

Original sponsor: Hohman

Offered: 6/3/80

1 IN THE SENATE

BY THE 2d FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE BILL NO. 1

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

10 * Section 1. AS 16.10.333 is amended by adding a new subsection to read:

11 (f) In determining whether an individual commercial fisherman is
12 reasonably likely to be able to repay a loan made under this section,
13 the commissioner shall consider the individual commercial fisherman's
14 income from commercial fishing and from all other sources.

15 * Sec. 2. AS 16.10.500 is amended to read:

16 Sec. 16.10.500. DECLARATION OF POLICY. It is the policy of the
17 state, under AS 16.10.500 - 16.10.550, to promote the enhancement of the
18 state's fisheries by means of grants for organizational and planning
19 purposes to regional associations described in AS 16.10.510 which have
20 qualified under AS 16.10.380, and by means of long-term, low interest
21 loans for hatchery planning, construction, and operation and for plan-
22 ning and implementation of enhancement and rehabilitation activities
23 including, but not limited to, lake fertilization and habitat improve-
24 ment.

25 * Sec. 3. AS 16.10.510(5) is amended to read:

26 (5) establish amortization plans for repayment of loans, not
27 to exceed 30 [25] years;

28 * Sec. 4. AS 16.10.510 is amended by adding a new paragraph to read:

29 (10) make loans to qualified regional associations which have

1 formed a nonprofit corporation or to local nonprofit corporations ap-
2 proved by qualified regional associations for planning and implementa-
3 tion of fisheries enhancement and rehabilitation activities including,
4 but not limited to, lake fertilization and habitat improvement.

5 * Sec. 5. AS 16.10.520(a) is amended to read:

6 (a) A single fisheries enhancement loan may not exceed \$6,000,000
7 [\$3,000,000] for a hatchery or other enhancement or rehabilitation acti-
8 activity conducted [CONSTRUCTED] under a permit granted to a qualified
9 regional association which has formed a nonprofit corporation, or to a
10 local nonprofit corporation approved by a qualified regional associa-
11 tion. A loan for any other nonprofit hatchery corporation project may
12 not exceed \$1,000,000 [\$300,000].

13 * Sec. 6. AS 16.10.520(b) is amended to read:

14 (b) Loans for the total project costs may be made if the commis-
15 sioner determines that the applicant has sufficient financial resources
16 to insure the establishment of an equity position in the project equal
17 to 10 percent of the loan within 10 [SIX] years or less, either through
18 a royalty assessment levied under AS 16.10.530 or AS 16.10.540 or other
19 means approved by the commissioner. For purposes of this subsection,
20 "total project costs" includes planning and construction costs for the
21 facility and the cost of operations for not more than the first 10 [SIX]
22 years. The costs for operations shall be loaned on an annual basis.

23 * Sec. 7. AS 16.10 is amended by adding a new section to read:

24 Sec. 16.10.525. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS. The
25 commissioner may not require the repayment of principal on a loan made
26 under AS 16.10.510 for the initial period of the loan. Interest on the
27 principal of a loan made under AS 16.10.510 does not accrue during the
28 initial period of the loan. In this subsection, the "initial period of
29 the loan" means a period of time determined by the commissioner which is

1 not less than six years or more than 10 years from the date the loan is
2 made.

3 * Sec. 8. FINDINGS AND PURPOSE RELATING TO THE FISHERMEN'S MORTGAGE AND
4 NOTE PROGRAM. (a) The legislature finds

5 (1) the limitation of entry into the state fisheries required
6 under AS 16.43 has resulted in substantial difficulty for many Alaskans in
7 obtaining the necessary financing to enter the fisheries;

8 (2) entry permits, issued under AS 16.43, are transferable, and
9 legislative studies have revealed a flow of the entry permits out of and away
10 from the small, rural Alaska communities;

11 (3) the flow of entry permits out of and away from the small,
12 rural communities undermines a major economic base of many of the communities;

13 (4) many small, rural Alaska communities have no alternative
14 economic base to supply jobs and income to their residents;

15 (5) reliance on fisheries has traditionally and culturally been a
16 way of life in many of these communities.

17 (b) It is the purpose of this Act to

18 (1) alleviate the difficulty in obtaining financing referred to
19 in (a)(1) of this section; and

20 (2) alleviate the problems described in (a)(2) - (4) of this
21 section by assisting fishermen in those small, rural communities, as well as
22 fishermen throughout the state, to obtain the financing necessary to enter
23 the state's fisheries and to rebuild the economies of the areas in which they
24 live, thereby assisting in the preservation of a traditional way of life as
25 set out in (a)(5) of this section.

26 * Sec. 9. AS 16.10 is amended by adding new sections to read:

27 ARTICLE 10. FISHERMEN'S MORTGAGE AND NOTE PROGRAM.

28 Sec. 16.10.650. FISHERMEN'S REVOLVING MORTGAGE AND NOTE FUND.

29 There is established in the Department of Commerce and Economic Develop-

1 ment the fishermen's mortgage and note fund. The commissioner of com-
2 merce and economic development shall administer the fund.

3 Sec. 16.10.660. POWERS AND DUTIES OF COMMISSIONER. (a) The
4 commissioner may

5 (1) adopt regulations in accordance with the Administrative
6 Procedure Act (AS 44.62), to implement AS 16.10.650 - 16.10.720;

7 (2) make and execute agreements, contracts, and other instru-
8 ments necessary or convenient in the exercise of his powers and func-
9 tions under AS 16.10.650 - 16.10.720, including contracts with any
10 person, firm, corporation, governmental agency or other entity;

11 (3) procure insurance against a loss in connection with the
12 operation of the fund;

13 (4) purchase notes and mortgages securing loans in accordance
14 with (b) of this section;

15 (5) acquire real or personal property, or an interest in real
16 or personal property, by purchase, transfer or foreclosure, when the
17 acquisition is necessary or appropriate to protect a mortgage or note in
18 which the fund has an interest; sell, transfer and convey that property
19 to a buyer; and, if the sale, transfer or conveyance cannot be effected
20 with reasonable promptness or at a reasonable price, rent or lease the
21 property to a tenant pending the sale, transfer or conveyance;

22 (6) do all acts necessary, convenient or desirable to carry
23 out the powers expressly granted or necessarily implied in AS 16.10.650 -
24 16.10.720.

25 (b) In accordance with AS 16.10.670 - 16.10.720, the commissioner
26 shall use the money in the fund to purchase mortgages and notes received
27 by private financial institutions or by the Alaska Commercial Fishing
28 and Agriculture Bank to secure loans described in AS 16.10.670 - 16.10.-
29 720.

1 (c) In the event of a default on a loan purchased by the com-
2 missioner under AS 16.10.670(a) which is secured by a limited entry
3 permit, the commissioner shall follow the procedures described in AS 16.-
4 10.335 - 16.10.337.

5 Sec. 16.10.670. LOAN PURPOSES. (a) The commissioner may purchase
6 a mortgage or note under AS 16.10.660(b) if it secures a loan made to an
7 individual for the following purposes:

- 8 (1) the repair, restoration or upgrading of an existing
9 fishing vessel or of fishing gear;
10 (2) the purchase of an entry permit;
11 (3) the purchase of fishing gear;
12 (4) the construction or purchase of a fishing vessel.

13 (b) The costs arising under a contract for the construction of a
14 fishing vessel between the time the contract is made and the time the
15 fishing vessel is documented are costs of construction under (a)(4) of
16 this section.

17 Sec. 16.10.680. ELIGIBILITY FOR LOANS. (a) The commissioner may
18 purchase a mortgage or note under AS 16.10.660(b) if it secures a loan
19 to an individual who meets one of the requirements of (b) of this sec-
20 tion and who

- 21 (1) has been a resident of Alaska for at least five years;
22 (2) does not qualify for a loan for the purposes described in
23 AS 16.10.670 under a state or federal loan program;

24 (3) has not previously participated in the loan program
25 established in AS 16.10.650 - 16.10.720 or in any other state or federal
26 loan program for the purposes described in AS 16.10.670; and

27 (4) demonstrates to the satisfaction of the private financial
28 institution which made the loan that he is reasonably likely to succeed
29 as a commercial fisherman and to be able to repay the loan.

1 (b) In addition to the requirements of (a)(1) - (4) of this sec-
2 tion, the commissioner may purchase a mortgage or note under AS 16.10.-
3 660(b) only if it secures a loan to an individual who demonstrated to
4 the satisfaction of the private financial institution which made the
5 loan that

6 (1) because of his lack of training or the lack of employ-
7 ment opportunities in the area in which he resides, he does not have
8 occupational opportunities available to him other than commercial
9 fishing; or

10 (2) he is economically dependent on commercial fishing for a
11 livelihood and commercial fishing is a cultural and traditional way of
12 life for him.

13 (c) The commissioner may not refuse to purchase a mortgage or note
14 from a private financial institution under AS 16.10.660(b) solely be-
15 cause the applicant for the loan does not have a credit history.

16 (d) In determining whether the applicant is reasonably likely to
17 be able to repay the loan under (a)(4) of this section, the private
18 financial institution shall consider the applicant's income from
19 commercial fishing and from other sources.

20 Sec. 16.10.690. LOAN TERMS. (a) Except as provided in (c) of
21 this section, the commissioner may not purchase a mortgage or note under
22 AS 16.10.660(b) if it secures a loan which

23 (1) exceeds \$200,000;

24 (2) bears interest exceeding 10-1/2 percent;

25 (3) exceeds a term of 15 years;

26 (4) is not secured by a first priority lien and appropriate
27 security agreement; or

28 (5) is not secured by collateral which is insured in an
29 amount acceptable to the commissioner.

1 (b) The commissioner may not purchase a mortgage or note under
2 AS 16.10.660(b) if it secures a loan which results in an outstanding
3 debt of the borrower in excess of \$200,000. For purposes of this sub-
4 section a loan to an associate of the borrower is considered to be a
5 loan to the borrower. For the purposes of this subsection, "associate
6 of the borrower" means

7 (1) a corporation or other organization of which the borrower
8 is an officer, director or partner, or is, directly or indirectly, the
9 beneficial owner of 10 percent or more of any class of equity securi-
10 ties;

11 (2) a person who is, directly or indirectly, the beneficial
12 owner of 10 percent or more of any class of equity securities of the
13 borrower;

14 (3) a trust or other estate in which the borrower has a
15 substantial beneficial interest or as to which the borrower serves as
16 trustee or in a similar fiduciary capacity.

17 (c) The commissioner may purchase a mortgage or note under AS 16.-
18 10.660(b) if it secures a loan made to two or more individuals jointly
19 who each satisfy the requirements specified in AS 16.10.680 for the
20 construction of a fishing vessel or the purchase of an existing fishing
21 vessel. A loan secured by a mortgage or note purchased under this
22 subsection

23 (1) may not exceed the amount specified in (a)(1) of this
24 section multiplied by the number of eligible individuals applying for
25 the loan;

26 (2) may not exceed a term of 15 years;

27 (3) shall be secured by a first priority lien and appropriate
28 security agreement;

29 (4) may not bear interest exceeding 10-1/2 percent; and

1 (5) shall be insured in an amount acceptable to the commis-
2 sioner.

3 (d) The commissioner may purchase a mortgage or note under AS 16.-
4 10.660(b) if the terms of the loan secured by the mortgage or note allow
5 for repayment of the loan in accordance with

6 (1) a schedule for repayment which provides for monthly or
7 annually amortized principal and interest payments; or

8 (2) an agreement based on a percentage of the borrower's
9 gross income from fishing activities; however, an agreement under this
10 paragraph shall provide that the monthly payment under the agreement may
11 not be less than 50 percent of the monthly payment which would be due
12 under the schedule prescribed in (1) of this subsection.

13 (e) The commissioner may purchase under AS 16.10.660(b) a mortgage
14 or note secured by a preference right described in (f) of this section,
15 by an entry permit in accordance with (g) of this section, or by real or
16 personal property of the borrower or of a person acting as the borrower's
17 guarantor under AS 16.10.700.

18 (f) A person may pledge as security for the repayment of a
19 mortgage or note purchased in whole or in part under AS 16.10.660(b) a
20 preference right he holds to receive title to land he occupies as a
21 primary place of residence, primary place of business, subsistence
22 campsite, or as headquarters for reindeer husbandry. To qualify as
23 security under this subsection a preference right must be conveyed to
24 the person by the Native corporation to which the land was granted under
25 section 14 of the Alaska Native Claims Settlement Act (85 Stat. 688, 43
26 U.S.C. secs. 1601 - 1626, as amended by P.L. 94 - 204) before it may be
27 pledged as security under this subsection. The commissioner of
28 commerce and economic development shall prescribe procedures and
29 standard forms for establishing, appraising the value of, and pledging a

1 preference right held by a person to secure the repayment of a mortgage
2 or note purchased in whole or in part under AS 16.10.660(b).

3 (g) An Alaska limited entry permit may be used as security for a
4 mortgage or note purchased under AS 16.10.660(b). The provisions of
5 AS 16.10.335 and 16.10.337 apply to Alaska limited entry permits pledged
6 as security for mortgages and notes purchased under this subsection.

7 (h) The commissioner may not purchase a mortgage or note under
8 AS 16.10.660(b) if the loan it secures exceeds 90 percent of the ap-
9 praised value of the collateral used to secure the loan, except as
10 provided in (i) of this section.

11 (i) The commissioner may purchase a note under AS 16.10.660(b) for
12 a loan of up to 100 percent of the appraised value of the collateral
13 used to secure the loan if

- 14 (1) the loan is made for the purchase of an entry permit; and
15 (2) the borrower demonstrates to the satisfaction of the
16 private financial institution which makes the loan that he has at least
17 three years of experience as a commercial fisherman in the fishery to
18 which the entry permit applies; as used in this paragraph, "three years
19 of experience as a commercial fisherman in the fishery" means that for
20 an accumulated total of three fishing seasons in the same fishery the
21 person has actively participated in the commercial harvest of fish under
22 the direction of a limited entry permit holder.

23 Sec. 16.10.700. GUARANTORS. A person may act as guarantor for a
24 borrower whose mortgage or note is purchased by the commissioner under
25 AS 16.10.660(b) if the borrower has insufficient collateral to secure a
26 loan for the purposes described in AS 16.10.670(a). The loan agreement
27 shall specifically describe the property of the guarantor to be used as
28 collateral by the borrower and shall be signed by the guarantor and the
29 borrower. The department shall provide the guarantor with a copy of all

1 notices sent to the borrower by the department. If the loan is for the
2 purchase of an entry permit, the guaranty by the guarantor may not
3 constitute a lien, mortgage, or encumbrance on or pledge of the entry
4 permit.

