

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

May 10, 2019

1:30 p.m.

MEMBERS PRESENT

Senator Lora Reinbold, Chair
Senator Mia Costello, Vice Chair
Senator Click Bishop
Senator Chris Birch
Senator Elvi Gray-Jackson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 106

"An Act relating to renewal of insurance coverage for homeowners and renters; and providing for an effective date."

- MOVED CSSB 106(L&C) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 104(L&C) AM

"An Act relating to exemptions from mortgage lender, mortgage broker, and mortgage loan originator licensing requirements; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 106

SHORT TITLE: HOMEOWNER/RENTER INSURANCE RENEWAL

SPONSOR(s): SENATOR(s) BEGICH

04/10/19	(S)	READ THE FIRST TIME - REFERRALS
04/10/19	(S)	L&C
05/07/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
05/07/19	(S)	Heard & Held
05/07/19	(S)	MINUTE(L&C)
05/09/19	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
05/09/19	(S)	Heard & Held
05/09/19	(S)	MINUTE(L&C)

05/10/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 104

SHORT TITLE: MORTGAGE LOAN ORIGINATOR LICENSING

SPONSOR(S): REPRESENTATIVE(S) WILSON

03/25/19 (H) READ THE FIRST TIME - REFERRALS
03/25/19 (H) L&C
04/10/19 (H) L&C AT 3:15 PM BARNES 124
04/10/19 (H) Bills Previously Heard/Scheduled
04/17/19 (H) L&C AT 3:15 PM BARNES 124
04/17/19 (H) EXTEND BOARD OF MARINE PILOTS
04/26/19 (H) L&C AT 3:15 PM BARNES 124
04/26/19 (H) Heard & Held
04/26/19 (H) MINUTE(L&C)
04/29/19 (H) L&C AT 3:15 PM BARNES 124
04/29/19 (H) Moved CSHB 104(L&C) Out of Committee
04/29/19 (H) MINUTE(L&C)
05/01/19 (H) L&C RPT CS(L&C) NT 2DP 5NR
05/01/19 (H) DP: HANNAN, LEDOUX
05/01/19 (H) NR: REVAK, STUTES, TALERICO, FIELDS,
WOOL
05/10/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR TOM BEGICH

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as sponsor on SB 106.

REPRESENTATIVE TAMMIE WILSON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of HB 104.

PATRICE WALSH, Director

Division of Banking and Securities

Department of Commerce, Community and Economic Development
(DCCED)

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 104.

NADINE WINTERS, Executive Director

Fairbanks Neighborhood Housing Service (FNHS)

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 104.

STACY HARVILL, Associate Broker
Liaison
Legislative Committee
Alaska Association of Realtors
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 104.

ACTION NARRATIVE

[1:30:52 PM](#)

CHAIR LORA REINBOLD called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Costello, Gray-Jackson, Birch and Chair Reinbold.

SB 106-HOMEOWNER/RENTER INSURANCE RENEWAL

[1:32:04 PM](#)

CHAIR REINBOLD announced that the first order of business would be SENATE BILL NO. 106, "An Act relating to renewal of insurance coverage for homeowners and renters; and providing for an effective date."

{Before the committee was the proposed committee substitute (CS) for SB 106(), 31-LS0476\M, Version M.]

[1:32:31 PM](#)

SENATOR COSTELLO explained that her amendment would have added in commercial businesses. She said that she has held discussions but has decided not to incorporate her amendment into the bill. She thanked the sponsor for working with her on this matter.

[1:33:35 PM](#)

SENATOR COSTELLO withdrew Amendment 1, work order M.2 previously adopted at the 5/9/19 meeting, work order 31-LS0476\M.2, Marx, 5/8/19.

AMENDMENT 1

OFFERED IN THE SENATE BY SENATOR COSTELLO
TO: CSSB 106(), Draft Version "M"

Page 1, line 1, following "**Act**":

Insert "**relating to cancellation and renewal of commercial property insurance coverage;**"

Page 1, following line 3:

Insert a new bill section to read:

"* **Section 1.** AS 21.36.210 is amended by adding a new subsection to read:

(g) An insurer may not exercise its right to cancel a policy of commercial property insurance solely based on notice, receipt, or payment of a claim under the policy unless the insurer has paid a claim under the policy within the three-year period immediately preceding the notice, receipt, or payment."

Page 1, line 4:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 2, line 12, following "homeowner's":

Insert "or commercial property"

Page 3, following line 13:

Insert a new bill section to read:

"* **Sec. 5.** AS 21.36.310 is amended by adding a new paragraph to read:

(6) "commercial property insurance" means property insurance as described in AS 21.12.060 that is "business or commercial insurance" as defined in this section."

Renumber the following bill sections accordingly.

Page 3, lines 16 - 18:

Delete all material and insert:

"APPLICABILITY. AS 21.36.210(g), enacted by sec. 1 of this Act, AS 21.36.240, as amended by secs. 2 and 3 of this Act, AS 21.36.310(4), as amended by sec. 4 of this Act, and AS 21.36.310(6), enacted by sec. 5 of this Act, apply to an insurance policy or contract entered into or renewed on or after the effective date of secs. 1 - 5 of this Act."

