



LAWS OF ALASKA

1971

Source

Chapter No.

FCCS SCS CSHB 22

109

AN ACT

Relating to state loan programs; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 26.15.040(a)(2) is amended to read:

(2) Farm and home loans not exceeding \$40,000 may be made to purchase, remodel, repair, build, furnish, refinance or equip homes or farms in the state, including the clearing and drainage for farms. The loans may not exceed 90 per cent of the appraised value when made for the purchase or construction of a home unless additional amounts are secured by acceptable collateral as determined by the commissioner of commerce in conformity with established minimum requirements. The rate of interest may not exceed the interest rate which is charged for Federal Veterans Administration loans at the time a state loan is granted.

* Sec. 2. AS 26.15.040(a)(3) is amended to read:

(3) Business loans not exceeding \$60,000 may be made to acquire, finance or refinance or equip businesses, including mining and fishing but not including farming, provided such businesses have three or more years of operating history in Alaska. The loans shall be secured by acceptable collateral and may not exceed 75 per cent of the appraised value of the collateral offered as security. The rate of interest may not exceed the interest rate which is charged for Federal Veterans Administration loans at the time a state loan is granted.

* Sec. 3. AS 26.15.040(a) is amended by adding a new paragraph to read:

(4) Multiple dwelling loans not exceeding \$60,000 may be made to purchase, remodel, repair, build, furnish, refinance or equip multiple dwellings. The loans shall be secured by acceptable collateral and may not exceed 75 per cent of the appraised value of the collateral offered as security. The rate of interest may not exceed the interest rate which is charged for Federal Veterans Administration loans at the time a state loan is granted.

* Sec. 4. AS 26.15.040(c) is amended to read:

(c) No loans authorized by (a)(2), (3) and (4) of this section may be made unless the commissioner of commerce is satisfied that money at a comparable rate of interest is not available to the applicant from private lending institutions on a guaranteed basis as set out in (b) of this section. An applicant is eligible for more than one type of loan, but the total may not exceed \$60,000 at any one time.

* Sec. 5. AS 26.15.070 is amended to read:

Sec. 26.15.070. SALE OR TRANSFER OF MORTGAGES AND NOTES. (a) The commissioner of commerce may sell or transfer at par value or at a premium or discount to any bank or other private purchaser for cash or other consideration the mortgages and notes held by the Department of Commerce as security for loans made under this chapter.

(b) The commissioner of commerce may sell or transfer at par value to the Department of Revenue the mortgages and notes held by the Department of Commerce as security for loans made under this chapter. The Department of Revenue shall purchase all such mortgages and notes offered, allowing the Department of Commerce a one-half of one per cent service fee.

* Sec. 6. AS 26.15.130(a)(1) is amended to read:

(1) persons who served in the armed forces of the United States for 90 days or more, or whose service was for less than 90 days because of injury or disability incurred in the line of duty, between April 6, 1917, and November 11, 1918, and beginning September 16, 1940 to six months after termination of hostilities involving United States forces in Indo-China, or in a combat zone during any period of armed conflict, who were separated from the armed forces with a discharge other than dishonorable, and

(A) who, at the time of induction into the service, were residents of the territory, who had been residents for not less than one year immediately before their induction, and who returned to the territory or state after discharge as residents with the intention of remaining in the territory or state; or

(B) who, not being bona fide residents of the territory before their entry into the service, have been residents of the territory or state for 10 or more years;

* Sec. 7. Interest rates on loans in effect on the effective date of this Act which are above the limits provided in this Act are not reduced or affected by this Act.

* Sec. 8. AS 45 is amended by adding a new chapter to read:

CHAPTER 95. SMALL BUSINESS LOANS.

Sec. 45.95.010. POWERS AND DUTIES OF DEPARTMENT OF COMMERCE IN GENERAL. (a) The Department of Commerce shall formulate general policies and adopt regulations.

