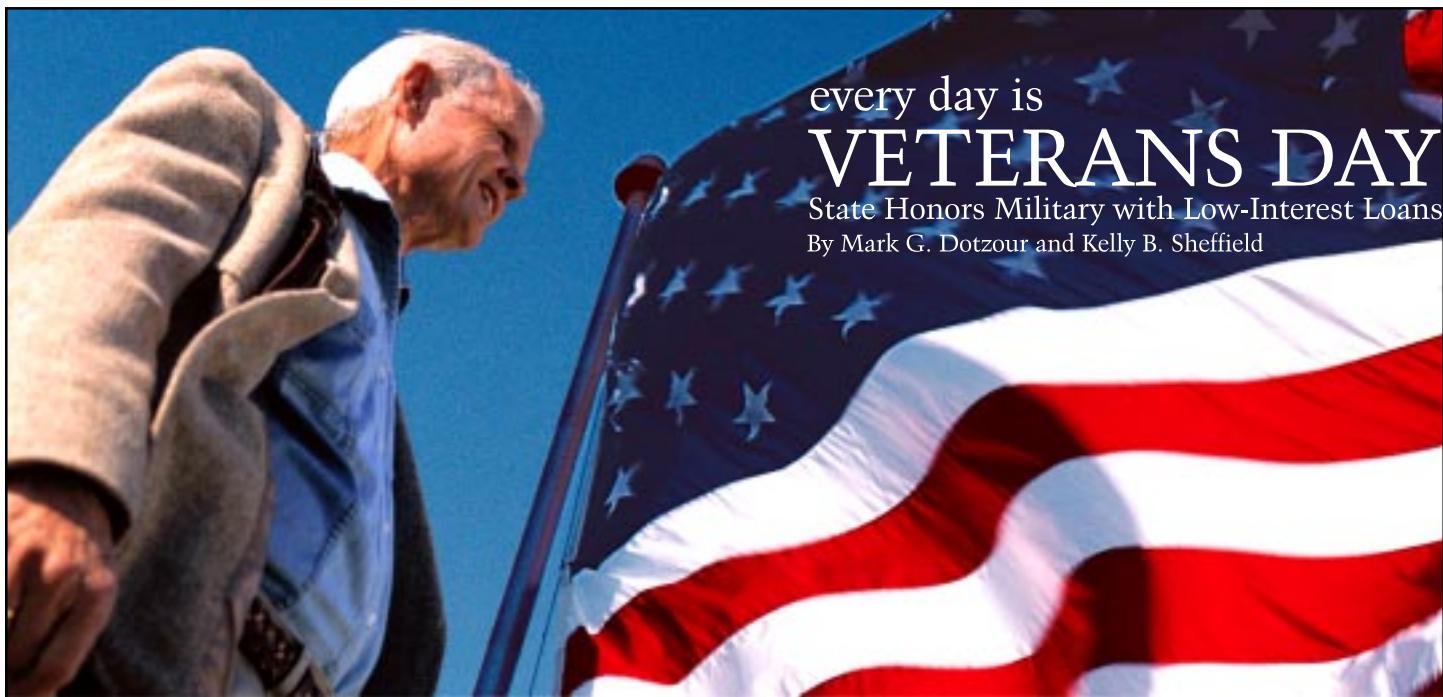


A Reprint from *Tierra Grande*, the Real Estate Center Journal

## every day is VETERANS DAY

State Honors Military with Low-Interest Loans  
By Mark G. Dotzour and Kelly B. Sheffield



**A**pproximately 1.5 million Texas veterans are eligible to participate in loan programs designed to make housing more affordable. Since 1946, the Texas Veterans Land Board (TVLB) has provided low-interest, long-term loans to veterans to buy land. Today the TVLB offers many programs to help Texas veterans purchase land and homes, finance home improvements and obtain long-term health care.

The TVLB's low-interest land loan program offers a \$40,000 maximum loan with a 5 percent down payment, yielding a \$38,000 maximum net loan. The interest rate is determined by the land board and may change weekly if market conditions warrant.

TVLB programs are funded by bonds authorized by Texas voters. The costs of administering programs are paid for by participating veterans.

The Texas Veterans Housing Assistance Program (VHAP), created by the legislature in 1983, lends a maximum of \$150,000 for the purchase of a primary residence. Loans may be amortized over 15-, 20-, 25- and 30-year terms and must be originated by a TVLB participating lender or, if less than \$45,000, directly through the TVLB. The VHAP sets no maximum sales price on a home.

VHAP loans may be used in conjunction with a VA, FHA or conventional loan for a "two-note loan." The two notes are co-first liens secured by only one deed of trust. A 20 percent down payment is required for two-note, conventional loans. On a \$240,000 home, a veteran would be required to provide a down payment of \$48,000. VHAP would provide \$150,000, and the remaining \$42,000 would be obtained through conventional financing.

In 1986, the Texas Veterans Home Improvement Program (VHIP) was created to help eligible veterans make repairs and improvements to their existing primary residence. The VHIP offers a fixed-rate loan for up to \$25,000 with no down payment and terms as long as 20 years. The maximum term for loans less than \$10,000 is ten years, and all loans are FHA insured.

The TVLB Home Improvement Rapid Response program is an extension of the home improvement program used when a veteran's house needs immediate repair for health or safety reasons. The program offers same-day initial approval and next-day final approval with the same requirements as the home improvement program.

