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Referred: Commerce and Finance

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AND RODEY

1 IN THE SENATE

2 SENATE BILL NO. 444

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Veterans' Loan Corpora-
7 tion and transferring the assets and functions of the
8 Department of Commerce and Economic Development relat-
9 ing to veterans loans to that corporation; and provid-
10 ing for an effective date."

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

12 Section 1. FINDINGS AND PURPOSE. (a) The program of making loans to
13 veterans in accordance with AS 26.15 has increased and improved the supply of
14 adequate housing in the state and has materially aided veterans in establish-
15 ing businesses, in self-improvement and in readjustment. A veterans' loan
16 program is essential to the economic growth of the state. Participation by
17 the Alaska Veterans' Loan Corporation in the program of making and insuring
18 state veterans' loans as provided in this chapter will be of material aid in
19 insuring the continuance of the program of making loans to veterans.

20 (b) The legislature finds that enabling the Alaska Veterans' Loan
21 Corporation to finance the program of veterans' loans serves a public purpose
22 in benefiting the people of the state. The Alaska Veterans' Loan Corporation
23 is empowered to act on behalf of the state and its people in serving this
24 public purpose for the benefit of the general public.

25 * Sec. 2. AS 26 is amended by adding a new chapter to read:

26 CHAPTER 16. ALASKA VETERANS' LOAN CORPORATION.

27 Sec. 26.16.010. ALASKA VETERANS' LOAN CORPORATION. The Alaska
28 Veterans' Loan Corporation is a public corporation and government in-
29 strumentality within the Department of Commerce and Economic Develop-

1 ment, but has a legal existence independent of and separate from the
2 state. The corporation may not be terminated as long as it has bonds,
3 notes or other obligations outstanding. Upon termination of the cor-
4 poration, its rights and property pass to the state.

5 Sec. 26.16.020. VETERANS' LOANS. (a) The corporation may, under
6 regulations and policies adopted by it, make or participate in the
7 making of the following loans:

8 (1) Personal loans may be made for educational, domestic,
9 remote area family housing and other personal purposes, not exceeding
10 \$10,000. Loans in excess of \$5,000 shall be secured by acceptable
11 collateral when available but if acceptable collateral is not available
12 the corporation may make loans in excess of \$5,000 on the basis of good
13 character if the loan is approved by a majority of the board of direc-
14 tors of the corporation.

15 (2) Farm loans, single-family home loans, mobile home loans,
16 and loans for owner-occupied duplexes may be made to purchase, remodel,
17 repair, build, furnish, refinance or equip homes, mobile homes, owner-
18 occupied duplexes or farms in the state, including the clearing and
19 drainage for farms. The amount of a loan made under this paragraph may
20 not exceed the higher of current Federal Housing Administration guide-
21 lines for the type of loan made or 95 percent of the appraised value of
22 the single-family home or 90 percent of the appraised value of the farm,
23 home, mobile home, or owner-occupied duplex unless additional loan
24 amounts are secured by acceptable collateral as determined by the com-
25 missioner of commerce and economic development in conformity with estab-
26 lished requirements.

27 (3) Business loans not exceeding \$500,000 may be made to
28 acquire, finance or refinance or equip businesses, including mining and
29 fishing but not including farming, if the loan applicant has had three

1 or more years of general business experience. The loans shall be se-
2 cured by acceptable collateral and may not exceed 75 percent of the
3 appraised value of the collateral offered as security.

4 (4) Multiple-dwelling loans not exceeding \$250,000 may be
5 made to purchase, remodel, repair, build, furnish, refinance or equip
6 multiple dwellings. The loans shall be secured by acceptable collateral
7 and may not exceed 75 percent of the appraised value of the collateral
8 offered as security.

9 (b) The total of all loans outstanding to a veteran may not exceed
10 \$500,000.

11 (c) The interest rate on loans may not exceed the lower of:

12 (1) a percentage at least one percent less than the interest
13 rate on comparable loans by the state under any other lending program of
14 the state; or

15 (2) the interest rate in effect at the time of the loan for
16 comparable loans by the federal Veterans' Administration.

17 (d) A loan may not be made under this chapter unless an agreement
18 with conditions acceptable to the commissioner of commerce and economic
19 development providing for collection and other required servicing of the
20 loan by an Alaska bank is in effect or unless the commissioner certifies
21 in writing that an agreement for collection and other servicing on
22 reasonable terms is impracticable. The costs of the collection and
23 other servicing agreements shall be included in computation of interest
24 rates for purposes of (c) of this section.

25 (e) If the real property which secures a loan made under (a)(2) or
26 (4) of this section is transferred by the borrower and the loan was made
27 five years or more before the transfer, the commissioner of commerce and
28 economic development shall allow the person to whom the property is
29 transferred to assume the outstanding indebtedness on the loan on the

1 existing terms of the loan unless the commissioner determines in writing
2 that the credit of that person is not satisfactory to assure repayment
3 of the loan. The person to whom the property is transferred need not be
4 eligible for a loan under this chapter in order to assume the out-
5 standing indebtedness on the loan.

