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1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2

CS FOR 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
13 acceptable credit rating and good character if the loan is approved by a
14 majority of the board of directors 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 board
25 of directors of the corporation in conformity with established require-
26 ments.

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

1 general business experience. The loans shall be secured by acceptable
2 collateral and may not exceed 75 percent of the appraised value of the
3 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 shall be at least one percent less
12 than the interest rate on comparable loans made by the state under any
13 other lending program of the state except that farm loans shall bear
14 interest at the rate prescribed in AS 03.10.030.

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

23 (e) If the real property which secures a loan made under (a)(2) or
24 (4) of this section is transferred by the borrower and the loan was made
25 five years or more before the transfer, the commissioner of commerce and
26 economic development shall allow the person to whom the property is
27 transferred to assume the outstanding indebtedness on the loan on the
28 existing terms of the loan unless the commissioner determines in writing
29 that the credit of that person is not satisfactory to assure repayment

1 of the loan. The person to whom the property is transferred need not be
2 eligible for a loan under this chapter in order to assume the outstanding
3 indebtedness on the loan.

4 (f) The corporation shall make application forms for loans autho-
5 rized by this chapter available at at least one government office in
6 each city, borough, or village in which a state government office is
7 located. An application for a loan may be made directly to the corpora-
8 tion or through an office at which application forms have been made
9 available.

10 (g) The corporation shall insure equitable geographic consideration
11 of applications for loans by scheduling consideration so that applica-
12 tions from each senate district from which applications have been re-
13 ceived are considered at each meeting of the board of directors of the
14 corporation. The board of directors of the corporation shall provide by
15 regulation for procedures to implement this scheduling requirement.

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

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

22 (A) who at the time of induction into the service was a
23 resident of the territory or state, who had been a resident for not
24 less than one year immediately before his induction, and who re-
25 turned to the territory or state within one year after discharge as
26 a resident with the intention of remaining in the territory or
27 state; or

28 (B) who, not being a bona fide resident of the territory
29 or state before his entry into the service, has been a resident of

1 the territory or state for five or more consecutive years after
2 demonstrating his intent to make his permanent home in the state by
3 designating a place in the state as his home in official civilian
4 records or in military personnel records; and

5 (C) whose discharge was honorable;

6 (2) a person who was dependent on a member of the armed forces
7 or an eligible veteran at the time of the member's or veteran's death if

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

10 (B) the member or veteran served in the armed forces for
11 at least 90 days after April 6, 1917; and

12 (C) his discharge was honorable;

13 (3) a person who has served in the Alaska Army National
14 Guard, the Alaska Air National Guard, or the Alaska Naval Militia or who
15 has served in a reserve unit of the United States armed forces if the
16 reserve unit required, as a minimum, one weekend each month of duty and
17 15 consecutive days of active duty training each year for not less than
18 five years and who has not received a discharge other than honorable.

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

28 Sec. 26.16.040. CORPORATION GOVERNING BODY. (a) The corporation
29 shall be governed by a board of directors. The board of directors of

1 the corporation consists of the commissioner of the Department of Com-
2 merce and Economic Development and six members appointed by the gover-
3 nor. At least five of the appointed members must be veterans who meet
4 the eligibility requirements of AS 26.16.030(1).

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

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

11 (d) Members of the board of directors serve without compensation
12 except that each member may be reimbursed by the corporation for actual
13 and necessary expenses at the same rate as set out in AS 39.20.180.

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

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

22 Sec. 26.16.070. ADMINISTRATION OF AFFAIRS. The board shall manage
23 the assets and business of the corporation and may prescribe, amend, and
24 repeal bylaws and regulations governing the manner in which the business
25 of the corporation is conducted and the manner in which its powers are
26 exercised. The board shall delegate supervision of the administration
27 of the corporation to the executive director, appointed in accordance
28 with AS 26.16.080, and may delegate to him other duties it considers
29 proper.

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

5 Sec. 26.16.090. LEGAL ADVISOR. The attorney general is the legal
6 counsel for the corporation. He shall advise the corporation in legal
7 matters and represent it in suits.