Page 3, line 25:

Delete "Section 5"

Insert "Section 7"

Page 3, line 26:

Delete "sec. 6"

Insert "sec. 8"

CHAIR REINBOLD asked to place on the record that the committee received letters of opposition from the National Association of Mutual Insurance Companies, and the American Property Casualty Insurance Association to Amendment 1. She understood their concerns. However, this matter needs to be addressed. Many businesses in her community want to close down due to theft and crime. She urged everyone to work together with local businesses and insurance companies to reduce the rampant theft in Alaska's communities.

CHAIR REINBOLD removed her objection.

Amendment 1, previously adopted, was withdrawn.

[1:35:20 PM](#)

CHAIR REINBOLD moved to adopt Amendment 2, work order 31-LS0476\M.4, Marx, 5/9/19.

AMENDMENT 2

OFFERED IN THE SENATE

BY SENATOR REINBOLD

TO: CSSB 106(), Draft Version "M"

Page 2, lines 11 - 15:

Delete all material and insert:

"(b) In addition to the requirements in (a) of this section, an insurer may not fail to renew a homeowner's insurance policy based solely on the earliest claim made by the insured within the three-year period immediately preceding the policy's annual anniversary if the claim arises from a criminal act committed by a third party. In this subsection, "homeowner's insurance" includes coverage described in AS 21.36.460(i)(7)(B) and (C)."

SENATOR COSTELLO objected for discussion purposes.

CHAIR REINBOLD read Amendment 2.

[1:36:19 PM](#)

SENATOR TOM BEGICH, Alaska State Legislature, Juneau, explained that the two changes in Amendment 2 were worked out through discussions with the insurance industry. First, Amendment 2 would ensure that failure to renew a homeowner's insurance policy is not based solely on the earliest claim made. He characterized it as giving the insurance agency little more flexibility related to issues outside of the scope of a criminal act. He said that Amendment 2 narrowed it down to criminal acts committed by a third party. He clarified that a criminal act could be committed by a party within a home and a claim could be made. However, that is a different issue entirely. In this instance it relates to situations in which a person is the victim of a crime that the person was unaware of. He said he wholly supports this amendment. He encouraged members to adopt the amendment.

[1:37:42 PM](#)

SENATOR BIRCH raised a procedural question. He asked whether action the committee took at the last hearing on Amendment 1 was rescinded.

[1:38:34 PM](#)

SENATOR COSTELLO pointed out Amendment 2 was before the committee.

CHAIR REINBOLD asked members to consider the motion before them, which is Amendment 2.

SENATOR COSTELLO withdrew her objection.

[1:38:47 PM](#)

SENATOR BIRCH clarified that this limits it to criminal acts committed by a third party, which is a fairly narrow limit.

SENATOR BEGICH answered that is correct.

CHAIR REINBOLD heard no further objections and Amendment 2 was adopted.

CHAIR REINBOLD solicited a motion to rescind the committee's action on Amendment 1.

[1:39:35 PM](#)

SENATOR COSTELLO made a motion to rescind the committee's action to adopt Amendment 1, work order 31-LS0476\M.2, Marx, 5/8/19, which was previously adopted by the committee on 5/19/19.

There being no objection, the Senate Labor and Commerce Standing Committee's action to adopt Amendment 1 was rescinded.

CHAIR REINBOLD indicated SB 106, as amended, was before the committee.

[1:39:55 PM](#)

SENATOR COSTELLO moved to report SB 106, work order 31-LS0476\M, as amended, from committee with individual recommendations and attached fiscal note.

CHAIR REINBOLD found no objection and the committee substitute for SB 106 (L&C) was reported from the Senate Labor and Commerce Standing Committee Standing Committee.

[1:40:35 PM](#)

At-ease.

HB 104-MORTGAGE LOAN ORIGINATOR LICENSING

[1:43:26 PM](#)

CHAIR REINBOLD reconvened the meeting and announced that the final order of business would be CS FOR HOUSE BILL NO. 104(L&C) am, "An Act relating to exemptions from mortgage lender, mortgage broker, and mortgage loan originator licensing requirements; and providing for an effective date."

[1:44:05 PM](#)

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, Juneau, paraphrased from her sponsor statement on HB 104, which read as follows:

The current Alaska SAFE Act allows a seller to finance his or her residence. If a person had more than one residence (a second home for example) they could sell and finance it themselves without a license under AS 06.60.015(b)(3). If the second home had been rented it would be considered an income property and the seller would be required to have a mortgage loan originator license in order to seller finance it.

CSHB104(L&C) would allow a person to seller-finance up to 5 of their own properties which are secured by a dwelling, whether they are an income property or not. Interior and more rural community property owners have parcels with trailers or cabins on them; some with

water and electric, some without. These types of properties are historically difficult to finance through the traditional mortgage process and many times lenders require more money down, shorter loan terms, higher interest rates, and in some cases, will not finance them at all. Those wishing to take on the responsibility of home ownership and establish roots in the community may find, for many reasons, that they do not qualify for a traditional mortgage. Seller financing is another tool that can be utilized to make it affordable for one to realize their dream of having a place they can finally call their home. Seller financing is a reasonable and practical option for both sellers and buyers of these type properties.