6 Sec. 26.16.030. ELIGIBILITY FOR VETERANS' LOANS. (a) The follow-
7 ing persons are qualified for loans under this chapter:

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

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

17 (B) who, not being a bona fide resident of the territory
18 or state before his entry into the service, has been a resident of
19 the territory or state for five or more consecutive years after
20 demonstrating his intent to make his permanent home in the state by
21 designating a place in the state as his home in official civilian
22 records or in military personnel records; and

23 (C) whose discharge was not dishonorable;

24 (2) a person who was dependent on a member of the armed
25 forces or an eligible veteran at the time of the member's or veteran's
26 death 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

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at least 90 days after April 6, 1917; and

(C) his discharge was not dishonorable;

(3) a person who has served in the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia for not less than five years and who has not received a discharge other than honorable.

(b) For purposes of this section, a dependent is an unmarried person whose chief means of support was the deceased member of the armed forces or the deceased veteran. The dependent must be either (1) a widow, widower, minor son, minor daughter, or (2) mother, father, sister or brother incapable of self-support. A dependent must be a resident of the state at the time of making application and intend to reside in the state permanently. The rights of a minor child who is eligible for a loan under this chapter may be exercised only if the child has no surviving parent and has an appointed guardian.

Sec. 26.16.040. CORPORATION GOVERNING BODY. (a) The corporation shall be governed by a board of directors. The board of directors of the corporation consists of the commissioner of the Department of Commerce and Economic Development and six members appointed by the governor. At least five of the appointed members must be veterans who meet the eligibility requirements of AS 26.16.030(1).

(b) Members appointed by the governor serve for three-year terms. The terms of two members appointed by the governor expire on April 30 annually.

(c) If a vacancy occurs among the public members appointed by the governor, the governor shall make an appointment, to become effective immediately, for the unexpired portion of the term.

(d) Members of the board of directors serve without compensation except that each member may be reimbursed by the corporation for actual

1 and necessary expenses at the same rate as set out in AS 39.20.180.

2 Sec. 26.16.050. MEETINGS OF BOARD. The board shall elect a chair-
3 man from among its membership at its first meeting in each year. A
4 majority of the members constitutes a quorum for organizing the board,
5 conducting its business, and exercising the powers of the corporation.
6 The board shall meet at the call of its chairman. The board shall meet
7 not less than once each three months.

8 Sec. 26.16.060. MINUTES OF MEETINGS. The board shall keep minutes
9 of each meeting and send a certified copy to the governor.

10 Sec. 26.16.070. ADMINISTRATION OF AFFAIRS. The board shall manage
11 the assets and business of the corporation and may prescribe, amend, and
12 repeal bylaws and regulations governing the manner in which the business
13 of the corporation is conducted and the manner in which its powers are
14 exercised. The board shall delegate supervision of the administration
15 of the corporation to the executive director, appointed in accordance
16 with AS 26.16.080, and may delegate to him other duties it considers
17 proper.

18 Sec. 26.16.080. EXECUTIVE DIRECTOR. The corporation shall employ
19 an executive director, who may not be a member of the board. The execu-
20 tive director shall be appointed by the board of directors and serves at
21 the pleasure of the board.

22 Sec. 26.16.090. LEGAL ADVISOR. The attorney general is the legal
23 counsel for the corporation. He shall advise the corporation in legal
24 matters and represent it in suits.

25 Sec. 26.16.100. EMPLOYMENT OF PERSONNEL. The board may appoint
26 other officers and engage professional and technical advisors as inde-
27 pendent contractors. The executive director may hire employees of the
28 corporation and, subject to the approval of the board, engage profes-
29 sional and technical advisors under contract with the corporation. The

1 board shall prescribe the duties and compensation of corporation
2 personnel.

3 Sec. 26.16.110. PERSONNEL EXEMPT FROM STATE PERSONNEL ACT. The
4 personnel of the corporation are exempt from AS 39.25.

5 Sec. 26.16.120. INTERDEPARTMENTAL COOPERATION. All departments,
6 agencies and public corporations of the state may provide information,
7 services, facilities and loans to the corporation upon its request. The
8 corporation may reimburse departments, agencies and public corporations
9 of the state for loans advanced or for expenses incurred on the corpora-
10 tion's behalf.

11 Sec. 26.16.130. ADMINISTRATIVE PROCEDURE. (a) Except for AS 44.-
12 62.310 and 44.62.312, regarding public meetings, and AS 44.62.320(a)
13 regarding legislative review of regulations, the Administrative Proce-
14 dure Act (AS 44.62) does not apply to this chapter. The corporation
15 shall make available to members of the public copies of the regulations
16 adopted under (b) - (e) of this section. Within 45 days after adoption,
17 the chairman of the board shall submit a regulation adopted under (b) -
18 (e) of this section to the chairman of the Administrative Regulation
19 Review Committee under AS 24.20.400 - 24.20.460. The provisions of
20 AS 44.62.320(a) apply to regulations adopted under (b) - (e) of this
21 section.

22 (b) The board may adopt regulations by motion or by resolution or
23 in any other manner permitted by its bylaws.

24 (c) The board may adopt regulations to carry out the purposes of
25 this chapter, including but not limited to the following purposes:

26 (1) determination of borrower eligibility;

27 (2) loan guidelines and terms including, but not limited to,
28 maximum loan amounts and required loan-to-value ratios, but excluding
29 mortgage loan interest rates;

1 (3) characteristics of housing eligible for loans or for
2 purchase of loans.