5 Sec. 16.10.710. PREQUALIFICATION FOR LOANS. (a) The commissioner
6 may not purchase mortgages and notes from a private financial institu-
7 tion under AS 16.10.660(b) unless the private financial institution

8 (1) agrees to accept an application for a loan for the pur-
9 chase of an entry permit although the applicant has not located an entry
10 permit to purchase at the time of submitting the application; and

11 (2) agrees to comply with the procedure for handling the
12 application for a loan described in (b) and (c) of this section.

13 (b) The private financial institution shall process loan applica-
14 tions received under this section to determine the eligibility of an
15 applicant for a loan for the purchase of an entry permit and shall
16 notify the applicant of its determination.

17 (c) If the private financial institution determines that an appli-
18 cant is eligible for a loan for the purchase of an entry permit, the
19 private financial institution shall retain the application until the
20 applicant locates an entry permit to purchase and informs the private
21 financial institution of his decision to proceed with the loan applica-
22 tion to purchase the entry permit. However, the private financial
23 institution is not required to retain the application more than six
24 months after it has been submitted. If the applicant locates an entry
25 permit to purchase and decides to proceed with his loan application, he
26 shall complete any parts of the application which were previously uncom-
27 pleted because of the lack of an entry permit to purchase, and bring the
28 application up to date so that the information in the application is
29 current at the time of the loan. The private financial institution

1 shall then proceed with the processing of the application.

2 Sec. 16.10.720. DEFINITIONS. In AS 16.10.650 - 16.10.720,

3 (1) "department" means the Department of Commerce and Eco-
4 nomic Development;

5 (2) "fund" means the fishermen's mortgage and note fund;

6 (3) "private financial institution" has the meaning provided
7 in AS 11.46.990(3) and also includes the Alaska Commercial Fishing and
8 Agriculture Bank.

9 * Sec. 10. FINDINGS AND INTENT RELATING TO THE ALASKA HOUSING FINANCE
10 CORPORATION. The legislature finds that

11 (1) there exists in the state a serious shortage of capital to
12 finance residential housing; interest rates are often far above levels which
13 are affordable to persons of most income levels; these conditions are
14 inimical to the stability, prosperity and economic welfare of the residents
15 of the state and to the sound growth of urban and rural communities in the
16 state;

17 (2) private enterprise has not been able to provide, without
18 assistance, adequate residential housing to meet the basic housing and shel-
19 ter needs of most Alaskans, or to consistently provide, without assistance,
20 capital for these purposes at rates of interest which people of most income
21 levels can afford; existing state and federal programs are inadequate to meet
22 the housing needs of most Alaskans; it is imperative that housing at a
23 reasonable price be made available to promote stable economic growth and that
24 coordination and cooperation among private enterprise, state government and
25 local government be encouraged to finance residential housing for all
26 Alaskans;

27 (3) the continuance of the Alaska Housing Finance Corporation with
28 the powers granted to it by this Act is essential to assist private enter-
29 prise in the financing of residential housing at a reasonable cost for all

1 Alaskans and serves a public purpose in benefiting the people of the state;
2 in this Act, the Alaska Housing Finance Corporation is empowered to act on
3 behalf of the state and its people in serving this public purpose for the
4 benefit of the general public.

5 * Sec. 11. PRIORITIES IN PURCHASE OF MORTGAGE LOANS BY THE ALASKA HOUSING
6 FINANCE CORPORATION. In purchasing mortgage loans under the special mortgage
7 purchase program established under AS 18.56.098, enacted in sec. 27 of this
8 Act, the Alaska Housing Finance Corporation shall give the highest priority
9 to the purchase of mortgage loans totaling \$24,554,000 for applicants
10 under the Department of Revenue emergency home mortgage loan program of
11 February 28, 1980, who submitted their applications to the Department of
12 Revenue before the close of the Department of Revenue emergency home mortgage
13 loan program of February 28, 1980, but who did not receive a loan because of
14 the exhaustion of the \$105,000,000 in the Department of Revenue emergency
15 home mortgage loan program of February 28, 1980. The Alaska Housing Finance
16 Corporation shall give the next highest priority to the purchase of a
17 mortgage loan made to an applicant who has vacated his home because it was
18 sold under the Department of Revenue emergency home mortgage loan program of
19 February 28, 1980, and who now cannot close on the purchase of a new home
20 because of the exhaustion of the \$105,000,000 in the Department of Revenue
21 emergency home mortgage loan program of February 28, 1980. The Alaska
22 Housing Finance Corporation shall give the next highest priority, on the
23 basis of the immediacy with which the applicant will have to vacate his
24 present home, to the purchase of a mortgage loan made to an applicant who has
25 failed to close on the purchase of a new home because of the exhaustion of
26 the \$105,000,000 in the Department of Revenue emergency home mortgage loan
27 program of February 28, 1980. The priorities established under this section
28 shall be observed to the extent the Alaska Housing Finance Corporation
29 determines that it is reasonable to do so on the basis of evidence of the

1 circumstances giving rise to the priority.

2 * Sec. 12. AS 18.56.020 is amended to read:

3 Sec. 18.56.020. ALASKA HOUSING FINANCE CORPORATION. The Alaska
4 Housing Finance Corporation is a public corporation and government
5 instrumentality within the Department of Revenue [COMMERCE AND ECONOMIC
6 DEVELOPMENT], but having a legal existence independent of and separate
7 from the state. The corporation may not be terminated as long as it has
8 bonds, notes or other obligations outstanding. Upon termination of the
9 corporation, its rights and property pass to the state.

10 * Sec. 13. AS 18.56.030 is repealed and re-enacted to read:

11 Sec. 18.56.030. CORPORATION GOVERNING BODY. (a) The corporation
12 shall be governed by a board of directors consisting of

13 (1) the commissioner of revenue, and the commissioner of
14 commerce and economic development;

15 (2) one other member who is the head of a principal depart-
16 ment of the executive branch of state government appointed by the
17 governor; and

18 (3) two public members appointed by the governor.

19 (b) If a member described in (a)(1) or (2) of this section is
20 unable to attend a meeting of the board, he may by an instrument in
21 writing filed with the board, designate his deputy or assistant to act
22 in his place as a member at the meeting. For all purposes of this
23 chapter, the designee is a member of the board at the meeting.

24 (c) The board members described in (a)(2) and (3) of this section
25 serve two-year terms. However, the initial appointment of one member
26 described in (a)(3) of this section shall be for a one-year term.

27 (d) If a vacancy occurs on the board, the governor shall make an
28 appointment, effective immediately, for the unexpired portion of the
29 term.

1 (e) The members of the board described in (a)(3) of this section
2 receive \$100 compensation for each day spent on official business of the
3 corporation and may be reimbursed by the corporation for actual and
4 necessary expenses at the same rate paid to members of state boards
5 under AS 39.20.180.

6 * Sec. 14. AS 18.56.030 is amended by adding a new subsection to read:

7 (f) The appointment or reappointment of a member to the board
8 under (a)(2) or (a)(3) of this section is subject to confirmation by a
9 majority vote of the members of the legislature in joint session. If
10 the legislature fails to confirm the appointment of the head of a prin-
11 cipal department of the executive branch as a member, the governor shall
12 appoint the head of another principal department of the executive branch
13 to serve as a member, subject to confirmation under this subsection. A
14 member appointed to fill a vacancy under (d) of this section is subject
15 to confirmation under this subsection.

16 * Sec. 15. AS 18.56.050 is amended to read:

17 Sec. 18.56.050. ADMINISTRATION OF AFFAIRS. The board shall manage
18 the assets and business of the corporation and may prescribe, amend and
19 repeal bylaws and regulations governing the manner in which the business
20 of the corporation is conducted and the manner in which its powers are
21 exercised. The board shall delegate supervision of the administration of
22 the corporation to the executive director, appointed in accordance with
23 AS 18.56.052 [, AND MAY DELEGATE TO HIM OTHER DUTIES IT CONSIDERS PROP-
24 ER].

25 * Sec. 16. AS 18.56.060 is amended to read:

26 Sec. 18.56.060. EMPLOYMENT OF PERSONNEL. The board may appoint
27 other officers and engage professional and technical advisors as in-
28 dependent contractors. The executive director may hire employees of the
29 corporation and, subject to the approval of the board, engage profes-

1 sional and technical advisors under contract with the corporation. The
2 board shall prescribe the duties and compensation of corporation person-
3 nel, including the executive director.

4 * Sec. 17. AS 18.56.070 is amended to read:

5 Sec. 18.56.070. PERSONNEL EXEMPT FROM STATE PERSONNEL ACT. The
6 personnel of the corporation are exempt from AS 39.25 [TO THE SAME
7 EXTENT AS THE PERSONNEL OF THE ALASKA STATE HOUSING AUTHORITY].

8 * Sec. 18. AS 18.56.080 is amended to read:

9 Sec. 18.56.080. INTERDEPARTMENTAL COOPERATION. All departments,
10 agencies and public corporations of the state may provide information,
11 services, facilities and loans to the corporation upon its request. The
12 corporation shall, upon request, [MAY] reimburse departments, agencies
13 and public corporations of the state for services or facilities provided,
14 loans advanced or [FOR] expenses incurred on the corporation's behalf at
15 the request of the corporation.

16 * Sec. 19. AS 18.56.088 is amended by adding a new subsection to read:

17 (h) The board shall adopt regulations in accordance with (a) - (f)
18 of this section which establish a procedure by which a seller of mort-
19 gage loans may appeal a decision of the corporation not to purchase
20 mortgage loans offered by the seller.

21 * Sec. 20. AS 18.56 is amended by adding a new section to read:

22 Sec. 18.56.089. EXECUTIVE BUDGET ACT. The operating budget of the
23 corporation is subject to the Executive Budget Act (AS 37.07) for fiscal
24 years beginning after June 30, 1981.

25 * Sec. 21. AS 18.56.090 is amended to read:

26 Sec. 18.56.090. GENERAL POWERS. In addition to other powers
27 granted in this chapter, the corporation may, for the purpose of provid-
28 ing housing for persons of lower and moderate income or persons located
29 in remote, underdeveloped or blighted areas of the state and for its

1 other corporate purposes

2 (1) make or participate in the making of construction loans
3 to sponsors, developers and builders of land development or residential
4 housing, if the corporation determines that construction loans are not
5 otherwise available, wholly or in part, from private lenders upon rea-
6 sonably equivalent terms and conditions;

7 (2) make or participate in the making of mortgage loans to
8 sponsors, developers, builders and purchasers of residential housing, if
9 the corporation determines that mortgage loans are not otherwise avail-
10 able, wholly or in part, from private lenders upon reasonably equivalent
11 terms and conditions;

12 (3) purchase or participate in the purchase of mortgage loans
13 made to sponsors, developers, builders, owners and purchasers of resi-
14 dential housing, if the corporation

15 (A) has given approval before the initial making of the
16 loan and has determined that mortgage loans were, at the time the
17 approval was given, not otherwise available, wholly or in part,
18 from private lenders upon reasonably equivalent terms and condi-
19 tions, or

20 (B) has determined that the purchase or participation
21 will result in additional residential housing, taking into account
22 without limitation such factors as reinvestment of the proceeds of
23 the sale in additional mortgage loans, increased availability of
24 mortgage loans insured by the federal government, its agencies or
25 departments, the reduction, if any, of interest payments to be made
26 with respect to mortgage loans, or such other factors as will tend
27 to increase or improve the supply of residential housing within the
28 state;

29 (4) make partial rental payments and mortgage interest pay-

1 ments under a contract with any housing owner if the payments will be
2 applied to decrease rental or mortgage interest charges of persons of
3 lower and moderate income or owners or purchasers of residential housing
4 in remote, underdeveloped or blighted areas of the state;

5 (5) make loans from the housing development fund;

6 (6) collect and pay reasonable fees and charges in connection
7 with making, purchasing and servicing its mortgages, loans, notes,
8 bonds, certificates, commitments and other evidences of indebtedness;

9 (7) acquire real property, or any interest in real property,
10 in its own name, by purchase, transfer or foreclosure, when the acquisi-
11 tion is necessary or appropriate to protect any loan in which the cor-
12 poration has an interest; sell, transfer and convey any such property to
13 a buyer; and, if the sale, transfer or conveyance cannot be effected
14 with reasonable promptness or at a reasonable price, rent or lease the
15 property to a tenant pending the sale, transfer or conveyance;

16 (8) sell, at public or private sale, to any purchaser, in-
17 cluding the Federal National Mortgage Association, all or any part of a
18 mortgage or other instrument or document securing a construction, land
19 development, mortgage or temporary loan of any type permitted by this
20 chapter;

21 (9) purchase, in order to meet the requirements of the sale
22 of its mortgages to the Federal National Mortgage Association, stock of
23 the Federal National Mortgage Association;

24 (10) procure insurance against any loss in connection with its
25 operation;

26 (11) consent to the modification of the rate of interest, time
27 of payment of any installment of principal or interest, or any other
28 terms, of the mortgage loan, mortgage loan commitment, construction
29 loan, temporary loan, contract or agreement of any kind to which the

1 corporation is a party;

2 (12) borrow money as [HEREIN] provided in this chapter to
3 carry out and effectuate its corporate purposes; and issue its obliga-
4 tions as evidence of any such borrowing;

5 (13) include in any borrowing the amounts necessary to pay
6 financing charges, interest on the obligations for a period not exceed-
7 ing one year after the date on which the corporation estimates funds
8 will otherwise be available to pay the interest, consultant, advisory
9 and legal fees and such other expenses as are necessary or incident to
10 this borrowing;

11 (14) under AS 18.56.088, adopt and publish regulations re-
12 specting its lending programs and such other regulations as are neces-
13 sary to effectuate its purposes;

14 (15) provide technical and advisory services to sponsors,
15 builders and developers of residential housing and to residents of it;

16 (16) promote research and development in scientific methods of
17 constructing low-cost and energy-efficient residential housing of high
18 durability;

19 (17) make and execute agreements, contracts and other in-
20 struments necessary or convenient in the exercise of the powers and
21 functions of the corporation under this chapter, including contracts
22 with any person, firm, corporation, governmental agency or other entity;

23 (18) receive, administer and comply with the conditions and
24 requirements respecting any appropriation or gift, grant or donation of
25 property or money;

26 (19) sue and be sued in its own name;

27 (20) adopt an official seal;

28 (21) adopt bylaws for the regulation of its affairs and the
29 conduct of its business and prescribe rules, regulations and policies in

1 connection with the performance of its functions and duties;

2 (22) employ fiscal consultants, engineers, attorneys, real
3 estate counselors, appraisers and such other consultants and employees
4 as may be required in the judgment of the corporation, and fix and pay
5 their compensation from funds available to the corporation;

6 (23) do all acts and things necessary, convenient or desirable
7 to carry out the powers expressly granted or necessarily implied in this
8 chapter;

9 (24) invest or reinvest, subject to its contracts with note-
10 holders and bondholders, any money or funds held by the corporation in
11 any obligations or other securities or investments in which banks or
12 trust companies in the state may legally invest funds held in reserves
13 or sinking funds or any funds not required for immediate disbursement,
14 and in certificates of deposit or time deposits secured by obligations
15 of, or guaranteed by, the state or the United States of America.

