS,

By _____
(Authorized agent)

At _____
(Post office)

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:

4. Applicant's age 5. Sex 6. Race 7. Service or Serial No.
8. Date of birth 9. Place of birth
10. Indicate by cross (X) the branch of service in which you served:
 Army Navy Marine Corps Coast Guard
11. Date entered service 12. Date separated from active duty
13. Rank and organization at time of separation
14. If you have served in any branch under another name, state that name, the branch, and dates between which you served under that name. If none, so answer
15. Check one: Married Single Divorced Widower (or Widow). Number of children
 Full name of wife or husband
 Boys' ages Girls' ages

16. Farming Experience:

DATES (a)	TYPES OF FARMING (b)	NUMBER OF YEARS AS LABORER, RENTER, SHARECROPPER, OWNER, OR STUDENT (STATE WHICH) (c)	LOCATION (d)

17. (a) Lender's (seller's) estimate of value of property which will be encumbered to secure the loan? Land, \$..... Buildings, \$..... (b) Personal property (identify generally)
- (c) Name and location of farm, highway numbers, and distance and direction from nearest town
- (d) If tenant, state amount of rent (e) Unexpired term
- (f) Do you have option to purchase? (g) Number of acres, cultivated
- (h) Woodland (i) Pasture land (j) Wasteland (k) Total acres
- (l) Amount and kind of fencing
- (m) Source of water supply (n) Is electricity available for lights, power?
- (o) Describe dwelling—number of rooms, type of construction, etc.
- (p) Kind and size of outbuildings
- (q) What estate in the land described on page 1 hereof are you to own or do you now own?
- (State whether fee simple or other estate. If a lease only or sharecropper, state)
- (Also state whether all or an undivided interest; and if latter, how much)
- (r) Do you occupy or intend to occupy the farm as your home? (s) Do you operate or intend to operate the farm yourself? (as provided in sec. 4100 (b) of the regulations).

18. Proposed Farm Operations:

CROPS (a)	ACRES (b)	PRODUCTION (c)	TO BE SOLD (d)	UNIT PRICE (e)	TOTAL (f)

TOTAL, \$.....

19. Production of Livestock and Livestock Products:

LIVESTOCK (a)	NUMBER ON HAND (b)	PRODUCTION (c)	TO BE SOLD (d)	UNIT PRICE (e)	TOTAL (f)
					\$

20. **I. Assets** TOTAL, \$

(a) Cash \$

(b) Value of land

(c) Buildings

(d) Machinery

(e) Livestock

(f) Other

(g) TOTAL, \$

Total assets (from col. I) \$

II. Liabilities

Indebtedness:

(a) Secured ... \$

(b) Unsecured ..

(c) Total indebtedness

(d) Net worth

21 **I. Estimated Income** Total income (from col. I) \$

(a) Crops \$

(b) Livestock

(c) Compensation or pension from U. S. Government

(d) Other income of veteran ...

(e) Of wife (or husband)

(f) TOTAL, \$

II. Estimated Expenditures

(a) Farm operating and living expenses ... \$

(b) Payment of debts

(c) Taxes

(d) Other

(e) Total expenditures

(f) Excess of income over expenditures

22. Have you applied to the Administrator of Veterans' Affairs for guaranty of any other loan or loans? (Yes or No)

If yes, give the following information for each application:

DATE OF APPLICATION (a)	NAME AND ADDRESS OF LENDER (b)	PURPOSE OF LOAN (c)	WAR LOAN CLOSED (d)	AMOUNT OF GUARANTY (e)
				\$

23. (a) Is loan to be secured by a second lien pursuant to sec. 505 of the act? _____

(b) If "yes" state name and address of holder of primary loan _____

(c) Amount of primary loan \$ _____

(d) Interest rate _____% per year (e) Final maturity date? _____ (f) Amount of payments? \$ _____

(g) How often due? _____ (h) Name of Federal agency making, insuring, or guaranteeing primary loan? _____

24.

PROPERTY INSURED (a)	FIRE (Yes or No) (b)	AMOUNT (c)	ANNUAL PREMIUM PER \$1,000 (d)	OTHER (Specify Amount, Nature e. g. storm, hail, etc.) (e)	ANNUAL PREMIUM PER \$1,000 (f)

25. (a) Purpose of the loan hereby applied for is: _____

(b) Cost to veteran of real or personal property to be purchased, \$ _____ (c) Repairs, alterations, or improvements to any buildings or equipment, \$ _____

(d) If for taxes, special assessments, or delinquent indebtedness, state amount of loan for: (i) Taxes, \$ _____ (ii) Special assessments, \$ _____ (iii) Delinquent indebtedness, \$ _____ (iv) Total amount of _____ outstanding, \$ _____

Payable this fiscal year, \$ _____ (v) Payable per year, \$ _____, beginning _____

26. (a) Amount of loan now applied for, \$ _____ (b) Rate of interest _____% per year.

(c) Maturities _____

(d) Secured by mortgage or _____ (Deed of trust, conditional sales contract, etc.)

NOTE.—Must be first lien except as otherwise provided in regulations.

27. Amount of guaranty hereby requested, \$ _____

28. Have you read or had read to you Form 1824, "Explanation of Farm Loan Guaranty"? _____

29. The person signing this application as the veteran hereby represents that he is the veteran named in question 2 on page 1 of this application. His identity as such has been established to the satisfaction of the lender by _____

(State method, e. g., personal acquaintance of stated period; comparing signature and description on certificate of discharge, etc.)

- 30. All the information reflected by the application is true to the best of lender's information and belief.
- 31. The undersigned borrower (veteran) and lender (or seller) hereby apply for guaranty by the United States of America of a loan in accordance with this application, which is also an application to the lender by the borrower for said loan; said guaranty to be pursuant to the Servicemen's Readjustment Act of 1944 (58 Stat. 284), which act and the regulations issued pursuant thereto and in effect on the date of the loan guaranty certificate issued pursuant to this application, shall be a part of the contract between the United States of America, the borrower, the lender, and each of them.
- 32. Borrower and lender understand and agree that, if issued, the guaranty will be issued in reliance upon the information contained in this application.
- 33. The lender, or authorized employee, or agent of the lender, has read this entire application as completed, has seen and spoken with applicant, believes he is the veteran, and he appears to be competent to understand the nature of the transaction and enter into it.

(If a corporation)

Attest _____ Secretary. _____ Lender.

Date _____ By _____ (Authorized signature)

[CORPORATE SEAL] _____ (Title)

Date _____ (Borrower(s))

Signatures of lender and borrower must correspond in every detail with the name as typed at top of page 1, notwithstanding name of borrower so shown may differ from name in question 14. A married woman will include her surname before marriage, but sign husband's surname as her present surname.

34. **Recommendation of Designated Agency**
- We, the certifying agency, after consideration of all the facts, believe that the loans for which guaranties are sought are for the purposes stated in the application; that the property purchased or to be purchased with the proceeds of the loan will be used in and will be useful and reasonably necessary to the efficient conduct of the bona fide farming operations of the applicant, whose ability and experience and proposed operations are such that there is reasonable likelihood of his success; and that the purchase price of the property is not in excess of the reasonable normal value thereof.
- This application and the attached papers are forwarded to the Administrator of Veterans' Affairs by the undersigned designated Federal agency, which hereby recommends that said Administrator { disapprove } said application for a guaranty.