3 (d) Except as provided in (e) of this section, at least 15 days
4 before the adoption, amendment, or repeal of a regulation on a subject
5 specified in (c)(1) - (3) of this section, the board shall give public
6 notice of the proposed action by publishing the notice in at least three
7 newspapers of general circulation in the state and by mailing a copy of
8 the notice to every person who has filed a request for notice of pro-
9 posed regulations with the board or the corporation. The public notice
10 must include a statement of the time, place, and nature of the proceed-
11 ings for the adoption, amendment, or repeal of the regulation and must
12 include an informative summary of the proposed subject of the regula-
13 tion. On the date and at the time and place designated in the notice,
14 the board shall give each interested person or his authorized represen-
15 tative, or both, the opportunity to present statements, arguments, or
16 contentions in writing, and shall give members of the public an oppor-
17 tunity to present oral statements, arguments, or contentions for a total
18 period of at least one hour. The board shall consider all relevant
19 matter presented to it before adopting, amending, or repealing a regu-
20 lation. At a hearing under this subsection, the board may continue or
21 postpone the hearing to a time and place which it determines. A regula-
22 tion which is adopted, or its amendment or repeal, may vary in content
23 from the informative summary specified in this subsection if the subject
24 matter of the regulation, or its amendment or repeal, remains the same
25 and the original notice was written so as to assure that members of the
26 public are reasonably notified of the proposed subject of the board's
27 action in order for them to determine whether their interest could be
28 affected by the board's action on that subject.

29 (e) A regulation or order of repeal on a subject specified in (c)

1 of this section may be adopted as an emergency regulation or order of
2 repeal if the board makes a finding in its order of adoption or repeal,
3 including a statement of the facts which constitute the emergency, that
4 the adoption of the regulation or order of repeal is necessary for the
5 immediate preservation of the orderly operation of the corporation's
6 loan and bonding programs. The requirements of (d) of this section do
7 not apply to the initial adoption of an emergency regulation covering a
8 subject specified in (c)(1) - (3) of this section; however, upon adop-
9 tion of an emergency regulation, the board shall, within 10 days after
10 adoption, give notice of the adoption in accordance with (d) of this
11 section. No emergency regulation adopted under this subsection remains
12 in effect more than 120 days unless the board complies with (d) of this
13 section during the 120-day period.

14 (f) A regulation adopted under (b) - (e) of this section becomes
15 effective immediately upon its adoption by the board, unless otherwise
16 specifically provided by the order of adoption.

17 (g) The provisions of (b) - (e) of this section do not apply to
18 regulations governing interest rates on the corporation's loan programs.

19 Sec. 26.16.140. GENERAL POWERS. In addition to other powers
20 granted in this chapter, the corporation may

21 (1) make veterans' loans under AS 26.16.020;

22 (2) prescribe terms and rates of interest on loans made by
23 the corporation;

24 (3) collect and pay reasonable fees and charges in connection
25 with making, purchasing and servicing its loans, notes, bonds, commit-
26 ments and other evidences of indebtedness;

27 (4) acquire real property, or an interest in real property,
28 in its own name, by purchase, transfer or foreclosure, when the acquisi-
29 tion is necessary or appropriate to protect a loan in which the corpora-

1 tion has an interest; sell, transfer and convey any such property to a
2 buyer; and, if the sale, transfer or conveyance cannot be affected with
3 reasonable promptness or at a reasonable price, rent or lease the pro-
4 perty to a tenant pending the sale, transfer or conveyance;

5 (5) sell, at public or private sale, to any purchaser, in-
6 cluding the Federal National Mortgage Association, all or any part of a
7 mortgage or other instrument or document securing a loan permitted by
8 this chapter;

9 (6) purchase, in order to meet the requirements of the sale
10 of its mortgages to the Federal National Mortgage Association, stock of
11 the Federal National Mortgage Association;

12 (7) procure insurance against any loss in connection with its
13 operation;

14 (8) consent to the modification of the rate of interest, time
15 of payment of an installment of principal or interest, or any other
16 terms, of a loan, to which the corporation is a party;

17 (9) borrow money as provided in this chapter to carry out its
18 corporate purposes; and issue its obligations as evidence of such borrow-
19 ing;

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

26 (11) make and execute agreements, contracts and other instru-
27 ments necessary or convenient in the exercise of the powers and func-
28 tions of the corporation under this chapter, including contracts with
29 any person, firm, corporation, governmental agency or other entity;

1 (12) receive, administer and comply with the conditions and
2 requirements respecting any appropriation or gift, grant or donation of
3 property or money;

4 (13) sue and be sued in its own name;

5 (14) adopt an official seal;

6 (15) adopt bylaws for the regulation of its affairs and the
7 conduct of its business and prescribe rules, regulations and policies in
8 connection with the performance of its functions and duties;

9 (16) employ fiscal consultants, engineers, real estate coun-
10 selors, appraisers and such other consultants and employees as may be
11 required in the judgment of the corporation, and fix and pay their
12 compensation from funds available to the corporation;

13 (17) adopt and publish regulations respecting its lending
14 programs and other regulations to carry out its purposes;

15 (18) do all acts necessary, convenient or desirable to carry
16 out the powers expressly granted or necessarily implied in this chapter;

17 (19) invest or reinvest, subject to its contracts with note-
18 holders and bondholders, any money or funds held by the corporation in
19 any obligations or other securities or investments in which banks or
20 trust companies in the state may legally invest funds held in reserves
21 or sinking funds or any funds not required for immediate disbursement,
22 and in certificates of deposit or time deposits secured by obligations
23 of, or guaranteed by, the state or the United States of America.

