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IN THE HOUSE

BY THE RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

HOUSE BILL NO. 20

IN THE LEGISLATURE OF THE STATE OF ALASKA
SECOND LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act creating a public corporation to be known as the Alaska State Mortgage Association; empowering the Association to loan funds upon the security of insured mortgages; prescribing other powers and duties; providing for the organization membership and administration of the Association; and providing for an effective date."

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

Section 1. PURPOSES. It is hereby determined and declared as a matter of legislative finding that

a. The lack of sufficient secondary marketing facilities for housing mortgages in Alaska is a deterrent to the entire economy of the state, and a condition which the legislature desires to remedy.

b. Inadequate funds and secondary marketing facilities for housing mortgages restrict the building of adequate housing and create conditions contrary to the public interest which threaten, or may threaten, the health, safety, welfare, comfort and security of its citizens.

c. The scarcity of available housing mortgage financing sources makes such a marketing facility both desirable and necessary and in the best interests of the public welfare.

d. There is a definite need in the state for a secondary

1 market facility for housing mortgages.

2 Therefore, it is hereby declared to be the policy of the
3 State of Alaska to promote the health, safety and welfare of its
4 citizens by the creation of a body corporate and politic, to
5 exist and operate for the purposes resulting from the conditions
6 caused by the lack of a permanent secondary source of funds for
7 housing financing, thus providing additional financing secured
8 by insured mortgages to persons, firms or financial institutions
9 who are unable to obtain such financing in the general market;
10 thereby improving and stimulating the distribution of investment
11 capital for housing. Such purposes are deemed necessary and are
12 public purposes for which public money may be spent.

13 Sec. 2. DEFINITIONS. As used in this Act --

14 a. "Association" means the Alaska State Mortgage Associa-
15 tion.

16 b. "Board" means the governing body of the Association.

17 c. "Mortgage" means a first mortgage or deed of trust on
18 real property located in the State of Alaska and the personal
19 property attached or used in conjunction therewith, which is
20 given to secure a loan on said property.

21 d. "Insured mortgage" means a mortgage or deed of trust
22 insured or approved to be insured by the Federal Housing Admin-
23 istration pursuant to the National Housing Act of June 27, 1934,
24 and its amendments and supplements heretofore and hereinafter
25 enacted.

26 e. "Secondary market facility" means a facility or entity
27 which retains or sells mortgages or deeds of trust obtained from
28 prior mortgagees or beneficiaries.

29 f. "Bonds, notes and debentures" shall mean the bonds,

1 notes and debentures, respectively, issued by the Association
2 pursuant to this Act.

3 g. "State" shall mean the State of Alaska.

4 h. "Members shall mean the members of the board of direc-
5 tors of the Association.

6 Sec. 3. ASSOCIATION CREATION. There is hereby created a
7 body corporate and politic, named the Alaska State Mortgage
8 Association, as a public corporation and government instrumen-
9 tality to have continuing succession until its existence shall
10 be terminated by law; provided, however, that no such law shall
11 take effect so long as the Association shall have bonds, notes
12 and other obligations outstanding. Upon termination of the
13 existence of the Association, all its rights and properties shall
14 pass to and be vested in the state.

15 Sec. 4. ASSOCIATION MEMBERSHIP. The Governor shall appoint
16 a board consisting of the three present members of the Board of
17 Commissioners of the Alaska State Housing Authority, its execu-
18 tive director and the Commissioner of Commerce. Members shall
19 serve without compensation except that each member may be reim-
20 bursed for actual and necessary expenses under Sec. 1, Ch. 34,
21 SLA 1960.

22 Sec. 5. ASSOCIATION GOVERNING BODY. The board shall be the
23 governing body of the Association. The board shall elect a
24 chairman from among its membership at the first meeting of the
25 board and at its first meeting in each year thereafter. A
26 majority of the members shall constitute a quorum for the purpose
27 of organizing the Association, conducting its business and exer-
28 cising all powers of the Association. A vote of the majority of
29 the members present shall be sufficient for all actions of the

1 board. The board of directors shall meet at the call of its
2 chairman who shall require it to meet not less often than once
8 each three months.