(Chairman of committee) (Member) (Designated agency)

(Member) (Member) By _____ (Authorized signature)

Date _____

INSTRUCTIONS—Continued

- III. Reference is made to the following sections of the regulations for guidance in connection with applications for (a) purchase of a farm (4124-4132); (b) new construction (4132); (c) repairs, alterations, improvements, delinquent indebtedness, taxes, special assessments (4104-4107); (d) purchase of personal property (4104); (e) two or more borrowers (4122).
- IV. If the loan is for any of the purposes in paragraph III (c) above (section 501 (b) of the act) and is to be secured by a junior lien because of existing prior liens, attach a signed memorandum stating with respect to such prior liens; (a) date, original amount, and unpaid balance of loan; (b) amounts and frequency of payments required and permitted; (c) rate of interest; (d) whether any payments are past due and the amounts thereof; (e) whether any taxes, special assessments, or insurance premiums are due but unpaid and the amounts; (f) date of most recent appraisal of the property and value therein stated; (g) date and nature of default, if any.
- V. The veteran should have read Form 1824, "Explanation of Farm Loan Guaranty," before signing application.
- VI. Permissible loan charges, see regulations, section 4116.
- VII. If the loan is not to be secured by a "mortgage," see regulations, section 4124, paragraph 5.
- VIII. A notary's certificate is not required on the application. Nevertheless, it must be remembered that 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. Code 697, 715, 450, 451, 454a, 556a; 18 U. S. Code 80).

APPLICATION FOR FARM LOAN GUARANTY

State _____ (Where property is located) Number L. F. _____ (To be filled in by V. A.)

1. _____ (Lender) (Exactly as will appear on note) 2. _____ (Borrower—Veteran) (Exactly as will appear on note and mortgage)

_____ (R. F. D., city, county) _____ (Street number, city, county)

_____ (State) _____ (State)

INSTRUCTIONS

(Read carefully before beginning to fill out this form)

I. LOAN GUARANTY CERTIFICATE (Form 1821).

Fill in all spaces at top of the form, except the "L. F." number. Also complete part II, "Description of Property To Be Mortgaged," in such manner that all required information will be duplicated by a carbon impression in the proper spaces on page 1 of the application. If it is necessary to continue the property description on the reverse side of the certificate, use space on page 2 of the application for the carbon impression thereof. The certificate may be separated from the application along the perforated line at the bottom of the page. Submit it to the agency with the application and other papers. (See regulations, sec. 4125.) No copy of the certificate other than the original is necessary. It will be signed and returned to the lender by the Veterans Administration if the application is approved.

II. APPLICATION FOR FARM LOAN GUARANTY (Form 1822).

(a) This form is to be executed in duplicate (use Form 1822a). The duplicate copy does not have the certificate attached and will be retained by the lender. The original signed copy will be permanently retained by the Veterans Administration and should be sent to the agency with other papers. (See regulations, sec. 4125.)

(b) Every question must be answered. Place a check mark (V) in space for answer to any question that is not applicable.

(c) If the loan is to be secured by personal property, but exceeds \$1,000, answer question 16 (c) with respect to the land on which it is to be used, notwithstanding the land is not described on page 1 and is not to be encumbered.

(See continuance of instructions, page 4)

3. 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)

(If more space is needed, continue carbon copy of 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 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 provided 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 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 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.

(If a corporation)

(All signatures must be in ink)

Date _____

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

[CORPORATE SEAL]

By _____

(Secretary)

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

Date _____

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, sec. 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 section 4133 of regulations.

UNITED STATES OF AMERICA
VETERANS ADMINISTRATION

GUARANTY OF LOANS

REGULATIONS UNDER TITLE III

(Homes and Farms and Farm Equipment)

SERVICEMEN'S READJUSTMENT ACT OF 1944

(Public Law 346—78th Cong., Ch. 268, 2d Sess.; 58 Statutes at Large 284; 38 U. S. Code 693 et seq.)

NOTE: Changes in and additions to the regulations under Title III governing the Guaranty of Home Loans (§§ 36.4000 to 36.4049), and Guaranty of Loans on Farms and Farm Equipment (§§ 36.4100 to 36.4151).

PART 36—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 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 Certificate 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 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".

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

¹ As printed in the FEDERAL REGISTER, Volume 9, Number 256, Washington, Saturday, December 23, 1944.

acquisition of homes other than by construction.

(b) * * *

(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:

§ 36.4023 *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 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.

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.

[F. R. Doc. 44-19315; Filed, Dec. 21, 1944;
3:57 p. m.]

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.

DECEMBER 8, 1944.

[F. R. Doc. 44-19316; Filed, Dec. 21, 1944;
3:57 p. m.]

¹ As printed in the FEDERAL REGISTER, Volume 9, Number 256, Washington, Saturday, December 23, 1944.

UNITED STATES OF AMERICA
VETERANS ADMINISTRATION

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HANDBOOK FOR LENDERS

HOME LOANS

Servicemen's Readjustment Act of 1944



(NOTE: This pamphlet covers matters of policy and procedure which should be followed in connection with loans to veterans subject to guaranty pursuant to the provisions of the Act.)

UNITED STATES OF AMERICA
VETERANS' ADMINISTRATION

HANDBOOK FOR LENDERS

HOME LOANS

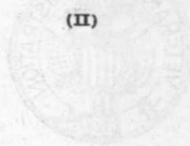
Service men's Readjustment Act of 1944

Nothing herein* contained shall be construed to modify, revise, or otherwise alter any of the Regulations of the Administrator of Veterans' Affairs which are promulgated by him under the "Servicemen's Readjustment Act of 1944" (Public Law 346—78th Congress).

FRANK T. HINES,

Administrator of Veterans' Affairs.

(II)



(NOTE: This booklet covers matters of policy and procedure which should be followed in connection with loans to veterans subject to general provisions of the Act.)

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(III)

HANDBOOK FOR LENDERS HOME LOANS

1. POLICY.

It was the clear intent of Congress that all eligible veterans should have available to them the full benefits of Title III. It is the duty and the desire of the Administrator of Veterans' Affairs to give effect to this intent in such a manner that, while following the provisions of the Act, a minimum of delay or difficulty will be encountered by any applicant. The Administrator feels justified in depending upon the support and wholehearted cooperation of all who are in any manner connected with home, farm, or business financing to the end that this task, which should be undertaken as a privilege, will be so performed as to gratify all concerned.

2. REGULATIONS.

Before commencing any lending operations under the Act, all lenders should familiarize themselves with the Regulations of the Administrator of Veterans' Affairs. Copies of these, as well as copies of the approved forms mentioned therein, may be had upon application to the nearest office of the Veterans Administration.