In 1997, the Texas Legislature authorized the TVLB to build and operate long-term care facilities to meet the medical and housing needs of eligible veterans. The first four homes, in Bonham, Temple, Floresville and Big Spring, opened in 2000 and 2001.

Through the Greenbuilding Program, an accessory to TVLB's housing assistance and home improvement programs, veterans can further reduce their interest rate (by as much as .3 percent) by using "green" materials and features in their homes. The TVLB assigns number values to "environment friendly" building materials and to features that save energy and water. Veterans who achieve a required minimum score when building or purchasing a new home or remodeling an existing home are eligible for the reduced interest rate.

The Veterans with Disabilities Program offers a .5 percent interest-rate reduction to those veterans who have a service-connected disability of 10 percent or greater as verified by the U.S. Department of Veterans Affairs.

The Veteran Teachers Program is for veterans or their spouses who are currently certified by the Texas Education Agency and are employed as Texas teachers, or veterans who agree to become certified Texas teachers. These teachers are eligible for a .5 percent interest-rate deduction.

Combined reductions for the teachers, disabilities and greenbuilding programs may not exceed a total of .75 percent.

**S**ervice era discounts are available to veterans participating in the VHAP who entered the armed services before January 1, 1977, and who have been discharged from active duty for fewer than 30 years. The current reduction rate is .47 percent (subject to change) and is available in addition to those reductions offered through the teachers, disabilities

and greenbuilding programs. There also is a .25 percent loan rate discount for loans with a term of 15 years or less.

As of January 22, 2001, several fees were abolished to make the loan process more affordable. A \$25 eligibility determinant fee and a \$375 administrative fee for land contracts were eliminated. Several discretionary fees associated with VHAP loans of \$45,000 or less, or with VHIP loans less than \$25,000, were abolished as well.

For more information about these programs, contact the TVLB at 1-800-252-VETS or access their website at <http://glo.state.tx.us/vlb>.

*Dr. Dotzour is chief economist with the Real Estate Center at Texas A&M University. His e-mail address is [dotzour@tamu.edu](mailto:dotzour@tamu.edu). Sheffield is a graduate research assistant with the Real Estate Center.*

# ELIGIBILITY REQUIREMENTS

To be eligible to participate in the Texas Veterans Loan Programs, applicants must have:

- served no fewer than 90 continuous days on active duty (including active duty for training) in the Army, Navy, Air Force, Marines, Coast Guard or United States Public Health Service (unless discharged sooner by reason of a service-connected disability), or a reserve component of one of the listed branches of service, or have enlisted or received an appointment in the Texas National Guard after completing all initial active duty training requirements as a condition of enlistment or appointment, or have completed 20 years in a reserve component so as to be eligible for retirement as a condition of enlistment or appointment or, if currently an active duty member of a listed service or a full-time reservist, have completed the initial service obligation;
- served after September 16, 1940 (for Texas veterans who entered the armed services before January 1, 1977, and who have been discharged from active duty less than 30 years, certain interest rate incentives may be available for housing or home improvement loans);

- been honorably discharged;
- been a bona fide resident of Texas at the time of entry into the military or must have resided in Texas for at least two consecutive years immediately prior to filing an application; applicant must be a bona fide Texas resident at the time the application is made (*a bona fide resident* is someone who is living in Texas with the intent to remain in Texas). Presence in Texas due to military service alone does not establish bona fide residency); and
- have successfully repaid any previous TVLB loan within the same loan program. A loan is considered repaid when the account has been paid in full by the original veteran purchaser or last approved assignee. Any active TVLB loans in programs other than the one for which application is being made must be in good standing.

**NOTE:** The unmarried, surviving spouses of Texas veterans who are missing in action or who died in the line of duty may be eligible to participate in the programs at a slightly higher interest rate. The veteran's home of record must have been in Texas at the time of entry into the military.

Source: Texas Veterans Land Board



## LOWRY MAYS COLLEGE & GRADUATE SCHOOL OF BUSINESS

Texas A&M University  
2115 TAMU  
College Station, TX 77843-2115

<http://recenter.tamu.edu>  
979-845-2031  
800-244-2144 orders only

**Director**, Dr. R. Malcolm Richards; **Associate Director**, Gary Maler; **Chief Economist**, Dr. Mark G. Dotzour; **Senior Editor**, David S. Jones; **Associate Editor**, Nancy McQuistion; **Assistant Editor**, Kammy Baumann; **Editorial Assistant**, Ellissa Bravenec; **Art Director**, Robert P. Beals II; **Circulation Manager**, Mark W. Baumann; **Typography**, Real Estate Center; **Lithography**, Wetmore & Company, Houston.

## Advisory Committee

Joseph A. Adame, Corpus Christi, chairman; Jerry L. Schaffner, Lubbock, vice chairman; Celia Goode-Haddock, College Station; Carlos Madrid, Jr., San Antonio; Catherine Miller, Fort Worth; Angela S. Myres, Kingwood; Nick Nicholas, Dallas; Douglas A. Schwartz, El Paso; Gloria Van Zandt, Arlington; and Jay C. Brummett, Austin, ex-officio representing the Texas Real Estate Commission.

**Tierra Grande** (ISSN 1070-0234), formerly *Real Estate Center Journal*, is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115. Subscriptions are free to Texas real estate licensees. Other subscribers, \$20 per year.

**Views expressed** are those of the authors and do not imply endorsement by the Real Estate Center, the Lowry Mays College & Graduate School of Business or Texas A&M University.