24 Sec. 26.16.150. LOAN INSURANCE. (a) There is a special fund of
25 the state to be known as the "veterans' loan insurance fund" (called the
26 "loan insurance fund") which shall be completely segregated and set
27 apart from all other funds of the state, and which is a trust fund for
28 the uses and purposes of this section and into and from which money
29 shall be paid as provided in this section. The loan insurance fund

1 shall be held by the commissioner of revenue, subject to the power of
2 the commissioner of commerce and economic development to enter into and
3 perform agreements for the use of money in the loan insurance fund and
4 to pledge, assign or grant interests in the loan insurance fund as
5 provided in this section. The commissioner of commerce and economic
6 development may enter into agreements with the corporation for the
7 exercise of any power or approval relating to the loan insurance fund
8 under this section, including, without limitation, agreements as to the
9 use of money in the loan insurance fund, agreements regarding the terms
10 and conditions upon which payments from the loan insurance fund shall be
11 made to the corporation for loans insured under this section, and agree-
12 ments regarding the payment of and security for loan insurance bonds,
13 and in connection with these agreements the commissioner of commerce and
14 economic development may pledge, assign or grant other interests in the
15 loan insurance fund to the corporation as may be necessary or appropri-
16 ate in connection with the insurance of loans and to provide for the
17 payment of and security for loan insurance bonds. An agreement or any
18 of the rights of the corporation under the agreement and payments re-
19 ceived or to be received under the agreement may be pledged or assigned
20 by the corporation for the benefit of the holders of loan insurance
21 bonds.

22 (b) In addition to any other fees and charges which the corpora-
23 tion may charge on mortgage loans, it may collect or cause to be
24 collected on all mortgage loans made with the proceeds of the sale of
25 mortgage insurance bonds, either or both a special mortgage loan insur-
26 ance commitment fee or a mortgage loan insurance premium. The special
27 mortgage loan insurance commitment fees and special mortgage loan in-
28 surance premiums when received shall be deposited in the loan insurance
29 fund by the corporation, or by any mortgage loan servicer, trustee, or

1 agent designated by the corporation to receive them, and shall be held,
2 invested and, together with all investment income derived from them,
3 reinvested by the commissioner of revenue in investments authorized
4 under AS 37.10.070(a), subject to any agreement with the corporation
5 under (a) of this section.

6 (c) If, at any time after receipt by the corporation of a payment
7 from the loan insurance fund with respect to a loan or any portion of
8 the principal and interest and other amounts payable on a loan, the
9 corporation recovers an amount on the loan or portion of it from any
10 source other than the loan insurance fund, it shall apply the amount
11 recovered in the following order: first to repay the general fund of
12 the state to the extent of appropriations made pursuant to requests made
13 under (f) of this section, and second, to repay the loan insurance fund.

14 (d) A state veterans' mortgage loan may be insured if the loan-to-
15 value ratio at the time of the insurance does not exceed 90 percent or,
16 if the loan-to-value ratio does exceed that percentage, if it is feder-
17 ally insured or guaranteed or insured by a qualified mortgage insurance
18 company to the extent of the excess. The endorsement of the corporation
19 on the mortgage at the time of purchase or acquisition of the mortgage
20 loan is conclusive evidence that the mortgage loan is insured under the
21 provisions of this section. The insurance is payable solely from the
22 mortgage insurance fund.

23 (e) Mortgage loans may only be insured when the amount of mortgage
24 loans in the loan insurance fund as a percentage of the sum of all
25 mortgage loans to be insured and all unpaid principal on mortgage loans
26 insured by the corporation, equals or exceeds the fund requirement. As
27 used in this section, the "fund requirement" is calculated as follows as
28 to the following mortgage loans insured by the corporation:

29 (1) in the case of state veteran mortgage loans insured by a

1 qualified mortgage insurance company or, if not so insured or guaran-
2 teed, with a loan-to-value ratio at the time of the mortgage insurance
3 application less than 80 percent, the greater of (A) two percent of the
4 unpaid principal amount of those mortgage loans, or (B) a percentage
5 which the corporation with the approval of the commissioner of commerce
6 and economic development determines is actuarially sound for operation
7 of the loan insurance fund;

8 (2) in the case of state veterans' mortgage loans not insured
9 by a qualified mortgage insurance company and with a loan-to-value ratio
10 at the time of the mortgage insurance application between 80 and 90 per-
11 cent, the greater of (A) six percent of the unpaid principal amount of
12 those state veterans' loans, or (B) a percentage which the corporation
13 with the approval of the commissioner of commerce and economic develop-
14 ment determines is actuarially sound for the operation of the loan
15 insurance fund.