3. THE VETERAN.

It is a responsibility and duty of the lenders to make certain that all veterans with whom they have dealings fully understand their rights and privileges under the Act and how to proceed to make application for a guaranteed loan. Many lenders will have prepared special facilities for such information and advice including printed pamphlets or booklets for the guidance of uninformed veterans, based on the Administrator's Regulations. In any event, lenders should have on hand a supply of Finance Form 1804 entitled "Explanation of Home Loan Guaranty" which has been prepared by the Veterans Administration and which Regulations require the veteran to read before he makes application for a guaranteed loan. At the time of making application therefore the veteran should have read this form and should present his Certificate of Discharge or his Notice of Separation, or both.

4. VETERAN'S ELIGIBILITY. Form 1800.

(a) *Determination.*—The determination of eligibility of the veteran requires the Veterans Administration to inspect original records in the possession of the veteran or in lieu thereof to refer to records in the files of the Veterans Administration or in the files of the Service departments (War Department, Navy Department, Marine Corps, or Coast Guard).

It is recommended that lenders endeavor to have the veteran where practicable furnish the lender with evidence of eligibility in the form of discharge or separation papers or certificate in lieu of lost or destroyed discharge, or properly authenticated photo copies of discharge

or separation papers to be dispatched to the Veterans Administration together with Form 1800 properly completed.

A photo copy of discharge or separation papers furnished to the veteran by the Service department may be considered to be properly authenticated if such photo copy is issued under the seal of the Service department. Photo copies of original discharge or separation papers prepared by persons or agencies other than Service departments may be considered to be properly authenticated if such copies are certified by and bear the seal of a Notary Public or other officer authorized by law to administer oaths or take acknowledgments.

Statement should be placed on the request for Certification of Eligibility (Form 1800) outlining the type of evidence submitted, if such action is taken, and also a statement of the "C" number of the applicant, if a "C" number was assigned by the Veterans Administration and this number is known to the applicant. A "C" number is a Veteran Administration file number which is assigned by the Veterans Administration to applications for pension and for certain other benefits.

Form 1800 filled in and any supporting documents should be forwarded to the Regional Office or Combined Facility of the Veterans Administration located in the State in which the veteran resides. Certificates of Eligibility for residents of the State of Delaware should be forwarded to the Philadelphia, Pa., Regional Office. For residents of Alaska forward to Seattle, Wash. For residents of Puerto Rico forward to New York City, N. Y.

A discharge or other evidence of eligibility which is submitted with a request for Certification of Eligibility will be returned by the Veterans Administration with the Certification of Eligibility to the lender who shall return such evidence to the applicant.

If the guaranty to be requested in this form is less than the maximum of \$2,000, the amount should be determined with sufficient care to insure that it will be ample to cover the lender's requirements when the loan is closed. The amount requested here will be set aside by the Administrator for the loan in question and may not later be increased if the veteran has used the remainder of his guaranty for some other purpose. One copy of the form will be returned to the lender after the Administrator has completed it. The form will then show: (a) whether the veteran is eligible under the Act, (b) the amount of guaranty reserved, (c) the name and address of the appraiser to be used, and (d) the name and address of the agency to whom the application and other papers should be sent. (See par. 16 (a).)

If the status of the veteran is such as to make him eligible for a guaranteed loan in accordance with the Act and the Regulations, the maximum amount of the guaranty to which he is entitled will be \$2,000 less any portion thereof which may have been utilized by him as the result of previous applications. Lenders ordinarily should await the return of this information from the Veterans Administration before proceeding further with the application. There will be cases, however, where the veteran is known to the lender or where the lender has otherwise sufficient reason to believe that the veteran is entitled to a guaranty in the amount requested. In that event the lender may decide to proceed without awaiting confirmation, but Form 1800 must be transmitted in all cases.

(b) *Identity*.—Form 1800 should not be considered to establish the identity of the veteran. Identification is the responsibility of the lender who must sign a statement on the application form to the effect that he has satisfied himself on this point.

(c) *Legal Disability*.—Lenders should familiarize themselves with State laws governing contracts entered into with minors, persons of unsound mind, and persons under other forms of “legal disability.” Loans to such persons cannot be guaranteed by the Administrator unless the contract between the borrower and the lender is binding on both according to State law and the mortgage has the legal effect intended. This applies also to loans sought or obtained by guardians, conservators, or other fiduciaries. The Act does not modify State laws which are applicable in such cases.

5. ELIGIBLE LENDERS.

The Regulations define eligible lenders in accordance with section 500 (c) of the Act, as “persons, firms, associations, corporations, and governmental agencies and corporations, either State or Federal.”

Evidence satisfactory to the Administrator may be required to show that a lender is equipped to maintain adequate records (see par. 17) and to properly service guaranteed loans.

6. HOME DEFINED.

A “home” is defined in the Regulations as—

Any dwelling consisting of not more than four family units, or any combination dwelling and business property, the primary use of which is occupation by the veteran as his home.

7. THE APPLICATION. Form 1802.

Lenders can be of material assistance to the veteran in completing his “Application for a Home Loan Guaranty.” All questions should be answered as completely as possible. It will be observed that the original application form (white) has the Loan Guaranty Certificate (Form 1801) attached to it. The duplicate application (yellow) which is the copy to be retained by the lender, has no Certificate attached to it. Full instructions for completing both Forms 1801 and 1802 are printed on the application beginning on page 1 thereof.

It is important to note that these instructions provide that the lender is not to fill in any of the blanks in paragraph I. The Veterans Administration will fill in such blanks. The lender will fill in *all* the spaces *above* paragraph I except the “L” number. The lender also will fill in the property description in paragraph II on the Loan Guaranty Certificate, being certain that a carbon impression thereof appears in paragraph 3, page 1, of the application form.

The guaranty is so worded that if the amount of the loan determined at the time of closing the loan does not exceed the amount of the loan applied for by more than 3 percent no supplemental application is necessary (see secs. 4031 and 4032 of the Regulations). Minor variations in amount of loan applied for and the amount necessary to close the loan frequently occur as a result of a change in the amount of taxes or estimated expenses. This 3 percent should provide an adequate margin for such variations. If the finally determined loan amount is less than the amount applied for no supplemental applica-

tion is required. This is because of the per centum limitation provided in the guaranty.

In any event the Veterans Administration will adjust the veterans record of available guaranty from the loan closing statement so that the veteran will not be penalized in the event the required amount of guaranty is less than reflected upon this application.

Certain information of probable value was sacrificed in the application for the sake of brevity and simplicity but some or all of it may be required when, as and if Form 1802 is revised. Meanwhile it would be helpful to the prompt and definite establishment of the veteran's credit standing if lenders would attach to each application the veteran's answers to some additional questions in substantially the following form:

Present status:

- (a) Period of residence in the city or town-----
 (b) Nature of business-----
 (c) Name of immediate superior-----
 (d) Property owned by veteran and/or spouse, if married:

Type and location

Estimated value

----- \$-----
 ----- \$-----
 ----- \$-----

- (e) Debts owing by veteran and/or spouse, if married, showing: (1) type of obligation; (2) name of creditor; (3) amount owing; (4) repayment periods; and (5) repayment amounts required.

