

Original sponsors: Miller, Gardiner
and Duncan

Offered: 4/26/79
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 20

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 16.10.310(a)(1)(C) is amended to read:

10 (C) corporations, partnerships, or joint ventures, 100
11 per cent of which are owned by individual commercial fishermen who
12 have been state residents for a continuous period of five years
13 immediately preceding the date of application for a loan under
14 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial
15 fishing license under AS 16.05.480 or a permit under AS 16.43 for
16 any one [THREE] of the past five years, and who actively partici-
17 pated in the fishery during that period, for the repair, restora-
18 tion or upgrading of existing vessels and gear, for the purchase of
19 gear, and for the construction and purchase of vessels; [.]

20 * Sec. 2. AS 16.10.320(a)(3) is amended to read:

21 (3) may not bear interest exceeding nine and one-half [SEVEN]
22 per cent;

23 * Sec. 3. AS 16.10.320(a)(5) is amended to read:

24 (5) may not exceed 75 per cent of the appraised value of the
25 collateral used to secure the loan, except that a loan granted under
26 AS 16.10.333 for the purchase of an Alaska limited entry permit may not
27 exceed an amount determined in accordance with (f) of this section.

28 * Sec. 4. AS 16.10.320(c)(4) is amended to read:

29 (4) may not bear interest exceeding nine and one-half [SEVEN]

1 per cent [, EXCEPT THAT LOANS GRANTED UNDER THIS SUBSECTION MAY BEAR
2 INTEREST AT A RATE NOT TO EXCEED EIGHT PER CENT IF THE COMMISSIONER
3 DETERMINES THAT AN INCREASE IN THE INTEREST RATE IS NECESSARY FOR THE
4 SECURITY OF THE LOAN].

5 * Sec. 5. AS 16.10.320(d) is amended to read:

6 (d) A loan may not be made to a borrower under AS 16.10.300 -
7 16.10.370 if it would result in an outstanding debt of the borrower to
8 the commercial fishing revolving loan fund in excess of \$500,000, exclud-
9 ing outstanding debt incurred under (c) of this section. A borrower
10 under AS 16.10.300 - 16.10.370 may use up to 49 per cent of the amount
11 borrowed to refinance any outstanding loans of the borrower regardless
12 of the source of the loans, if the outstanding loans were made for any
13 of the purposes described in AS 16.10.310 [EXCEPT AS PROVIDED IN (e) OF
14 THIS SECTION, NO MORE THAN ONE COMMERCIAL FISHING LOAN MAY BE MADE TO A
15 PERSON FOR THE PURCHASE, CONSTRUCTION, REPAIR OR UPGRADING OF A FISHING
16 VESSEL OR ITS GEAR]. A loan to an associate of the borrower is con-
17 sidered to be a loan to the borrower. For the purposes of this section,
18 "associate of the borrower" means

19 (1) a corporation or other organization of which the borrower
20 is an officer, director or partner, or is, directly or indirectly, the
21 beneficial owner of 10 per cent or more of any class of equity securi-
22 ties;

23 (2) a person who is, directly or indirectly, the beneficial
24 owner of 10 per cent or more of any class of equity securities of the
25 borrower;

26 (3) a trust or other estate in which the borrower has a sub-
27 stantial beneficial interest or as to which the borrower serves as
28 trustee or in a similar fiduciary capacity[;

29 (4) A RELATIVE OR SPOUSE OF THE BORROWER OR A RELATIVE OF THE

1 SPOUSE, WHO HAS THE SAME HOME AS THE BORROWER;

2 (5) A PERSON DIRECTLY OR INDIRECTLY CONTROLLING, CONTROLLED
3 BY, OR UNDER COMMON CONTROL WITH, THE BORROWER].

4 * Sec. 6. AS 16.10.320(e)(4) is amended to read:

5 (4) may not bear interest exceeding nine and one-half [SEVEN]
6 per cent; and

7 * Sec. 7. AS 16.10.320 is amended by adding new subsections to read:

8 (f) A loan granted under AS 16.10.333(a) for the purchase of an
9 Alaska limited entry permit may not exceed 90 per cent of the appraised
10 value of the collateral used to secure the loan.

11 (g) Notwithstanding AS 16.10.310(a)(1)(A), the department may not
12 make a loan for the purchase of an entry permit for hand troll fisheries
13 until July 1, 1980.