16 [(25) ESTABLISH A RURAL HOUSING INSURANCE ACCOUNT IN THE STATE
17 MORTGAGE INSURANCE FUND ESTABLISHED BY THIS CHAPTER AND ADMINISTER A
18 RURAL HOUSING MORTGAGE INSURANCE PROGRAM IN RURAL AREAS OF THE STATE; IN
19 THE ADMINISTRATION OF THE PROGRAM ESTABLISHED UNDER THIS PARAGRAPH, THE
20 BOARD OF DIRECTORS SHALL

21 (A) FROM SUMS RECEIVED FROM LOANS FROM THE DEPARTMENT OF
22 REVENUE, PURCHASE THE MORTGAGES OR OTHER COLLATERAL FOR RURAL
23 RESIDENTIAL LOANS ISSUED BY A REGIONAL HOUSING AUTHORITY OR ANY
24 OTHER PERSON;

25 (B) DETERMINE THE MAXIMUM RATE OF INTEREST WHICH MAY BE
26 CHARGED BY A REGIONAL HOUSING AUTHORITY FOR A RURAL RESIDENTIAL
27 LOAN; AND

28 (C) BORROW FROM THE DEPARTMENT OF REVENUE FOR PURPOSES
29 OF THE RURAL HOUSING MORTGAGE PROGRAM; THE DEPARTMENT OF REVENUE

1 MAY LEND SURPLUS STATE GENERAL FUNDS TO THE CORPORATION FOR THE
2 PURPOSE OF THE RURAL HOUSING MORTGAGE LOAN PROGRAM.

3 (26) ESTABLISH A RURAL HOUSING HAZARD INSURANCE FUND AND A
4 RURAL HOUSING HAZARD INSURANCE PROGRAM TO PROVIDE HAZARD INSURANCE FOR
5 HOUSING LOCATED IN REMOTE, UNDERDEVELOPED OR BLIGHTED AREAS OF THE STATE
6 WHEN HAZARD INSURANCE FROM OTHER SOURCES SATISFACTORY TO PRIVATE MORT-
7 GAGE LENDERS IS NOT AVAILABLE ON REASONABLE TERMS; THE CORPORATION MAY
8 ENTER INTO AGREEMENTS WITH RESPECT TO THE FUND AND THE PROGRAM WITH THE
9 HOLDERS OF BONDS OR NOTES ISSUED TO PROVIDE MONEY FOR THE RURAL HOUSING
10 MORTGAGE PROGRAM OR WITH THE DEPARTMENT OF REVENUE WITH RESPECT TO LOANS
11 MADE UNDER (25)(C) OF THIS SECTION, INCLUDING, BUT NOT LIMITED TO,
12 AGREEMENTS AS TO THE USE OF MONEY IN THE FUND, AND MAY OTHERWISE ESTAB-
13 LISH THE TERMS AND CONDITIONS OF THE FUND AND OF THE PROGRAM OF HAZARD
14 INSURANCE BY OR IN ACCORDANCE WITH REGULATIONS ADOPTED UNDER AS 18.56.-
15 088;

16 (27) ESTABLISH A RURAL HOUSING TITLE INSURANCE FUND AND A
17 RURAL HOUSING TITLE INSURANCE PROGRAM TO PROVIDE TITLE INSURANCE FOR
18 HOUSING LOCATED IN REMOTE, UNDERDEVELOPED OR BLIGHTED AREAS OF THE
19 STATE WHEN TITLE INSURANCE FROM OTHER SOURCES SATISFACTORY TO PRIVATE
20 MORTGAGE LENDERS IS NOT AVAILABLE ON REASONABLE TERMS; THE CORPORATION
21 MAY ENTER INTO AGREEMENTS WITH RESPECT TO THE FUND AND THE PROGRAM WITH
22 THE HOLDER OF BONDS OR NOTES ISSUED TO PROVIDE MONEY FOR THE RURAL
23 HOUSING MORTGAGE PROGRAM OR WITH THE DEPARTMENT OF REVENUE WITH RESPECT
24 TO LOANS MADE UNDER (25)(C) OF THIS SECTION, INCLUDING, BUT NOT LIMITED
25 TO, AGREEMENTS AS TO THE USE OF MONEY IN THE FUND, AND MAY OTHERWISE
26 ESTABLISH THE TERMS AND CONDITIONS OF THE FUND AND OF THE PROGRAM OF
27 TITLE INSURANCE BY OR IN ACCORDANCE WITH REGULATIONS ADOPTED UNDER
28 AS 18.56.088.]

29 * Sec. 22. AS 18.56 is amended by adding new sections to read:

1 Sec. 18.56.091. HOME OWNERSHIP FUND. There is established in the
2 corporation the home ownership fund, consisting of money appropriated to
3 it by the legislature. Money in the fund shall be used solely to assist
4 persons of lower and moderate income to purchase homes financed under
5 the special mortgage purchase program by providing a subsidy to the
6 persons in an amount not greater than the difference between

7 (1) the amount annually required to pay interest and princi-
8 pal on that person's loan and real property taxes and insurance for the
9 home purchased with the loan; and

10 (2) 25 percent of that person's annual gross income.

11 Sec. 18.56.093. INSURANCE. (a) There is established in the
12 corporation the housing insurance fund, the rural housing hazard insur-
13 ance fund, and the rural housing title insurance fund. The funds shall
14 be completely segregated from all other funds of the corporation, and
15 are trust funds for the uses and purposes of this section. The corpora-
16 tion may adopt regulations under AS 18.56.088 and enter into agreements
17 with respect to the exercise of any power relating to the funds under
18 this section, including, without limitation, agreements as to the use of
19 the money in the funds, agreements with respect to the terms and condi-
20 tions upon which payments from the funds must be made to the corporation
21 with respect to mortgage loans insured under this section, agreements as
22 to accounts or subaccounts in the funds for different categories of
23 loans, and agreements regarding the payment of and security for bonds of
24 the corporation. The corporation may pledge, assign, or grant other
25 interests in the funds as may be necessary or appropriate in connection
26 with the insurance of mortgage loans and to provide for the payment of
27 and security for bonds of the corporation.

28 (b) In addition to any other fees and charges which the corpora-
29 tion may charge on mortgage loans, the corporation may collect, or cause

1 to be collected, insurance commitment fees and insurance premiums on
2 mortgage loans insured by a fund under this section.

3 (c) A mortgage loan purchased by the corporation as part of its
4 special mortgage loan purchase program may be insured by the housing
5 insurance fund, and a mortgage loan on a mobile home or residence
6 located in a remote, underdeveloped, blighted or rural area of the state
7 may also be insured (1) against hazard loss by the rural housing hazard
8 insurance fund when hazard insurance from the other sources satisfactory
9 to private mortgage lenders is not, in the opinion of the corporation,
10 available on reasonable terms, and (2) against title defect by the rural
11 housing title insurance fund when title insurance from other sources
12 satisfactory to private mortgage lenders is not, in the opinion of the
13 corporation, available on reasonable terms. The endorsement of the
14 corporation on the mortgage that it is insured by any fund under this
15 section at the time of purchase or acquisition of the mortgage loan is
16 conclusive evidence that the mortgage loan is insured under the provi-
17 sions of this section by the fund.

18 (d) Mortgage loans may be insured by a fund or an account in a
19 fund under this section only when the amount in the fund or in the
20 account as a percentage of the sum of all mortgage loans to be insured
21 and all unpaid principal on mortgage loans to be insured by the fund or
22 the account equals or exceeds the fund requirement. The fund require-
23 ment for each fund or account shall be calculated as the percentage
24 which the corporation determines is actuarially sound for operation of
25 the fund or account.

26 (e) When the corporation determines what is actuarially sound with
27 respect to the operation of each fund or account in a fund, it shall
28 consider means of providing sufficient revenues for the operation of the
29 fund or account, without regard to amounts which may have been or may,

1 after the date of determination of actuarial soundness, be appropriated
2 under (f) of this section and it shall consider factors which must
3 include, without limitation,

4 (1) as to the mortgages insured by the housing insurance
5 fund, or an account of the housing insurance fund, estimates of future
6 defaults and losses on mortgage loans insured under this section based
7 on actual default and loss experience on those mortgage loans or on
8 similar mortgage loans in Alaska or elsewhere, estimates of recoveries
9 on defaulted or foreclosed mortgage loans based on that experience, the
10 terms and conditions of the mortgage loans insured under this section,
11 estimates of earnings and income of amounts on deposit in the fund, and
12 any other appropriate factors;

13 (2) as to mortgages insured by the rural housing title insur-
14 ance fund, estimates of defaults and losses by reason of title defects
15 which are otherwise uninsured, estimates of earnings and income of
16 amounts on deposit in the fund or the account, and any other appropriate
17 factors; and

18 (3) as to mortgages insured by the rural housing hazard
19 insurance fund, or an account of the rural housing hazard insurance
20 fund, estimates of default by reason of hazard losses which are other-
21 wise uninsured, estimates of earnings and income of amounts on deposit
22 in the fund or the account, and any other appropriate factors.

23 (f) On December 1 of each year the corporation shall ascertain the
24 amount on deposit in each fund established under this section and in
25 each account of each fund. If the amount in any fund or account is less
26 than the fund requirement for the fund or account, the corporation
27 shall, no later than January 2 of the following year, certify in writing
28 to the governor and to the legislature, the amount, if any, required to
29 restore that fund or account to the fund requirement. The legislature

1 may appropriate the amount and the corporation shall deposit in the fund
2 or account all amounts appropriated during the then current state fiscal
3 year. Nothing in this subsection creates a debt or liability of the
4 state.

5 * Sec. 23. AS 18.56.095(d) is amended to read:

6 (d) A mortgage loan [, INCLUDING A STATE VETERANS' LOAN,] may be
7 insured if the loan to value ratio at the time of the insurance loan
8 does not exceed 80 percent or, if the loan to value ratio does exceed
9 that percentage, if it is federally insured or guaranteed or insured by
10 a qualified mortgage insurance company to the extent of the excess. [IN
11 ADDITION, A STATE VETERANS' LOAN MAY BE INSURED IF THE LOAN TO VALUE
12 RATIO DOES NOT EXCEED 90 PERCENT.] The endorsement of the corporation
13 on the mortgage at the time of purchase or acquisition of the mortgage
14 loan is conclusive evidence that the mortgage loan is insured under the
15 provisions of this section. The insurance is payable solely from the
16 mortgage insurance fund.

17 * Sec. 24. AS 18.56.095(e)(1) is amended to read:

18 (1) in the case of federally insured or guaranteed mortgage
19 loans, or mortgage loans [, INCLUDING STATE VETERANS' LOANS,] insured by
20 a qualified mortgage insurance company or, if not so insured or guaran-
21 teed, with a loan to value ratio at the time of the mortgage insurance
22 application less than 80 percent, the greater of (A) two percent of the
23 unpaid principal amount of those mortgage loans, or (B) a percentage
24 which the corporation with the approval of the commissioner of commerce
25 and economic development determines is actuarially sound for operation
26 of the mortgage insurance fund;

27 * Sec. 25. AS 18.56.095(f) is amended to read:

28 (f) On December 1 of each year the commissioner of commerce and
29 economic development shall determine the amount on deposit in the mort-

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

15 * Sec. 26. AS 18.56.095(h)(4) is amended to read:

16 (4) "special mortgage loan insurance commitment fee" and
17 "special mortgage loan insurance premium" mean, respectively, a fee of
18 such percent of the principal amount of a mortgage loan to be insured
19 under this section, and an annual insurance premium of such percent 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 and economic develop-
24 ment determines is actuarially sound for the operation of the mortgage
25 insurance fund;

26 * Sec. 27. AS 18.56 is amended by adding new sections to read:

27 Sec. 18.56.096. LIMITATIONS ON POWERS TO MAKE OR PURCHASE MORTGAGE
28 LOANS. The corporation may not make, participate in the making of,
29 purchase, or participate in the purchase of a mortgage loan under this

1 chapter which exceeds the limitations on mortgage loans purchased by the
2 Federal National Mortgage Association as to principal amount and loan-
3 to-value ratio.

4 Sec. 18.56.097. COLLATERAL FOR LOANS. Under procedures estab-
5 lished by regulations of the corporation adopted in accordance with
6 AS 18.56.088 a person may pledge as security for the repayment of a loan
7 made, purchased or insured by the corporation under this chapter a
8 preference right he holds to receive title to land he occupies as a
9 primary place of residence, primary place of business, subsistence
10 campsite, or as headquarters for reindeer husbandry. The preference
11 right must be conveyed to the person by the Native corporation to which
12 the land was granted under section 14 of the Alaska Native Claims
13 Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by
14 P.L. 94-204) before it may be pledged as security under this section.
15 The Department of Community and Regional Affairs shall prescribe pro-
16 cedures and standard forms for establishing and appraising the value of
17 a preference right held by a person to secure the repayment of a loan
18 made, purchased or insured by the corporation under this chapter.

19 Sec. 18.56.098. SPECIAL MORTGAGE LOAN PURCHASE PROGRAM. (a) The
20 corporation shall establish a special mortgage loan purchase program.
21 Under the special mortgage loan purchase program, the corporation may
22 purchase mortgage loans, including graduated payment mortgage loans,
23 made (1) for the purchase of residences; or (2) for the refinancing of a
24 mortgage loan on a residence if the purpose of the refinancing is to
25 provide money for the improvement or rehabilitation of the residence.