- (f) State any physical disability or handicap.

Preservice status:

- (a) Home address at time of induction or enlistment:

No. and Street City, Town County, Parish State, District, Territory

- (b) Period of residence in that city or town-----
 (c) Occupation then----- (d) Period so employed-----
 (e) Nature of business-----
 (f) Name and address of employer-----

 (g) Name of immediate superior-----
 (h) Annual income: Salary \$----- Other \$-----

8. CREDIT REPORT.

(a) *Form.*—Regardless of information to be furnished as a personal statement by the veteran in his application, a credit report should be forwarded to the agency with other papers as provided in par. 16 (a). The regulations define credit report to mean—

The report submitted by any credit reporting agency of at least 5 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.

(b) *Substance.*—As is customary with lenders, it is required by the Act and the Regulations that the present and anticipated income and expenses of a borrower—in this case the veteran—are such as to indicate the probability of his maintaining current payments on the loan, taxes, assessments, and insurance. All other matters affecting the veteran's credit standing should receive due consideration.

(c) *Confidential Information.*—In the foreword to the regulations it is stated:

* * * The completed application and other papers submitted should be carefully examined by the applicants * * *

The purpose of such statement was to assure that applicants would have a full and complete knowledge of the transaction to which they were a party. However it was not intended that any credit report be submitted for the applicant's perusal or that any other confidential information be disclosed to the applicant. In such cases as it may be the creditor's usual practice to charge the borrower for a credit report, such item on the loan closing statement Form 1806 shall not state the name of the credit reporting agency but only "Credit Report \$-----."

9. APPRAISAL REPORT. Form 1803.

The appraiser designated by the Administrator in Form 1800 "Certification of Eligibility" should be notified by the lender when the appraisal is to be made. His report should be included with other papers sent to the agency as shown in paragraph 16 (a).

10. INSURANCE REQUIREMENTS.

All insurance carriers must be licensed to do business in the State wherein the property is situated. The veteran must be given freedom in procuring acceptable insurance through any authorized insurance agent or broker that he may select.

The Administrator of Veterans' Affairs has established *minimum* insurance requirements for protection against fire and other hazards which it is customary to insure in certain areas and communities. Therefore, considerable responsibility rests with the creditor and the veteran to see that their interests are adequately protected.

The *minimum* requirement is that all buildings the value of which enter into the appraisal forming the basis for the loan must be insured in an amount at least equal to the amount by which the loan exceeds the value of the encumbered land plus the value of those improvements which are not insurable.

For example:

Insurable improvements valued at.....	\$5,000
Land valued at.....	500
Uninsurable improvements valued at.....	200
<hr/>	
Total value of property.....	5,700
Amount of loan.....	3,000
Amount of guaranty.....	1,500

The amount of minimum insurance required would be calculated as follows:

Amount of loan.....		\$3,000
Less: Value of land.....	\$500	
Uninsurable improvements.....	200	700
Minimum insurance required.....		2,300

This amount of insurance would be insufficient protection against a total loss of the insurable improvements and it would not protect the veteran's equity in the property.

The complete protection of partial losses where policies are subject to a coinsurance clause requires greater coverage. For instance, an 80 percent coinsurance clause applied to the above example would require \$4,000 coverage (80 percent of the insurable improvements) to receive full payment of a loss of say \$3,000. If only \$2,300 insurance were carried with this clause applicable, then a \$3,000 loss would result in the payment not of \$2,300 but of only \$1,725 or 23/40ths of the loss sustained.

Lenders should consult and advise with the veteran regarding the amounts and kinds of insurance to protect the veteran's interest in a property. The amount and kind of insurance, when determined, are to be set forth in Form 1802, Application for a Home Loan Guaranty.

At the time of approving the application for a home loan guaranty, the Administrator may waive all or part of the insurance requirements if in the application it is satisfactorily shown that (a) it is impossible or impractical to obtain the insurance; (b) such insurance is not customarily required by prudent lenders in the community; or (c) the lender is willing to make the loan without coverage on one or more of the buildings or in reduced amount or without certain coverage.

The procuring of insurance of the amount and coverage stated in the approved application constitutes 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 not mentioned therein as hazards to be covered.

Lenders must see that the insurance stated in the approved application is maintained in force either in that amount or in the amount of the unpaid indebtedness, whichever is smaller.

If the Administrator has waived the insurance under which a loss is sustained, there is no reduction in the amount of the guaranty. Otherwise, and for the sole purpose of determining the amount payable upon a claim under the guaranty, the unpaid balance of the loan will be deemed to have been reduced by the amount of the uninsured loss. In no event, however, will such balance be reduced below the value of the land plus other property remaining subject to the mortgage.

If the lender fails to require a provision in the insurance contract giving the lender the right to any loss payments, the amount payable under the guaranty will be reduced as in the previous paragraph under uninsured losses, despite a waiver by the Administrator, unless the property damage has been restored.

If stated insurance later becomes unavailable, due notice thereof must be given by the lender to the Administrator for his determination of either granting a waiver or declaring the loan in default.

11. LOAN CLOSING STATEMENT. Form 1806.

This form should be sent to the agency with other papers (see par. 16 (a)) when it has been prepared to include in column III thereof *estimates* of all amounts to be disbursed by the lender for account of the veteran. It will subsequently be returned to the lender for completion in connection with closing the loan. At that time column IV should be filled in to show amounts *actually* disbursed and, on the reverse, the "Report of Closing Loan" executed in accordance with regulations, section 4031, to make the guaranty effective. The form should be returned to the Administrator for his files within 2 months after the loan is closed.

12. THE MORTGAGE.

A mortgage is defined in the Regulations as—

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, chattel mortgages, etc.

Each loan guaranteed in whole or in part by the Administrator must be evidenced by a note or notes secured by a mortgage except when the principal amount of the loan does not exceed \$500, in which case the lender may not require a mortgage.

13. THE GUARANTY. Form 1801.

(a) *Limitations.*—The aggregate amount which may be guaranteed by the Administrator for any one veteran cannot exceed \$2,000 whether there be one or more loans under the categories of home, farm, or business as provided for in the Act. Once extended to a veteran, the amount guaranteed is never reinstated or again made available to him for any reason. However, the Administrator may extend his guaranty to apply on another loan obtained for refinancing in accordance with section 4042 of the regulations (see par. 23 of this handbook). The guaranty cannot exceed 50 percent of a loan or loans for any of the purposes specified in sections 501, 502, or 503 of the Act.

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:

- (1) It does not exceed 20 per centum of the purchase price or cost.
- (2) The amount guaranteed together with all other guarantees for the same veteran does not exceed \$2,000.
- (3) The loan conforms to all other applicable requirements of the regulations.