14 * Sec. 8. AS 16.10.330(b) is amended to read:

15 (b) The commissioner of commerce and economic development may sell
16 or transfer at par value to the Department of Revenue the mortgages,
17 bonds and notes held by the Department of Commerce and Economic Develop-
18 ment as security for loans made under this chapter. However, the commis-
19 sioner of commerce and economic development may not transfer an interest
20 in a vessel documented under the laws of the United States to the Depart-
21 ment of Revenue, except as permitted by the Ship Mortgage Act of 1920
22 (46 U.S.C. secs. 911 - 984; 41 Stat. 1000), as amended, and the Shipping
23 Act of 1916 (46 U.S.C. secs. 801 - 842; 39 Stat. 728), as amended, so
24 long as those two Acts remain ambiguous with respect to whether or not a
25 state or state agency qualifies as a citizen of the United States for
26 purposes of those two Acts. [THE DEPARTMENT OF REVENUE, FOR THE FISCAL
27 YEAR ENDING JUNE 30, 1976, SHALL PURCHASE ALL THE MORTGAGES, BONDS AND
28 NOTES OFFERED UNTIL THE CURRENT PRINCIPAL AMOUNT OF ALL THE MORTGAGES,
29 BONDS AND NOTES PURCHASED AND HELD BY THE DEPARTMENT OF REVENUE EQUALS

1 \$7,000,000. THE DEPARTMENT OF REVENUE, FOR THE FISCAL YEAR ENDING JUNE
2 30, 1977, SHALL PURCHASE ALL THE MORTGAGES, BONDS AND NOTES OFFERED
3 UNTIL THE CURRENT PRINCIPAL AMOUNT OF ALL THE MORTGAGES, BONDS AND NOTES
4 PURCHASED AND HELD BY THE DEPARTMENT OF REVENUE EQUALS \$9,000,000.] The
5 [AFTER JUNE 30, 1977, THE] Department of Revenue may [SHALL] purchase
6 [ALL] the mortgages, bonds and notes offered.

7 * Sec. 9. AS 16.10.335 is amended to read:

8 Sec. 16.10.335. DEFAULT AND FORECLOSURE. (a) If the debtor
9 defaults upon a note for which a limited entry permit has been pledged
10 as security under AS 16.10.333 or under AS 16.10.338, the commissioner
11 shall provide the debtor, by registered or certified mail sent to his
12 last known address on file with the commissioner, with a notice of
13 default which includes

14 (1) a description of the security given for the note includ-
15 ing the number assigned to the pledged permit by the commission;

16 (2) the date upon which the default occurred;

17 (3) the amount of arrearages as of the date of the notice,
18 the total amount remaining on the note less unearned interest, and the
19 amount of daily interest;

20 (4) a statement that the debtor may, within 15 days of the
21 postmark date of the notice, request a hearing at which he may submit
22 evidence showing he has not defaulted;

23 (5) a statement that the note may be reinstated if brought
24 current within 60 days from the postmark date of the notice;

25 (6) a statement that the note may be paid in full less un-
26 earned interest within 90 days from the postmark date of the notice;

27 (7) the place where reinstatement or payment in full may be
28 made; and

29 (8) a notice in at least 10-point bold type stating:

1 "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE
2 DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT
3 AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

4 (b) Upon the debtor's failure to reinstate or satisfy the note
5 within the time specified in (a) of this section, his [EQUITABLE] inter-
6 est in the permit is terminated by operation of law without further
7 notice. Any entry permit cards issued to him under the permit shall be
8 cancelled immediately upon receipt by the commission of a certificate of
9 termination containing a copy of the notice required by (a) of this
10 section issued by the commissioner.

11 * Sec. 10. AS 16.10 is amended by adding a new section to read:

12 Sec. 16.10.338. ENTRY PERMITS AS COLLATERAL. Alaska limited entry
13 permits may be used as security for loans under AS 16.10.310(a). The
14 provisions of AS 16.10.335 and 16.10.337 apply to Alaska limited entry
15 permits pledged as security for loans in accordance with this section.