16 (f) On December 1 of each year the commissioner of commerce and
17 economic development shall determine the amount on deposit in the loan
18 insurance fund. If the amount in the fund is less than the fund re-
19 quirement, the commissioner shall request the corporation to transfer
20 from any available funds the amount necessary to restore the loan in-
21 surance fund to the fund requirement and the corporation shall promptly
22 comply with the request from any funds available subject to agreements
23 with holders of any of its obligations. If sufficient funds are not
24 provided as the result of such requests, the commissioner shall, no
25 later than January 2 of the following year, make and deliver to the
26 governor and to the chairmen of the house and senate finance committees
27 his certificate stating the sum required to restore the fund to the fund
28 requirement and the sum so certified may be appropriated and paid to the
29 fund during the then current state fiscal year. Nothing in this sub-

1 section creates a debt or liability of the state.

2 (g) The commissioner of revenue may sell to the corporation, and
3 the corporation may purchase, state veterans' loans purchased for and
4 held in the general fund on such terms and conditions as the commis-
5 sioner of revenue and the corporation consider appropriate. When the
6 commissioner of revenue sells a state veterans' loan to the corporation
7 he may cause to be deposited in the loan insurance fund from the pro-
8 ceeds of sale an amount not exceeding the lesser of (1) six percent of
9 the proceeds of sale, or (2) the difference between the amount the
10 commissioner of revenue actually receives on the sale and the amount the
11 commissioner determines would have been received if the state veterans'
12 loans had been sold in the private mortgage market. The determination
13 shall be based on information reasonably available to the commissioner
14 of revenue at the time of sale and is conclusive in determining the
15 amount of the deposit.

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

18 (1) "loan-to-value ratio" means the ratio between the prin-
19 cipal amount of a mortgage loan and the appraised value, as determined
20 by the corporation, of the residential housing financed by that mortgage
21 loan;

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

26 (3) "qualified mortgage insurance company" means a mortgage
27 insurance company satisfactory to the corporation;

28 (4) "special mortgage loan insurance commitment fee" and
29 "special mortgage loan insurance premium" mean, respectively, a fee of

1 such percent of the principal amount of a mortgage loan to be insured
2 under this section, and an annual insurance premium of such percent of
3 the portion of the unpaid principal amount of a mortgage loan insured
4 under this section which is not federally insured or guaranteed or
5 insured by a private mortgage insurance company, which the corporation
6 with the approval of the commissioner of commerce and economic develop-
7 ment determines is actuarially sound for the operation of the mortgage
8 insurance fund;

9 (5) "state veterans' loan" means a mortgage loan for residen-
10 tial housing made in accordance with AS 26.16.020;

11 (6) the determination of what is "actuarially sound" with
12 respect to the operation of the loan insurance fund shall be based on a
13 consideration of the factors which will provide sufficient revenues for
14 the operation of the fund, without regard to amounts which may have been
15 or may, after the date of determination of actuarial soundness, be
16 appropriated under (f) of this section, including, without limitation,
17 estimates of future defaults and losses on loans insured under this
18 section based on actual default and loss experience on those loans or on
19 similar loans in Alaska or elsewhere, estimates of recoveries on de-
20 faulted or foreclosed loans based on that experience, the terms and
21 conditions of the loans insured under this section, estimates of earn-
22 ings and income of amounts on deposit in the loan insurance fund, and
23 any other appropriate factors.

24 Sec. 26.16.160. BONDS AND NOTES. (a) The corporation, by reso-
25 lution, may issue bonds and bond anticipation notes in order to provide
26 funds to carry out its purposes.

27 (b) The principal and interest on these bonds or notes is payable
28 from corporation funds. Bond anticipation notes may be payable from the
29 proceeds of the sale of bonds or from the proceeds of sale of other bond

1 anticipation notes or, in the event bond or bond anticipation note
2 proceeds are not available, the notes may be paid from other funds or
3 assets of the corporation. Bonds or notes may be additionally secured
4 by a pledge of a grant or contribution from the federal government, or a
5 corporation, association, institution or person, or a pledge of money,
6 income, or revenues of the corporation from any source.

7 (c) Bonds or bond anticipation notes may be issued in one or more
8 series and shall be dated, bear interest at the rate or rates per year
9 or within the maximum rate, be in the denomination, be in the form,
10 either coupon or registered, carry the conversion or registration pro-
11 visions, have the rank or priority, be executed in the manner and form,
12 be payable from the sources in the medium of payment and place or places
13 in or outside the state, be subject to authentication by a trustee or
14 fiscal agent, and be subject to the terms of redemption with or without
15 premium, as the resolution of the corporation may provide. Bond anti-
16 cipation notes shall mature at such time or times as may be determined
17 by the corporation. Bonds shall mature at such time, not exceeding 50
18 years from their date, as may be determined by the corporation. Before
19 the preparation of definitive bonds or bond anticipation notes, the
20 corporation may issue interim receipts or temporary bonds or bond anti-
21 cipation notes, with or without coupons, exchangeable for bonds or bond
22 anticipation notes when these definitive bonds or bond anticipation
23 notes have been executed and are available for delivery.

24 (d) Bonds or bond anticipation notes may be sold in the manner, on
25 the terms and at the price the corporation determines.

26 (e) If an officer whose signature or a facsimile of whose signa-
27 ture appears on any bonds or notes or coupons attached to them ceases to
28 be an officer before the delivery of the bond, note or coupon, his
29 signature or facsimile is valid the same as if he had remained in office

1 until delivery.