(b) The department may hold hearings and subpoena witnesses and documents, and administer oaths in connection with hearings.

(c) The department shall

(1) cooperate with the state and its political subdivisions and agencies;

(2) adopt regulations necessary for the conduct of its business and for carrying out the provisions of this chapter, and make necessary regulations to maintain such standards;

(3) require bonds and undertakings from persons employed by it as shall in its judgment be necessary, and pay the premiums on them;

(4) establish such regional and local offices and such advisory groups as may be necessary or considered expedient to carry out or assist in carrying out its duties and authorities.

Sec. 45.95.020. SMALL BUSINESS LOANS. (a) The commissioner of commerce shall, under regulations and policies adopted by him, make small business loans to acquire, finance or refinance or equip businesses, including mining and fishing but not including farming, not exceeding \$60,000. The loans shall be secured by acceptable collateral and may not exceed 75 per cent of the appraised value of the collateral offered as security. The rate of interest may not exceed eight per cent a year on the unpaid balance.

(b) The commissioner of commerce may enter into agreements with private banks, other lending institutions and individuals for the purpose of guaranteeing loans made to qualified applicants. The guarantees may not exceed 90 per cent of the amount loaned and the loans shall be secured in the same manner provided for direct loans under this section. A loan made under this subsection and guaranteed by the commissioner of commerce and the state shall bear an interest rate not exceeding eight per cent a year on the unpaid balance.

(c) No loans authorized by this section may be made unless the commissioner of commerce is satisfied that no money is available to the applicant from private lending institutions on a guaranteed basis as set out in (b) of this section.

(d) Money loaned shall be delivered to the borrower in the form of a warrant drawn on the treasury, vouchered in the manner prescribed for state disbursing officers, and charged against the small business revolving loan fund. Each voucher shall be approved by the commissioner of commerce or any bonded deputy authorized to act as a certifying officer. Upon repayment of loans by installments, or otherwise, in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the small business revolving loan fund.

Sec. 45.95.030. SALE OR TRANSFER OF PREFERRED COMMERCIAL PAPER. The commissioner of commerce may negotiate with and transfer or sell to and repurchase from the Department of Revenue, its preferred commercial paper, not to exceed \$1,000,000 for cash, which cash shall be used only for the purposes of making loans to persons eligible under this chapter. Money loaned under this section is subject to interest at the rate of two and one-half per cent a year until all principal and interest are fully paid.

Sec. 45.95.040. SALE OR TRANSFER OF MORTGAGES AND NOTES. (a) The commissioner of commerce may sell or transfer at par value or at a premium or discount to any bank or other private purchaser for cash or other consideration the mortgages and notes held by the Department of Commerce as security for loans made under this chapter.

(b) The commissioner of commerce may sell or transfer at par value to the Department of Revenue the mortgages and notes held by the Department of Commerce as security for loans made under this chapter. The Department of Revenue shall purchase all such mortgages and notes offered, allowing the Department of Commerce a one-half of one per cent service fee.

Sec. 45.95.050. POWER OF COMMISSIONER TO ASSIGN AND SELL MORTGAGES. The commissioner of commerce may assign and sell small business loan mortgages to the Alaska State Mortgage Association in consideration of receiving its cash, bonds, debentures and notes upon conditions which he considers advantageous to the state small business lending program.

Sec. 45.95.060. CREATION OF FUND. There is created the small business revolving loan fund to carry out the purposes of this chapter. This fund shall be used for no other purpose.

Sec. 45.95.070. ELIGIBILITY FOR LOANS. A person is eligible for a loan under this chapter if

- (1) he has been in business in the state for at least three years;
- (2) he is a resident of the state; and
- (3) in the judgment of the Department of Commerce

(A) the business shows a definite potential for growth;

(B) the borrower will be able to repay the loan; and

(C) the loan will potentially create more jobs and provide additional services in the community.

* Sec. 9. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.