26 (b) The corporation shall adopt regulations under AS 18.56.088 to
27 establish minimum construction standards which a residence must meet
28 before the corporation may purchase a mortgage loan on the residence
29 under (a) of this section. The minimum construction standards shall

1 include standard deviations from the minimum construction standards to
2 allow the corporation to purchase mortgage loans on residences which do
3 not meet the minimum construction standards but which are certified by
4 an engineer to be within the standard deviations. The standard devia-
5 tions shall include, but are not limited to, provisions relating to
6 water holding tanks, on-site water and sewer systems, and foundations.

7 (c) The corporation may pledge mortgage loans purchased by the
8 corporation under (a) of this section, mortgage loans assigned to the
9 corporation for the special mortgage loan purchase program, and mortgage
10 loans purchased with amounts appropriated to the corporation for the
11 special mortgage loan purchase program to pay the principal, interest,
12 and redemption premium, if any, on bonds or bond anticipation notes
13 issued by the corporation for the special mortgage loan purchase pro-
14 gram.

15 (d) The corporation shall determine the interest rate charged on a
16 mortgage loan purchased under (a) of this section in accordance with the
17 following:

18 (1) the interest rate may not exceed nine percent for the
19 first \$90,000 of the loan if the loan is made to an eligible veteran
20 under AS 18.56.101;

21 (2) the interest rate may not exceed 10 percent for the first
22 \$90,000 of the loan if the loan is made to a person other than an
23 eligible veteran under AS 18.56.101;

24 (3) the interest rate for the amount of the loan which
25 exceeds \$90,000 shall equal the mortgage program costs to the corpora-
26 tion attributable to that part of the loan.

27 (e) The corporation shall establish regulations in accordance with
28 AS 18.56.088 to implement the special mortgage loan purchase program.
29 In order to discourage the speculative use of mortgage credit under the

1 special mortgage loan purchase program for purposes other than home
2 ownership, the regulations shall include provisions allowing, prohibit-
3 ing, or otherwise setting conditions on the right to assume mortgage
4 loans purchased under (a) of this section.

5 (f) In this section and in AS 18.56.099,

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 which

9 (A) during the first year of the mortgage loan are lower
10 than the monthly principal and interest payments that would be
11 required under the terms of a level payment mortgage loan made at
12 the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the loan
15 that would have been provided by a level payment mortgage loan made
16 at the same interest rate;

17 (2) "mortgage loan" includes a beneficial interest or par-
18 ticipation in a mortgage loan;

19 (3) "mortgage program costs" means

20 (A) if the mortgage loans are purchased with the
21 proceeds of bonds of the corporation, the interest costs to the
22 corporation on the bonds determined in accordance with applicable
23 regulations adopted under section 103 of the Internal Revenue Code
24 (26 U.S.C. sec. 103, as amended) relating to arbitrage plus an
25 additional amount determined by the corporation for allocable
26 expenses of operation, for costs of issuance, and for mortgage
27 servicing; or

28 (B) if the mortgage loans are purchased with amounts
29 appropriated to the corporation by law, the interest cost which the

1 corporation estimates it will pay on its bonds at the time of the
2 next proposed sale of its bonds plus an additional amount deter-
3 mined by the corporation for allocable expenses of operation, for
4 costs of issuance, and for mortgage servicing;

5 (4) "residence" means an owner-occupied, single-family resi-
6 dence, including a mobile home, or an owner-occupied duplex.

7 Sec. 18.56.099. POWERS OF CORPORATION TO DEAL IN MORTGAGE LOANS.
8 The corporation may purchase, sell, hold, or otherwise deal in mortgage
9 loans. In connection with the purchase or sale of a beneficial interest
10 or participation in a mortgage loan, the corporation may enter into a
11 trust agreement providing for the custody, control, and administration
12 of the mortgage loan. The trust agreement may provide that the corpora-
13 tion or a bank or trust company shall act as trustor or trustee under
14 the trust and that title to the mortgage loans subject to the trust
15 shall be considered to have passed as provided in the trust agreement.
16 To the extent provided in the trust agreement, the effect of a sale of a
17 beneficial interest or participation in a mortgage loan is the same as
18 the sale of the mortgage loan subject to the trust.

19 * Sec. 28. AS 18.56.100(e) is amended to read:

20 (e) The corporation may provide for the issuance, at one time or
21 from time to time, of housing development fund notes for the purpose of
22 providing money [FUNDS] for the fund. [THE COMMISSIONER OF REVENUE IS
23 AUTHORIZED TO PURCHASE FUND NOTES WITH SURPLUS FUNDS IN THE STATE TREA-
24 SURY. BEFORE SUBMISSION OF THE EXECUTIVE BUDGET TO THE LEGISLATURE, THE
25 COMMISSIONER OF REVENUE SHALL ANNUALLY RECOMMEND TO THE GOVERNOR THE
26 ANTICIPATED AMOUNTS OF SURPLUS FUNDS AVAILABLE FOR PURCHASE OF FUND
27 NOTES IN THE FISCAL YEAR ENCOMPASSED BY THE BUDGET. IN MAKING HIS
28 RECOMMENDATION TO THE GOVERNOR, THE COMMISSIONER OF REVENUE SHALL CON-
29 sider the expenditure and revenue projections contained in the most

1 RECENT REVENUE SOURCE DOCUMENT PREPARED FOR AND SUBMITTED TO THE LEGIS-
2 LATURE BY THE ADMINISTRATION. IF THE GOVERNOR AGREES WITH THE RECOM-
3 MENDATION OF THE COMMISSIONER OF REVENUE HE SHALL FORWARD THE RECOMMEN-
4 DATION TO THE CORPORATION.]

5 * Sec. 29. AS 18.56 is amended by adding new sections to read:

6 Sec. 18.56.101. ELIGIBILITY FOR VETERANS' INTEREST RATES. The
7 following persons are eligible veterans for the purposes of AS 18.56.-
8 098(d):

9 (1) a person who served in the armed forces of the United
10 States for 90 days or more, or whose service was for less than 90 days
11 because of injury or disability incurred in the line of duty, after
12 April 6, 1917,

13 (A) who at the time of induction into the service was a
14 resident of the territory or state, who had been a resident for not
15 less than one year immediately before his induction, and who re-
16 turned to the territory or state within one year after discharge as
17 a resident with the intention of remaining in the territory or
18 state; or

19 (B) who, not being a bona fide resident of the territory
20 or state at the time of entry into the service, has been a resident
21 of the territory or state for at least one year at the time of the
22 loan application and has been a resident of the territory or state
23 for at least five years; and

24 (C) whose discharge was under honorable conditions;

25 (2) the widow or widower of a member of the armed forces or
26 an eligible veteran if

27 (A) the member or veteran was a resident of the terri-
28 tory or state for one year before induction into the service;

29 (B) the member or veteran served in the armed forces for

1 at least 90 days after April 6, 1917; and

2 (C) his discharge was under honorable conditions;

3 (3) a person who has served in the Alaska Army National
4 Guard, the Alaska Air National Guard, or the Alaska Naval Militia or who
5 has served in a reserve unit of the United States armed forces in Alaska
6 if the reserve unit required, as a minimum, one weekend each month of
7 duty and 15 consecutive days of active duty training each year for not
8 less than five years and whose discharge was under honorable conditions.

9 Sec. 18.56.103. FEDERAL TAXATION OF INTEREST ON BONDS AND BOND
10 ANTICIPATION NOTES. If the interest on bonds or bond anticipation notes
11 of the corporation issued after June 1, 1980, becomes taxable under the
12 income tax laws of the United States, the legislature may appropriate an
13 amount sufficient to pay the outstanding principal and interest on the
14 bonds or bond anticipation notes. Nothing in this section creates a
15 debt or liability of the State of Alaska.

16 Sec. 18.56.105. ALLOCATION OF LENDING ACTIVITIES. The corporation
17 shall designate regions within the state which in the aggregate, en-
18 compass the entire state. In participating in the making or purchasing
19 of loans under AS 18.56.090(1) - (3) or under AS 18.56.100, the corpora-
20 tion shall make its money available through the private financial insti-
21 tutions in the state within each region designated by the corporation
22 under this section. The corporation shall allocate its money among the
23 regions on the basis of recent and future anticipated lending activity
24 as well as the potential need for the loans in each region and may
25 reallocate its money among the regions as it considers appropriate to
26 reflect changes in lending activity or need in the regions.

27 * Sec. 30. AS 18.56.200 is amended by adding new subsections to read:
28 (b) By January 10 of each year beginning in 1981, the board shall
29 publish a report of the corporation for distribution to the governor,

1 legislature, and the public. The report shall be written in easily
2 understandable language. The report shall include a financial statement
3 audited by an independent outside auditor, a statement of corporation
4 investments in mortgage loans under this chapter, including an estimate
5 of market value of the mortgage loans, a comparison of the corporation
6 performance with the goals of the corporation, and the levels of bonding
7 and investment activities anticipated in the previous year's report
8 under (c) of this section, and any other information the board believes
9 would be of interest to the governor, the legislature, and the public.
10 The annual income statement and balance sheet of the corporation shall
11 be published in at least one newspaper in each judicial district. The
12 board may also publish other reports it considers desirable to carry out
13 its purpose.

14 (c) The corporation shall include in its annual report under (b)
15 of this section an estimate of the investment activity of the corpora-
16 tion in mortgage loans under this chapter for the following 12-month
17 period and an estimate of the amount of bonds to be issued for the
18 investments. Notwithstanding AS 18.56.090(12) or 18.56.110(a), the
19 corporation may not issue bonds other than refunding bonds during any
20 12-month period beginning after June 30, 1981, in an amount that exceeds
21 the amount approved by law for that 12-month period.

22 * Sec. 31. AS 18.56.210(11) is amended to read:

23 (11) "residential housing" means a specific work or improve-
24 ment undertaken primarily to provide dwelling accommodations without
25 limitation as to form of lawful occupancy, whether rental, under con-
26 tract, fee ownership, cooperative housing, condominium, mobile home, or
27 other lawful form of ownership, [FOR PERSONS OF LOWER AND MODERATE
28 INCOME, OR IN REMOTE, UNDERDEVELOPED OR BLIGHTED AREAS,] including the
29 acquisition, construction or rehabilitation of land, buildings and

1 improvements to them, and such other nonhousing facilities as may be
2 incidental or appurtenant to the land or buildings;

3 * Sec. 32. AS 24.20.201(a) is amended by adding a new paragraph to read:

4 (9) provide for annual post audits of the Alaska Housing
5 Finance Corporation and the Alaska Industrial Development Authority.

6 * Sec. 33. AS 24.20.206 is amended by adding a new paragraph to read:

7 (8) provide for an annual operational and performance evalua-
8 tion of the Alaska Housing Finance Corporation and the Alaska Industrial
9 Development Authority; the performance evaluation shall include, but is
10 not limited to, a comparison of the impact on various sectors of the
11 economy by public and private lending, the impact on resident and non-
12 resident employment, the impact on real wages, and the impact on state
13 and local operating and capital budgets of the programs of the Alaska
14 Housing Finance Corporation and the Alaska Industrial Development
15 Authority.

16 * Sec. 34. AS 26.15.040 is amended by adding a new subsection to read:

17 (e) If the real property which secures a loan made under (a)(2) or
18 (a)(4) of this section is transferred by the borrower and the loan was
19 made five years or more before the transfer, the commissioner of com-
20 merce and economic development shall allow the transferee to assume the
21 outstanding indebtedness on the loan unless the commissioner determines
22 in writing that the credit of the transferee is not satisfactory to
23 assure repayment of the loan. The transferee may assume the outstanding
24 indebtedness on the loan at the existing interest rate on the loan if he
25 is eligible for a loan under AS 26.15.130 or 26.15.160. If the trans-
26 feree is not eligible for a loan under AS 26.15.130 or 26.15.160, he may
27 assume the outstanding indebtedness on the loan only if he agrees to pay
28 interest on the loan at a rate determined by the commissioner of commerce
29 and economic development to reflect the prevailing market rate of in-

1 terest on that type of loan.

2 * Sec. 35. AS 27 is amended by adding a new chapter to read:

3 CHAPTER 9. MINING LOAN FUND.

4 Sec. 27.09.010. MINING LOAN FUND. There is established in the
5 Department of Commerce and Economic Development the mining loan fund.
6 The department may make loans from the fund to underwrite advanced
7 mineral exploration, development or mining in the state.

8 Sec. 27.09.020. ELIGIBILITY. The department may make loans under
9 this chapter to

10 (1) an individual who has at least five years of mining or
11 prospecting experience in Alaska and who is a resident of Alaska; or

12 (2) a corporation which has at least five years of mining or
13 prospecting experience in Alaska and at least 51 percent of the share-
14 holders of which are residents of Alaska.

15 Sec. 27.09.030. OPERATING PLAN. (a) A person who requests a loan
16 under AS 27.09.010 shall prepare an operating plan which describes the
17 amount of the loan requested, the nature and location of the advanced
18 mineral exploration, development or mining for which the loan is re-
19 quested, the equipment and other resources available to the person to
20 implement the operating plan, and the economic feasibility of the plan.
21 The person requesting a loan shall submit his operating plan to the
22 department.

23 (b) Within 30 days after receipt of an operating plan under (a) of
24 this section, the department shall review the operating plan and shall
25 determine the economic feasibility of the advanced mineral exploration,
26 development or mining described in the operating plan. The department
27 may extend the time for making its determination as to economic feasi-
28 bility if an extension is necessary to obtain more information under (c)
29 of this section.

1 (c) The department may require a person who has submitted an
2 operating plan to provide additional information on the proposed advanced
3 mineral exploration, development or mining if the information is neces-
4 sary for a determination of economic feasibility under (b) of this
5 section.

6 (d) If the department determines that an operating plan is economi-
7 cally feasible, the department shall provide the person who submitted
8 the plan with a written statement of economic feasibility.

9 (e) The department may enter into contracts for the services of
10 experts in advanced mineral exploration, development or mining to per-
11 form the functions described in (b) - (d) of this section.

12 (f) Information acquired under this section is confidential and
13 may not be disclosed except to the person who supplied the information
14 or except by order of a court.