CSHB 104 would give more opportunity for the dream of home ownership to those who might not otherwise realize it and would relieve the financial burden of bona fide non-profit organizations assisting Alaskans in making their dream come true.

[1:46:09 PM](#)

REPRESENTATIVE WILSON said that she discovered that many people are doing seller financing with their income property believing that it was legal in Alaska to do so. Unfortunately, one person found out through the court system that it is not. She said that she discovered it was an issue throughout Alaska. She remarked that very few people believed it was not possible to seller finance properties. For example, a person might rent a home for five years and decide to purchase it but could not do so without having a mortgage loan originator license. This bill would allow people to self-finance their residential loan.

[1:46:52 PM](#)

SENATOR COSTELLO clarified that the bill before the committee was the committee substitute (CS) for HB 104 (L&C) am, work order LS0275/S.A. Chair Reinbold objected for discussion purposes.

[1:47:32 PM](#)

CHAIR REINBOLD opened public testimony on HB 104.

[1:47:51 PM](#)

PATRICE WALSH, Director, Division of Banking and Securities, Department of Commerce, Community and Economic Development (DCCED), Anchorage, stated the division's support for the bill.

[1:49:00 PM](#)

NADINE WINTERS, Executive Director, Fairbanks Neighborhood Housing Service (FNHS), Fairbanks, spoke in support of HB 104. She stated that FNHS provides affordable rental housing and provides second mortgage payment assistance for income-eligible first-time home buyers. The FNHS specifically supports the non-profit exemption provision. Although the organization only provides mission-driven second mortgages under market rates, it is regulated like a bank that does first mortgages at market rate. As a small organization, it can be difficult to comply. For example, last year the FNHS closed 13 loans at zero percent through a federal funding source targeted specifically for people who are at 80 percent of area-median income. She characterized their organization as a mission-driven process whose funders specifically direct what can and cannot be done.

She said that having another layer of regulation is onerous and problematic for them. The federal Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act was amended in 2010 to allow states to exempt nonprofits such as theirs. She reported that 22 states have an exemption and 24 states have conditions similar to ones in HB 104.

MS. WINTERS reiterated support for the bill, stating that it would be immensely helpful. She predicted it would impact four or five other non-profits that do the same thing. The FNHS does not compete with banks since it offers a totally separate product. In fact, FNHS actually enhances what the banks do because with the closing costs and down payment assistance, more people can afford to buy homes.

SENATOR BIRCH echoed her sentiments. He remarked that allowing a seller to finance his/her residence increases flexibility and improve lives for many.

[1:51:31 PM](#)

STACY HARVILL, Associate Broker, Liaison, Legislative Committee, Alaska Association of Realtors, Fairbanks, spoke in support of HB 104.

[1:52:10 PM](#)

CHAIR REINBOLD after first determining no one wished to testify, closed public testimony on HB 104.

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REPRESENTATIVE WILSON read a list of bona fide nonprofit organizations that would be affected by the bill, including

Anchorage Habitat for Humanity, Mat-Su Habitat for Humanity, Alaska Community Development Corporation, Fairbanks Neighborhood Housing Services, Rural Alaska Community Action Program, and Alaska EnTech Capital, LLC.

She explained that individuals found out that private mortgage contracts were not legal. She said that some title companies were not moving forward with processing and that individuals were not able to move into their homes. She said she was surprised when she discovered this but would like people to be able to have their own homes in ways that they can afford.

CHAIR REINBOLD asked for further clarification that her comments reflected changes between bill version U and Version S. She referred to work order 31-LS0275\S, page 1, lines 13-14, which read, ";or (5) a bona fide nonprofit organization.

REPRESENTATIVE WILSON agreed. She said that this issue was brought to her attention by the Division of Banking and Securities. The original bill did not contain the nonprofit provision, which would allow nonprofits to assist more individuals in obtaining financing for homes. In further response to Chair Reinbold, she said that one additional change was made on the House floor to ensure that that a grandfather provision was added to ensure that anyone who was currently in a mortgage contract would not lose their home since these individuals purchased their homes in good faith.

[HB 104 was held in committee.]

[1:54:58 PM](#)

CHAIR REINBOLD reviewed upcoming committee announcements.

[1:55:23 PM](#)

SENATOR BIRCH remarked that the legislature is tight on time. He offered his support to move the bill.

CHAIR REINBOLD expressed an interest in holding the bill over, in part, to allow Senator Bishop to review the fiscal note at the next hearing.

[1:56:39 PM](#)

SENATOR GRAY-JACKSON thanked the sponsor for bringing the bill forward. She also appreciated that the stakeholders were involved in the process.

[HB 104 was held in committee.]

1:57:39 PM

There being no further business to come before the committee, Chair Reinbold adjourned the Senate Labor and Commerce Standing Committee meeting at 1:57 p.m.