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1 IN THE SENATE

BY THE RULES COMMITTEE

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HOUSE CS FOR 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 relating to housing and to political subdivi-
7 sions of the state involved in housing; and providing
8 for an effective date."

9

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

10

* Section 1. AS 18.55.100 is amended by adding a new subsection to read:

11

(c) Any two or more authorities may join or cooperate with one
12 another in the exercise of any or all of the power conferred by the
13 housing authorities law for the purpose of financing, planning, under-
14 taking, constructing or operating a housing project or projects located
15 within the area of operation of one or more of the authorities.

16

* Sec. 2. AS 18.55.995 is amended to read:

17

Sec. 18.55.995. PURPOSE AND INTENT. The legislature finds that an
18 acute shortage of housing and related facilities exists in the villages
19 of Alaska and that adequate housing cannot be provided by the private
20 sector due to the economic depression which exists in most villages of
21 Alaska. It is the purpose and intent of the legislature to provide a
22 means for certain native associations to form public corporations with
23 the powers and duties comparable to the Alaska State Housing Authority
24 [FOR THE SPECIFIC PURPOSE OF IMPLEMENTING THE PRESIDENT'S NATIONAL INDIAN
25 PROGRAM FOR INDIAN HOUSING, UNDER WHICH THE STATE OF ALASKA'S SHARE
26 INITIALLY WILL BE 1,200 NEW HOMES IN 1972, IN THE REMOTE HOUSING PROGRAM]

27

* Sec. 3. AS 18.55.996(b) is amended to read:

28

(b) There is created with respect to each of the associations
29 named in (a) of this section a public body corporate and politic to func-

1 tion in the operating area of the individual associations to be known as
2 the regional housing authority of the associations possessing all powers,
3 rights and functions now or subsequently specified for the Alaska State
4 Housing Authority, under the Alaska State Housing Authority Act (secs.
5 10 - 290 of this chapter) except those specified with respect to the
6 construction and acquisition of public buildings for lease to the state
7 or any subsequently specified authority which is inconsistent with sec.
8 995 of this chapter. The authority shall have the power to enter into
9 agreements with local government, other political subdivisions of the
10 state, the state or the federal government for the exercise of a function
11 or power relating to construction, operation and maintenance of public
12 facilities or public utilities. Upon execution of such an agreement and
13 for the period of the agreement the authority shall have the same powers
14 and functions relating to the subject matter of the agreement as those
15 which may legally be exercised by the governmental unit with whom the
16 agreement is made including the authority to separately or together with
17 the other unit borrow money and issue notes, bonds or other evidence of
18 indebtedness to finance a project within the scope of the agreement sub-
19 ject to the express limitations, if any, contained in the agreement. All
20 obligations or liabilities of the regional housing authorities shall re-
21 main their own and shall not be obligations or liabilities of the state.

22 * Sec. 4. AS 18.56.010 is amended by adding new subsections to read:

23 (d) The program of making loans for residential housing to veterans
24 in accordance with AS 26.15 has increased and improved the supply of
25 adequate housing in the state, and the continuation of the program is
26 essential to the economic growth of the state and the expansion of the
27 supply of adequate residential housing in the state. Participation by
28 the Alaska Housing Finance Corporation in the program of purchasing and
29 insuring state veterans' loans as provided in this chapter will be of

1 material aid in insuring the continuance of the program of making loans
2 for residential housing to veterans in accordance with AS 26.15.

3 (e) Expansion of the program of the Alaska Housing Finance Corpora-
4 tion of purchasing insured and uninsured mortgage loans is essential to
5 the economic growth of the state and the supply of adequate residential
6 housing in the state.

7 (f) The legislature finds that enabling the Alaska Housing Finance
8 Corporation to assist in financing the program of veterans' loans for
9 residential housing in accordance with AS 26.15 and to expand its program
10 of purchasing other mortgage loans serves a public purpose in benefiting
11 the people of the state. The Alaska Housing Finance Corporation is em-
12 powered to act on behalf of the state and its people in serving this
13 public purpose for the benefit of the general public.