8 Sec. 26.16.100. EMPLOYMENT OF PERSONNEL. The board may appoint
9 other officers and engage professional and technical advisors as inde-
10 pendent contractors. The executive director may hire employees of the
11 corporation and, subject to the approval of the board, engage profes-
12 sional and technical advisors under contract with the corporation. The
13 board shall prescribe the duties and compensation of corporation person-
14 nel.

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

17 Sec. 26.16.120. INTERDEPARTMENTAL COOPERATION. All departments,
18 agencies and public corporations of the state may provide information,
19 services, facilities and loans to the corporation upon its request. The
20 corporation may reimburse departments, agencies and public corporations
21 of the state for loans advanced or for expenses incurred on the corpora-
22 tion's behalf.

23 Sec. 26.16.130. ADMINISTRATIVE PROCEDURE. (a) Except for AS 44.-
24 62.310 and 44.62.312, regarding public meetings, and AS 44.62.320(a)
25 regarding legislative review of regulations, the Administrative Proce-
26 dure Act (AS 44.62) does not apply to this chapter. The corporation
27 shall make available to members of the public copies of the regulations
28 adopted under (b) - (e) of this section. Within 45 days after adoption,
29 the chairman of the board shall submit a regulation adopted under (b) -

1 (e) of this section to the chairman of the Administrative Regulation
2 Review Committee under AS 24.20.400 - 24.20.460. The provisions of
3 AS 44.62.320(a) apply to regulations adopted under (b) - (e) of this
4 section.

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

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

9 (1) determination of borrower eligibility;

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

13 (3) characteristics of housing eligible for loans or for
14 purchase of loans.

15 (d) Except as provided in (e) of this section, at least 15 days
16 before the adoption, amendment, or repeal of a regulation on a subject
17 specified in (c)(1) - (3) of this section, the board shall give public
18 notice of the proposed action by publishing the notice in at least three
19 newspapers of general circulation in the state and by mailing a copy of
20 the notice to every person who has filed a request for notice of pro-
21 posed regulations with the board or the corporation. The public notice
22 must include a statement of the time, place, and nature of the proceed-
23 ings for the adoption, amendment, or repeal of the regulation and must
24 include an informative summary of the proposed subject of the regula-
25 tion. On the date and at the time and place designated in the notice,
26 the board shall give each interested person or his authorized represen-
27 tative, or both, the opportunity to present statements, arguments, or
28 contentions in writing, and shall give members of the public an oppor-
29 tunity to present oral statements, arguments, or contentions for a total

1 period of at least one hour. The board shall consider all relevant
2 matter presented to it before adopting, amending, or repealing a regu-
3 lation. At a hearing under this subsection, the board may continue or
4 postpone the hearing to a time and place which it determines. A regula-
5 tion which is adopted, or its amendment or repeal, may vary in content
6 from the informative summary specified in this subsection if the subject
7 matter of the regulation, or its amendment or repeal, remains the same
8 and the original notice was written so as to assure that members of the
9 public are reasonably notified of the proposed subject of the board's
10 action in order for them to determine whether their interest could be
11 affected by the board's action on that subject.

12 (e) A regulation or order of repeal on a subject specified in (c)
13 of this section may be adopted as an emergency regulation or order of
14 repeal if the board makes a finding in its order of adoption or repeal,
15 including a statement of the facts which constitute the emergency, that
16 the adoption of the regulation or order of repeal is necessary for the
17 immediate preservation of the orderly operation of the corporation's
18 loan and bonding programs. The requirements of (d) of this section do
19 not apply to the initial adoption of an emergency regulation covering a
20 subject specified in (c)(1) - (3) of this section; however, upon adop-
21 tion of an emergency regulation, the board shall, within 10 days after
22 adoption, give notice of the adoption in accordance with (d) of this
23 section. No emergency regulation adopted under this subsection remains
24 in effect more than 120 days unless the board complies with (d) of this
25 section during the 120-day period.

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

29 (g) The provisions of (b) - (e) of this section do not apply to

1 regulations governing interest rates on the corporation's loan programs.