15 Sec. 27.09.040. LOAN TERMS. (a) A loan granted under this chap-
16 ter

17 (1) may not exceed \$5,000,000;
18 (2) may not exceed a term of 15 years;
19 (3) may not bear interest exceeding 10 percent; and
20 (4) may not exceed 75 percent of the appraised value of the
21 collateral used to secure the loan.

22 (b) A loan may not be made under this chapter if it would result
23 in an outstanding debt of the borrower to the fund in excess of
24 \$5,000,000.

25 (c) A loan made under this chapter shall be secured by

26 (1) a first priority lien or mortgage; or

27 (2) a second priority lien or mortgage which is subordinate
28 to a valid first priority lien or mortgage in favor of a private lending
29 institution if the total of the financing by the private lending insti-

1 tution and by the loan made under this chapter does not exceed 75 per-
2 cent of the appraised value of the collateral used to secure the loan.

3 (d) Unless the loan under this chapter was made to underwrite
4 placer mining activities, repayment of the loan principal shall begin
5 not later than one year after the date mineral production begins or five
6 years from the date the loan is made, whichever is sooner. For loans
7 made under this chapter to underwrite placer mining activities, the
8 department may not require repayment of principal to begin before the
9 end of the second placer mining season after the loan is made. The
10 accrual of interest on a loan made under this chapter begins when the
11 loan is made, and the accrued interest shall be repaid on a monthly
12 basis. In this subsection "placer mining season" means the time during
13 a consecutive 12-month period when placer mining activities may be
14 conducted by virtue of the thawed and fluid condition of the streams and
15 rivers in the mining area.

16 (e) Principal, interest, and other money received by the depart-
17 ment from the repayment of loans made under this chapter shall be paid
18 into the general fund.

19 Sec. 27.09.050. REGULATIONS. The department may adopt regulations
20 in accordance with the Administrative Procedure Act (AS 44.62) to ad-
21 minister this chapter. Regulations adopted under this section shall be
22 prepared after consultation with the Department of Natural Resources or
23 after consultation with a person who, in the opinion of the commissioner
24 of commerce and economic development or his designee, has broad experience
25 in and is highly qualified in advanced mineral exploration, development
26 and mining.

27 Sec. 27.09.060. DEFINITIONS. In AS 27.09.010 - 27.09.060,

28 (1) "advanced mineral exploration" means the investigation of
29 a known mineral deposit to gain knowledge of its size, shape and value,

1 and to determine whether it is feasible for mining, by the use of geo-
2 physical surveys, boreholes, pits, or underground workings;

3 (2) "date of mineral production" means the date on which the
4 first shipment of products from mining operations is made;

5 (3) "department" means the Department of Commerce and Eco-
6 nomic Development;

7 (4) "development" means the preparation of a proven mineral
8 deposit for mining;

9 (5) "fund" means the mining loan fund.

10 (6) "mining" means the extraction of ore and the preparation
11 of a mineral product for market.

12 * Sec. 36. AS 37.05 is amended by adding a new section to read:

13 Sec. 37.05.035. ANNUAL STATE LOAN REPORTS. Each state agency
14 which makes or purchases a loan shall prepare an annual report of the
15 aggregate of all loans, by type, made or purchased by the state agency
16 during the preceding fiscal year. The report shall include the estimated
17 rate of interest that would have been charged if the loan had been made
18 or purchased at prevailing market rates and shall include the difference
19 between the return on the loan which would have been realized under that
20 estimated rate of interest and the return on the loans under the interest
21 rate actually charged. In the absence of a prevailing market rate in
22 the state, the state agency shall use a rate which, in the judgment of
23 the agency, is comparable to a prevailing market rate. The report shall
24 also include an analysis of the income groups benefited under the loan
25 programs. By January 30 of each year the state agency shall submit to
26 the legislature a copy of the report prepared under this section.

27 * Sec. 37. AS 44.47 is amended by adding a new section to read:

28 ARTICLE 4A. LOAN INFORMATION OFFICERS.

29 Sec. 44.47.155. LOAN INFORMATION OFFICERS. (a) The department

1 may provide itinerant loan information officers to serve persons who
2 reside outside the major population centers of the state.

3 (b) The loan information officers shall be trained, to the extent
4 that the department considers necessary, in a program administered by
5 the department and approved by the Alaska Housing Finance Corporation,
6 the Alaska Industrial Development Authority, and the principal depart-
7 ments of the executive branch which administer loan programs.

8 (c) A majority of the loan information officers shall be persons
9 who are conversant in Alaska Native languages which are spoken by a
10 significant number of Alaska Natives. The department shall provide
11 brochures and other printed materials, written in easily understandable
12 English and in the Alaska Native languages which are spoken by a
13 significant number of Alaska natives, for distribution by the loan
14 information officers. The brochures and printed materials shall explain
15 the purposes of the various state loan programs, the minimum qualifica-
16 tions under the programs, the method for obtaining assistance in the
17 completion of applications for the programs, and other information the
18 department determines will improve the access of persons in rural areas
19 to the state's loan programs.

20 (d) The department shall coordinate its efforts under this section
21 with local financial institutions and community groups to determine the
22 proper itinerary and travel schedule of the loan information officers
23 and to provide adequate notice to persons in rural areas of the itiner-
24 ary and travel schedule of the loan information officers.

25 (e) The department shall assign the loan information officers to
26 rural areas based on the current and potential future demands for loans
27 in those areas and shall establish offices for the loan information
28 officers in rural areas if the department determines it is necessary to
29 provide familiarity with the area served by the loan information offi-

1 cers and to reduce travel costs.

2 * Sec. 38. AS 44.58.080(7) is amended to read:

3 (7) subject to AS 44.58.100(b), borrow money and issue its
4 negotiable bonds or notes and provide for and secure their payment,
5 provide for the rights of their holders and purchase, hold and dispose
6 of any of its bonds or notes;

7 * Sec. 39. AS 44.58 is amended by adding a new section to read:

8 Sec. 44.58.095. REGULATIONS. The bond bank authority shall adopt
9 regulations, in accordance with the Administrative Procedure Act
10 (AS 44.62), to implement this chapter.

11 * Sec. 40. AS 44.58.100 is amended by adding a new subsection to read:

12 (b) The bond bank authority shall include in the report required
13 by (a) of this section an estimate of the amount of revenue bonds of the
14 bond bank authority to be issued during the following 12-month period.
15 The bond bank authority may not issue revenue bonds other than refunding
16 bonds during any 12-month period beginning after June 30, 1981, unless
17 the legislature, by law, approves the estimate required by this subsec-
18 tion for that 12-month period.

19 * Sec. 41. AS 44.58.180(a) is amended to read:

20 (a) Subject to AS 44.58.100(b), the [THE] bond bank authority may
21 issue its bonds or notes in principal amounts that it considers neces-
22 sary to provide funds for any purposes under this chapter, including

23 (1) the purchase of municipal bonds;

24 (2) the making of loans through the purchase of municipal
25 bonds;

26 (3) the payment, funding or refunding of the principal of, or
27 interest or redemption premiums on, bonds or notes issued by it whether
28 the bonds or notes or interest to be funded or refunded have or have not
29 become due;

1 (4) the establishment or increase of reserves to secure or to
2 pay bonds or notes or interest on bonds or notes and all other costs or
3 expenses of the bond bank authority incident to and necessary or con-
4 venient to carry out its corporate purposes and powers.

5 * Sec. 42. On the effective date of this section the Alaska State De-
6 velopment Corporation (AS 44.59.010) shall transfer its assets and liabili-
7 ties to the Alaska Industrial Development Authority (AS 44.61.020). On the
8 effective date of this section the Small Business Development Corporation
9 (AS 44.60.020) shall transfer its assets and liabilities to the Alaska In-
10 dustrial Development Authority (AS 44.61.020). On the effective date of this
11 section the Alaska Toll Bridge Authority (AS 44.57.010) shall transfer its
12 assets and liabilities to the Alaska Industrial Development Authority
13 (AS 44.61.020). The Alaska Industrial Development Authority is responsible
14 for the management of the assets and liabilities transferred to it under this
15 section.

16 * Sec. 43. AS 39.25.110 is amended by adding a new paragraph to read:

17 (23) the executive director and other employees of the Alaska
18 Industrial Development Authority.

19 * Sec. 44. AS 44.61.010(a)(3) is amended to read;

20 (3) the state lacks the basic manufacturing, [AND] indus-
21 trial, small business, tourism, mining, and commercial fishing enter-
22 prises and other facilities referred to in AS 44.61.010(a)(5) necessary
23 to permit adequate development of its natural resources and the balanced
24 growth of its economy;

25 * Sec. 45. AS 44.61.010(a)(4) is amended to read:

26 (4) the establishment of industrial, [AND] manufacturing,
27 small business, tourism, mining, and commercial fishing enterprises
28 [PLANTS] in Alaska, including facilities for air and water transporta-
29 tion, facilities for pollution control and waste disposal, facilities

1 [AND] for the local furnishing of [ELECTRIC ENERGY OR] gas, facilities
2 for water, and facilities for industrial parks, is essential to the de-
3 velopment of the natural resources and the long term economic growth of
4 the state, and will directly and indirectly alleviate unemployment in
5 the state;

6 * Sec. 46. AS 44.61.010(a)(5) is amended to read:

7 (5) the achievement of the goal of full employment, and of
8 establishment and continuing operation and development of industrial,
9 [AND] manufacturing, small business, tourism, mining, and commercial
10 fishing enterprises [PLANTS] in the state, including facilities for air
11 and water transportation, facilities for pollution control and waste
12 disposal, facilities [AND] for the local furnishing of [ELECTRIC ENERGY
13 OR] gas, facilities for water, and facilities for industrial parks, will
14 be accelerated and facilitated by the creation of an instrumentality of
15 the state with powers to incur debt and to make and insure loans to fi-
16 nance, and to assist private lenders to make loans to finance, the estab-
17 lishment, operation, and development of [FOR ACQUIRING OR CONSTRUCTING]
18 industrial, [AND] manufacturing, small business, tourism, mining, and
19 commercial fishing enterprises [PLANTS], including facilities for air
20 and water transportation, facilities for pollution control and waste
21 disposal, facilities [AND] for the local furnishing of [ELECTRIC ENERGY
22 OR] gas, facilities for water, and facilities for industrial parks, for
23 private operation [AND THUS PROVIDE FINANCIAL ASSISTANCE FOR THE ESTAB-
24 LISHMENT, OPERATION AND DEVELOPMENT OF THESE PLANTS ON A BASIS OFFSETTING
25 IN WHOLE OR IN PART THE CONSTRUCTION, MARKETING OR OTHER COSTS INVOLVED
26 IN THE PROJECTS].

27 * Sec. 47. AS 44.61.010(a) is amended by adding new paragraphs to read:

28 (6) it is in the public interest to promote the prosperity
29 and general welfare of all citizens of the state by stimulating commer-

1 cial and industrial growth and expansion by encouraging an increase of
2 private investment by banks, investment houses, insurance companies, and
3 other financial institutions, including pension and retirement funds, to
4 help satisfy the need for economic expansion;

5 (7) it is in the state's interest to import private capital
6 to create new economic activity which would not otherwise take place in
7 the state.

8 * Sec. 48. AS 44.61.010(b) is amended to read:

9 (b) It is declared to be the policy of the state, in the interests
10 of promoting the health, security and general welfare of all the people
11 of the state, and a public purpose, to increase job opportunities and
12 otherwise to encourage the economic growth of the state, including the
13 development of its natural resources, through the establishment of
14 manufacturing, [AND] industrial, small business, tourism, mining, and
15 commercial fishing enterprises and the other facilities referred to in
16 AS 44.61.010(a)(5) by creating the public corporation with power, duties
17 and functions as provided in this chapter.

18 * Sec. 49. AS 44.61.030 is repealed and re-enacted to read:

19 Sec. 44.61.030. MEMBERSHIP OF AUTHORITY. (a) The membership of
20 the authority consists of

21 (1) the commissioner of revenue and the commissioner of
22 commerce and economic development;

23 (2) one other person appointed by the governor who serves as
24 the head of a principal department of the executive branch; and

25 (3) two public members appointed by the governor.

26 (b) If a member described in (a)(1) or (2) of this section is
27 unable to attend a meeting of the authority, he may by an instrument in
28 writing filed with the authority, designate his deputy or assistant to
29 act in his place as a member at the meeting. For all purposes of this

1 chapter, the designee is a member of the authority at the meeting.

2 (c) Members of the authority described in (a)(2) and (3) of this
3 section serve two-year terms. However, the initial appointment of one
4 member described in (a)(3) of this section shall be for a one-year term.

5 (d) If a vacancy occurs in the membership of the authority, the
6 governor shall immediately appoint a member for the unexpired portion of
7 the term.

8 * Sec. 50. AS 44.61.030 is amended by adding a new subsection to read:

9 (e) The appointment or reappointment of a member of the authority
10 under (a)(2) or (a)(3) of this section is subject to confirmation by a
11 majority vote of the members of the legislature in joint session. If
12 the legislature fails to confirm the appointment of the head of a prin-
13 cipal department of the executive branch as a member, the governor shall
14 appoint the head of another principal department of the executive branch
15 to serve as a member subject to confirmation under this subsection. A
16 member appointed to fill a vacancy under (d) of this section is subject
17 to confirmation under this subsection.

18 * Sec. 51. AS 44.61.040 is amended to read:

19 Sec. 44.61.040. CHAIRMAN AND VICE-CHAIRMAN. The members of the
20 authority shall elect a chairman from among themselves [THE COMMISSIONER
21 OF COMMERCE AND ECONOMIC DEVELOPMENT IS THE CHAIRMAN OF THE AUTHORITY,
22 PRESIDES OVER ALL MEETINGS, AND HAS THE DUTIES WHICH THE AUTHORITY MAY
23 DIRECT]. A vice-chairman may be elected by the authority from among its
24 other members [FOR ONE OR MORE TERMS OF ONE YEAR EACH]. The vice-
25 chairman presides over all meetings in the absence of the chairman
26 [COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT] and has other duties
27 which the authority may direct.

28 * Sec. 52. AS 44.61.050(b) is repealed and re-enacted to read:

29 (b) The public members of the authority receive \$100 compensation

1 for each day spent on official business of the authority and may be
2 reimbursed by the authority for actual and necessary expenses at the
3 same rate paid to members of state boards under AS 39.20.180.