(b) *Decrease or Increase.*—The amount of the guaranty *decreases* pro rata with any decrease in the unpaid balance of the loan. In other words, as periodical payments are received and credited so as to reduce the loan balance, then a proportionate reduction takes place in the amount guaranteed so that the percentage relationship remains constant. For example: A \$3,000 loan, of which \$1,500 or 50 percent was originally guaranteed, has been reduced through curtailments to \$2,000. Thus the loan balance has declined \$1,000, or one-third of the original loan and, therefore, the guaranty is reduced \$500, or one-third of the original guaranty. The loan balance, therefore, becomes \$2,000, and the guaranty is reduced to \$1,000, or 50 percent, which is the same percentage originally guaranteed.

The amount of the guaranty *increases* pro rata with any increase in the unpaid principal balance of the loan. However, it should be noted that (1) in no event can the amount payable under the guaranty of a particular loan exceed the original amount guaranteed and (2) any advances made to the veteran for taxes, assessments, insurance premiums, or emergency repairs necessary to protect the property may not bear an annual interest rate in excess of 4 percent.

(c) *Advances.*—A loan may conceivably be increased from time to time by reason of advances as above mentioned. If the addition of these amounts to the unpaid balance of the loan creates a total in excess of the original amount of the loan (in part guaranteed) then no part of such excess is guaranteed. For example: A \$3,000 loan of which \$1,500 or 50 percent was originally guaranteed, has been reduced 10 percent through curtailments to \$2,700 and there is a consequent reduction of 10 percent in the guaranty to \$1,350. It now appears that a new roof costing \$400 is necessary to protect the property. The amount is advanced by the lender and added to the loan, making the new balance \$3,100 or \$100 more than the original loan. The first \$300 of the advance is protected to the extent of \$150 or 50 percent by the guaranty which is increased to its original amount of \$1,500. The additional \$100 of the advance, however, will not have the benefit of the Administrator's guaranty.

In the event of advances having been made by the creditor he may, by agreement with the debtor, apply the regular payments made by the debtor on account of principal and interest to repayment of such advances up to a period not exceeding 12 months. Such an arrangement, per se, shall not be considered a default although notice thereof to the Administrator must be given within 1 month after the expiration of not to exceed 6 months from the date when payments to apply against principal and interest were suspended (see par. 18 (c)). To illustrate: (1) An advance of \$300 has been made by the creditor for repairs. Regular monthly payments of principal and interest on the original loan call for \$50, which is all the creditor can afford to pay. Application of 6 monthly payments of \$50 will repay the advances. If payments by the debtor cease at this point and continue for 3 months the creditor may make claim under the guaranty, and the total amount delinquent is equivalent to 9 monthly installments. (2) In a similar case where the regular payments are only \$25 per month it would require 12 months to repay the advances. Assuming once more that payments ceased at the expiration of this period and were not resumed

for 3 months, then the creditor can file claim under the guaranty and the total amount delinquent would be the equivalent of 15 months' delinquency. (3) In the event such indulgence to repay advances has been arranged, but default occurs in the interim through failure to pay taxes or other such items and persists for 3 months, the creditor may take action on the basis of such default as provided in the Regulations and irrespective of any indulgence granted in connection with the repayment of advances.

The foregoing examples presuppose defaults in addition to the indulgence granted under certain circumstances for the repayment of advances. However, the debtor may be able to continue his regular payments in which event the following will be applicable:

The repayment provisions on account of any advances may not extend the date of the final maturity of the loan. This restriction will create a situation whereby the loan remains in technical default until such time as the equivalent of the amount advanced has been repaid either by subsequent interim payments, or by a lump sum at maturity.

For the objects stated in the Regulations section 4004, instead of making an advance to be added to the existing loan as set forth above, the lender and the veteran may decide to take care of the matter by a second loan in the required amount. Such second loan may be in part guaranteed by the Administrator provided: (1) the veteran is entitled to a guaranty in the amount to be requested, and (2) the loan complies in all respects to the applicable requirements of the regulations, sections 4004, 4005, and 4006.

(d) *Losses Not Guaranteed.*—"The guaranty shall not cover any loss sustained by the creditor as the result of:

- (1) The acceptance by the mortgagee of a 'mortgage' on any property, title to which is not merchantable according to customary practices in the community where the property is located;
- (2) Failure of the mortgagee to procure a duly recorded lien of the dignity required by the regulations;
- (3) Failure of the mortgagee to see that adequate insurance protection, as required by the regulations, is kept in effect with appropriate loss payable provisions, or
- (4) 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 1 month before such sale."

(e) *Transfer of Title.*—If, after obtaining a guaranteed loan on his property, the veteran conveys title to someone else, the contract or the guaranty is not terminated or otherwise affected unless (1) the creditor by express agreement releases or discharges the veteran in any manner from his personal liability thereon; or (2) the personal liability of the veteran is released by operation of law as a result of an alteration in the original contract without permission of the Administrator by the indulgence of or agreement with the veteran's grantee.

(f) *Nature.*—To the extent prescribed by the Regulations, the obligation of the United States by reason of a guaranty of the Administrator of Veterans' Affairs is that of a guarantor, not an indemnitor. In other words a lender is protected only to the extent of having the payment of all or part of a loan, as the case may be, guaranteed by the Government in the event such payment is not made according to the contract through no fault of the lender. Indemnification against ultimate net loss by the lender is not covered by the guaranty. For example: A \$3,000 loan of which \$1,500 was originally guaranteed, has been reduced through curtailments to \$2,000 and the guaranty has declined proportionately to \$1,000. At this point there is a default in payments which results in a claim by the lender to the Administrator under the guaranty. Ultimately the property is sold by the lender at foreclosure for \$500, and the Administrator has paid the claim of \$1,000. The lender is not protected by the guaranty for the resulting loss of \$500, his position being as follows:

Amount of original loan.....		\$3,000
Veteran's payments on principal.....	\$1,000	
Administrator's payment of lender's claim under the guaranty.....	1,000	
Property sold for.....	500	
		2,500
Net loss to lender.....		500

It is entirely possible that circumstances will materially alter the case and there will be no ultimate loss to the lender. Let us suppose that in the above example the property sold for \$2,500. Again using round figures to make the position of all interested parties clear, we have the following:

Amount of original loan.....		\$3,000
Veteran's payments on principal.....	\$1,000	
Administrator's payment of lender's claim under the guaranty.....	1,000	
Property sold for.....	2,500	
		4,500
Credit balance.....		1,500
Repayment to Administrator of amount paid under his guaranty.....	1,000	
Balance due to veteran.....	500	
		1,500

14. THE LOAN.

(a) *Purpose.*—A loan may be guaranteed by the Administrator if it is made to an eligible veteran for the purchase of a residential property or for the construction of a dwelling on unimproved property owned by him to be occupied as his home. The loan may be for making repairs, alterations, or improvements in, or to pay delinquent indebtedness, taxes, or special assessments on, a home already owned and occupied by the veteran.

(b) *Security.*—Wherever possible loans guaranteed under section 501 of the Act should be secured by a first mortgage on the property. This will apply in all cases under section 501 (a) which is concerned with the purchase or construction of a home.

Section 501 (b) applies to loans for repairs, delinquent indebtedness, etc. (see par. 14 (a)), and there may be existing liens on the

veteran's home, in which event, the proposed loan may be secured by a junior lien. In all cases, before guaranty by the Administrator, due consideration will be given to the amount, interest rate, and maturity of prior liens in order to determine that the veteran is not assuming too great a financial burden in comparison to his probable income.