16 * Sec. 11. AS 16.10.510(6) is amended to read:

17 (6) establish the rate of interest for loans not to exceed
18 nine and one-half [EIGHT] per cent a year;

19 * Sec. 12. AS 16.10.550 is amended to read:

20 Sec. 16.10.550. SALE OR TRANSFER OF MORTGAGES AND NOTES. [(a)]
21 The commissioner may sell or transfer at par value to the Department of
22 Revenue the mortgages and notes held by the department as security for
23 loans made under this chapter. The Department of Revenue may [SHALL]
24 purchase [ALL] the mortgages and notes offered [UNTIL THE CURRENT PRINCIPAL
25 AMOUNT OF ALL THE MORTGAGES AND NOTES PURCHASED AND HELD BY THAT
26 DEPARTMENT EQUALS \$200,000,000].

27 * Sec. 13. AS 16.43.170(a) is amended to read:

28 (a) Except as provided in AS 16.10.333 - 16.10.338 [AS 16.10.333 -
29 16.10.337], entry permits and interim-use permits are transferable only

1 through the commission as provided in this section and AS 16.43.180 and
2 under regulations adopted by the commission.

3 * Sec. 14. AS 26.15.040(a) is amended to read:

4 (a) The commissioner of commerce and economic development may,
5 under [RULES,] regulations, and policies adopted by him, make the follow-
6 ing loans:

7 (1) Personal loans may be made for educational, domestic,
8 remote area family housing and other personal purposes, not exceeding
9 \$10,000. The loans shall be secured by acceptable collateral when
10 available but if not available the commissioner may make loans on the
11 basis of good character. The rate of interest may not exceed nine and
12 one-half [EIGHT] per cent a year on the unpaid balance.

13 (2) Farm and single-family home loans not exceeding \$75,000
14 [\$68,250] and loans for owner-occupied duplexes not exceeding \$125,000
15 [\$83,250] may be made to purchase, remodel, repair, build, furnish,
16 refinance or equip homes, owner-occupied duplexes or farms in the state,
17 including the clearing and drainage for farms. The loans may not exceed
18 90 per cent of the appraised value when made for the purchase or con-
19 struction of a home or owner-occupied duplex unless additional amounts
20 are secured by acceptable collateral as determined by the commissioner
21 of commerce and economic development in conformity with established
22 minimum requirements. The rate of interest may not exceed nine and one-
23 half per cent a year on the unpaid balance [THE INTEREST RATE WHICH IS
24 CHARGED FOR FEDERAL VETERANS ADMINISTRATION LOANS AT THE TIME A STATE
25 LOAN IS GRANTED].

26 (3) Business loans not exceeding \$125,000 may be made to
27 acquire, finance or refinance or equip businesses, including mining and
28 fishing but not including farming, if the loan applicant has had three
29 or more years of general business experience. The loans shall be se-

1 cured by acceptable collateral and may not exceed 75 per cent of the
2 appraised value of the collateral offered as security. The rate of
3 interest may not exceed nine and one-half per cent a year on the unpaid
4 balance [THE INTEREST RATE WHICH IS CHARGED FOR FEDERAL VETERANS ADMINIS-
5 TRATION LOANS AT THE TIME A STATE LOAN IS GRANTED].

6 (4) Multiple dwelling loans not exceeding \$110,000 may be
7 made to purchase, remodel, repair, build, furnish, refinance or equip
8 multiple dwellings. The loans shall be secured by acceptable collateral
9 and may not exceed 75 per cent of the appraised value of the collateral
10 offered as security. The rate of interest may not exceed nine and one-
11 half per cent a year on the unpaid balance [THE INTEREST RATE WHICH IS
12 CHARGED FOR FEDERAL VETERANS ADMINISTRATION LOANS AT THE TIME A STATE
13 LOAN IS GRANTED].

14 * Sec. 15. AS 26.15.040(b) is amended to read:

15 (b) The commissioner of commerce and economic development may
16 enter into agreements with private banks, other lending institutions and
17 individuals for the purpose of guaranteeing loans made to qualified
18 applicants. The guarantees may not exceed 90 per cent of the amount
19 loaned and the loans shall be secured in the same manner provided for
20 direct loans under this section. A loan made under this subsection and
21 guaranteed by the commissioner of commerce and economic development and
22 the state shall bear an interest rate not exceeding nine and one-half
23 [EIGHT] per cent a year on the unpaid balance.