4 * Sec. 53. AS 44.61.050(c) is amended to read:

5 (c) The authority may appoint persons as officers it considers
6 advisable, including an executive director [OR EXECUTIVE VICE-PRESI-
7 DENT], and may employ professional advisors, counsel, technical experts,
8 agents, and other employees it considers advisable. The executive
9 director and employees of the authority are in the exempt service under
10 AS 39.25.

11 * Sec. 54. AS 44.61.070 is amended to read;

12 Sec. 44.61.070. PURPOSE OF THE AUTHORITY. The purpose of the
13 authority is to promote, develop and advance the general prosperity and
14 economic welfare of the people of Alaska, to relieve problems of un-
15 employment and to create additional employment by providing various [A]
16 means of financing and means of facilitating the financing of indus-
17 trial, [AND] manufacturing, small business, tourism, mining, and com-
18 mercial fishing enterprises and the other facilities referred to in
19 AS 44.61.010(a)(5) [PLANT CONSTRUCTION, CONVERSION OR EXPANSION] within
20 the state [, INCLUDING THE ACQUISITION OF REAL PROPERTY, FOR LEASE OR
21 SALE TO BUSINESS ENTERPRISES FOR INDUSTRIAL OR MANUFACTURING PURPOSES].

22 * Sec. 55. AS 44.61.080(4) is amended to read:

23 (4) to adopt [MAKE RULES AND] regulations governing the
24 exercise of its corporate powers;

25 * Sec. 56. AS 44.61.080(5) is amended to read:

26 (5) to acquire an interest in a project as necessary or ap-
27 propriate to provide financing for the project, whether by [CONSTRUC-
28 TION,] purchase, gift or lease [, AND TO IMPROVE AND EQUIP PROJECTS IN
29 THE STATE];

1 * Sec. 57. AS 44.61.080(7) is amended to read:

2 (7) to issue bonds, in accordance with AS 44.61.090, to pay
3 the cost of [ACQUIRING BY CONSTRUCTION, PURCHASE OR LEASE OR IMPROVING
4 AND EQUIPPING] a project and to secure payment of the bonds as provided
5 in this chapter;

6 * Sec. 58. AS 44.61.080(8) is amended to read:

7 (8) to sell, by installment sale or otherwise, exchange,
8 donate, convey or encumber in any manner by mortgage or by creation of
9 any other security interest, real or personal property owned by it, or
10 in which it has an interest, including a project, when, in the judgment
11 of the authority, the action is in furtherance of its corporate pur-
12 poses;

13 * Sec. 59. AS 44.61.080 is amended by adding new paragraphs to read:

14 (12) to purchase or insure loans to finance the costs of
15 manufacturing, industrial, small business, tourism, mining, and commer-
16 cial fishing enterprise projects;

17 (13) to enter into loan agreements with respect to one or more
18 projects upon the terms and conditions the authority considers advis-
19 able;

20 (14) to acquire, manage, and operate a project when it becomes
21 necessary or desirable to do so to safeguard the authority from losses;

22 (15) to assist private lenders to make loans to finance the
23 costs of projects through loan commitments, short-term financing, or
24 otherwise;

25 (16) to accept gifts, grants, or loans from a federal agency,
26 from an agency or instrumentality of the state or of a municipality, or
27 from any other source;

28 (17) to enter into contracts or other transactions with a
29 federal agency, with an agency or instrumentality of the state or of a

1 municipality, or with a private organization or other entity consistent
2 with the exercise of any power under this chapter;

3 (18) to facilitate the expansion of a secondary market for the
4 resale of federally or commercially insured loans held by commercial
5 banks in Alaska.

6 * Sec. 60. AS 44.61.090(a) is amended to read:

7 (a) Subject to (g) of this section, the [THE] authority may borrow
8 money and may issue bonds [THEREFOR], including but not limited to bonds
9 on which the principal and interest are payable, (1) exclusively from
10 the income and receipts or other money derived from the project financed
11 with the proceeds of the bonds, (2) exclusively from the income and
12 receipts or other money derived from designated projects whether or not
13 they are financed in whole or in part with the proceeds of the bonds, or
14 (3) from its income and receipts or other assets generally, or a desig-
15 nated part or parts of them.

16 * Sec. 61. AS 44.61.090 is amended by adding new subsections to read:

17 (g) The authority may not

18 (1) issue bonds other than refunding bonds during any
19 12-month period beginning after June 30, 1981, in an amount that exceeds
20 the amount approved by law for that 12-month period; or

21 (2) issue revenue bonds other than refunding bonds for a
22 project under this chapter in an amount greater than \$50,000,000 during
23 any 12-month period beginning after June 30, 1981, unless the issuance
24 is included separately in the estimates required in the report of the
25 authority under AS 44.61.210(b) and unless the legislature, by law,
26 approves the issuance.

27 (h) The authority may combine, for the purposes of a single offer-
28 ing, bonds financing more than one project under this chapter.

29 * Sec. 62. AS 44.61 is amended by adding a new section to read:

1 Sec. 44.61.105. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND
2 REQUIREMENT. (a) For the purpose of securing one or more issues of its
3 bonds, the authority may establish one or more special funds, called
4 "capital reserve funds", and shall pay into those capital reserve funds
5 the proceeds of the sale of its bonds and other money which may be made
6 available to the authority from other sources for the purposes of the
7 capital reserve funds. A capital reserve fund may be established only
8 if the authority determines that the establishment of the fund would
9 enhance the marketability of the bonds. Money in a capital reserve
10 fund, except as provided in this section, may be used as required only
11 for (1) the payment of the principal of, and interest on, bonds or of
12 the sinking fund payments with respect to those bonds; (2) the purchase
13 or redemption of the bonds; or (3) the payment of a redemption premium
14 required to be paid when the bonds are redeemed before maturity. How-
15 ever, money in a capital reserve fund may not be withdrawn if the with-
16 drawal would reduce the amount in the capital reserve fund to less than
17 the capital reserve requirement, except for the purpose of making pay-
18 ment, when due, of principal, interest, redemption premiums on the
19 bonds, and sinking fund payments when other money of the authority is
20 not available for the payments. Income or interest earned by, or in-
21 crement to, a capital reserve fund, from the investment of all or part
22 of the fund, may be transferred by the authority to other funds or
23 accounts of the authority if the transfer does not reduce the amount of
24 the capital reserve fund below the capital reserve fund requirement.

25 (b) If the authority decides to issue bonds secured by a capital
26 reserve fund, the bonds may not be issued if the amount in the capital
27 reserve fund is less than the capital reserve fund requirement, unless
28 the authority, at the time of issuance of the bonds, deposits in the
29 capital reserve fund from the proceeds of the bonds to be issued or from

1 other sources, an amount which, together with the amount then in the
2 fund, is not less than the capital reserve fund requirement.

3 (c) In computing the amount of a capital reserve fund for the
4 purpose of this section, securities in which all or a portion of the
5 fund is invested shall be valued by a reasonable method established by
6 the authority by resolution. Valuation shall include the amount of
7 interest earned or accrued as of the date of the valuation.

8 (d) The chairman of the authority shall annually, no later than
9 January 2, certify in writing to the governor and the legislature the
10 amount, if any, required to restore a capital reserve fund to the capi-
11 tal reserve fund requirement. The legislature may appropriate to the
12 authority the amount certified by the chairman of the authority. The
13 authority shall deposit the amounts appropriated under this subsection
14 during a fiscal year in the proper capital reserve fund. Nothing in
15 this section creates a debt or liability of the state.

16 (e) In this section, "capital reserve fund requirement" means the
17 amount required to be on deposit in the capital reserve fund as of the
18 date of computation as determined by resolution of the authority.

19 * Sec. 63. AS 44.61.140(a) is amended to read:

20 (a) The real and personal property of the authority and its
21 assets, income and receipts are declared to be the property of a
22 political subdivision of the state and, together with any project
23 financed under this chapter and a leasehold interest created in a
24 project applicant [OCCUPANT] or other person under this chapter, devoted
25 to an essential public and governmental function and purpose, and the
26 property, assets, income, receipts, project and leasehold interests
27 shall be exempt from all taxes and special assessments of the state or a
28 political subdivision of the state, including, without limitation, all
29 boroughs, cities, municipalities, school districts, public utility

1 districts and other taxing units. All bonds of the authority are
2 declared to be issued by a political subdivision of the state and for an
3 essential public and governmental purpose and to be a public instrumen-
4 tality and the bonds, and the interest on them, the income from them and
5 the transfer of the bonds, and all assets, income and receipts pledged
6 to pay or secure the payment of the bonds, or interest on them, shall at
7 all times be exempt from taxation by or under the authority of the
8 state, except for inheritance and estate taxes and taxes on transfers by
9 or in contemplation of death. Nothing in this section affects or limits
10 an exemption from license fees, property taxes, or excise, income or any
11 other taxes, provided under any other law, nor does it create a tax
12 exemption with respect to the interest of any business enterprise or
13 other person, other than the authority, in any property, assets, income,
14 receipts, project or lease whether or not financed under this chapter.

15 * Sec. 64. AS 44.61.140(b) is amended to read:

16 (b) The authority may enter into agreements with a proposed pro-
17 ject applicant [OCCUPANT] or project applicant [OCCUPANT] providing for
18 payments, computed on a formula basis or otherwise, in lieu of taxes,
19 which the authority may consider appropriate. The agreement may provide
20 that the payments be made to the political subdivision of the state in
21 which a project is or is to be located or to any other taxing unit of
22 the state including, without limitation, a borough, city, municipality,
23 school district or public utility district, the area of which is
24 coterminous in whole or in part with that of the political subdivision.

25 * Sec. 65. AS 44.61 is amended by adding new sections to article 3 to
26 read:

27 Sec. 44.61.155. ENTERPRISE DEVELOPMENT FUND. (a) There is estab-
28 lished in the authority the enterprise development fund. The enterprise
29 development fund is a trust fund for the uses and purposes of this

1 chapter. Money may be paid into and out of the enterprise development
2 fund only as provided in this chapter. The enterprise development fund
3 may be composed of money or assets appropriated or transferred to the
4 authority, interest on investments and loans of the enterprise develop-
5 ment fund, and other money deposited in it by the authority.

6 (b) The authority shall establish within the enterprise develop-
7 ment fund a loan insurance account, a small business, tourism, mining,
8 and commercial fishing enterprises loan account and other accounts it
9 considers appropriate. Amounts in the enterprise development fund
10 including, without limitation, repayments of loan principal and interest,
11 may be pledged to the payment of bonds of the authority and shall be
12 held and invested by the authority in investments authorized under
13 AS 37.10.070(a) or as may be authorized in agreements with bondholders
14 respecting amounts in the loan insurance account, the small business,
15 tourism, mining, and commercial fishing enterprises loan account, and
16 other accounts within the enterprise development fund.

17 (c) Repayments of loan principal and interest may be deposited in
18 the accounts of the enterprise development fund. The amount in the
19 enterprise development fund at the end of each fiscal year beginning
20 after June 30, 1981, including, but not limited to, repayments of loan
21 principal and interest, which, in the opinion of the authority, is in
22 excess of the amount required to be held in the enterprise development
23 fund under agreements with bondholders and the amount necessary for loan
24 commitments, lapses into the general fund.

25 Sec. 44.61.157. LOAN INSURANCE AND LOAN INSURANCE ACCOUNT. (a)
26 The purpose of the loan insurance account is to provide insurance of
27 mortgage loans and other loans made or purchased by the authority, or
28 made by others and approved for insurance by the authority, for a pro-
29 ject. The authority may enter into agreements as to the use of money in

1 the loan insurance account and may pledge, assign, or grant interests in
2 the loan insurance account as provided in this section. The authority
3 may adopt regulations and enter into agreements with respect to the
4 exercise of any power or approval relating to the loan insurance account
5 under this section, including, without limitation, agreements as to the
6 use of money in the loan insurance account, agreements with respect to
7 the terms and conditions upon which payments from the loan insurance
8 account will be made with respect to a loan insured under this section,
9 agreements as to separate subaccounts in the loan insurance account for
10 different categories of loans or as to loans made by the authority or
11 any other person, and agreements regarding the payment of and security
12 for bonds issued by the authority. An agreement, the rights of the
13 authority under an agreement, or payments received or to be received
14 under an agreement may be pledged or assigned by the authority for the
15 benefit of the holders of bonds issued by the authority.

16 (b) The authority may, upon application of a borrower or proposed
17 borrower, insure and make advance commitments to insure loan repayments
18 required under the terms of a loan made by it or by another lender with
19 respect to a project, upon the terms and conditions the authority pre-
20 scribes. To be eligible for insurance under this chapter, a loan for a
21 project

22 (1) shall be held by the authority or by a lender approved by
23 the authority as responsible and able to service the loan;

24 (2) may not exceed \$10,000,000 for a project, or 90 percent
25 of the cost of the project or 90 percent of the appraised value of the
26 project, whichever is less;

27 (3) may not be made for a term longer than three-quarters of
28 the authority's estimate of the life of the project or 25 years from the
29 date of issuance of the insurance, whichever is earlier;

1 (4) shall contain complete amortization provisions satis-
2 factory to the authority requiring periodic payments by the borrower;
3 and

4 (5) shall be in the form and contain the terms with respect
5 to insurance, repairs, alterations, payment of taxes and assessments,
6 default reserves, delinquency charges, default remedies, acceleration of
7 maturity, additional and secondary liens, and other matters that the
8 authority prescribes.

9 (c) In addition to other fees which the authority may charge on
10 loans, the authority may collect or cause to be collected on loans
11 insured under this section, either a loan insurance commitment fee or a
12 loan insurance premium or both. Loan insurance fees and loan insurance
13 premiums are not required to be uniform among the various loans insured.
14 Loan insurance commitment fees and loan insurance premiums shall be
15 deposited in the insurance account by the loan servicer, trustee, or
16 agent designated by the authority to receive them.

17 (d) If, at any time after receipt by the authority of a payment
18 from the loan insurance account with respect to a loan, the authority
19 recovers an amount on the loan or portion of it from a source other than
20 the loan insurance account, the authority shall apply the amount re-
21 covered in the following order: first, to repay the general fund of the
22 state for appropriations made under (g) of this section, and second, to
23 repay the loan insurance account.

24 (e) Loans may be insured only when the amount either in the loan
25 insurance account insuring the loans or a subaccount in the loan in-
26 surance account insuring the loans, as a percentage of the sum of the
27 loans to be insured and all unpaid principal on loans insured by the
28 loan insurance account or the subaccount, equals or exceeds the fund re-
29 quirement. The fund requirement is calculated as a percentage which the

1 authority determines is actuarially sound for operation of the loan
2 account or a subaccount.

