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Veterans' Home and Farm Loan Eligibility Changes (State Measure No. 4)

City Club of Portland (Portland, Or.)

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REPORT ON
VETERANS' HOME AND FARM LOAN
ELIGIBILITY CHANGES
(STATE MEASURE NO. 4)

Purpose: "Proposed constitutional amendment standardizes veterans' home and farm loan eligibility requirements. Requirements are: 210 days active duty, or earlier release for service-connected disability; any service between September, 1940 and December, 1976; honorable discharge or separation to reserve; and Oregon residence at enlistment or for five years after separation from active duty, and at loan application. Eligibility expires 30 years after separation, or January 31, 1985 if later, extending already expired WWII veterans' eligibility.

To the Board of Governors,
The City Club of Portland:

I. INTRODUCTION

This Committee was assigned to study and report on House Joint Resolution 23 of the 1979 session of the Oregon Legislative Assembly. This resolution is a proposal for a constitutional amendment and is referred to the electorate to be voted on at the primary election on May 20, 1980, as Ballot Measure 4.

Section 3, Article XI-A of the Oregon Constitution would be amended to read as follows:

"No person shall receive money from the Oregon War Veterans Fund except the following:

- (1) A person who:
 - (a) Resides in the State of Oregon at the time of applying for a loan from the fund;
 - (b) Served honorably in active duty in the Armed Forces of the United States for a period of not less than 210 days, any part of which occurred between September 15, 1940, and December 31, 1976, or who was, prior to completion of such period of service, discharged or released from active duty on account of service-connected injury or illness;
 - (c) Was a resident of the State of Oregon at the time of enlistment, induction, warrant or commission or has been a bona fide resident of the State of Oregon for at least five years since the date of discharge, separation or release from active duty;
 - (d) Has been honorably separated or discharged from the Armed Forces of the United States or has been furloughed to a reserve; and;
 - (e) Makes application for a loan either within the 30-year period immediately following the date on which the person was released from active duty in the Armed Forces of the United States, or not later than January 31, 1985, whichever occurs last."

Basically, this measure clarifies, simplifies, and expands slightly the eligibility of those individuals seeking State farm and home loans from the Department of Veterans Affairs of the State of Oregon. Under the proposed amendment veterans must have served in active duty for a period of not less than 210 days, as opposed to the 90 days requirement now required of World War II and Korean veterans. Under the current constitutional

provision Oregonians who served in the Armed Forces between July 26, 1947 and June 24, 1950 are excluded from this program. The proposed program will make them eligible.

However, this measure makes no change in the funding of the farm and home loan program for veterans. The designated funding limit of 6 percent of the true cash value of all taxable property in the State of Oregon remains constant.

II. HISTORY AND BACKGROUND

The practice of permitting the State of Oregon to make direct loans to veterans from a fund created by the issuance of bonds was initiated at a special election on June 7, 1921, when the electorate approved Article XI-C of the Oregon Constitution. This amendment provided a cash bonus plan coupled with a loan program for veterans of World War I who were residents of the State at the time they went into the service. In 1930 the Constitution was changed to include Spanish-American War and Boxer Rebellion veterans and certain dependents of deceased veterans. This article was repealed in 1952.

The present veteran loan program was approved by constitutional amendment on November 7, 1944, and provided World War II veterans a loan fund of 3 percent of the assessed valuation of all taxable property in the State. The termination of eligibility was described as the end of hostilities with the axis powers.

Seven measures amending this section of the constitution have been passed since 1944. On November 7, 1950, a constitutional amendment was passed which modified the military service requirement and provided for a two-year Oregon residency requirement for those who were not Oregon residents when they entered the military service. This amendment also increased the limit of indebtedness for the veterans program from 3 percent to 4 percent of the State's assessed property value. A constitutional amendment approved November 4, 1952 extended the eligibility to veterans of the Korean Conflict.

In 1958, however, the electorate defeated a plan to increase loan limits and to make the date of termination of service for determining eligibility for veterans loans uniform with other veterans benefits.

On November 8, 1960, the voters approved a constitutional change increasing bond limits for the loan fund from 4 percent of assessed valuation of the taxable property in the State of Oregon to 3 percent of true cash value of all taxable property in the State. (At the time, assessed value was a percentage of true cash value.) This amendment also provided that no loans should be made to World War II veterans after January 31, 1980, nor to Korean veterans after January 31, 1988. The voters approved an extension of veteran loan benefits to all post-Korean veterans on November 5, 1968.