Loans made in accordance with section 505 (a) of the Act will be secured by junior liens on the property since secondary loans are specifically provided for therein under certain conditions more fully described elsewhere in the handbook. (See par. 13 (a).)

(c) *Amount.*—No restriction is placed on the amount of a loan or loans other than the customary requirements including the ability of the veteran to repay the debt.

(d) *Term.*—The term of a loan must not exceed 20 years but it may be made for a shorter period if due consideration is given to such matters as the amount of the loan, the amount of periodical payments, the purpose of the loan, the character and condition of the property, the wishes of the veteran, or other related factors used in prudent mortgage loan practice.

All loans should be fully amortized in accordance with standard practice, with the following exception: It may be a term loan maturing not later than 5 years from its date, if it, together with prior liens—if any; does not exceed two-thirds of the reasonable normal value of the property.

(e) *Interest.*—The rate of interest must not exceed 4 percent per annum on any guaranteed loan. Secondary loans guaranteed under section 505 of the Act are additionally limited to a rate of interest not to exceed that on the primary loan by more than 1 percent per annum. In other words, if the rate on the primary loan is $2\frac{1}{2}$ percent per annum, then the rate on the secondary loan cannot be greater than $3\frac{1}{2}$ percent per annum.

In all cases the Administrator will pay to the lender at the end of the first year, one year's interest at the loan rate on the guaranteed portion of the loan. For the first year, therefore, the veteran is relieved of any interest payment on the amount guaranteed.

(f) *Repayment.*—Amortization payments may be monthly or at other regular intervals not longer than annually. By agreement with the veteran, lenders may provide for the collection of proportionate amounts with each regular payment to care for taxes, ground rents, special assessments, and fire and other hazard insurance premiums. If such a provision is made, the lender and the veteran should agree on the method of handling such additional payments. The note may be credited as payments are received and charged upon disbursements by the lender, or a separate trust account may be used for the purpose. In either case, the lender must apply the total payment to the several items in the following order:

1. Taxes, special assessments, fire and other hazard insurance premiums and ground rents (allocated among such items as the lender elects).
2. Interest on the mortgage debt.
3. Principal of the mortgage debt.

(g) *Prepayment.*—The unpaid balance of an amortized loan may be paid in whole or in part without premium or penalty at any time, and instruments which evidence the debt must contain provisions therefor.

Similar provisions must be made with respect to a term loan which may be prepaid in whole or in part upon at least a month's notice.

(h) *Charges.*—Neither the lender nor others may require the veteran to pay a bonus, commission, application fee, or other such charges in connection with his application for or the making of a guaranteed loan. The lender may make the customary charges for such items as credit report, appraisal, survey (if any), certificate of title, and for recording or other such expenses incurred in connection with closing the loan. (See par. 16 (c) for Construction Loan Charges.) These charges may be added to the loan unless otherwise paid by the lender or the veteran as they shall have agreed. Permission to include appraisal and other items in the loan is not intended to alter any existing practice of a lender to absorb such expenses.

(i) *Refinancing.*—A veteran is not eligible for a guaranteed loan the proceeds of which are to be used to refinance another loan previously obtained by him and used for any of the purposes outlined in paragraph 13 (a). This restriction applies only to guaranteed loans sought for the same purpose as that for which the existing loan was obtained and does not affect the veteran's eligibility with respect to guaranteed loans for other purposes to which he may be entitled.

It is not contemplated that an eligible veteran shall be prevented from obtaining a guaranteed loan for the purpose of either buying or building a home merely because there is an existing mortgage or other lien against the property, which debts are the obligations of the present owner, and will not carry over to the property after conveyance. However, the guaranteed loan must comply in all respects to the provisions of the Act and the Regulations, and must be in an amount sufficient to satisfy all obligations then existing against the property. Such a transaction would in effect be a sale for all cash insofar as the present owner is concerned.

Nothing in the Regulations is intended to prevent assumption by the veteran of an existing first mortgage, provided it otherwise meets all the requirements of the Regulations at the time of purchase.

15. DESIGNATED AGENCIES.

In accordance with the Act, the Administrator will have designated certain agencies or he may act as his own agent to certify whether an application meets the requirements of the Act and Regulations and to recommend whether it should be approved. This designation will be made by the Administrator on Form 1800, "Certification of Eligibility." It is to this agency that the lender should send all papers listed in paragraph 16 (a).

16. LOAN PROCEDURE.

(a) *Existing Construction.*—When the lender is ready to submit the papers he should have in his possession the completed application, the loan guaranty certificate, the credit and appraisal reports and a certification of the veteran's eligibility. He should then forward to the designated agency the following documents:

- (1) Certification of eligibility. (Form 1800.)
- (2) Loan guaranty certificate. (Form 1801.)
- (3) Original application for guaranty signed by prospective lender and borrower. (Form 1802.)

- (4) The credit report.
- (5) The appraisal report. (Form 1803.)
- (6) Copy of the "conditional sales agreement" if the loan is to be predicated on such an instrument.
- (7) Proposed loan closing statement of the estimated amounts to be disbursed by the lender for the account of the borrower. (Form 1806.)
- (8) 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 Regulations sec. 4015.)

After reviewing the documents the agency will forward them to the regional office of the Veterans Administration with its recommendation. Upon receipt of the papers, the Administrator will determine whether to approve the application for guaranty.

If the application is *disapproved*, the Administrator will return all papers to the lender except the original application and the appraisal and credit reports together with a letter stating his reasons for disapproval. Copies of the letter will be sent to the veteran and to the agency. In this event, any expenses thus far incurred in connection with processing the loan must be borne by the lender or the borrower as they shall have agreed. Within 1 month after receiving the notice of denial either the lender or the veteran (or both) may appeal to the Administrator for a review of his decision. This may be done by letter or on any prescribed form.

If the application is *approved* by the Administrator he will so notify the veteran and the agency. An appropriately executed contract of guaranty (Form 1801) and all other papers except the original application and the appraisal and credit reports will be returned to the lender with instructions as to closing the loan in a manner to make the guaranty effective.

The lender may now proceed to close the loan by securing a certificate of title, obtaining signatures and acknowledgments, disbursing the funds as set forth on the loan closing statement and recording all proper instruments. Within 2 months after closing the loan the lender is required by Regulations to notify the Administrator by completing the report of closing the loan as provided on the reverse of Form 1806 as follows:

1. The principal amount of the note evidencing the loan has been disbursed.
2. The disbursements have been made for the purpose set forth in the loan closing statement submitted to the Veterans Administration and in accordance with the amounts therein estimated except as shown by the actual disbursement in column IV on the reverse hereof.
3. The note and mortgage (or other security instrument) were validly executed; and the latter was duly acknowledged, witnessed, or proved, so that it was legally eligible for recording; and was properly filed for record on the -- day of ----- 19-- at --- M. with the -----

Title of

----- for -----
 Recording Official District, County, Parish, Town, etc.
 State of ----- His file number -----

4. The note was duly executed by the debtor and dated -- day of ----- 19-- in the amount of \$----- bearing interest at --% per annum.
5. The loan guaranty certificate number L ----- was completed and appropriately signed by the lender and the borrower (veteran) as therein provided.