2 (f) In resolution of the corporation authorizing or relating to
3 the issuance of bonds or bond anticipation notes, the corporation has
4 power by provisions in the resolution which will constitute covenants of
5 the corporation and contracts with the holders of the bonds or bond
6 anticipation notes

7 (1) to pledge to any payment or purpose all or any part of
8 its revenues to which its right then exists or may thereafter come into
9 existence, and the money derived from the revenues, and the proceeds of
10 any bonds or notes;

11 (2) to covenant against pledging all or any part of its
12 revenues, or against permitting or suffering a lien on the revenues or
13 its property;

14 (3) to covenant as to the use and disposition of any and all
15 payments of principal or interest received by the corporation on loans
16 or other investments held by the corporation;

17 (4) to covenant as to establishment of reserves or sinking
18 funds and the making of provision for and the regulation and disposition
19 of the reserves or sinking funds;

20 (5) to covenant for or against limitations on a right to sell
21 or otherwise dispose of property of any kind;

22 (6) to covenant as to bonds and notes to be issued, and their
23 limitations, terms and conditions, and as to the custody, application
24 and disposition of the proceeds of the bonds and notes;

25 (7) to covenant as to the issuance of additional bonds or
26 notes, or as to limitations on the issuance of additional bonds or notes
27 and the incurring of other debts;

28 (8) to covenant as to the payment of the principal of or
29 interest on the bonds or notes, as to the sources and methods of the

1 payment, as to the rank or priority of the bonds or notes with respect
2 to a lien or security, or as to the acceleration of the maturity of the
3 bonds or notes;

4 (9) to provide for the replacement of lost, stolen, destroyed
5 or mutilated bonds or notes;

6 (10) to covenant against extending the time for the payment of
7 bonds or notes or interest on the bonds or notes;

8 (11) to covenant as to the redemption of bonds or notes and
9 privileges of their exchange for other bonds or notes of the corpora-
10 tion;

11 (12) to covenant to create or authorize the creation of
12 special funds of money to be held in pledge or otherwise for operating
13 expenses, payment or redemption of bonds or notes, reserves or other
14 purposes, and as to the use and disposition of the money held in the
15 funds;

16 (13) to establish the procedure, if any, by which the terms of
17 any contract or covenant with or for the benefit of the holders of bonds
18 or notes may be amended or abrogated, the amount of bonds or notes the
19 holders of which must consent to amendment or abrogation, and the manner
20 in which the consent may be given;

21 (14) to covenant as to the custody of any of its properties or
22 investments, their safekeeping and insurance, and the use and disposi-
23 tion of insurance money;

24 (15) to covenant as to the time or manner of enforcement or
25 restraint from enforcement of any rights of the corporation arising by
26 reason of or with respect to nonpayment of any principal or interest of
27 any mortgage loans or construction loans;

28 (16) to provide for the rights and liabilities, powers and
29 duties arising upon the breach of any covenant, condition or obligation,

1 and to prescribe the events of default and the terms and conditions upon
2 which any or all the bonds, notes or other obligations of the corpora-
3 tion become or may be declared due and payable before maturity and the
4 terms and conditions upon which any such declaration and its consequen-
5 ces may be waived;

6 (17) to vest in a trustee or trustees in or outside the state
7 such property, rights, powers and duties in trust as the corporation may
8 determine, which may include any or all of the rights, powers and duties
9 of any trustee appointed by the holders of any bonds or notes, and to
10 limit or abrogate the right of the holders of any bonds or notes of the
11 corporation to appoint a trustee under this chapter or limit the rights,
12 powers and duties of the trustee;

13 (18) to pay the cost or expenses incident to the enforcement
14 of the bonds or notes or of the provisions of the resolution or of any
15 covenant or agreement of the corporation with the holders of its bonds
16 or notes;

17 (19) to agree with any corporate trustee which may be a trust
18 company or bank having the powers of a trust company in or outside the
19 state as to the pledging or assigning of revenues or funds to which or
20 in which the corporation has any rights or interest; the agreement may
21 further provide for such other rights and remedies exercisable by the
22 trustee as may be proper for the protection of the holders of any bonds
23 or notes of the corporation and not otherwise in violation of law and
24 may provide for the restriction of the rights of an individual holder of
25 bonds or notes of the corporation;

26 (20) to appoint and provide for the duties and obligations of
27 any paying agent or paying agents, or such other fiduciaries as the
28 resolution may provide in or outside the state;

29 (21) to limit the rights of the holders of any bonds or notes

1 to enforce any pledge or covenant securing bonds or notes;

2 (22) to make covenants other than and in addition to the
3 covenants expressly authorized in this section, of like or different
4 character, and to make the covenants to do or refrain from doing such
5 acts and things as may be necessary, or convenient and desirable, in
6 order to better secure bonds or notes or which, in the absolute discre-
7 tion of the corporation, will tend to make bonds or notes more market-
8 able, notwithstanding that the covenants, acts or things may not be
9 enumerated in this section.

10 Sec. 26.16.170. INDEPENDENT FINANCIAL ADVISOR. In negotiating the
11 private sale of bonds or bond anticipation notes to an underwriter, the
12 corporation shall retain a financial advisor who is independent from the
13 underwriter.