14 * Sec. 5. AS 18.56.030 is amended to read:

15 Sec. 18.56.030. CORPORATION GOVERNING BODY. The corporation shall
16 be governed by a board of directors, consisting of the commissioner of
17 commerce and six [FOUR] members appointed by the governor. Members
18 serve without compensation except that each member may be reimbursed by
19 the corporation for actual and necessary expenses at the same rate as
20 set out in AS 39.20.180.

21 * Sec. 6. AS 18.56.090 is amended by adding a new subsection to read:

22 (b) The corporation may make funds available for the construction
23 of group homes, multipurpose community centers, child care centers,
24 and other community facilities, subject to the provisions of this
25 chapter.

26 * Sec. 7. AS 18.56 is amended by adding a new section to read:

27 Sec. 18.56.092. VETERANS' LOANS FOR RESIDENTIAL HOUSING. The cor-
28 poration is additionally authorized to exercise the powers enumerated in
29 sec. 90 of this chapter for the purpose of assisting the financing of the

1 program of veterans' loans for residential housing in accordance with
2 AS 26.15.

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

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

1 the benefit of the holders of mortgage insurance bonds.

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

15 (c) If, at any time after receipt by the corporation of a payment
16 from the mortgage insurance fund with respect to a mortgage loan or any
17 portion of the principal and interest and other amounts payable on a
18 mortgage loan, the corporation recovers an amount on the mortgage loan
19 or portion of it from any source other than the mortgage insurance fund,
20 it shall apply the amount recovered in the following order: first to
21 repay the general fund of the state to the extent of appropriations made
22 pursuant to requests made under (f) of this section, and second, to
23 repay the mortgage insurance fund.

24 (d) A mortgage loan, including a state veterans' loan, may be
25 insured if the loan to value ratio at the time of the insurance loan
26 does not exceed 80 per cent or, if the loan to value ratio does exceed
27 that percentage, if it is federally insured or guaranteed or insured by
28 a qualified mortgage insurance company to the extent of the excess. In
29 addition, a state veterans' loan may be insured if the loan to value

1 ratio does not exceed 90 per cent. The endorsement of the corporation
2 on the mortgage at the time of purchase or acquisition of the mortgage
3 loan is conclusive evidence that the mortgage loan is insured under the
4 provisions of this section. The insurance is payable solely from the
5 mortgage insurance fund.

6 (e) Mortgage loans may only be insured when the amount in the
7 mortgage insurance fund as a percentage of the sum of all mortgage loans
8 to be insured and all unpaid principal on mortgage loans insured by the
9 corporation, equals or exceeds the fund requirement. As used in this
10 section, the "fund requirement" is calculated as follows as to the
11 following mortgage loans insured by the corporation:

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

21 (2) in the case of state veterans' loans not insured by a
22 qualified mortgage insurance company and with a loan to value ratio at
23 the time of the mortgage insurance application between 80 and 90 per
24 cent, the greater of (A) six per cent of the unpaid principal amount of
25 those state veterans' loans, or (B) a percentage which the corporation
26 with the approval of the commissioner of commerce determines is
27 actuarially sound for the operation of the mortgage insurance fund.

28 (f) On December 1 of each year the commissioner of commerce shall
29 determine the amount on deposit in the mortgage insurance fund. If the

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

14 (g) The commissioner of revenue may sell to the corporation, and
15 the corporation may purchase, state veterans' loans purchased for and
16 held in the general fund on such terms and conditions as the commis-
17 sioner of revenue and the corporation consider appropriate. When the
18 commissioner of revenue sells any state veterans' loan to the corpo-
19 ration he may cause to be deposited in the mortgage insurance fund from
20 the proceeds of sale an amount not exceeding the lesser of (1) six per
21 cent of the proceeds of sale, or (2) the difference between the amount
22 the commissioner of revenue actually receives on the sale and the amount
23 the commissioner determines would have been received if the state
24 veterans' loans had been sold in the private mortgage market. The
25 determination shall be based on information reasonably available to the
26 commissioner of revenue at the time of sale and is conclusive in deter-
27 mining the amount of the deposit.

