

Original sponsor: Rules Committee by Request
of the Governor

Offered: 4/17/75
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act enlarging the purposes and powers of the Alaska
7 Housing Finance Corporation; and providing for an
8 effective date."

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

10 * Section 1. AS 18.56.010 is amended by adding new subsections to read:

11 (d) The program of making loans for residential housing to veterans
12 in accordance with AS 26.15 has increased and improved the supply of
13 adequate housing in the state, and the continuation of the program is
14 essential to the economic growth of the state and the expansion of the
15 supply of adequate residential housing in the state. Participation by
16 the Alaska Housing Finance Corporation in the program of purchasing and
17 insuring state veterans' loans as provided in this chapter will be of
18 material aid in insuring the continuance of the program of making loans
19 for residential housing to veterans in accordance with AS 26.15.

20 (e) Expansion of the program of the Alaska Housing Finance Corpora-
21 tion of purchasing insured and uninsured mortgage loans is essential to
22 the economic growth of the state and the supply of adequate residential
23 housing in the state.

24 (f) The legislature finds that enabling the Alaska Housing Finance
25 Corporation to assist in financing the program of veterans' loans for
26 residential housing in accordance with AS 26.15 and to expand its program
27 of purchasing other mortgage loans serves a public purpose in benefiting
28 the people of the state. The Alaska Housing Finance Corporation is em-
29 powered to act on behalf of the state and its people in serving this

1 public purpose for the benefit of the general public.

2 * Sec. 2. AS 18.56 is amended by adding a new section to read:

3 Sec. 18.56.092. VETERANS' LOANS FOR RESIDENTIAL HOUSING. The cor-
4 poration is additionally authorized to exercise the powers enumerated in
5 sec. 90 of this chapter for the purpose of assisting the financing of the
6 program of veterans' loans for residential housing in accordance with
7 AS 26.15.

8 * Sec. 3. AS 18.56 is amended by adding a new section to read:

9 Sec. 18.56.095. MORTGAGE INSURANCE. (a) There is another special
10 fund of the state to be known as the "state mortgage insurance fund"
11 (called the "mortgage insurance fund") which shall be completely segre-
12 gated and set apart from all other funds of the state, and which is a
13 trust fund for the uses and purposes of this section and into and from
14 which money shall be paid as provided in this section. The mortgage
15 insurance fund shall be held by the commissioner of revenue, subject to
16 the power of the commissioner of commerce to enter into and perform
17 agreements with respect to the use of money in the mortgage insurance
18 fund and to pledge, assign or grant interests in the mortgage insurance
19 fund as provided in this section. The commissioner of commerce may enter
20 into agreements with the corporation with respect to the exercise of any
21 power or approval relating to the mortgage insurance fund under this
22 section, including, without limitation, agreements as to the use of
23 money in the mortgage insurance fund, agreements with respect to the
24 terms and conditions upon which payments from the mortgage insurance fund
25 shall be made to the corporation with respect to mortgage loans insured
26 under this section, and agreements regarding the payment of and security
27 for mortgage insurance bonds, and in connection with these agreements the
28 commissioner of commerce may pledge, assign or grant other interests in
29 the mortgage insurance fund to the corporation as may be necessary or

1 appropriate in connection with the insurance of mortgage loans and to
2 provide for the payment of and security for mortgage insurance bonds.
3 Any such agreement or any of the rights of the corporation under the
4 agreement and payments received or to be received under the agreement
5 may be pledged or assigned by the corporation for the benefit of the
6 holders of mortgage insurance bonds.

7 (b) In addition to any other fees and charges which the corporation
8 may charge on mortgage loans, it may collect or cause to be collected on
9 all mortgage loans made or purchased with the proceeds of the sale of
10 mortgage insurance bonds, either or both a special mortgage loan insur-
11 ance commitment fee or a mortgage loan insurance premium. The special
12 mortgage loan insurance commitment fees and special mortgage loan
13 insurance premiums when received shall be deposited in the mortgage
14 insurance fund by the corporation, or by any mortgage loan servicer,
15 trustee, or agent designated by the corporation to receive them, and
16 shall be held, invested and, together with all investment income derived
17 from them, reinvested by the commissioner of revenue in investments
18 authorized under AS 37.10.070(a), subject to any agreement with the cor-
19 poration under (a) of this section.

20 (c) If, at anytime after receipt by the corporation of a payment
21 from the mortgage insurance fund with respect to a mortgage loan or any
22 portion of the principal and interest and other amounts payable on a
23 mortgage loan, the corporation recovers an amount on the mortgage loan or
24 portion of it from any source other than the mortgage insurance fund, it
25 shall apply the amount recovered in the following order: first to repay
26 the general fund of the state to the extent of appropriations made pur-
27 suant to requests made under (f) of this section, and second, to repay
28 the mortgage insurance fund.

