

Introduced: 2/4/80
Referred: Commerce and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 384

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 the Alaska Housing Finance Cor-
7 poration; establishing a Special Mortgage Purchase
8 Program, a Mortgage Interest Reduction Fund, and a
9 Housing Insurance Fund; and providing for an effec-
10 tive date."

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

12 * Section 1. FINDINGS. (a) The legislature finds that the Alaska
13 Housing Finance Corporation program of financing the purchase of residential
14 mortgage loans is in jeopardy because of legislation pending in the United
15 States Congress which would deny tax exemption to bonds issued by the
16 corporation to provide funds for purchasing the mortgage loans. In addition,
17 extremely high interest rates have adversely affected the ability of persons
18 not eligible for the corporation's programs to secure mortgage loans from
19 conventional lending sources to purchase residential housing. The con-
20 tinuance of the residential mortgage purchase program of the corporation
21 and of residential mortgage lending activities of other mortgage lenders
22 and the reduction of mortgage interest rates are essential to help assure a
23 supply of housing for home purchasers in the state.

24 (b) The legislature further finds that establishment of a special
25 mortgage purchase program authorizing the creation, purchase, and sale of
26 mortgage participations, a mortgage interest reduction fund providing for
27 reduced interest rates on home mortgages, and a special housing mortgage
28 insurance program providing for insurance of home mortgages purchased by
29 the corporation will assist the Alaska Housing Finance Corporation and

1 private mortgage lenders to continue to finance the purchase of residential
2 mortgage loans and enable Alaskans to achieve home ownership at affordable
3 mortgage interest rates even if the ability of the corporation to issue tax
4 exempt obligations is ultimately withdrawn by the United States Congress
5 and mortgage interest rates continue at the present levels, which are now
6 higher than they have ever been in recent economic history.

7 * Sec. 2. AS 18.56.030(a) is amended to read:

8 (a) The corporation shall be governed by a board of directors.
9 The board of directors of the corporation consists of the commissioner
10 of the Department of Commerce and Economic Development, the commissioner
11 of the Department of Revenue, and the commissioner of the Department
12 of Administration [AND SIX MEMBERS APPOINTED BY THE GOVERNOR]. If a
13 member of the board is absent or otherwise unable to act, he may
14 designate an employee in his department to act as a member of the
15 board in his place.

16 * Sec. 3. AS 18.56.030 is amended by adding a new subsection to read:

17 (e) The commissioner of the Department of Commerce and Economic
18 Development is the chairman of the board and the commissioner of the
19 Department of Revenue is the secretary. A majority of the members of
20 the board constitutes a quorum.

21 * Sec. 4. AS 18.56 is amended by adding new sections to read:

22 Sec. 18.56.097. MORTGAGE INTEREST REDUCTION FUND AND SPECIAL
23 MORTGAGE PURCHASE PROGRAM. (a) There is established in the corpora-
24 tion the "mortgage interest reduction fund." The fund must be com-
25 pletely segregated from all other funds of the corporation, and is a
26 trust fund for the uses and purposes of this section. Money may be
27 paid into and out of the fund only as provided in this section.

28 (b) The purpose of the fund is to provide for interest rate
29 reductions to mortgagors on mortgage loans made under the special

1 mortgage purchase program of the corporation. Under the special
2 mortgage purchase program, the corporation may purchase any housing
3 mortgage loan, including a housing mortgage loan for a mobile home,
4 and any other housing mortgage loan for a single-family residence or
5 an owner-occupied duplex which does not exceed the limitations on
6 mortgage loans purchased by the Federal National Mortgage Association
7 as to principal amount and loan-to-value ratio and which meets prudent
8 lending criteria. The corporation may purchase, sell, hold, or other-
9 wise deal in any mortgage loan purchased as part of its special mort-
10 gage purchase program. In this section and in AS 18.56.098, "mortgage
11 loan" includes a beneficial interest or participation in a mortgage
12 loan. In connection with the purchase or sale of a beneficial interest
13 or participation in mortgage loans, the corporation may enter into a
14 trust agreement providing for the custody, control, and administration
15 of the mortgage loans. The trust agreement may provide that the cor-
16 poration or any bank or trust company act as trustor or trustee under
17 the trust and that title to the mortgage loans be considered to have
18 passed as provided in the trust agreement. To the extent provided in
19 the trust agreement, the effect of sale of beneficial interests or
20 participations is the same as the sale of the mortgage loans subject
21 to the trust. The corporation may adopt regulations prohibiting,
22 limiting, or setting conditions on the right to assume a mortgage loan
23 made as part of the special mortgage purchase program.

24 (c) The corporation shall fix from time to time an interest rate
25 reduction for mortgages purchased as part of its special mortgage
26 purchase program in an amount such that the interest rate to a state
27 veteran does not exceed nine and one-quarter per cent a year and the
28 interest rate to any other borrower does not exceed nine and one-half
29 per cent a year, or another amount or percentage the legislature may

1 establish. The interest rate reduction fund may be funded only from
2 appropriations by the legislature. In this section, "state veteran"
3 means a veteran eligible for a loan under AS 26.15.