4 Sec. 6. ASSOCIATION ADMINISTRATION. The board shall have
5 the power to manage the assets and business of the Association
6 and to prescribe, amend and repeal by-laws, rules and regulations
7 governing the manner in which the business of the Association is
8 conducted and the manner in which the powers granted to it are
9 exercised. The Association may delegate to one or more of its
10 directors, officers, agents or employees such powers and duties
11 as it may deem proper. The board may delegate supervision of
12 the administration of the Association to an executive officer
13 and it may employ its own counsel and legal staff. The Associ-
14 ation may appoint other officers, hire employees and agents, and
15 engage professional and technical services and advice upon
16 employment or independent-contract bases. The board shall pre-
17 scribe the duties and compensation of Association personnel.
18 The personnel of the Association shall be exempt from the pro-
19 visions of Chapter 144, SLA 1960 to the same extent as the
20 personnel of the Alaska State Housing Authority. All depart-
21 ments, agencies and public corporations of the state may provide
22 information, services, facilities and loans to the Association
23 upon its request. The Association may reimburse departments,
24 agencies and public corporations of the state for loans advanced
25 or for expenses incurred on the Association's behalf.

26 Sec. 7. ASSOCIATION POWERS. The Association shall have
27 the following powers:

- 28 a. To adopt, use and alter at will a corporate seal.
29 b. To make and alter by-laws for its organization and

1 internal management.

2 c. To be a party litigant in any court, having jurisdiction
3 according to law, in any form of action whatsoever.

4 d. To enter into contracts of all kinds and to execute
5 all instruments necessary or convenient for carrying on its oper-
6 ations.

7 e. To acquire, hold and dispose of personal property,
8 tangible and intangible.

9 f. To acquire, hold and dispose of real property, or any
10 interest therein, to be used by the Association for the purpose
11 of its offices and operations.

12 g. To acquire real property, or any interest therein, by
13 purchase or foreclosure where such acquisition is necessary or
14 appropriate to protect any loan in which the Association has an
15 interest; to sell, transfer and convey any such property to a
16 buyer, and in the event such sale, transfer or conveyance cannot
17 be effected with reasonable promptness or at a reasonable price,
18 to rent or lease such property to a tenant.

19 h. To borrow money and issue negotiable notes, bonds,
20 debentures or other obligations, and to provide for the rights
21 of the holders thereof.

22 i. To purchase and to sell, at its own discretion, mort-
23 gages insured by the Federal Housing Administration, or mortgages
24 obtained by the Division of Veterans Affairs, Department of
25 Commerce, State of Alaska, which have been assigned or pledged
26 to the Association in return for notes, bonds or debentures of
27 the Association.

28 j. To invest any funds held in reserve or sinking funds or
29 any monies not required for immediate use or disbursement, at the

1 discretion of the Association, in obligations of the state or
2 the United States Government, or obligations, the principal and
3 interest of which are guaranteed by the state or the United
4 States Government.

5 k. In connection with the purchasing of mortgages and com-
6 mitments therefor, the Association shall have the power to make
7 and collect such fees and charges, including, but not limited
8 to, reimbursement of all costs of financing by the Association
9 and to prescribe rules, regulations and limitations under which
10 purchases may be made.

11 l. To accept grants and subsidies from any federal or state
12 agency, or any private person, and to enter into agreements re-
13 quired as a condition to obtaining such grants and subsidies.

14 m. To accept grants-in-aid, donations, legacies or usages
15 of money made or extended by individuals, organizations, public
16 or private corporations or the federal government, and to return
17 money advanced for its usage not otherwise required for its pur-
18 poses.

19 n. To procure insurance against any loss in connection
20 with its property and other assets (including mortgages and
21 mortgage loans) in such amounts, and from such insurers, as it
22 deems desirable.