14 Sec. 26.16.180. VALIDITY OF ANY PLEDGE. The pledge of assets or
15 revenues of the corporation to the payment of the principal or interest
16 on any obligations of the corporation is valid and binding from the time
17 the pledge is made and any such assets or revenues are immediately
18 subject to the lien of the pledge without physical delivery or further
19 act. The lien of any pledge is valid and binding against all parties
20 having claims of any kind in tort, contract or otherwise against the
21 corporation, irrespective of whether those parties have notice of the
22 lien of the pledge. Nothing in this section prohibits the corporation
23 from selling assets subject to a pledge, except that a sale may be
24 restricted by the trust agreement or resolution providing for the issu-
25 ance of the obligations.

26 Sec. 26.16.190. CAPITAL RESERVE FUND. (a) For the purpose of
27 securing any one or more issues of its obligations, the corporation may
28 establish one or more special funds, called "capital reserve funds", and
29 shall pay into those capital reserve funds (1) any money appropriated

1 and made available by the state for the purpose of any of those funds,
2 (2) any proceeds of the sale of its obligations, to the extent provided
3 in the resolution or resolutions of the corporation authorizing their
4 issuance, and (3) any other money which may be made available to the
5 corporation for the purposes of those funds from any other source. All
6 money held in a capital reserve fund, except as provided in this sec-
7 tion, shall be used as required, solely for (1) the payment of the
8 principal of obligations or of the sinking fund payments with respect to
9 those obligations, (2) the purchase or redemption of obligations, (3)
10 the payment of interest on obligations, or (4) the payment of any re-
11 demption premium required to be paid when those obligations are redeemed
12 before maturity; however, money in any fund may not be withdrawn from it
13 at any time in an amount which would reduce the amount of that fund to
14 less than the capital reserve requirement set out in (b) of this sec-
15 tion, except for the purpose of making, with respect to those obliga-
16 tions, payment, when due, of principal, interest, redemption premiums
17 and the sinking fund payments for the payment of which other money of
18 the corporation is not available. Any income or interest earned by, or
19 increment to, a capital reserve fund, due to the investment of the fund
20 or any other amounts in it, may be transferred by the corporation to
21 other funds or accounts of the corporation to the extent that the trans-
22 fer does not reduce the amount of the capital reserve fund below the
23 capital reserve fund requirement.

24 (b) If the corporation decides to issue obligations secured by a
25 capital reserve fund, the obligations may not be issued if the amount in
26 the capital reserve fund is less than such a per cent, not exceeding 10
27 per cent of the principal amount of all of those obligations secured by
28 that capital reserve fund then to be issued and then outstanding in
29 accordance with their terms, as may be established by resolution of the

1 corporation (called the "capital reserve fund requirement"), unless the
2 corporation, at the time of issuance of the obligations, deposits in the
3 capital reserve fund from the proceeds of the obligations to be issued
4 or from other sources, an amount which, together with the amount then in
5 the fund, will not be less than the capital reserve fund requirement.

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

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

18 (e) The chairman of the corporation shall annually, no later than
19 January 2, make and deliver to the governor and chairman of the house
20 and senate finance committees his certificate stating the sum, if any,
21 required to restore any capital reserve fund to the capital reserve fund
22 requirement. The legislature may appropriate such a sum, and all sums
23 appropriated during the then current fiscal year by the legislature for
24 the restoration shall be deposited by the corporation in the proper
25 capital reserve fund. Nothing in this section creates a debt or liabil-
26 ity of the state.

27 (f) Whenever the corporation has created and established a capital
28 reserve fund, the commissioner of revenue may lend surplus money in the
29 general fund to the corporation for deposit in a capital reserve fund in

1 an amount equal to the capital reserve fund requirement. The loans
2 shall be made on such terms and conditions as may be agreed upon the
3 commissioner of revenue and the corporation, including without limita-
4 tion terms and conditions providing that the loans need not be repaid
5 until the obligations of the corporation secured and to be secured by
6 the capital reserve fund are no longer outstanding.

7 Sec. 26.16.200. REMEDIES. A holder of obligations or coupons
8 attached to them issued under the provisions of this chapter, and a
9 trustee under a trust agreement or resolution authorizing the issuance
10 of the obligations, except as restricted by a trust agreement or resolu-
11 tion, either at law or in equity, may enforce all rights granted under
12 this chapter or under the trust agreement or resolution, or under any
13 other contract executed by the corporation under this chapter, and may
14 enforce and compel the performance of all duties required by this chap-
15 ter or by the trust agreement or resolution to be performed by the
16 corporation or by any officer of it.

17 Sec. 26.16.210. NEGOTIABLE INSTRUMENTS. All obligations and
18 interest coupons attached to them are negotiable instruments under the
19 laws of this state, subject only to any applicable provisions for regis-
20 tration.

21 Sec. 26.16.220. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
22 issued under the provisions of this chapter are securities in which all
23 public officers and public bodies of the state and its political sub-
24 divisions, all insurance companies, trust companies, banking associa-
25 tions, investment companies, executors, administrators, trustees and
26 other fiduciaries may properly and legally invest funds, including
27 capital in their control or belonging to them. These obligations may be
28 deposited with any state or municipal officer of an agency or political
29 subdivision of the state for any purpose for which the deposit of bonds,

1 notes or obligations of the state is authorized by law.