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

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

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

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

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

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

21 (6) 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 (7) procure insurance against any loss in connection with its
25 operation;

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

29 (9) borrow money as provided in this chapter to carry out its

1 corporate purposes; and issue its obligations as evidence of such borrow-
2 ing;

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

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

13 (12) receive, administer and comply with the conditions and
14 requirements respecting any appropriation or gift, grant or donation of
15 property or money;

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

17 (14) adopt an official seal;

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

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

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

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

29 (19) invest or reinvest, subject to its contracts with note-

1 holders and bondholders, any money or funds held by the corporation in
2 any obligations or other securities or investments in which banks or
3 trust companies in the state may legally invest funds held in reserves
4 or sinking funds or any funds not required for immediate disbursement,
5 and in certificates of deposit or time deposits secured by obligations
6 of, or guaranteed by, the state or the United States of America.

7 Sec. 26.16.150. LOAN INSURANCE. (a) There is a special fund of
8 the state to be known as the "veterans' loan insurance fund" (called the
9 "loan insurance fund") which shall be completely segregated and set
10 apart from all other funds of the state, and which is a trust fund for
11 the uses and purposes of this section and into and from which money
12 shall be paid as provided in this section. The loan insurance fund
13 shall be held by the commissioner of revenue, subject to the power of
14 the commissioner of commerce and economic development to enter into and
15 perform agreements for the use of money in the loan insurance fund and
16 to pledge, assign or grant interests in the loan insurance fund as
17 provided in this section. The commissioner of commerce and economic
18 development may enter into agreements with the corporation for the
19 exercise of any power or approval relating to the loan insurance fund
20 under this section, including, without limitation, agreements as to the
21 use of money in the loan insurance fund, agreements regarding the terms
22 and conditions upon which payments from the loan insurance fund shall be
23 made to the corporation for loans insured under this section, and agree-
24 ments regarding the payment of and security for loan insurance bonds,
25 and in connection with these agreements the commissioner of commerce and
26 economic development may pledge, assign or grant other interests in the
27 loan insurance fund to the corporation as may be necessary or appropri-
28 ate in connection with the insurance of loans and to provide for the
29 payment of and security for loan insurance bonds. An agreement or any

1 of the rights of the corporation under the agreement and payments re-
2 ceived or to be received under the agreement may be pledged or assigned
3 by the corporation for the benefit of the holders of loan insurance
4 bonds.

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

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

26 (d) A state veterans' mortgage loan may be insured if the loan-to-
27 value ratio at the time of the insurance does not exceed 90 percent or,
28 if the loan-to-value ratio does exceed that percentage, if it is feder-
29 ally insured or guaranteed or insured by a qualified mortgage insurance

1 company to the extent of the excess. The endorsement of the corporation
2 on the mortgage at the time of purchase or acquisition of the mortgage
3 loan is conclusive evidence that the mortgage loan is insured under the
4 provisions of this section. The insurance is payable solely from the
5 mortgage insurance fund.

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

12 (1) in the case of state veteran mortgage loans insured by a
13 qualified mortgage insurance company or, if not so insured or guaran-
14 teed, with a loan-to-value ratio at the time of the mortgage insurance
15 application less than 80 percent, the greater of (A) two percent of the
16 unpaid principal amount of those mortgage loans, or (B) a percentage
17 which the corporation with the approval of the commissioner of commerce
18 and economic development determines is actuarially sound for operation
19 of the loan insurance fund;

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

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

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

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

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

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

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

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

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

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

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

1 section based on actual default and loss experience on those loans or on
2 similar loans in Alaska or elsewhere, estimates of recoveries on de-
3 faulted or foreclosed loans based on that experience, the terms and
4 conditions of the loans insured under this section, estimates of earn-
5 ings and income of amounts on deposit in the loan insurance fund, and
6 any other appropriate factors.

