

- SUBJECT:** Authorizing the Veterans' Land Board to sell land loans
- COMMITTEE:** Defense Affairs and State-Federal Relations — favorable, without amendment
- VOTE:** 8 ayes — Corte, Escobar, Garcia, Hodge, Merritt, Moreno, Noriega, Raymond  
0 nays  
1 absent — Herrero
- WITNESSES:** For — None  
Against — None  
On — Rusty Martin, Texas General Land Office
- BACKGROUND:** Natural Resources Code, ch. 161, subch. K authorizes the Veteran's Land Board (VLB) to provide loans to veterans secured by a mortgage, deed of trust, or other lien for the purchase of land. Sec 161.503 permits the VLB to make or acquire loans with money from the Veteran's Land Fund (VLF) to finance land purchases by eligible veterans. The VLB also is authorized to enter into contracts with lending institutions to assist in processing, originating, servicing, or administering loans for land purchases.
- DIGEST:** HB 1416 would amend Natural Resources Code, ch. 161 to authorize the sale of veterans' land loans. Proceeds from sales would be deposited in the VLF and could be used to discharge, pay, or redeem outstanding bonds issued by the VLB. The bill also would permit the sale of a land loan in combination with a housing assistance loan. In its oversight of the sale of land loans, the VLB could not adopt a rule that impaired future land loan sales or the market value of a land loan.

The bill would take effect September 1, 2007.

SUPPORTERS  
SAY:

HB 1416 would allow the VLB to shift from offering “contract-for-deed” agreements to “deeds of trust,” or mortgages, in its veterans’ land loans program. Veterans would benefit by being able to gain the title to land up front, and the VLB would avoid lengthy contractual procedures inherent in contract for deed arrangements.

Contract-for-deed arrangements allow veterans to apply for a plot of land or residence and petition the VLB to purchase this land on their behalf. Once purchased, the VLB enters into a contract with the qualified person to repay the loan amount within the agreed time period. Once the terms of the contract are fulfilled, the qualified person gains the deed to the land. In deed-of-trust agreements, by contrast, the VLB acts as a lender, financing property mortgages for qualified persons. Because deeds of trust are standard market products, their terms are negotiable and can be more readily marketed and explained to potential clients. Deed-of-trust agreements also permit applicants to attain a property title up front and thereby earn equity through improvements and future sales.

HB 1416 expressly would provide for a simple but important change in the VLB’s land loan program. The land loan program has given Texas veterans an important means of building wealth through contracting and owning land. To date, the program has issued almost 121,300 land loans to veterans, totaling almost 5 million acres and \$1.75 billion in principal loans. In fiscal 2006, the program issued 917 loans for 10,830 acres and \$37.9 million in principal loans.

HB 1416 would allow the VLB’s land program to operate along similar lines as its housing assistance program. The VLB currently is authorized to issue deeds of trust for its housing assistance program. This authority allows the VLB to act as a lender and offer prime interest rates on loans. Further, the VLB has greater flexibility than most private financial institutions to negotiate terms of payments in the event of insolvency. Entering into a deed-for-trust agreement would allow the VLB to provide the advantages of possessing outright the title to a property while offering more protections to veterans than private financing would afford.

OPPONENTS  
SAY:

No apparent opposition.

NOTES:

The companion bill, SB 686 by Van de Putte, was reported favorably, without amendment, by the Senate Veterans Affairs and Military Installations Committee on April 2 and has been recommended for the Local and Uncontested Calendar.