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Referred: Commerce,
Judiciary and Finance

1 IN THE HOUSE

BY FINK

2 HOUSE BILL NO. 237

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Secondary Mortgage
7 Bank as a public corporation and instrumentality of the
8 state and providing for dissolution of the Alaska State
9 Mortgage Association; and providing for an effective
10 date."

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

12 * Section 1. AS 44.56 is repealed and re-enacted to read:

13 CHAPTER 56. ALASKA SECONDARY MORTGAGE BANK.

14 Sec. 44.56.011. PURPOSE. It is the policy of the state to pro-
15 mote the health, safety and welfare of its citizens by the creation
16 of a body corporate and politic to improve and stimulate the distribu-
17 tion of investment capital by providing a means of secondary mortgage
18 marketing for Alaska banks at reasonable rates. This purpose is con-
19 sidered necessary and a public purpose for which public funds may be
20 expended.

21 Sec. 44.56.021. ALASKA SECONDARY MORTGAGE BANK. There is created
22 the Alaska State Secondary Mortgage Bank. The bank is a public corpora-
23 tion and government instrumentality within the Department of Commerce
24 but has a legal existence independent and separate from the state, with
25 continuing succession until its existence may be terminated by law.

26 Sec. 44.56.031. GOVERNING BOARD. (a) The board of the corpora-
27 tion consists of five members appointed by the governor and serving at
28 his pleasure. Membership on the board is on a nonpartisan basis. At
29 least two members of the board shall be officials of different banking

1 institutions.

2 (b) A public employee is not eligible for appointment to the
3 board.

4 (c) Members of the board receive no salary but are entitled to
5 per diem and travel expenses authorized by law for other boards.

6 (d) Members of the initial board appointed under this chapter
7 must be confirmed by the legislature meeting in joint session. A
8 member may act and is entitled to per diem and travel expenses under
9 (c) of this section until his confirmation or rejection by the legisla-
10 ture.

11 Sec. 44.56.041. TERM OF OFFICE. (a) The term of office of mem-
12 bers of the board of directors is five years. The term of office expires
13 on February 1 of each year.

14 (b) Members of the initial board appointed under this chapter serve
15 one, two, three, four and five years respectively as determined by the
16 governor.

17 (c) A member of the board appointed by the governor to fill a
18 vacancy serves for the unexpired term of the member he succeeds.

19 Sec. 44.56.051. QUORUM AND NOTICE OF MEETINGS. Three members
20 constitute a quorum for the transaction of business by the board unless
21 the bylaws require a larger number. Notice of a meeting of the board
22 must be given to each member.

23 Sec. 44.56.061. MINUTES OF MEETINGS. The board shall keep minutes
24 of each meeting and send a certified copy to the governor.

25 Sec. 44.56.071. PUBLIC BOARD MEETINGS. Meetings of the board are
26 public as required by law, except that meetings to review mortgage pur-
27 chase applications may exclude the public.

28 Sec. 44.56.081. CONFLICT OF INTERESTS. Upon appointment and during
29 his term of office, a board member shall declare privately in writing to

1 the governor and the board any financial or business interest he has
2 which might conflict with the public nature of his membership on the
3 board. If there is a serious conflict, the board may ask him to abstain
4 from decisions resulting in a conflict or to resign from the board. A
5 transaction of the corporation which is otherwise valid is not invalid
6 because of a personal interest of a board member in it if the interest
7 is declared and the board member abstains from decisions pertaining to
8 the transaction.

9 Sec. 44.56.081. STAFF. (a) The board shall appoint as full
10 time salaried officers a president, vice president and secretary-
11 treasurer, who serve at the pleasure of the board and receive a salary
12 commensurate with that of principal department heads of the state, in
13 addition to entitlement to per diem and travel expenses as authorized
14 for the board.

15 (b) The president may retain employees and agents, prescribe their
16 duties, and engage professional and technical services and advice upon
17 an employment or independent contract basis, as he deems required for
18 management of the corporation. The board shall fix the compensation
19 and allowances of personnel retained.