In November of 1970, Oregonians approved an increase in constitutional bonding limits from 3 percent of true cash value to 4 percent. In 1972 loan benefits were extended to un-remarried widows of Oregon servicemen who died in active duty as well as to the wives of those who were missing in action or prisoners of war.

Bonding limits for the Oregon War Veterans Fund were increased from 4 percent to 6 percent of the true cash value of all taxable property in the State in 1974.

The Oregon Veterans Farm and Home Loan Program is self-supporting through self-liquidating bonds, and is a fund for loans for the purchase of homes and farms to the eligible veterans through monies received in the form of principal and interest from those borrowers. Since the present farm and home loan program has been in existence commencing in mid-1945, veterans have obtained 227,344 loans amounting to \$5,059,783,547.

III. ARGUMENTS IN FAVOR OF THE MEASURE

1. There is need for clarification and simplification of eligibility requirements because, since the inception of the present program in 1944, seven constitutional amendments have altered the eligibility of veterans to participate in the loan program.

2. Only an additional 7,000 veterans will become eligible for the program.
3. World War II veterans who have lost eligibility will have their eligibility extended for five years from January 31, 1980, a form of compensation to those veterans for having served in the military service.
4. This amendment would provide eligibility for veterans otherwise meeting the prerequisites for the program who did not enter the military service from the State of Oregon. These veterans would qualify after having lived in the State for five years subsequent to their discharge from the service.
5. This amendment will not alter the bonding authority of the State of Oregon nor the services of the State Department of Veterans Affairs.

IV. ARGUMENTS ADVANCED AGAINST THE MEASURE

1. Any extension of the program regardless of how minimal could consume a part of the State of Oregon's credit on the bond market.
2. Any expansion of the program continues to erode the function of private enterprise for the benefit of a limited special interest group. Ordinarily, adequate funds are available from a variety of public and private sources.

V. DISCUSSION

All previous City Club reports on the Veterans' loan programs have been carefully reviewed. Each of these previous discussions have dealt with more substantive concerns than the present report.

The proposed amendment is a compromise between lobbying efforts on behalf of the veterans to extend eligibility indefinitely and the State Legislature's decision, as a simplification measure, to attach a permanent deadline.

While witnesses were eager and interested in discussing the substantial number of bonds now being issued by the State of Oregon generally, and more specifically for the Veterans' Loan Program, the issues here are narrow and essentially procedural or administrative in nature. Additionally, some witnesses voiced concerns as to the effect this amendment might have upon the general economic conditions in the State of Oregon.

This measure deals primarily with the issue of consistency in applications for eligibility for the program, and has nothing to do with the economic effect on the State of Oregon, nor the related risk or benefits, nor for that matter, the merits of the program. The matters of eligibility and the criteria have been the object of concern in discussions on previous veterans loan reports by the City Club.

The danger of inconsistent or unequal treatment in terms of eligibility should be minimized by this amendment and therefore, it is a correct procedural posture for the electorate to assume.

VI. CONCLUSIONS

1. Passage of this measure will substantially simplify the administrative processes of determining eligibility. The clarification of eligibility requirements for the Oregon Veterans' Loan Program and the attendant modifications increasing eligibility for certain veterans are beneficial and appropriate.
2. The Committee concluded the philosophical question of the propriety of the Oregon veterans' loan program had already been dealt with in previous ballot measures and that this amendment deals solely with the question of clarification and simplification of veteran eligibility requirements.

VII. RECOMMENDATION

Your Committee unanimously recommends the City Club support a "YES" vote on State Measure No. 4 at the May 20, 1980 primary election.

Respectfully submitted,
 Adrien E. Gamache
 Nancy McClain
 Sally Schultz
 Douglas Seymour
 Diane Spies, *Chairman*

Approved by the Board of Governors on March 24, 1980 for publication and distribution to the membership for discussion and action on Friday, April 11, 1980.

APPENDIX A

PERSONS INTERVIEWED

Representative Rod Monroe, Chairman
 Oregon House of Representatives
 House Committee on Housing and Urban Affairs

Elmo Mills, Director
 State Department of Veterans Affairs
 State of Oregon

Clay Myers, Treasurer
 State of Oregon

Jewell Lansing, Auditor
 Multnomah County, Oregon

Carl Gustafson, Legislative Chairman
 Veterans of Foreign Wars
 United Veterans Group of Oregon

Dave Barrows, President
 Oregon Savings and Loan League
 Portland, Oregon

Norman Bradley, Senior Vice President and Manager
 Investment Department
 U.S. National Bank of Oregon
 Portland, Oregon

Ronald R. Johnson, Manager
 Mortgage Banking Department
 First State Bank
 Milwaukie, Oregon