29 (d) A mortgage loan, including a state veterans' loan, may be

1 insured if the loan to value ratio at the time of the insurance loan
2 does not exceed 80 per cent or, if the loan to value ratio does exceed
3 that percentage, if it is federally insured or guaranteed or insured by
4 a qualified mortgage insurance company to the extent of the excess. In
5 addition, a state veterans' loan may be insured if the loan to value
6 ratio does not exceed 90 per cent. The endorsement of the corporation
7 on the mortgage at the time of purchase or acquisition of the mortgage
8 loan is conclusive evidence that the mortgage loan is insured under the
9 provisions of this section. The insurance is payable solely from the
10 mortgage insurance fund.

11 (e) Mortgage loans may only be insured when the amount in the mort-
12 gage insurance fund as a percentage of the sum of all mortgage loans to
13 be insured and all unpaid principal on mortgage loans insured by the
14 corporation, equals or exceeds the fund requirement. As used in this
15 section, the "fund requirement" is calculated as follows as to the
16 following mortgage loans insured by the corporation:

17 (1) in the case of federally insured or guaranteed mortgage
18 loans, or mortgage loans, including state veterans' loans, insured by a
19 qualified mortgage insurance company or, if not so insured or guaranteed,
20 with a loan to value ratio at the time of the mortgage insurance appli-
21 cation less than 80 per cent, the greater of (A) two per cent of the
22 unpaid principal amount of those mortgage loans, or (B) a percentage
23 which the corporation with the approval of the commissioner of commerce
24 determines is actuarially sound for operation of the mortgage insurance
25 fund;

26 (2) in the case of state veterans' loans not insured by a
27 qualified mortgage insurance company and with a loan to value ratio at
28 the time of the mortgage insurance application between 80 and 90 per
29 cent, the greater of (A) six per cent of the unpaid principal amount of

1 those state veterans' loans, or (B) a percentage which the corporation
2 with the approval of the commissioner of commerce determines is actuarially
3 sound for the operation of the mortgage insurance fund.

4 (f) On December 1 of each year the commissioner of commerce shall
5 determine the amount on deposit in the mortgage insurance fund. If the
6 amount in the fund is less than the fund requirement, the commissioner
7 shall request the corporation to transfer from any available funds the
8 amount necessary to restore the mortgage insurance fund to the fund re-
9 quirement and the corporation shall promptly comply with the request
10 from any funds available subject to agreements with holders of any of
11 its obligations. If sufficient funds are not provided as the result of
12 such requests the commissioner shall, no later than January 2 of the
13 following year, make and deliver to the governor and to the chairmen of
14 the house and senate finance committees his certificate stating the sum
15 required to restore the fund to the fund requirement and the sum so
16 certified may be appropriated and paid to the fund during the then
17 current state fiscal year. Nothing in this subsection creates a debt or
18 liability of the state.

19 (g) The commissioner of revenue may sell to the corporation, and
20 the corporation may purchase, state veterans' loans purchased for and
21 held in the general fund on such terms and conditions as the commissioner
22 of revenue and the corporation consider appropriate. When the commis-
23 sioner of revenue sells any state veterans' loan to the corporation he
24 may cause to be deposited in the mortgage insurance fund from the pro-
25 ceeds of sale an amount not exceeding the lesser of (1) six per cent of
26 the proceeds of sale, or (2) the difference between the amount the
27 commissioner of revenue actually receives on the sale and the amount the
28 commissioner determines would have been received if the state veterans'
29 loans had been sold in the private mortgage market. The determination

1 shall be based on information reasonably available to the commissioner
2 of revenue at the time of sale and is conclusive in determining the
3 amount of the deposit.

4 (h) As used in this section, unless the context clearly indicates
5 a different meaning:

6 (1) "loan to value ratio" means the ratio between the princi-
7 pal amount of a mortgage loan and the appraised value, as determined by
8 the corporation, of the residential housing financed by such mortgage
9 loan;

10 (2) "mortgage insurance bond" means a bond, note or other
11 obligation of the corporation, the proceeds of which are authorized to
12 be expended to purchase or make a mortgage loan insured under this
13 section;

14 (3) "qualified mortgage insurance company" means a mortgage
15 insurance company satisfactory to the corporation;

16 (4) "special mortgage loan insurance commitment fee" and
17 "special mortgage loan insurance premium" mean, respectively, a fee of
18 such per cent of the principal amount of a mortgage loan to be insured
19 under this section, and an annual insurance premium of such per cent of
20 the portion of the unpaid principal amount of a mortgage loan insured
21 under this section which is not federally insured or guaranteed or
22 insured by a private mortgage insurance company, which the corporation
23 with the approval of the commissioner of commerce determines is actuarily
24 sound for the operation of the mortgage insurance fund;

25 (5) "state veterans' loan" means a mortgage loan for residen-
26 tial housing made in accordance with AS 26.15;