(b) *New Construction*.—The procedure to be followed for construction loans is essentially the same as that for other loans but with the addition of certain steps which are set forth in the following paragraphs. One of the important points for the lender to note here is that the Administrator's guaranty does not become effective until the construction project has been completed.

In addition to the papers listed in paragraph 16 (a) above which are to be forwarded to the agency, the lender must also submit the following:

- (1) Complete plans and specifications for the proposed construction.
- (2) An estimate, prepared by a qualified appraiser of the fair market 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.
- (3) A copy of the agreement or agreements (which may be unsigned) on which the proceeds of the proposed loan will be disbursed.

The Agency and the Veterans Administration will proceed as in paragraph 16 (a) above but in addition the lender will be required to supply Form 1803 (a) which is to be executed by the designated appraiser to show that:

- (a) He has inspected the building as constructed.
- (b) The same has been constructed and completed in substantial conformity to the contract, plans and specifications (if any).
- (c) The increased value of the property as completed and which will be encumbered is substantially in accord with his estimate.

During the course of construction the Administrator may at his own expense cause one or more inspections to be made of the progress and quality of the work.

(c) *Construction Loan Charges*.—In addition to the loan charges set forth in paragraph 13 (h), the lender may contract with the veteran for the payment to the lender of a reasonable sum for the advance of funds during construction and for the supervision or inspection of the work.

17. RECORDS.

The lender must maintain complete and adequate records of all payments received and all amounts disbursed with respect to loans in

whole or in part guaranteed. If he does not maintain such records and a claim is filed under the guaranty, then it will be presumed that all amounts due and payable according to the terms of the contract, prior to the date of such claim, were received by the lender and the burden of proof to the contrary will be upon the lender.

An annual report on the anniversary of the earliest unremedied default must be submitted to the Administrator concerning any guaranteed loan which is delinquent, showing amounts received or disbursed, accrued interest, the unpaid principal balance, any other items chargeable, the nature of any defaults not previously reported and such additional information as may be from time to time requested by the Administrator.

The Administrator has the right to inspect the lender's records and all papers pertinent to the loan and guaranty at a reasonable time and place. If permission is refused, he may exercise his right of subpoena therefor. If a lender fails to furnish information required by the Regulations within 2 months after it is requested, the Administrator will be entitled to obtain the data otherwise, at the expense of the lender plus \$10 to cover estimated overhead.

18. DEFAULT.

(a) *Forbearance.*—It is the policy of the Administrator, and should be that of the lender, to extend all possible forbearance in deserving cases which have defaulted, to the end that the loan is again made current and future defaults prevented. The waiving of any default with the consent of the Administrator will not invalidate or otherwise affect the guaranty. The lender's views on any forbearance which should be extended to the veteran may be included with the Notice of Default provided for in the following paragraphs.

(b) *Optional Notice.*—The lender may notify the Administrator of a default at any time after it occurs. He may elect to assert his claim under the guaranty if the default is not cured and has continued for a period of (1) 3 months in the case of an amortized loan or (2) 1 month in the case of a term loan.

(c) *Notice Required.*—Failure of the veteran for a period of 6 months to pay any amount due for interest or principal, for the liquidation of advances or by reason of the indulgence referred to in a previous paragraph, makes it necessary for the lender to submit the notice of default within 30 days after the expiration of said 6 months. (See also par. 13 (c).)

(d) *Delivery of Notice.*—The lender should mail the notice by registered mail or personally deliver it in exchange for a written receipt to the Veterans Administration office at which the Application for Guaranty was approved or, at the option of the lender, to the Central Office of the Veterans Administration, Washington, D. C.

19. FILING OF CLAIM. Form 1805.

The lender may file his claim under the guaranty in the notice of default or, at his option, he may make the claim separately at that time or at a later date. Also at that time or later, as he elects, the lender may give the Administrator notice of his intention to foreclose the mortgage.

The amount to be claimed under the guaranty may be arrived at by the lender in accordance with regulations, section 4040 as follows:

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 sec. 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.

20. LEGAL ACTION.

(a) *Notices Required.*—Court action may not be started or notice of sale given by a lender until at least 30 days after the Administrator has received the notice of intention to foreclose the mortgage. However, if the proper protection of the lender's interests and those of the Administrator require immediate legal action, the 30 days prior notice may be waived provided the lender promptly advises the Administrator of the circumstances. Also, conditions may exist which justify the appointment of a Receiver and this in itself will be sufficient excuse for the lender to begin suit without giving the 30 days prior notice, provided the Receiver is actually appointed and the Administrator is notified within 10 days of the lender's action.

When a lender begins suit or when he gives notice of a sale without suit, he must so advise the Administrator within 10 days by registered mail or personal delivery against receipt.

Similarly, the lender must give notice to the Administrator at least 30 days before a foreclosure sale or the cancellation of a sales contract. The Administrator may bid for the property at the time and place of the sale on the same terms as other bidders, and he may exercise any rights which the lender could exercise. These provisions will apply either before or after payment of the guaranty.

(b) *Death of the Veteran.*—Necessary legal steps should be taken by the lender to protect his own and the Administrator's interests in the event of the death of the veteran or of any person who may be liable on the note. In addition, the lender may in his discretion, proceed in probate or otherwise, as may be permissible and feasible, or take any other appropriate legal action against assets or persons which may be available to other creditors of the deceased, in order to assert his claim. The Administrator may at his option, immediately proceed with respect to the protection of the lien or asserting claim, or as to both remedies, and he may elect either to proceed in his own name or in the name of the lender. On the other hand, at the direction of the Administrator, the lender must proceed in probate or otherwise and in that event, the Administrator will appoint an attorney and make appropriate provisions for paying all costs and expenses.

21. DEATH OR INSOLVENCY OF LENDER.

Immediately upon the death of a lender, whether his estate is solvent or insolvent, all payments received from the veteran but not yet credited to the note will be treated as a "set-off" and considered as having been credited to the note as of the date of the last debit to the veteran's account, thus reducing the unpaid balance of the loan. This will include any payments by the veteran for taxes, insurance pre-

miums, etc., which may have been set up as a trust account or otherwise in accordance with paragraph 14 (f) of this handbook, but any items of this nature may be disbursed by the estate if they are due and payable and the balance, if any, will then be considered as a credit to the note. These provisions will also apply in the event of—

- (a) Insolvency of the creditor,
- (b) Initiation of any bankruptcy, reorganization, or liquidation proceedings of the creditor whether voluntary or involuntary,
- (c) The appointment of a Receiver for the creditor's property, or in any case
- (d) Upon the written request of the debtor if all accrued and due insurance premiums, taxes, and ground rents have been paid and appropriate provisions made for future accruals, and if a corporation,
- (e) Dissolution of a corporation by expiration of its charter, or forfeiture, or otherwise.