24 * Sec. 16. AS 26.15.070(b) is amended to read:

25 (b) The commissioner of commerce and economic development may sell
26 or transfer at par value to the Department of Revenue the mortgages and
27 notes held by the Department of Commerce and Economic Development as
28 security for loans made under this chapter. The Department of Revenue
29 may [SHALL] purchase the [ALL OF THESE] mortgages and notes offered [,

1 ALLOWING THE DEPARTMENT OF COMMERCE A ONE-HALF OF ONE PER CENT SERVICE
2 FEE].

3 * Sec. 17. AS 44.33.255(b) is amended to read:

4 (b) The rate of interest charged shall be nine and one-half [SIX]
5 per cent a year on the unpaid balance of the loan.

6 * Sec. 18. AS 44.33.270(b) is amended to read:

7 (b) The commissioner of commerce and economic development may sell
8 or transfer at par value to the Department of Revenue the mortgages and
9 notes held by the department as security for loans made under this
10 chapter. The Department of Revenue may [SHALL] purchase the mortgages
11 and notes offered [UNTIL THE CURRENT PRINCIPAL AMOUNT OF ALL MORTGAGES
12 AND NOTES PURCHASED AND HELD BY THE DEPARTMENT OF REVENUE EQUALS
13 \$1,000,000].

14 * Sec. 19. AS 44.33.350(b) is amended to read:

15 (b) The rate of interest charged shall be nine and one-half [SIX]
16 per cent a year on the unpaid balance of the loan.

17 * Sec. 20. AS 45.88.030(e) is amended to read:

18 (e) The rate of interest may not exceed nine and one-half [EIGHT]
19 per cent a year on the unpaid balance of the loan.

20 * Sec. 21. AS 45.88.040(b) is amended to read:

21 (b) The commissioner may sell or transfer at par value to the
22 Department of Revenue the mortgages and notes held by the Department of
23 Commerce and Economic Development as security for loans made under this
24 chapter. The Department of Revenue may [SHALL] purchase the [ALL OF
25 THESE] mortgages and notes offered [, ALLOWING THE DEPARTMENT OF
26 COMMERCE AND ECONOMIC DEVELOPMENT A ONE-HALF OF ONE PER CENT SERVICE
27 FEE].

28 * Sec. 22. AS 45.90.030(c) is amended to read:

29 (c) The rate of interest may not exceed nine and one-half [EIGHT]

1 per cent a year on the unpaid balance of the state's share of the loan.

2 * Sec. 23. AS 45.90.040(b) is amended to read:

3 (b) The commissioner of commerce and economic development may sell
4 or transfer at par value to the Department of Revenue the mortgages and
5 notes held by the Department of Commerce and Economic Development as
6 security for loans made under this chapter. The Department of Revenue
7 may [SHALL] purchase the mortgages and notes offered.

8 * Sec. 24. AS 45.95.020(a) is amended to read:

9 (a) The commissioner shall, under regulations and policies adopted
10 by him, make small business loans to acquire, finance or refinance or
11 equip businesses, including farming equipment, mining and fishing, not
12 exceeding \$300,000. The loans shall be secured by acceptable collateral
13 and may not exceed 75 per cent of the appraised value of the collateral
14 offered as security. The rate of interest may not exceed nine and one-
15 half [EIGHT] per cent a year on the unpaid balance.

16 * Sec. 25. AS 45.95.040(b) is amended to read:

17 (b) The commissioner may sell or transfer at par value to the
18 Department of Revenue the mortgages and notes held by the Department of
19 Commerce and Economic Development as security for loans made under this
20 chapter. The Department of Revenue may [SHALL] purchase the [ALL OF
21 THESE] mortgages and notes offered [, ALLOWING THE DEPARTMENT OF
22 COMMERCE AND ECONOMIC DEVELOPMENT A ONE-HALF OF ONE PER CENT SERVICE
23 FEE].

24 * Sec. 26. AS 45.98.040(4) is amended to read:

25 (4) the rate of interest may not exceed nine and one-half
26 [SIX AND ONE-HALF] per cent a year on the unpaid balance of the state's
27 share of the loan;

28 * Sec. 27. Sections 1, 3, 5, 7, 9, 10, and 13 of this Act are retroactive
29 to July 1, 1978.

1 * Sec. 28. This Act takes effect immediately in accordance with AS 01.10.-
2 070(c).

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