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

10 (b) The principal and interest on these bonds or notes is payable
11 from corporation funds. Bond anticipation notes may be payable from the
12 proceeds of the sale of bonds or from the proceeds of sale of other bond
13 anticipation notes or, in the event bond or bond anticipation note
14 proceeds are not available, the notes may be paid from other funds or
15 assets of the corporation. Bonds or notes may be additionally secured
16 by a pledge of a grant or contribution from the federal government, or a
17 corporation, association, institution or person, or a pledge of money,
18 income, or revenues of the corporation from any source.

19 (c) Bonds or bond anticipation notes may be issued in one or more
20 series and shall be dated, bear interest at the rate or rates per year
21 or within the maximum rate, be in the denomination, be in the form,
22 either coupon or registered, carry the conversion or registration pro-
23 visions, have the rank or priority, be executed in the manner and form,
24 be payable from the sources in the medium of payment and place or places
25 in or outside the state, be subject to authentication by a trustee or
26 fiscal agent, and be subject to the terms of redemption with or without
27 premium, as the resolution of the corporation may provide. Bond anti-
28 cipation notes shall mature at such time or times as may be determined
29 by the corporation. Bonds shall mature at such time, not exceeding 50

1 years from their date, as may be determined by the corporation. Before
2 the preparation of definitive bonds or bond anticipation notes, the
3 corporation may issue interim receipts or temporary bonds or bond anti-
4 cipation notes, with or without coupons, exchangeable for bonds or bond
5 anticipation notes when these definitive bonds or bond anticipation
6 notes have been executed and are available for delivery.

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

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

14 (f) In resolution of the corporation authorizing or relating to
15 the issuance of bonds or bond anticipation notes, the corporation has
16 power by provisions in the resolution which will constitute covenants of
17 the corporation and contracts with the holders of the bonds or bond
18 anticipation notes

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

23 (2) to covenant against pledging all or any part of its
24 revenues, or against permitting or suffering a lien on the revenues or
25 its property;

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

29 (4) to covenant as to establishment of reserves or sinking

1 funds and the making of provision for and the regulation and disposition
2 of the reserves or sinking funds;

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

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

8 (7) to covenant as to the issuance of additional bonds or
9 notes, or as to limitations on the issuance of additional bonds or notes
10 and the incurring of other debts;

11 (8) to covenant as to the payment of the principal of or
12 interest on the bonds or notes, as to the sources and methods of the
13 payment, as to the rank or priority of the bonds or notes with respect
14 to a lien or security, or as to the acceleration of the maturity of the
15 bonds or notes;

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

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

20 (11) to covenant as to the redemption of bonds or notes and
21 privileges of their exchange for other bonds or notes of the corpora-
22 tion;

23 (12) to covenant to create or authorize the creation of
24 special funds of money to be held in pledge or otherwise for operating
25 expenses, payment or redemption of bonds or notes, reserves or other
26 purposes, and as to the use and disposition of the money held in the
27 funds;

28 (13) to establish the procedure, if any, by which the terms of
29 any contract or covenant with or for the benefit of the holders of bonds

1 or notes may be amended or abrogated, the amount of bonds or notes the
2 holders of which must consent to amendment or abrogation, and the manner
3 in which the consent may be given;

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

7 (15) to covenant as to the time or manner of enforcement or
8 restraint from enforcement of any rights of the corporation arising by
9 reason of or with respect to nonpayment of any principal or interest of
10 any mortgage loans or construction loans;

11 (16) to provide for the rights and liabilities, powers and
12 duties arising upon the breach of any covenant, condition or obligation,
13 and to prescribe the events of default and the terms and conditions upon
14 which any or all the bonds, notes or other obligations of the corpora-
15 tion become or may be declared due and payable before maturity and the
16 terms and conditions upon which any such declaration and its consequen-
17 ces may be waived;

18 (17) to vest in a trustee or trustees in or outside the state
19 such property, rights, powers and duties in trust as the corporation may
20 determine, which may include any or all of the rights, powers and duties
21 of any trustee appointed by the holders of any bonds or notes, and to
22 limit or abrogate the right of the holders of any bonds or notes of the
23 corporation to appoint a trustee under this chapter or limit the rights,
24 powers and duties of the trustee;