23 o. Subject to the provisions of any contract with note-
24 holders or bondholders, whenever it deems it necessary or desir-
25 able, to consent to the modification, with respect to rate of
26 interest, time of payment or any installment of principal or
27 interest, security, or any other term, of any mortgage, mortgage
28 loan, mortgage loan commitment, contract or agreement of any kind
29 to which the Association is a party.

1 Sec. 8. BONDS, NOTES AND DEBENTURES. The Association
2 shall have the power and is hereby authorized from time to time
3 to issue its negotiable bonds, notes and debentures in such
4 principal amount as, in the opinion of the Association, shall be
5 necessary to provide sufficient funds for achieving its corporate
6 purposes, including the purchasing of home mortgages, the pay-
7 ment of interest on bonds of the Association, establishment of
8 reserves to secure such bonds, notes and debentures, and all
9 other expenditures of the Association incident to and necessary
10 or convenient to carry out its corporate purposes and powers.

11 The Association shall have the power from time to time to
12 issue renewal notes and debentures, to issue bonds, to pay notes
13 and debentures and whenever it deems refunding expedient, to
14 refund any bonds by the issuance of new bonds, whether the bonds
15 to be refunded have or have not matured, and to issue bonds
16 partly to refund bonds then outstanding and partly for any other
17 purpose. The refunding bonds shall be sold and the proceeds
18 applied to the purchase, redemption or payment of the bonds to
19 be refunded.

20 Except as may otherwise be expressly provided by the Assoc-
21 iation, every issue of its notes, debentures or bonds shall be
22 general obligations of the Association payable out of any rev-
23 enues or monies of the Association, subject only to any agree-
24 ments with the holders of particular notes, debentures or bonds
25 pledging any particular receipts or revenues.

26 Whether or not the notes, debentures or bonds are of such
27 form and character as to be negotiable instruments under the
28 provisions of the negotiable instruments law, the notes, deben-
29 tures or bonds shall be and hereby are made negotiable

1 instruments within the meaning of and for all the purposes of
2 the negotiable instruments law.

3 The notes, debentures and bonds shall be authorized by re-
4 solution of the board of directors of the Association, shall
5 bear such date or dates, and shall mature at such time or times,
6 in the case of any such note or debenture or any renewals there-
7 of not exceeding five years from the date of issue of such
8 original note or debenture; and in the case of any such bond,
9 not exceeding fifty years from the date of issue as such resolu-
10 tion or resolutions may provide. The notes, debentures and
11 bonds shall bear interest at such rate or rates, be in such
12 denominations, be in such form, be executed in such manner, be
13 payable in such medium of payment at such place or places, and
14 be subject to such terms of redemption as such resolution or
15 resolutions may provide. The notes, debentures and bonds of the
16 Association may be sold by the Association at public or private
17 sale at such price or prices as the Association may determine.

18 Any resolution or resolutions authorizing any notes, debentures or bonds or any issue thereof may contain provisions which shall be a part of the contract with the holders thereof, as to:

21 a. Pledging all or any part of the monies received in pay-
22 ment of mortgage loans and interest thereon, and other monies
23 received or to be received, to secure the payment of the notes,
24 debentures or bonds or of any issue thereof, subject to such
25 agreements with bondholders, noteholders or debenture holders as
26 may then exist;

27 b. Pledging all or any part of the assets of the Associa-
28 tion, including mortgages and obligations securing the same, to
29 secure the payment of the notes, debentures or bonds or of any

1 issue of notes, debentures or bonds, subject to such agreements
2 with noteholders, debenture holders or bondholders as may then
3 exist;

4 c. The use and disposition of the gross income from mortgages
5 owned by the Association;

6 d. The setting aside of reserves or sinking funds and the
7 regulation and disposition thereof;

8 e. Limitations on the purpose to which the proceeds of sale
9 of notes, debentures or bonds may be applied and pledging such
10 proceeds to secure the payment of the notes, debentures or bonds
11 or of any issue thereof;