3 (f) When the authority determines what is "actuarially sound" with
4 respect to the operation of the loan insurance account or a subaccount
5 in the loan insurance account, it shall consider means of providing
6 sufficient revenue for the operation of the account or subaccount,
7 without regard to amounts which may have been or may, after the date of
8 determination of actuarial soundness, be appropriated under (g) of this
9 section. The authority shall also consider factors including, without
10 limitation, estimates of future defaults and losses of loans insured
11 under this section based on actual default and loss experience on those
12 loans or on similar loans in the state or elsewhere, estimates of re-
13 coveries on defaulted or foreclosed loans based on actual default and
14 foreclosure experience on those loans or similar loans in the state or
15 elsewhere, the terms and conditions of the loans insured under this
16 section, estimates of earnings and income of amounts on deposit in the
17 loan insurance account, and other appropriate factors.

18 (g) On December 1 of each year the authority shall determine the
19 amount on deposit in the loan insurance account and in each subaccount
20 in the loan insurance account. If the amount in the loan insurance
21 account or the amount in a subaccount in the loan insurance account is
22 less than the fund requirement for the account or for the subaccount,
23 the authority shall transfer the amount necessary to restore the loan
24 insurance account or the subaccount to the fund requirement. The trans-
25 fer shall be made from available money which is not encumbered or re-
26 stricted for other use under the terms of contracts with bondholders or
27 others. If sufficient money is not available for transfer, the chairman
28 of the authority shall, no later than January 2 of the following year,
29 certify in writing to the governor and to the legislature the amount, if

1 any, required to restore the account or a subaccount to the fund
2 requirement. The legislature may appropriate the amount certified and
3 the authority shall deposit in the account or proper subaccount the
4 amounts appropriated by the legislature for the purposes of this sub-
5 section during the then current state fiscal year. Nothing in this
6 subsection creates a debt or liability of the state.

7 (h) A contract of insurance executed by the authority under this
8 section is conclusive evidence of eligibility for the insurance. The
9 validity of a contract of insurance executed by the authority or of an
10 advance commitment to insure is incontestable from the date of the
11 execution of the contract or commitment, except for fraud or misrepre-
12 sentation on the part of the insured or, as to commitments to insure,
13 noncompliance with the terms of the advance commitment or authority
14 regulations in force at the time of issuance of the advance commitment.

15 (i) In this section:

16 (1) "loan insurance commitment fee" means a fee which is a
17 percentage of the principal amount of a loan to be insured under this
18 section determined by the authority to be actuarially sound for the
19 operation of the loan insurance account;

20 (2) "loan insurance premium" means an annual insurance pre-
21 mium which is a percentage of the portion of the unpaid principal amount
22 of a loan insured under this section determined by the authority to be
23 actuarially sound for the operation of the loan insurance account or any
24 subaccount.

25 Sec. 44.61.158. SMALL BUSINESS, TOURISM, MINING, AND COMMERCIAL
26 FISHING ENTERPRISES LOAN ACCOUNT. (a) The authority may use the assets
27 of the small business, tourism, mining, and commercial fishing enter-
28 prises loan account to purchase loans made by others to small business
29 enterprises, tourism enterprises, mining enterprises, and commercial

1 fishing enterprises to pay the costs of projects, as defined in AS 44.-
2 61.220, which have been or which the authority anticipates will be
3 financed with the proceeds of bonds.

4 (b) The interest rate on a loan purchased with money in the small
5 business, tourism, mining, and commercial fishing enterprises loan
6 account must equal the interest rate which the authority estimates would
7 be payable on bonds issued by the authority to provide money to make the
8 loan.

9 (c) A loan purchased with money in the small business, tourism,
10 mining, and commercial fishing enterprises loan account

11 (1) may not exceed

12 (A) \$6,000,000 if the loan is made to a tourism enter-
13 prise;

14 (B) \$1,000,000 if the loan is made to a mining enter-
15 prise or to a small business enterprise that is not a tourism
16 enterprise or a commercial fishing enterprise; or

17 (C) \$500,000 for each individual commercial fisherman in
18 the commercial fishing enterprise if the loan is made to a commer-
19 cial fishing enterprise;

20 (2) may not exceed 75 percent of the cost of the project or
21 75 percent of the appraised value of the project, whichever is less
22 unless the amount of the loan in excess of those limits is federally
23 insured or guaranteed or is insured by a qualified mortgage insurance
24 company;

25 (3) may not be made for a term longer than three-quarters of
26 the authority's estimate of the life of the project or 25 years from the
27 date the loan is made, whichever is earlier;

28 (4) shall contain complete amortization provisions satis-
29 factory to the authority requiring periodic payments by the borrower;

1 (5) shall be in the form and contain the terms and provisions
2 with respect to insurance, repairs, alterations, payment of taxes and
3 assessments, default reserves, delinquency charges, default remedies,
4 acceleration of maturity, secondary liens and other matters the author-
5 ity prescribes; and

6 (6) shall be secured as to repayment by a mortgage or other
7 security instrument in the manner the authority determines is feasible
8 to assure timely repayment under a loan agreement entered into with the
9 borrower.

10 (d) The authority may adopt regulations for the administration of
11 the small business, tourism, mining, and commercial fishing enterprises
12 loan account which may include, without limitation, provisions for fees
13 and agreements relating to application, loan commitment, servicing, and
14 origination of loans by other lenders.

15 (e) The authority may enter into agreements as to the use of the
16 money in the small business, tourism, mining, and commercial fishing
17 enterprises loan account, including without limitation, trust or custody
18 arrangements with banks or trust companies. It may also pledge, assign,
19 or grant the agreement, interests under an agreement, or interests in
20 the small business, tourism, mining, and commercial fishing enterprises
21 loan account as may be necessary or appropriate to provide for payment
22 and security for bonds of the authority.

23 (f) If more than two percent of the total amount of the loans
24 purchased from a financial institution under this section becomes
25 delinquent for 90 days or more, the authority shall discontinue pur-
26 chasing loans from that financial institution until the delinquency is
27 reduced to less than two percent.

28 * Sec. 66. AS 44.61.160 is amended to read:

29 Sec. 44.61.160. FINDINGS OF THE AUTHORITY. Before entering into a

1 lease or other agreement as provided in AS 44.61.090(e) regarding a
2 project for which bonds are agreed to be issued by the authority in an
3 amount in excess of \$6,000,000, or before approving insurance or a
4 commitment to insure a loan as provided in AS 44.61.157(b) with a prin-
5 cipal amount in excess of \$6,000,000, [AS MENTIONED IN AS 44.61.090(e)]
6 there must have been filed with the authority a certified copy of a
7 resolution of the governing body of the political subdivision of the
8 state, if any, in which the project is to be located, consenting to the
9 location (which consent need only refer to the general nature of the
10 project ultimately to be acquired as set out in a request of the pro-
11 posed project applicant [OCCUPANT]). Before entering into a lease or
12 other agreement as provided in AS 44.61.090(e) regarding a project,
13 [AND] the authority must find, on the basis of all information reason-
14 ably available to it, that

15 (1) the project and its development under this chapter will
16 be economically advantageous to the state and the general public welfare
17 and will contribute to the economic growth of the state;

18 (2) the project applicant [OCCUPANT] is financially responsi-
19 ble; and

20 (3) provision to meet increased demand upon public facilities
21 that might result from the project is reasonably assured;

22 (4) the project will provide or retain employment reasonably
23 related to the amount of the financing by the authority considering the
24 amount of investment per employee for comparable facilities and other
25 relevant factors;

26 (5) the scope of the project is sufficient to provide a rea-
27 sonable expectation of a benefit to the economy of the state.

28 * Sec. 67. AS 44.61.190(a) is amended to read:

29 (a) The authority shall not be considered or constitute (1) a

1 political subdivision of the state as the term is used in AS 37.10.085,
2 (2) a municipal corporation or political subdivision of the state as the
3 terms are used in AS 29, or (3) except as provided in AS 44.61.205, a
4 state agency as the term is used in AS 37, but for all other purposes
5 the authority constitutes a political subdivision and an instrumentality
6 of the state as provided in this chapter.

7 * Sec. 68. AS 44.61 is amended by adding a new section to read:

8 Sec. 44.61.205. OPERATING BUDGET. For fiscal years beginning
9 after June 30, 1981, the operating budget of the authority is subject to
10 the Executive Budget Act (AS 37.07).

11 * Sec. 69. AS 44.61.210 is repealed and re-enacted to read:

12 Sec. 44.61.210. REPORTS AND PUBLICATIONS. (a) By January 10 of
13 each year, the authority shall publish a report for distribution to the
14 governor, legislature, and the public. The report shall be written in
15 easily understandable language. The report shall include a financial
16 statement audited by an independent outside auditor, a statement of the
17 authority's investments under this chapter including an appraisal of the
18 investments at market value, a comparison of the authority's performance
19 with the goals of the authority and the levels of bonding and investment
20 activities anticipated in the previous year's report under (b) of this
21 section, and any other information the members of the authority believe
22 would be of interest to the governor, the legislature, and the public.
23 The annual income statement and balance sheet of the authority shall be
24 published in at least one newspaper in each judicial district. The
25 authority may also publish other reports it considers desirable to carry
26 out its purpose.

27 (b) The authority shall include in its annual report under (a) of
28 this section

29 (1) an estimate of the investment activity of the authority

1 under this chapter for the following 12-month period; and

2 (2) an estimate of the amount of bonds to be issued during
3 the following 12-month period.

4 * Sec. 70. AS 44.61.220 is amended to read:

5 Sec. 44.61.220. DEFINITIONS. In this chapter

6 (1) "authority" means the Alaska Industrial Development
7 Authority created by this chapter;

8 (2) "business enterprise" means a single proprietorship,
9 corporation, firm, partnership, or other association of persons or-
10 ganized in any manner, which is not organized on a nonprofit basis [OR A
11 SINGLE PROPRIETORSHIP];

12 (3) "federal agency" means the United States and any officer,
13 department, agency or instrumentality of the United States;

14 (4) "governing body of a political subdivision" means, when
15 used with respect to the location of a project, the council of a city if
16 the project is to be located in a city in the unorganized borough, or
17 the [BOROUGH] assembly if the project is to be located in an organized
18 borough or a unified municipality;

19 (5) "project" includes ["INDUSTRIAL PLANT" OR "MANUFACTURING
20 PLANT" MEANS]

21 (A) a plant or facility used or intended for use in
22 connection with making, processing, preparing, or producing in any
23 manner, goods, products or substances of any kind or nature or in
24 connection with developing or utilizing a natural resource, or
25 extracting, smelting, transporting, converting, assembling or
26 producing in any manner, minerals, raw materials, chemicals, com-
27 pounds, alloys, fibers, commodities and materials, products or
28 substances of any kind or nature, any plant or facility used or
29 intended for use as an industrial park or in connection with air

1 and water transportation, or any plant or facility for the preven-
2 tion, limitation or control of air or water pollution, for the
3 disposal of sewage or solid waste, [OR] for the local furnishing of
4 [ELECTRIC ENERGY OR] gas, or for the furnishing of water;

5 (B) a small business enterprise, tourism enterprise,
6 mining enterprise, and commercial fishing enterprise as defined in
7 (12), (13), (14), and (15) of this section;

8 (6) "plant" or "facility" means real property, whether above
9 or below mean high water, or an interest in it, and the buildings,
10 improvements and structures constructed or to be constructed on or in
11 it, [WHETHER ABOVE, AT OR BELOW GROUND OR WATER LEVEL,] and may include
12 fixtures, machinery, and equipment on it or in it, and tangible personal
13 property, regardless of whether the tangible personal property is at-
14 tached to or connected with real property, if the owner has agreed not
15 to remove the tangible personal property permanently from the state for
16 the period the authority sets; "plant" or "facility" does not include
17 work in process or stock in trade;

18 [(7) "PROJECT" MEANS A MANUFACTURING OR INDUSTRIAL PLANT OR
19 PLANTS, THE CONSTRUCTION OR ACQUISITION OF WHICH IS TO BE FINANCED IN
20 WHOLE OR IN PART BY THE AUTHORITY UNDER THIS CHAPTER;]

21 (8) "project cost" or "cost of a project" means all or any
22 part of the aggregate costs determined by the authority to be necessary
23 to finance the construction or acquisition of a project, including
24 without limitation the cost of acquiring real or tangible personal
25 property, and, in connection with real property, the cost of construc-
26 ting buildings and improvements, the cost of constructing means of
27 access to and from the project, the cost of constructing extensions of
28 utility systems to the site of the project, the cost of a project in-
29 cludes, without limitation, the cost of financing the project, [IN-

1 CLUDING, WITHOUT LIMITATION,) interest charges before, during or after
2 construction or acquisition of the project, costs related to the deter-
3 mination of the feasibility, planning, design or engineering of the
4 project and, to the extent determined necessary by the authority, ad-
5 ministrative expenses, the cost of machinery or equipment to be used in
6 the operation of the project and expenses of installation, replacement
7 or rehabilitation, and all other costs, charges, fees and expenses which
8 may be determined by the authority to be necessary to finance the con-
9 struction or acquisition;

10 (9) "project applicant [OCCUPANT]" means a business enter-
11 prise or enterprises proposing to

12 (A) use or [AND] occupy a project; or

13 (B) agree to permit others to use or occupy a project;

14 (10) "real property" means land and rights and interests in
15 land, including, without limitation, interests less than full title such
16 as easements, uses, leases, and licenses;

17 (11) "lease" includes, when used as a noun, an interest in, or
18 when used as a verb, the transfer of an interest in, [REAL] property
19 less than fee simple title, including, without limitation, when used as
20 a noun, agreements to use or occupy [REAL] property;

21 (12) "small business enterprise" means a business enterprise
22 with annual gross income of \$10,000,000 or less;

23 (13) "tourism enterprise" means a business enterprise which is
24 directly involved in the tourist industry;

25 (14) "commercial fishing enterprise" means one or more in-
26 dividual commercial fishermen who are residents of the state who jointly
27 apply for and receive a commercial fishing loan from a private financial
28 institution in the state or from a state or federal loan program;

29 (15) "mining enterprise" means a business enterprise which is

1 directly involved in the mining industry.