25 (18) to pay the cost or expenses incident to the enforcement
26 of the bonds or notes or of the provisions of the resolution or of any
27 covenant or agreement of the corporation with the holders of its bonds
28 or notes;

29 (19) to agree with any corporate trustee which may be a trust

1 company or bank having the powers of a trust company in or outside the
2 state as to the pledging or assigning of revenues or funds to which or
3 in which the corporation has any rights or interest; the agreement may
4 further provide for such other rights and remedies exercisable by the
5 trustee as may be proper for the protection of the holders of any bonds
6 or notes of the corporation and not otherwise in violation of law and
7 may provide for the restriction of the rights of an individual holder of
8 bonds or notes of the corporation;

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

12 (21) to limit the rights of the holders of any bonds or notes
13 to enforce any pledge or covenant securing bonds or notes;

14 (22) to make covenants other than and in addition to the
15 covenants expressly authorized in this section, of like or different
16 character, and to make the covenants to do or refrain from doing such
17 acts and things as may be necessary, or convenient and desirable, in
18 order to better secure bonds or notes or which, in the absolute discre-
19 tion of the corporation, will tend to make bonds or notes more market-
20 able, notwithstanding that the covenants, acts or things may not be
21 enumerated in this section.

22 Sec. 26.16.170. INDEPENDENT FINANCIAL ADVISOR. In negotiating the
23 private sale of bonds or bond anticipation notes to an underwriter, the
24 corporation shall retain a financial advisor who is independent from the
25 underwriter.

26 Sec. 26.16.180. VALIDITY OF ANY PLEDGE. The pledge of assets or
27 revenues of the corporation to the payment of the principal or interest
28 on any obligations of the corporation is valid and binding from the time
29 the pledge is made and any such assets or revenues are immediately

1 subject to the lien of the pledge without physical delivery or further
2 act. The lien of any pledge is valid and binding against all parties
3 having claims of any kind in tort, contract or otherwise against the
4 corporation, irrespective of whether those parties have notice of the
5 lien of the pledge. Nothing in this section prohibits the corporation
6 from selling assets subject to a pledge, except that a sale may be
7 restricted by the trust agreement or resolution providing for the issu-
8 ance of the obligations.

9 Sec. 26.16.190. CAPITAL RESERVE FUND. (a) For the purpose of
10 securing any one or more issues of its obligations, the corporation may
11 establish one or more special funds, called "capital reserve funds", and
12 shall pay into those capital reserve funds (1) any money appropriated
13 and made available by the state for the purpose of any of those funds,
14 (2) any proceeds of the sale of its obligations, to the extent provided
15 in the resolution or resolutions of the corporation authorizing their
16 issuance, and (3) any other money which may be made available to the
17 corporation for the purposes of those funds from any other source. All
18 money held in a capital reserve fund, except as provided in this sec-
19 tion, shall be used as required, solely for (1) the payment of the
20 principal of obligations or of the sinking fund payments with respect to
21 those obligations, (2) the purchase or redemption of obligations, (3)
22 the payment of interest on obligations, or (4) the payment of any re-
23 demption premium required to be paid when those obligations are redeemed
24 before maturity; however, money in any fund may not be withdrawn from it
25 at any time in an amount which would reduce the amount of that fund to
26 less than the capital reserve requirement set out in (b) of this sec-
27 tion, except for the purpose of making, with respect to those obliga-
28 tions, payment, when due, of principal, interest, redemption premiums
29 and the sinking fund payments for the payment of which other money of

1 the corporation is not available. Any income or interest earned by, or
2 increment to, a capital reserve fund, due to the investment of the fund
3 or any other amounts in it, may be transferred by the corporation to
4 other funds or accounts of the corporation to the extent that the trans-
5 fer does not reduce the amount of the capital reserve fund below the
6 capital reserve fund requirement.