27 (6) the determination of what is "actuarily sound" with
28 respect to the operation of the mortgage insurance fund shall be based
29 on a consideration of the factors which will provide sufficient revenues

1 for the operation of the fund, without regard to amounts which may have
2 been or may, after the date of determination of actuarial soundness, be
3 appropriated pursuant to (f) of this section, including, without limita-
4 tion, estimates of future defaults and losses on mortgage loans insured
5 under this section based on actual default and loss experience on those
6 mortgage loans or on similar mortgage loans in Alaska or elsewhere,
7 estimates of recoveries on defaulted or foreclosed mortgage loans based
8 on that experience, the terms and conditions of the mortgage loans
9 insured under this section, estimates of earnings and income of amounts
10 on deposit in the mortgage insurance fund, and any other appropriate
11 factors.

12 * Sec. 4. AS 18.56 is amended by adding a new section to read:

13 Sec. 18.56.125. CAPITAL RESERVE FUND. (a) For the purpose of
14 securing any one or more issues of its obligations, the corporation may
15 establish one or more special funds, called "capital reserve funds", and
16 shall pay into those capital reserve funds (1) any money appropriated
17 and made available by the state for the purpose of any of those funds,
18 (2) any proceeds of the sale of its obligations, to the extent provided
19 in the resolution or resolutions of the corporation authorizing their
20 issuance, and (3) any other money which may be made available to the
21 corporation for the purposes of those funds from any other source. All
22 money held in a capital reserve fund, except as provided in this section,
23 shall be used as required, solely for (1) the payment of the principal
24 of obligations or of the sinking fund payments with respect to those
25 obligations, (2) the purchase or redemption of obligations, (3) the
26 payment of interest on obligations, or (4) the payment of any redemption
27 premium required to be paid when those obligations are redeemed before
28 maturity; however, money in any fund may not be withdrawn from it at any
29 time in an amount which would reduce the amount of that fund to less

1 than the capital reserve requirement set out in (b) of this section,
2 except for the purpose of making, with respect to those obligations,
3 payment, when due, of principal, interest, redemption premiums and the
4 sinking fund payments for the payment of which other money of the corpo-
5 ration is not available. Any income or interest earned by, or increment
6 to, a capital reserve fund, due to the investment of the fund or any
7 other amounts in it, may be transferred by the corporation to other
8 funds or accounts of the corporation to the extent that the transfer
9 does not reduce the amount of the capital reserve fund below the capital
10 reserve fund requirement.

11 (b) If the corporation decides to issue obligations secured by
12 such a capital reserve fund, the obligations may not be issued if the
13 amount in such capital reserve fund is less than such a per cent, not
14 exceeding 10 per cent of the principal amount of all of those obliga-
15 tions secured by that capital reserve fund then to be issued and then
16 outstanding in accordance with their terms, as may be established by
17 resolution of the corporation (called the "capital reserve fund require-
18 ment"), unless the corporation, at the time of issuance of the obliga-
19 tions, deposits in such capital reserve fund from the proceeds of the
20 obligations to be issued or from other sources, an amount which, to-
21 gether with the amount then in the fund, will not be less than the
22 capital reserve fund requirement.

23 (c) In computing the amount of a capital reserve fund for the
24 purpose of this section, securities in which all or a portion of the
25 funds are invested shall be valued at par or, if purchased at less than
26 par, at amortized costs as the term is defined by resolution of the
27 corporation authorizing the issue of the obligations, or by some other
28 reasonable method established by the corporation by resolution. Valua-
29 tion on a particular date shall include the amount of any interest

1 earned or accrued to that date.

2 (d) To assure the continued operation and solvency of the corpora-
3 tion for the carrying out of its corporate purposes, provision is made
4 in (a) of this section for the accumulation in capital reserve funds of
5 an amount equal to their capital reserve fund requirement.

6 (e) The chairman of the corporation shall annually, no later than
7 January 2, make and deliver to the governor and chairmen of the house
8 and senate finance committees his certificate stating the sum, if any,
9 required to restore any capital reserve fund to the capital reserve fund
10 requirement. The legislature may appropriate such a sum, and all sums
11 appropriated during the then current fiscal year by the legislature for
12 such restoration shall be deposited by the corporation in the proper
13 capital reserve fund. Nothing in this section creates a debt or liabil-
14 ity of the state.

15 (f) Whenever the corporation has created and established a capital
16 reserve fund, the commissioner of revenue may lend surplus money in the
17 general fund to the corporation for deposit in a capital reserve fund in
18 an amount equal to the capital reserve fund requirement. The loans
19 shall be made on such terms and conditions as may be agreed upon by the
20 commissioner of revenue and the corporation, including without limitation
21 terms and conditions providing that the loans need not be repaid until
22 the obligations of the corporation secured and to be secured by the
23 capital reserve fund are no longer outstanding.

24 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-

25 070(c).