2 Sec. 26.16.230. REFUNDING OBLIGATIONS. (a) The corporation may
3 provide for the issuance of refunding obligations for the purpose of
4 refunding any obligations then outstanding which have been issued under
5 the provisions of this chapter, including the payment of any redemption
6 premium on them and any interest accrued or to accrue to the date of
7 redemption of the obligations. The issuance of the obligations, the
8 maturities and other details of them, the rights of the holders of them,
9 and the rights, duties and obligations of the corporation in respect of
10 them are governed by the provisions of this chapter which relate to the
11 issuance of obligations, insofar as those provisions may be appropriate.

12 (b) Refunding obligations may be sold or exchanged for outstanding
13 obligations issued under this chapter and, if sold, the proceeds may be
14 applied, in addition to any other authorized purposes, to the purchase,
15 redemption or payment of the outstanding obligations. Pending the
16 application of the proceeds of any such refunding obligations, with any
17 other available funds, to the payment of the principal, accrued interest
18 and any redemption premium on the obligations being refunded, and, if so
19 provided or permitted in the resolution authorizing the issuance of the
20 refunding obligations or in the trust agreement securing them, to the
21 payment of any interest on the refunding obligations and any expenses in
22 connection with the refunding, the proceeds may be invested in direct
23 obligations of, or obligations the principal of and the interest on
24 which are unconditionally guaranteed by, the United States of America
25 which mature or which will be subject to redemption, at the option of
26 the holders of them, not later than the respective dates when the pro-
27 ceeds, together with the interest accruing on them, will be required for
28 the purposes intended.

29 Sec. 26.16.240. CREDIT OF STATE NOT PLEDGED. (a) Obligations

1 issued under the provisions of this chapter do not constitute a debt,
2 liability or obligation of the state or of any political subdivision of
3 the state or a pledge of the faith and credit of the state or of any
4 such political subdivision but are payable solely from the revenues or
5 assets of the corporation. Each obligation issued under this chapter
6 shall contain on its face a statement that the corporation is not obli-
7 gated to pay it nor the interest on it except from the revenues or
8 assets pledged for it and that neither the faith and credit nor the
9 taxing power of the state or of any political subdivision of the state
10 is pledged to the payment of the principal of or the interest on the
11 obligation.

12 (b) Expenses incurred by the corporation in carrying out the
13 provisions of this chapter are payable from funds provided under this
14 chapter and no liability may be incurred by the corporation in excess of
15 these funds.

16 Sec. 26.16.250. OFFICERS NOT LIABLE. A member or other officer of
17 the corporation is not subject to personal liability or accountability
18 by reason of his execution of any obligations or the issuance of them.

19 Sec. 26.16.260. TAX EXEMPTION. (a) The exercise of the powers
20 granted by this chapter will be in all respects for the benefit of the
21 people of the state, for their well-being and prosperity and for the
22 improvement of their social and economic conditions, and the corporation
23 is not required to pay a tax or assessment on any property owned by the
24 corporation under the provisions of this chapter or upon the income from
25 it, except taxes on real property of which the corporation is fee owner.

26 (b) All obligations issued under this chapter are hereby declared
27 to be issued by a body corporate and public of the state and for an
28 essential public and governmental purpose, and the obligations, and the
29 interest and income on and from the obligations, and all fees, charges,

1 funds, revenues, income and other money pledged or available to pay or
2 secure the payment of the obligations, or interest on the obligations,
3 are exempt from taxation except for transfer, inheritance and estate
4 taxes.

5 Sec. 26.16.270. ANNUAL REPORT. The corporation shall prepare and
6 transmit annually a report accounting to the governor and the legisla-
7 ture for the efficient discharge of all responsibility assigned by law or
8 by directive to the corporation.

9 Sec. 26.16.280. DEFINITIONS. In this chapter, unless the context
10 clearly indicates a different meaning,

11 (1) "corporation" means the Alaska Veterans' Loan Corporation
12 established by this chapter;

13 (2) "board" means the board of directors of the corporation;

14 (3) "governmental agency" means any department, division,
15 public agency, political subdivison or other public instrumentality of
16 the state or federal government.

17 * Sec. 3. All assets of the World War II veterans' loan fund established
18 under AS 26.15.090 are transferred to the Alaska Veterans' Loan Corporation
19 to be used for the purposes of AS 26.16.

20 * Sec. 4. Loan servicing functions presently performed by the Department
21 of Commerce and Economic Development on loans made under the provisions of
22 AS 26.15 may, at the discretion of the commissioner of revenue, be trans-
23 ferred to the Alaska Veterans' Loan Corporation created in AS 26.16. The
24 Alaska Veterans' Loan Corporation may assume the duties which the Department
25 of Commerce and Economic Development is obligated to perform under agreements
26 made in connection with veterans loans and is entitled to service fees and
27 other compensation which the department is entitled to receive.

28 * Sec. 5. AS 26.15 is repealed.

29 * Sec. 6. Section 5 of this Act takes effect July 1, 1980.

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* Sec. 7. Sections 1 - 4 of this Act take effect immediately in accordance with AS 01.10.070(c).