12 f. Limitations on the issuance of additional notes, debentures
13 or bonds; the terms upon which additional notes, debentures
14 or bonds may be issued and secured; the refunding of outstanding
15 or other notes, debentures or bonds;

16 g. The procedure, if any, by which the terms of any con-
17 tract with noteholders, bondholders or debenture holders may be
18 amended or abrogated, the amount of notes, debentures or bonds
19 the holders of which must consent thereto, and the manner in
20 which such consent may be given;

21 h. Vesting in a trustee or trustees such property, rights,
22 powers and duties in trust as the Association may determine,
23 which may include any or all of the rights, powers, and duties of
24 the trustee appointed by the bondholders pursuant to this section,
25 and limiting or abrogating the right of the bondholders to appoint
26 a trustee under this section, or limiting the rights, powers and
27 duties of such trustee;

28 i. Provide for the replacement of lost, destroyed or mutil-
29 ated bonds, notes and debentures;

1 j. Any other matters, of like or different character, which
2 in any way affect the security or protection of the notes, bonds
3 or debentures.

4 It is the intention hereof that any pledge made by the Assoc-
5 iation shall be valid and binding from the time when the pledge is
6 made; that the monies or properties so pledged and thereafter re-
7 ceived by the Association shall immediately be subject to the lien
8 of such pledge without any physical delivery thereof or further
9 act; and that the lien of any such pledge shall be valid and bind-
10 ing as against all parties having claims of any kind in tort, con-
11 tract or otherwise against the Association, irrespective of wheth-
12 er such parties have notice thereof. Neither the resolution nor
13 any other instrument by which a pledge is created need be recorded.

14 Neither the members of this Association nor any persons ex-
15 ecuting the notes, debentures or bonds shall be liable personally
16 on the notes, debentures or bonds or be subject to any personal
17 liability or accountability by reason of the issuance thereof.

18 The Association, subject to such agreements with noteholders,
19 debenture holders or bondholders as may then exist, shall have
20 power out of any funds available therefor to purchase notes, de-
21 bentures or bonds of the Association, which shall thereupon be
22 cancelled, at a price not exceeding (a) if the notes, debentures
23 or bonds are then redeemable, the redemption price then applicable
24 plus accrued interest to the next interest payment date thereon,
25 or (b) if the notes, bonds or debentures are not then redeemable,
26 the redemption price applicable on the first date after such pur-
27 chase upon which the notes or bonds become subject to redemption
28 plus accrued interest to such date.

29 The state shall not be liable on notes, bonds or debentures

1 of the Association and such notes, bonds or debentures shall not
2 be a debt of the state.

3 Subject to any contractual limitations or restrictions adopt-
4 ed pursuant to other provisions of this section, any holder of
5 bonds, notes or debentures, in addition to other remedies, shall
6 have the right by mandamus or other action or proceeding, at law
7 or in equity, to require the Association to carry out any of its
8 covenants and agreements made with or for the benefit of such
9 holder.

10 In the event that the Association shall default in the pay-
11 ment of principal of or interest on any issue of bonds, notes or
12 debentures after the same shall become due, either at maturity or
13 upon call for redemption, and such default shall continue for a
14 period of thirty days, or in the event that the Association shall
15 fail or refuse to comply with the provisions of this Act or shall
16 default in any agreement made with or for the benefit of the hold-
17 ers of any issue of bonds, notes or debentures, the holders of
18 twenty-five per centum in aggregate principal amount of the bonds,
19 notes or debentures of such issue then outstanding, may appoint a
20 trustee to represent the holders of such bonds, notes or deben-
21 tures, which trustee may and, upon written request of the holders
22 of twenty-five per centum in principal amount of such bonds, notes
23 or debentures then outstanding, shall in his or its own name:

24 a. By mandamus or other action or proceeding at law or in
25 equity, enforce all rights of the holders of such bonds, notes
26 or debentures, including the right to require the Association
27 subject to existing provisions in obligations to collect inter-
28 est and amortization payments on mortgages held by it adequate
29 to carry out any agreement as to or pledge of such interest and

1 amortization payments and mortgages and to require the Associa-
2 tion to carry out any other agreements with the holders of such
3 bonds, notes or debentures and to perform its duties under this
4 Act.

