

Original sponsors: Guess and Bradner

Offered: 5/8/71

1 IN THE HOUSE BY THE FREE CONFERENCE COMMITTEE  
2 FREE CONFERENCE CS FOR SENATE CS FOR CS FOR HOUSE BILL NO. 22  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SEVENTH LEGISLATURE - FIRST SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to state loan programs; and providing  
7 for an effective date."

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

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

10 (2) Farm and home loans not exceeding \$40,000 may be made to  
11 purchase, remodel, repair, build, furnish, refinance or equip homes or  
12 farms in the state, including the clearing and drainage for farms [, NOT  
13 EXCEEDING \$25,000]. The loans may not exceed 90 per cent of the appraised  
14 value when made [THE LOAN IS] for the purchase or construction of a home  
15 unless additional amounts are secured by acceptable collateral as deter-  
16 mined by the commissioner of commerce in conformity with established  
17 minimum requirements. The rate of interest may not exceed the interest  
18 rate which is charged for Federal Veterans Administration loans  
19 at the time a state loan is granted [EIGHT PER CENT A YEAR ON THE UNPAID  
20 BALANCE].

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

22 (3) Business loans not exceeding \$60,000 may be made to  
23 acquire, finance or refinance or equip businesses, including mining  
24 and fishing but not including farming, provided such businesses have  
25 three or more years of operating history in Alaska [NOT EXCEEDING  
26 \$25,000]. The loans shall be secured by acceptable collateral and may  
27 not exceed 75 per cent of the appraised value of the collateral offered  
28 as security. The rate of interest may not exceed the interest rate  
29 which is charged for Federal Veterans Administration loans

1 at the time a state loan is granted [EIGHT PER CENT A YEAR ON THE UNPAID  
2 BALANCE].

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

4 (4) Multiple dwelling loans not exceeding \$60,000 may be made  
5 to purchase, remodel, repair, build, furnish, refinance or equip multiple  
6 dwellings. The loans shall be secured by acceptable collateral and may  
7 not exceed 75 per cent of the appraised value of the collateral offered  
8 as security. The rate of interest may not exceed the interest rate which  
9 is charged for Federal Veterans Administration loans at the  
10 time a state loan is granted [SEVEN PER CENT A YEAR ON THE UNPAID BALANCE].

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

12 (c) No loans authorized by (a)(2), [AND] (3) and (4) of this section  
13 may be made unless the commissioner of commerce is satisfied that [NO]  
14 money at a comparable rate of interest is not available to the applicant  
15 from private lending institutions on a guaranteed basis as set out in (b)  
16 of this section. An applicant is eligible for more than one type of loan,  
17 but the total may not exceed \$60,000 [\$25,000] at any one time.

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

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

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

1        service fee.

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

3                (1) persons who served in the armed forces of the United  
4 States for 90 days or more, or whose service was for less than 90 days  
5 because of injury or disability incurred in the line of duty, between  
6 April 6, 1917, and November 11, 1918, and beginning September 16, 1940  
7 to six months after termination of hostilities involving United States  
8 forces in Indo-China [, AND JULY 25, 1947], or in a combat zone during  
9 any period of armed conflict, who were separated from the armed forces  
10 with a discharge other than dishonorable, and

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

16                (B) who, not being bona fide residents of the territory  
17 before their entry into the service, have been residents of the  
18 territory or state for 10 or more years [LIVED IN THE TERRITORY  
19 OR STATE FOR AT LEAST 10 YEARS FOLLOWING THEIR RELEASE FROM ACTIVE  
20 MILITARY SERVICE];

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

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

25                CHAPTER 95. SMALL BUSINESS LOANS.

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

29                (b) The department may hold hearings and subpoena witnesses and

1 documents, and administer oaths in connection with hearings.

2 (c) The department shall

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

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

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

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

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

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

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

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

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

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

28 (b) The commissioner of commerce may sell or transfer at par  
29 value to the Department of Revenue the mortgages and notes held by the

1 Department of Commerce as security for loans made under this chapter.  
2 The Department of Revenue shall purchase all such mortgages and notes  
3 offered, allowing the Department of Commerce a one-half of one per  
4 cent service fee.

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

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

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

- 16 (1) he has been in business in the state for at least three  
17 years;
- 18 (2) he is a resident of the state; and
- 19 (3) in the judgment of the Department of Commerce
- 20 (A) the business shows a definite potential for growth;
- 21 (B) the borrower will be able to repay the loan; and
- 22 (C) the loan will potentially create more jobs and  
23 provide additional services in the community.

24 \* Sec. 9. This Act takes effect on the day after its passage and approv-  
25 al or on the day it becomes law without approval.  
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