20 (c) No officer or other person retained under this subsection may
21 have any financial or business interest which might conflict with the
22 management of the bank in the best public interest.

23 (d) The corporation shall provide surety bonds for personnel in
24 an amount fixed by the board.

25 (e) The personnel of the corporation are in the exempt state
26 service under AS 39.25.110.

27 Sec. 44.56.091. LEGAL ADVISER. The attorney general is the legal
28 counsel for the corporation. He shall advise the corporation in legal
29 matters and represent it in suits.

1 Sec. 44.56.101. ADMINISTRATION. (a) The board of directors shall
2 establish overall policy for management of the assets and business of
3 the corporation and may prescribe, amend and repeal bylaws, rules and
4 regulations governing the manner in which the business of the corpora-
5 tion is conducted and the manner in which its powers are exercised.

6 (b) Subject to (a) of this section, the officers of the corpora-
7 tion are authorized jointly to exercise all powers and perform all
8 duties in the name of the corporation, including but not limited to
9 authority to approve or disapprove applications for purchase of
10 mortgages.

11 ARTICLE 2. POWERS AND DUTIES.

12 Sec. 44.56.111. CORPORATE POWERS AND DUTIES. (a) The corporation
13 may

- 14 (1) adopt, use and alter a corporate seal;
15 (2) make and alter bylaws for its organization and internal
16 management;
17 (3) sue and be sued;
18 (4) enter into contracts and execute instruments necessary
19 or convenient for carrying on its operations;
20 (5) acquire, hold and dispose of personal property;
21 (6) purchase and, when deemed necessary to acquire capital
22 for the purposes of the corporation sell, all or a partial interest in
23 mortgages obtained by Alaska banks which have been sold to the corpora-
24 tion in return for cash of the corporation, and adopt regulations and
25 limitations for purchases under the Administrative Procedure Act (AS 44.
26 62);
27 (7) acquire real property, or interest in real property, by
28 purchase or foreclosure where acquisition is necessary or appropriate
29 to protect a loan in which the corporation has an interest; sell,

1 transfer and convey the property to a buyer, and if sale, transfer or
2 conveyance cannot be made with reasonable promptness or at a reasonable
3 price, rent or lease the property

4 (8) invest money not immediately required for use for
5 corporate purposes in such investments as would prudently be made by
6 commercial lending institutions not in regard to speculation but in
7 regard to permanent disposition of their funds, considering probable
8 income as well as probable safety of capital, and hold and dispose of
9 such investments;

10 (9) make and collect fees and charges in connection with the
11 purchase of mortgages, including but not limited to reimbursement of the
12 costs of financing;

13 (10) accept grants and subsidies from a federal or state
14 agency, or a private person, and make agreements required as a condition
15 to obtaining the grants and subsidies;

16 (11) accept grants-in-aid, donations, legacies or usages of
17 money made or extended by individuals, organizations, public or private
18 corporations or the federal government, and return money advanced for its
19 usage if required by the agreement or grant;

20 (12) accept appropriations and loans made by the legislature
21 but not otherwise borrow money or issue securities or other secured or
22 unsecured evidences of indebtedness;

23 (13) procure insurance against loss in connection with its
24 property and other assets (including mortgages and mortgage loans) in
25 amounts and from insurers as it considers desirable;

26 (14) consent to the modification of the rate of interest,
27 time of payment or installment of principal or interest, security or
28 other term of a mortgage, mortgage loan, mortgage loan commitment,
29 contract or agreement to which the corporation is a party;

1 (15) perform whatever acts are necessary to carry out the
2 powers granted and duties required by this chapter, other laws of the
3 state or the laws and regulations of the federal government.

4 (b) The corporation is exempt from all taxes and assessments
5 imposed by the state or its political subdivisions.

6 (c) Neither the state nor its political subdivisions are liable
7 for contractual or other obligations of the corporation.