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

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

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

9 (3) "qualified mortgage insurance company" means a mortgage
10 insurance company satisfactory to the corporation;

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

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

22 (6) the determination of what is "actuarially sound" with
23 respect to the operation of the mortgage insurance fund shall be based
24 on a consideration of the factors which will provide sufficient revenues
25 for the operation of the fund, without regard to amounts which may have
26 been or may, after the date of determination of actuarial soundness, be
27 appropriated pursuant to (f) of this section, including, without limita-
28 tion, estimates of future defaults and losses on mortgage loans insured
29 under this section based on actual default and loss experience on those

1 mortgage loans or on similar mortgage loans in Alaska or elsewhere,
2 estimates of recoveries on defaulted or foreclosed mortgage loans based
3 on that experience, the terms and conditions of the mortgage loans
4 insured under this section, estimates of earnings and income of amounts
5 on deposit in the mortgage insurance fund, and any other appropriate
6 factors.

7 * Sec. 9. AS 18.56 is amended by adding a new section to read:

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

1 to, a capital reserve fund, due to the investment of the fund or any
2 other amounts in it, may be transferred by the corporation to other
3 funds or accounts of the corporation to the extent that the transfer
4 does not reduce the amount of the capital reserve fund below the capital
5 reserve fund requirement.

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

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

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

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

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

19 * Sec. 10. AS 18 is amended by adding a new chapter to read:

20 CHAPTER 100. HOUSING DEVELOPMENT REVOLVING LOAN FUND.

21 Sec. 18.100.010. DECLARATION OF PURPOSE. There exists within the
22 state a serious shortage of decent, safe and sanitary residential
23 housing available at low or moderate prices or rentals to persons of
24 lower and moderate income. There also exists in the state organizations
25 whose purposes are to provide the kinds of housing needed to alleviate
26 this shortage. Development work to provide such housing involves
27 substantial expense which is often beyond the resources of the organi-
28 zations.

29 Sec. 18.100.020. FUND ESTABLISHED. There is created in the Depart-

1 ment of Community and Regional Affairs a housing development revolving
2 loan fund to be administered by the community planning division.

3 Sec. 18.100.030. POWERS AND DUTIES OF THE DEPARTMENT. The depart-
4 ment may:

5 (1) make loans to sponsors, builders and developers of resi-
6 dential housing for the costs approved by the division as appropriate
7 expenditures which may be incurred by sponsors, builders and developers
8 of residential housing, before commitment and initial advance of the
9 proceeds of a construction loan or of a mortgage loan, including but not
10 limited to

11 (A) payments for options to purchase properties on the
12 proposed residential housing site;

13 (B) legal and organizational expenses, including pay-
14 ments of attorney fees, project manager, clerical and other staff
15 salaries, office rent and other incidental expenses;

16 (C) payment of fees for preliminary feasibility studies
17 and advances for planning, engineering and architectural work;

18 (D) expenses for tenant surveys and market analyses; and

19 (E) necessary application and other fees;

20 (2) designate agents and delegate powers to them as is neces-
21 sary;

22 (3) adopt regulations necessary to carry out the purposes of
23 this chapter;

24 (4) determine the eligibility of applicants for loans under
25 this chapter.

26 Sec. 18.100.040. REPAYMENT OF LOAN. The repayment of a loan made
27 under this chapter shall be at such time as the department designates
28 but not later than final closing of a permanent loan on the project.

29 The department may not require payment if construction of the contem-

1 plated project does not commence.

2 Sec. 18.100.050. ELIGIBILITY FOR LOANS. Only public or nonprofit
3 private corporations are eligible for loans under this chapter. The
4 nonprofit corporations must be designated as tax exempt under sec.
5 501(e)-(3) and (4) of the Internal Revenue Code of 1954.

6 Sec. 18.100.060. INTEREST. The interest rate on loans made under
7 this chapter shall be set by the department at a rate sufficient to pay
8 the administrative costs of the fund but the interest rate may not
9 exceed three per cent.

10 * Sec. 11. This Act takes effect immediately in accordance with AS 01.10.-
11 070(c).