5 b. Bring suit upon such bonds, notes or debentures.

6 c. By action in equity, enjoin any acts or things which may
7 be unlawful or in violation of the rights of the holders of such
8 bonds, notes or debentures.

9 d. By action in equity, require the Association to account
10 as if it were the trustees of an express trust for the holders of
11 such bonds, notes or debentures.

12 e. Declare all such bonds, notes or debentures due and pay-
13 able and if all defaults shall be made good, then with the con-
14 sent of the holders of twenty-five per centum of the principal
15 amount of such bonds, debentures or notes then outstanding, annul
16 such declaration and its consequences.

17 Such trustees shall, in addition, have and possess all the
18 powers necessary or appropriate for the exercise of any functions
19 specifically set forth herein or incident to the general repre-
20 sentation of the holders of such bonds, notes or debentures in the
21 enforcement and protection of their rights. The limitations set
22 forth in this section may be modified or abrogated by contractual
23 provisions adopted pursuant to this section.

24 The State of Alaska hereby pledges to and agrees with the
25 holders of any bonds, notes or debentures issued under this Act
26 that the state will not dissolve the Association and will not re-
27 voke, limit or alter the rights and powers hereby vested in the
28 Association to fulfill the terms of any agreements made with the
29 holders thereof, or in any way impair the rights and remedies of

1 such holders until such bonds, notes or debentures, together with
2 the interest thereon, and all costs and expenses in connection
3 with any action or proceedings by or on behalf of such holders
4 are fully met and discharged. The state further does hereby
5 pledge to and agree with any federal agency providing funds,
6 mortgage insurance or other assistance to the operations of the
7 Association that the state will not limit or alter the rights and
8 powers hereby vested in the Association in any manner which would
9 be inconsistent with the due performance of any agreements between
10 the Association and such federal agency.

11 It is hereby determined that the creation of the Association
12 is in all respects for the benefit of the people of the state and
13 for the improvement of their health, safety, welfare, comfort and
14 security, and that said purposes are public purposes and that the
15 Association will be performing an essential governmental function
16 in the exercise of the powers conferred upon it by this Act. The
17 state covenants with the purchasers and all subsequent holders
18 and transferees of notes, bonds and debentures issued by the As-
19 sociation, in consideration of the acceptance of and payment for
20 the notes, bonds and debentures, that the notes, bonds and debentures of the Association, issued pursuant to this Act and the
21 income therefrom and all its fees, charges, gifts, grants, reve-
22 nues, receipts, and other monies received or to be received,
23 pledged to pay or secure the payment of such notes, bonds or
24 debentures shall at all times be free from taxation and assess-
25 ments of every kind and nature, except for estate and gift taxes
26 and taxes on transfers.

27
28 Bonds, notes and debentures of the Association, the income
29 therefrom, the income and revenues of the Association and the

1 Association and its property, both real and personal, shall at all
2 times be free from taxation and assessments of every kind and
3 nature except that payments in lieu of taxes may be made in the
4 case of foreclosed properties owned directly by the Association.

5 Notwithstanding the provisions of any other act, bonds,
6 notes and debentures of the Association are hereby made authorized
7 and legal investments for all departments, boards and commissions
8 of the state and its political subdivisions, all banks, savings
9 banks, trust companies, savings and loan associations, investment
10 companies and other persons carrying on a banking business, all
11 insurance companies, insurance associations and other persons
12 carrying on an insurance business and all guardians, committees,
13 trustees and other fiduciaries.

14 Sec. 9. EFFECTIVE DATE. This Act takes effect on the day
15 after its passage and approval or on the day it becomes law
16 without such approval.

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