8 Sec. 44.56.121. MORTGAGE PURCHASES. (a) The corporation may
9 purchase only mortgages which are marketable. Purchases shall be made
10 at competitive rates.

11 (b) Mortgages purchased shall not bear an interest rate in excess
12 of eight per cent simple interest, or be chargeable to the mortgagor
13 at more than eight per cent simple interest. No purchase may be made
14 calling for payment of fees or charges in excess of one-half of one
15 per cent for purchase and servicing of the purchase.

16 (c) If the corporation purchases less than the entire interest in
17 a mortgage, it shall not subordinate the interest purchased to any re-
18 maining interest in the mortgage.

19 (d) The corporation shall employ commercial banking diligence in
20 the collection of all loans secured by mortgages purchased.

21 Sec. 44.56.131. DEPOSIT OF CASH. All cash of the corporation
22 shall be kept on deposit in Alaska banks pending its disbursement.

23 Sec. 44.56.141. REPORTS. Before December 1 of each year, the
24 corporation shall submit to the governor and the legislature a compre-
25 hensive report describing the operations, fiscal transactions, financial
26 condition, and future plans of the corporation. The report shall
27 specifically recite mortgage loans held by the corporation which are 90
28 days or more delinquent as of January 1 of each year and, in the case of
29 loans 180 days or more delinquent on that date upon which foreclosure

1 proceedings have not been instituted, shall include the reasons for
2 which foreclosure proceedings have not been instituted. The governor
3 may prescribe the form of the report and require additional reports as
4 he considers necessary during the year.

5 Sec. 44.56.151. ANNUAL AUDITS. (a) The corporation shall have
6 its financial records audited annually. The legislative auditor shall
7 conduct the annual audit. If an audit conducted by a certified public
8 accountant is satisfactory in the judgment of the legislative auditor,
9 it may be accepted instead of the state audit. The legislative auditor
10 may prescribe the form and content of the financial records of the
11 corporation and may have access to these records at any time.

12 (b) The state bank examiner shall examine the records of the
13 corporation at least annually.

14 ARTICLE 3. GENERAL PROVISIONS.

15 Sec. 44.56.161. CAPITAL. Appropriations and loans from the
16 state general fund necessary for the operation of the corporation are
17 authorized.

18 Sec. 44.56.171. DISSOLUTION. After payment in full of any obli-
19 gations or after depositing in a trust sufficient money to secure the
20 payment of its obligations, the board may dissolve the corporation by
21 the majority vote of its directors. Dissolution is not effective until
22 confirmed by the legislature. The effective date of dissolution is the
23 date the legislature confirms dissolution or a date determined by the
24 legislature at the time of confirmation. Assets remaining after satis-
25 faction of liabilities and other obligations of the corporation shall
26 be deposited to the credit of the state general fund.

27 Sec. 44.56.181. DEFINITIONS. In this chapter

28 (1) "corporation" means the Alaska Secondary Mortgage
29 Bank;

1 (2) "board" means the board of directors of the corporation;

2 (3) "Alaska bank" means a bank, trust company or other
3 lending organization incorporated under the laws of the state and having
4 its principal office in the state, but does not include small loan
5 companies of the general character covered by the Alaska Small Loans
6 Act (AS 06.20).

7 * Sec. 2. DISSOLUTION OF ALASKA STATE MORTGAGE ASSOCIATION. After pay-
8 ment in full of its debentures and other obligations or depositing in a
9 trust sufficient money to secure the payment of its obligations, and after
10 conversion of all its assets into cash, the Alaska State Mortgage Association
11 shall be dissolved. The effective date of dissolution shall be set by Act
12 of the legislature. Assets of the association remaining after satisfaction
13 of liabilities and other obligations of the corporation shall be deposited
14 to the credit of the general fund of the state.

15 * Sec. 3. EFFECTIVE DATE. (a) Sec. 1 of this Act takes effect July 1,
16 1969.

17 (b) Sec. 2 of this Act takes effect on the day after its passage and
18 approval or on the day it becomes law without approval.
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