

## Sectional Analysis of HB 412

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### Alaska Microloan Revolving Fund

**Summary:** This bill creates the Alaska Microloan Revolving Fund (Fund) within the Department of Commerce, Community, and Economic Development (department). The purpose of the Fund is to help promote economic development in the state by helping small businesses access critically needed capital. The Fund will be set up as a revolving loan fund so that all earnings and loan payments would be retained by the Fund for future loans. All operating expenses would also be paid from earnings of the Fund.

**Section 1** modifies the uncodified law of the State of Alaska to describe findings related to the Fund.

**Section 2** creates a new article in AS 44.33 titled “Alaska Microloan Revolving Fund”.

**AS 44.33.950** establishes the Fund as a revolving fund and describes the various components of the Fund. It also authorizes the legislature to make appropriations from the Fund to pay for administrative costs.

**AS 44.33.955** describes the powers and duties of the department. It allows the department to make loans for working capital, equipment, construction or other commercial purposes. Additionally, it allows the department to receive money for the Fund; establish amortization plans for repayment of loans, including extensions of the terms of loans; allow assumptions; establish interest rates, charge and collect fees; adopt regulations and designate agents.

**AS 44.33.960** establishes the eligibility requirements for applicants. The applicant must be a resident of the State and provide a reasonable amount of money from other nonstate sources for use on the project for which loan funds will be used. This section also stipulates the residency requirements. It states that an applicant must physically reside in the state and maintain a domicile in the state during the twelve consecutive months before the date of application. It goes on to state that an applicant may not have declared residency in another state or to have received a benefit based on residency from another state.

**AS 44.33.965** sets out limitations on the loans. Loans may be made for up to \$35,000 per person or, up to \$70,000 to two or more persons. The loan term may not exceed six years and may not bear an interest exceeding the prime rate plus one percentage point; however, it may not be less than six percent per year and not more than eight percent per year. The loan must be secured by collateral acceptable to the commissioner and may not be made to a person who has a past due child support obligation.

**AS 44.33.970** establishes a special account within the Fund called the “foreclosure expense account.” The department may expend money from this account to protect the state’s security position in loan collateral or to defray expenses incurred during foreclosure proceedings.

**AS 44.33.975** requires the department to dispose of property acquired through default or foreclosure in a manner that serves the best interest of the state. It also authorizes the department to finance the sale of property obtained through a foreclosure action.

**AS 44.33.990** provides definitions for “commissioner” and “department.”

**Section 3** of the bill amends the uncodified law of the State of Alaska by adding a new section titled, “TRANSITION: REGULATIONS.” This section authorizes the department to immediately proceed with the adoption of regulations necessary to implement the changes made in Section 2. It further stipulates that the regulations may not take effect before July 1, 2010.

**Section 4** stipulates that Section 3 of this Act takes effect immediately.

**Section 5** states that except as provided in Section 4 of this Act, the Act takes effect on July 1, 2010.