Any accumulated interest on payments received but not credited to the note will be used to offset interest due on the note and any excess credit of interest will be treated as an offset against any unpaid advances and the unpaid balance of the loan.

22. SUBROGATION.

The Act says, in part, at section 500 (b)—

No security for the guaranty of a loan shall be required except the right to be subrogated to the lien rights of the holder of the obligation which is guaranteed.

Subrogation means literally "to take the place of." When a loan is made, the lender establishes certain rights which he may exercise whenever the need arises, in order to protect his interest in the property upon which he has made the loan. By reason of the payment of a claim under his guaranty the Administrator will "inherit" a part of those rights from the lender, and will "take the place of" the lender to the extent of such payment. The lender's rights come first, however, and any lien rights to which the Administrator may be subrogated will take effect only after the lender has received the full amount payable under his contract with the veteran. The rights of the Administrator will not be impaired even though a creditor partially or completely releases the debtor or the lien.

Upon request the lender must furnish the Administrator with written evidence of any payments received under the guaranty and of the Administrator's resulting right of subrogation.

23. ADMINISTRATOR'S OPTIONS.

When the Administrator has received a claim under the guaranty, or notice of intention to foreclose he will have the following options:

- (a) Pay the amount in default to the lender within 1 month as a partial payment under the guaranty. In consideration of such payment the creditor must not exercise any right he may have to terminate the loan on account of defaults which may have occurred previously. Unless the

creditor consents, this option may be exercised only once and in an amount not to exceed 10 percent of the original guaranty or the sum of 1 year's interest and principal payments, whichever is less.

- (b) Pay within 1 month the full amount due under the guaranty without requiring foreclosure or personal action.
- (c) Pay an amount agreed upon with the creditor, not to exceed the amount due under the guaranty with the requirement that the lender institute appropriate foreclosure proceedings and to obtain a judgment against any or all persons named by the Administrator at that time.
- (d) If the creditor does not begin the appropriate legal action referred to in (c) above within 2 months after notice to institute such action, the Administrator may begin and prosecute appropriate foreclosure proceedings either in his own name on behalf of the United States, or in the creditor's name. In this event, the Administrator will pay all court costs and other expenses and provide the legal services required.

When the Administrator has received from the lender a Notice of Intention to Foreclose, he may arrange for a refinancing of the loan which will prevent foreclosure. In this event he may allow his guaranty to apply to the loan which effected the refinancing.

24. TWO OR MORE APPLICANTS.

(a) *Veterans.*—When two or more eligible veterans make application for a guaranteed loan and there is no statement to the contrary, it will be assumed that each veteran is applying for his proportionate part of the amount to be guaranteed. For example: Four eligible veterans sign an application for a guaranteed loan of \$8,000 so that they may together buy a four-family house which all will occupy as their home. Although each veteran may be entitled to a guaranty of \$2,000, the Administrator may guarantee only up to 50 percent of the loan in accordance with the limitation of the Act. Therefore, this loan may be guaranteed to the extent of \$4,000, and unless otherwise stated, it will be assumed that each of the four veterans is applying for a guaranty of \$1,000. The application may request the \$4,000 guaranty divided between the veterans in any manner so long as no one veteran applies for a guaranty in excess of \$2,000, but the individual veteran's interest in the property must support to the amount of any guaranty given on his account.

(b) *Husband and Wife.*—If a husband and wife, both eligible veterans, make application and there is no statement to the contrary, it will be assumed that the guaranty requested will be chargeable first to the husband and if this is insufficient to cover the amount to be guaranteed, then the balance will be chargeable to the wife. For example: An application is made by a husband and wife, both eligible veterans, for a \$6,000 loan, of which \$3,000 is to be guaranteed. Although each veteran may be entitled to the maximum guaranty of \$2,000, the guaranty applied for cannot exceed 50 percent of the loan. To that extent, the guaranty could be divided between husband and wife in any manner they choose so long as it does not exceed \$2,000 for either of

them, but the individual veteran's interest in the property must support the amount of any guaranty given on his or her account. In the absence of any statement to the contrary, however, \$2,000 will be charged to the husband and \$1,000 will be charged to the wife. This would leave \$1,000 of her guaranty available if she wishes to use it for some other purpose. The wife will not be so charged if before approval she has stated in writing her unwillingness to be so charged. In that event the guaranty will be limited to the amount then available to the husband.

(c) *Veterans and Nonveterans.*—Where a veteran applies for a loan with a nonveteran as a cotenant, the amount to be guaranteed shall be computed in the same manner as would be the case where two veterans are applying, except, however, that no guaranty will apply with respect to the interest of the nonveteran.

25. REGIONAL OFFICES OF VETERANS ADMINISTRATION.

Following is a list of Regional Offices or combined facilities of the Veterans Administration as of December 1, 1944.

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| *Albuquerque, N. Mex. | *Minneapolis 6, Minn. |
| *Atlanta, Ga. | *Montgomery 10, Ala. |
| **1315 St. Paul St., Baltimore 2, Md. | *Murfreesboro, Tenn. |
| *Batavia, N. Y. | *Muskogee, Okla. |
| *Bay Pines, Fla. | *Newington, Conn. |
| *Boise, Idaho. | **333 St. Charles St., New Orleans 12, La. |
| *Brecksville, Ohio. | **215 W. 24th St., New York 11, N. Y. |
| *Cheyenne, Wyo. | **New Custom House, Philadelphia 6, Pa. |
| *Columbia, S. C. | **1001 Liberty Ave., Pittsburgh 22, Pa. |
| *Dayton, Ohio. | *Portland 7, Ore. |
| *Dearborn, Mich. | **Federal Bldg., Providence 2, R. I. |
| **Old Custom House, Denver 2, Colo. | *Reno, Nev. |
| *Des Moines 10, Iowa. | *Roanoke 17, Va. |
| *Fargo, N. Dak. | *707 Market St., St. Louis, Mo. |
| *Fayetteville, N. C. | *Salt Lake City 3, Utah. |
| *Fort Harrison, Mont. | *San Francisco 21, Calif. |
| *Hines, Ill. | **Federal Office Bldg., Seattle 4, Wash. |
| **Federal Bldg., Honolulu 1, Hawaii. | **Sioux Falls, S. Dak. |
| *Huntington 1, W. Va. | *Togus, Me. |
| *Indianapolis 44, Ind. | *Tucson, Ariz. |
| **Federal Bldg., Jackson 107, Miss. | *Waco, Tex. |
| *Jefferson Barracks 23, Mo. | **300 Indiana Ave. NW., Washington 25, D. C. |
| **1009 Wyandotte St., Kansas City 6, Mo. | *West Roxbury 32, Mass. |
| *Lexington, Ky. | *White River Junction, Vt. |
| *Lincoln 1, Nebr. | *Wichita 2, Kans. |
| **Federal Bldg., Little Rock, Ark. | *Wood, Wis. |
| *Los Angeles 25, Calif. | |
| *Lyons, N. J. | |
| **Federal Bldg., Manchester, N. H. | |

*Combined facility.

**Regional office.