4 (d) When the corporation determines the amount of the appropriate
5 interest reduction on a mortgage loan which it has committed to
6 purchase as part of its special mortgage purchase program, it shall
7 calculate the total amount of the interest reduction payable over the
8 scheduled term of the mortgage loan, together with the total amount of
9 servicing fees and administrative expenses estimated to be payable
10 over the term of the mortgage loan. To the extent investments are
11 available, the corporation shall invest an amount held in the fund in
12 investments earning interest or yielding amount payable at the times
13 and in the amounts which together with the principal of the investments
14 and cash held will be sufficient to pay the interest reduction and
15 expenses as they become due. The corporation shall set aside the
16 investments and cash held irrevocably in trust or otherwise for the
17 purpose of paying the interest reduction and expenses. The statement
18 of the corporation on the mortgage note that the amount of the interest
19 reduction is payable from the fund constitutes the obligation of the
20 corporation to pay that amount from the fund according to the terms of
21 the statement, and is conclusive evidence that the amount of the
22 interest reduction is so payable. Interest reductions may be paid
23 only from the fund. In this subsection, "expenses" means servicing
24 fees and administrative expenses.

25 (f) The corporation may enter into agreements as to the use of
26 money in the fund, including, without limitation, trust or custody
27 agreements with banks or trust companies and may pledge, assign, or
28 grant an agreement, an interest under an agreement, or an interest in
29 the interest reduction fund to provide for timely payments of the

1 amounts of the interest reduction and expenses and as may be necessary
2 or appropriate to provide for the payment of and security for bonds of
3 the corporation.

4 Sec. 18.56.098. INSURANCE. (a) There is established in the
5 corporation the "housing insurance fund." The fund must be completely
6 segregated from all other funds of the corporation, and is a trust
7 fund for the uses and purposes of this section. Money may be paid
8 into and out of the housing insurance fund only as provided in this
9 section. The corporation may enter into agreements as to the use of
10 money in the housing insurance fund, agreements with respect to the
11 terms and conditions upon which payments from the housing insurance
12 fund must be made to the corporation with respect to mortgage loans
13 insured under this section, and agreements regarding the payment of
14 and security for bonds of the corporation. The corporation may pledge,
15 assign, or grant other interests in the housing insurance fund as may
16 be necessary or appropriate in connection with the insurance of mort-
17 gage loans and to provide for the payment of and security for bonds of
18 the corporation.

19 (b) In addition to any other fees and charges which the corpora-
20 tion may charge on mortgage loans, the corporation may collect or
21 cause to be collected on all mortgage loans insured under this section
22 either a housing loan insurance commitment fee or a housing loan
23 insurance premium or both. The housing loan insurance commitment fees
24 and housing loan insurance premiums when received must be deposited in
25 the housing insurance fund by the corporation, or by the mortgage loan
26 servicer, trustee, or agent designated by the corporation to receive
27 them.

28 (c) A mortgage loan purchased by the corporation as part of its
29 special mortgage purchase program, including a housing mortgage loan

1 for a mobile home, and any other housing mortgage loan for a single-
2 family residence or an owner-occupied duplex which does not exceed the
3 limitations on mortgage loans purchased by the Federal National Mort-
4 gage Association as to principal amount and loan-to-value ratio and
5 which meets prudent lending criteria, may be insured by the housing
6 insurance fund. The endorsement of the corporation on the mortgage
7 that it is insured under this section at the time of purchase or
8 acquisition of the mortgage loan is conclusive evidence that the
9 mortgage loan is insured under the provisions of this section.

10 (d) Mortgage loans may be insured only when the amount in the
11 housing insurance fund as a percentage of the sum of all mortgage
12 loans to be insured and all unpaid principal on mortgage loans insured
13 by the corporation equals or exceeds the fund requirement. The fund
14 requirement is calculated as a percentage of the unpaid principal
15 balance of the mortgage loans insured which the corporation determines
16 is actuarially sound for operation of the housing insurance fund.

17 (e) When the corporation determines what is "actuarially sound"
18 with respect to the operation of the housing insurance fund, it shall
19 consider means of providing sufficient revenues for the operation of
20 the fund, without regard to amounts which may have been or may, after
21 the date of determination of actuarial soundness, be appropriated
22 under (f) of this section and it shall consider factors which must
23 include, without limitation, estimates of future defaults and losses
24 on mortgage loans insured under this section based on actual default
25 and loss experience on those mortgage loans or on similar mortgage
26 loans in Alaska or elsewhere, estimates of recoveries on defaulted or
27 foreclosed mortgage loans based on that experience, the terms and
28 conditions of the mortgage loans insured under this section, estimates
29 of earnings and income of amounts on deposit in the housing insurance

1 fund, and other appropriate factors.

2 (f) On December 1 of each year, the corporation shall ascertain
3 the amount on deposit in the housing insurance fund. If the amount in
4 the housing insurance fund is less than the fund requirement, the
5 corporation shall transfer the amount necessary to restore the housing
6 insurance fund from any available funds which are not encumbered or
7 restricted for other use under the terms of contracts with bondholders
8 or others. If the amount in the fund is less than the fund require-
9 ment, the corporation shall, no later than January 2 of the following
10 year, certify in writing to the governor and to the legislature the
11 amount, if any, required to restore the fund to the fund requirement.
12 The legislature may appropriate the amount and the corporation shall
13 deposit in the fund all amounts appropriated during the then current
14 state fiscal year. Nothing in this subsection creates a debt or
15 liability of the state.

16 (g) In this section:

17 (1) "housing loan insurance commitment fee" means a fee of
18 such per cent of the principal amount of a mortgage loan to be insured
19 under this section as the corporation determines is actuarially sound
20 for the operation of the housing insurance fund;

21 (2) "housing loan insurance premium" means an annual insur-
22 ance premium of such per cent of the portion of the unpaid principal
23 amount of a mortgage insured under this section as the corporation
24 determines is actuarially sound for the operation of the housing
25 insurance fund.

26 * Sec. 5. AS 18.56.030(b) and (c) are repealed.

27 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).

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