2 * Sec. 71. After July 1, 1981,

3 (1) no further loans may be made under AS 16.10.310 and 16.10.-
4 320(a) except for loans authorized under AS 16.10.333 pursuant to AS 16.10.-
5 310 and 16.10.320(a); and

6 (2) no further loans may be made under AS 45.90.020, AS 45.95.020,
7 and AS 26.15.040(3).

8 * Sec. 72. FINDINGS RELATING TO THE DIVISION OF HOUSING ASSISTANCE. The
9 legislature finds that

10 (1) there exists a great need for financial assistance, particu-
11 larly in the rural areas of the state, for housing purchases;

12 (2) existing loan programs of the state and federal governments
13 impose minimum building standards on housing to be purchased with loans from
14 the programs;

15 (3) the distinctive environment in many parts of Alaska has re-
16 sulted in the construction of housing which is not standard for other parts
17 of the state or of the country;

18 (4) often housing which does not conform to the lending require-
19 ments of state and federal loan programs is nevertheless acceptable housing;

20 (5) it is necessary to create a state agency which will provide
21 for financing for this nonconforming housing so that people in all parts of
22 Alaska have an equal opportunity to obtain housing.

23 * Sec. 73. AS 44.47 is amended by adding new sections to read:

24 ARTICLE 9. DIVISION OF HOUSING ASSISTANCE.

25 Sec. 44.47.360. DIVISION OF HOUSING ASSISTANCE CREATED. There is
26 created in the Department of Community and Regional Affairs the division
27 of housing assistance.

28 Sec. 44.47.365. DIRECTOR AND DEPUTY DIRECTOR. The director and
29 deputy director of the division are in the partially exempt service

1 under AS 39.25.

2 Sec. 44.47.370. POWERS OF DIRECTOR. The director may

3 (1) adopt regulations in accordance with the Administrative
4 Procedure Act (AS 44.62) to implement AS 44.47.360 - 44.47.560;

5 (2) make and execute agreements, contracts, and other instru-
6 ments necessary or convenient in the exercise of his powers and func-
7 tions under AS 44.47.360 - 44.47.560;

8 (3) purchase or participate in the purchase of nonconforming
9 housing mortgage loans in accordance with AS 44.47.360 - 44.47.560;

10 (4) purchase or participate in the purchase of loans for
11 building materials for nonconforming housing in accordance with AS 44.-
12 47.360 - 44.47.560;

13 (5) procure insurance against loss in connection with his
14 functions under AS 44.47.360 - 44.47.560;

15 (6) acquire real or personal property, or an interest in real
16 or personal property, by purchase, transfer or foreclosure, when the
17 acquisition is necessary or appropriate to protect a loan in which the
18 division has an interest; sell, transfer and convey that property to a
19 buyer; and, if the sale, transfer or conveyance cannot be effected with
20 reasonable promptness or at a reasonable price, rent or lease the pro-
21 perty to a tenant pending the sale, transfer or conveyance;

22 (7) do all acts necessary, convenient or desirable to carry
23 out the powers expressly granted or necessarily implied in AS 44.47.-
24 360 - 44.47.560.

25 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created
26 in the Department of Community and Regional Affairs the nonconforming
27 housing loan fund consisting of money appropriated to it by the legisla-
28 ture. The director shall administer the nonconforming housing loan fund
29 in accordance with AS 44.47.360 - 44.47.560 and shall use the money in

1 the nonconforming housing loan fund to purchase or participate in the
2 purchase of

- 3 (1) nonconforming housing mortgage loans; and
4 (2) loans made for building materials for nonconforming
5 housing;
6 (3) loans made for renovations or improvements to nonconform-
7 ing housing.

8 Sec. 44.47.390. LIMITATIONS ON USE OF NONCONFORMING HOUSING LOAN
9 FUND. The director may not use the money in the nonconforming housing
10 loan fund to

11 (1) purchase or participate in the purchase of a noncon-
12 forming housing mortgage loan which exceeds the limitations on mortgage
13 loans purchased by the Federal National Mortgage Association as to
14 principal amount;

15 (2) purchase or participate in the purchase of a loan made
16 for building materials for nonconforming housing

17 (A) which exceeds

18 (i) 80 percent of the appraised value of the work
19 completed on the nonconforming housing for which the loan is
20 made if the nonconforming housing is pledged as collateral for
21 the loan; or

22 (ii) 80 percent of the value of other property which
23 is pledged as security for the loan and which is satisfactory
24 to the director as collateral;

25 (B) unless the terms of the loan agreement require
26 inspections and certifications, as required by regulations of the
27 director, at the expense of the borrower; and

28 (C) unless the period of time allowed for repayment of
29 the loan is equal to or less than the lesser of

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(i) three years; or

(ii) the maximum period of time established by regulation by the director based on the prevailing practice among private financial institutions in the general area in which the loan is made for loans for the purchase of building materials;

(3) purchase or participate in the purchase of a nonconforming housing mortgage loan which is secured by real property the marketable title to which is shown in accordance with AS 44.47.420(b)(2) if the total amount of outstanding nonconforming housing mortgage loans held by the division exceeds 10 times the amount of money in the restricted title loss reserve account (AS 44.47.430);

(4) purchase or participate in the purchase of construction loans.

Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall adopt regulations in accordance with the Administrative Procedure Act (AS 44.62) establishing acceptable security for loans purchased in whole or in part under AS 44.47.380.

(b) A person may pledge as security for the repayment of a loan purchased in whole or in part under AS 44.47.380 a preference right he holds to receive title to land he occupies as a primary place of residence, primary place of business, subsistence campsite, or as headquarters for reindeer husbandry. The preference right must be conveyed to the person by the Native corporation to which the land was granted under section 14 of the Alaska Native Claims Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L. 94-204) before it may be pledged as security under this subsection. The commissioner of community and regional affairs shall prescribe procedures and standard forms for establishing, pledging, and appraising the value of a pre-

1 ference right held by a person to secure the repayment of a loan pur-
2 chased in whole or in part under AS 44.47.380.

3 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a
4 mortgage loan purchased in whole or in part under AS 44.47.380 may not
5 exceed

6 (1) nine percent for a mortgage loan made to a person who is
7 an eligible veteran under AS 18.56.101;

8 (2) ten percent for a mortgage loan made to a person other
9 than a person described in (1) of this subsection.

10 Sec. 44.47.420. TITLE. (a) Before the director purchases a
11 nonconforming housing mortgage loan in whole or in part, the director
12 may require a borrower to show marketable title to real property offered
13 as security for the loan to be purchased.

14 (b) A borrower may show marketable title to real property for the
15 purposes of (a) of this section

16 (1) by purchasing title insurance from a title insurance
17 company authorized to do business in the state; or

18 (2) by delivering to the director a copy of a letter of
19 intent signed by an authorized representative of the United States
20 Department of the Interior which shows the transfer of title to the
21 property from the United States government to the borrower if

22 (A) the borrower is an Alaska Native; and

23 (B) title to the property was originally transferred
24 from the United States government, directly or indirectly, to the
25 borrower under federal law.

26 (c) For the purposes of this section, a deed which federal law
27 prohibits or limits the power to transfer or encumber and which would
28 otherwise constitute marketable title to real property is considered
29 marketable title to real property if the United States Bureau of Indian

1 Affairs or another appropriate federal agency waives immunity under the
2 federal law from foreclosure or other alienation of the real property.

3 Sec. 44.47.430. RESTRICTED TITLE LOSS RESERVE ACCOUNT. (a) There
4 is established in the division the restricted title loss reserve account.
5 The restricted title loss reserve account consists of money appropriated
6 to it by the legislature and shall be administered by the director.

7 (b) The director may withdraw money from the restricted title loss
8 reserve account in an amount equal to the loss to the division on a
9 nonconforming housing mortgage loan purchased in whole or in part by the
10 division if marketable title to the real property used to secure the
11 loan was shown in accordance with AS 44.47.420(b)(2). Money withdrawn
12 from the restricted title loss reserve account under this section shall
13 be deposited in the nonconforming housing loan fund.

14 Sec. 44.47.440. FIRE INSURANCE. Before purchasing or partici-
15 pating in the purchase of a nonconforming housing mortgage loan, the
16 director may require the borrower to agree to purchase and maintain fire
17 insurance for the real property for which the loan is made in an amount
18 not less than the outstanding principal balance of the loan.

19 Sec. 44.47.460. LOAN SERVICING. Before purchasing or partici-
20 pating in the purchase of a loan, the director shall enter into a loan
21 servicing agreement with the private financial institution from which
22 the loan is to be purchased. Under the servicing agreement, the private
23 financial institution shall administer the loan and may charge the
24 division a negotiated fee on the division's share of the loan. The
25 private financial institution may also charge the borrower a reasonable
26 originator fee not to exceed one percent.

27 Sec. 44.47.470. APPRAISALS. Before purchasing or participating in
28 the purchase of a nonconforming housing mortgage loan, the director may
29 have or may require the borrower to have an appraisal made of the fair

1 market value of the real property, including structures on the real
2 property, for which the loan is made. In conducting an appraisal under
3 this section, the appraiser shall give full value to insulation and
4 other features of construction in structures on the real property which
5 add to the energy efficiency of the structures.

6 Sec. 44.47.475. ENERGY AUDIT. In making loans under this chapter,
7 the division is exempt from the requirements of AS 46.11.050(b).

8 Sec. 44.47.480. TOLL-FREE TELEPHONE NUMBER. The director shall
9 arrange for and maintain a toll-free telephone number for the division
10 so that private financial institutions and their borrowers may contact
11 the division from any location in the state by telephone without a toll
12 charge.

13 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The direc-
14 tor shall hire at least one lending officer and shall contract for the
15 services of

16 (1) real property appraisers who are familiar with rural
17 construction; and

18 (2) engineers who are familiar with engineering problems in
19 arctic and subarctic regions.

20 (b) The personnel described in (a) of this section shall make
21 regular visits to each of the regions established under AS 44.47.510(a)
22 to provide preconstruction and post-construction inspections of real
23 property for which loans are purchased by the division in whole or in
24 part under AS 44.47.380 and to provide assistance to private financial
25 institutions and their borrowers in the regions.

26 Sec. 44.47.500. DEMONSTRATION PROJECTS AND INFORMATION. The
27 director may enter into agreements with public and private agencies to
28 provide demonstration projects and information concerning housing con-
29 struction in each of the regions established under AS 44.47.510(a).

1 Sec. 44.47.510. REGIONAL ALLOCATION. (a) The commissioner of
2 community and regional affairs, by regulations adopted in accordance
3 with the Administrative Procedure Act (AS 44.62), shall establish and
4 may amend the boundaries of reasonably compact and contiguous regions in
5 the state.

6 (b) Unless otherwise required by an appropriation, the director
7 shall allocate the money in the nonconforming housing loan fund among
8 the regions established under (a) of this section for the purpose of
9 purchasing each type of loan described in AS 44.47.380. In making an
10 allocation under this subsection, the director shall consider the past
11 and potential lending activity of private financial institutions in the
12 region as well as the need for loans in the region. The director may
13 reallocate the money among the regions as he considers necessary.

14 Sec. 44.47.560. DEFINITIONS. In AS 44.47.360 - 44.47.560,

15 (1) "director" means the director of the division of housing
16 assistance;

17 (2) "division" means the division of housing assistance;

18 (3) "housing" means owner-occupied, single-family housing and
19 owner-occupied duplexes;

20 (4) "nonconforming housing" means housing which does not
21 conform to minimum building standards under any state or federal program
22 that provides loans for housing purchases.

23 * Sec. 74. AS 03.10.030 is amended by adding a new subsection to read:

24 (f) A farm product processing loan may not exceed \$2,500,000. A
25 mortgage which secures a farm product processing loan may be of any
26 priority if the total indebtedness on the real estate, including the
27 secured farm product processing loan, does not exceed \$2,500,000. A
28 farm product processing loan which, if made, would raise the existing
29 indebtedness on the real estate securing the loan above \$2,500,000, or a

1 farm product processing loan on real estate which has a prior indebted-
2 ness of \$2,500,000 or more, may be made only if all prior mortgagees
3 agree to subordinate their mortgages to that of the state for the amount
4 of the farm product processing loan which exceeds the \$2,500,000 in-
5 debtedness limit on the real estate. A farm product processing loan may
6 not exceed a term of 30 years or bear interest exceeding six percent a
7 year and shall be secured by a real estate or chattel mortgage or both.

8 * Sec. 75. MOBILE HOME STUDY. The director of the division of housing
9 assistance (AS 44.47.360) shall conduct a study to determine (1) the need to
10 include loans for the purchase of mobile homes as an eligible type of loan
11 for purchase by the division of housing assistance; and (2) methods available
12 to modify or improve mobile homes for adaptation to arctic, subarctic and
13 rural areas. The director shall report the findings of his study to the
14 governor and to the legislature by January 20, 1981, and shall include in his
15 report suggestions for legislation which he considers appropriate.

16 * Sec. 76. By January 21, 1981, the director of the division of housing
17 assistance (AS 44.47.360) shall prepare and submit to the legislature a
18 report on the effect of the marketable title requirements of AS 44.47.420
19 enacted by sec. 73 of this Act and shall include in the report any recommenda-
20 tions he considers appropriate.

21 * Sec. 77. AS 16.10.510(8); AS 18.56.085, 18.56.092, 18.56.094, 18.56.-
22 095(e)(2), 18.56.095(g), 18.56.095(h)(5), 18.56.125(f); and AS 26.15.040(2)
23 are repealed.

24 * Sec. 78. AS 44.57, AS 44.59, and AS 44.60 are repealed.

25 * Sec. 79. Section 7 of this Act is retroactive to June 19, 1976, and
26 applies to loans made under AS 16.10.510 after June 18, 1976.

27 * Sec. 80. Sections 42 and 78 of this Act take effect 60 days after the
28 effective date of secs. 1 - 12, 15 - 41, 43 - 48, 51, 53 - 77, and 79 - 83 of
29 this Act.

1 * Sec. 81. Sections 14 and 50 of this Act take effect on the effective
2 date of an amendment to the Constitution of the State of Alaska which
3 provides for confirmation by the legislature of appointments as provided in
4 secs. 14 and 50 of this Act.

5 * Sec. 82. Sections 13, 49, and 52 of this Act take effect July 1, 1980.

6 * Sec. 83. Sections 1 - 12, 15 - 41, 43 - 48, 51, 53 - 77, and 79 - 83 of
7 this Act take effect immediately in accordance with AS 01.10.070(c).
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