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

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

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

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

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

19 Sec. 26.16.200. REMEDIES. A holder of obligations or coupons
20 attached to them issued under the provisions of this chapter, and a
21 trustee under a trust agreement or resolution authorizing the issuance
22 of the obligations, except as restricted by a trust agreement or resolu-
23 tion, either at law or in equity, may enforce all rights granted under
24 this chapter or under the trust agreement or resolution, or under any
25 other contract executed by the corporation under this chapter, and may
26 enforce and compel the performance of all duties required by this chap-
27 ter or by the trust agreement or resolution to be performed by the
28 corporation or by any officer of it.

29 Sec. 26.16.210. NEGOTIABLE INSTRUMENTS. All obligations and

1 interest coupons attached to them are negotiable instruments under the
2 laws of this state, subject only to any applicable provisions for regis-
3 tration.

4 Sec. 26.16.220. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
5 issued under the provisions of this chapter are securities in which all
6 public officers and public bodies of the state and its political sub-
7 divisions, all insurance companies, trust companies, banking associa-
8 tions, investment companies, executors, administrators, trustees and
9 other fiduciaries may properly and legally invest funds, including
10 capital in their control or belonging to them. These obligations may be
11 deposited with any state or municipal officer of an agency or political
12 subdivision of the state for any purpose for which the deposit of bonds,
13 notes or obligations of the state is authorized by law.

14 Sec. 26.16.230. REFUNDING OBLIGATIONS. (a) The corporation may
15 provide for the issuance of refunding obligations for the purpose of
16 refunding any obligations then outstanding which have been issued under
17 the provisions of this chapter, including the payment of any redemption
18 premium on them and any interest accrued or to accrue to the date of
19 redemption of the obligations. The issuance of the obligations, the
20 maturities and other details of them, the rights of the holders of them,
21 and the rights, duties and obligations of the corporation in respect of
22 them are governed by the provisions of this chapter which relate to the
23 issuance of obligations, insofar as those provisions may be appropriate.

24 (b) Refunding obligations may be sold or exchanged for outstanding
25 obligations issued under this chapter and, if sold, the proceeds may be
26 applied, in addition to any other authorized purposes, to the purchase,
27 redemption or payment of the outstanding obligations. Pending the
28 application of the proceeds of any such refunding obligations, with any
29 other available funds, to the payment of the principal, accrued interest

1 and any redemption premium on the obligations being refunded, and, if so
2 provided or permitted in the resolution authorizing the issuance of the
3 refunding obligations or in the trust agreement securing them, to the
4 payment of any interest on the refunding obligations and any expenses in
5 connection with the refunding, the proceeds may be invested in direct
6 obligations of, or obligations the principal of and the interest on
7 which are unconditionally guaranteed by, the United States of America
8 which mature or which will be subject to redemption, at the option of
9 the holders of them, not later than the respective dates when the pro-
10 ceeds, together with the interest accruing on them, will be required for
11 the purposes intended.

12 Sec. 26.16.240. CREDIT OF STATE NOT PLEDGED. (a) Obligations
13 issued under the provisions of this chapter do not constitute a debt,
14 liability or obligation of the state or of any political subdivision of
15 the state or a pledge of the faith and credit of the state or of any
16 such political subdivision but are payable solely from the revenues or
17 assets of the corporation. Each obligation issued under this chapter
18 shall contain on its face a statement that the corporation is not obli-
19 gated to pay it nor the interest on it except from the revenues or
20 assets pledged for it and that neither the faith and credit nor the
21 taxing power of the state or of any political subdivision of the state
22 is pledged to the payment of the principal of or the interest on the
23 obligation.

24 (b) Expenses incurred by the corporation in carrying out the
25 provisions of this chapter are payable from funds provided under this
26 chapter and no liability may be incurred by the corporation in excess of
27 these funds.

28 Sec. 26.16.250. OFFICERS NOT LIABLE. A member or other officer of
29 the corporation is not subject to personal liability or accountability

1 by reason of his execution of any obligations or the issuance of them.

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

9 (b) All obligations issued under this chapter are hereby declared
10 to be issued by a body corporate and public of the state and for an
11 essential public and governmental purpose, and the obligations, and the
12 interest and income on and from the obligations, and all fees, charges,
13 funds, revenues, income and other money pledged or available to pay or
14 secure the payment of the obligations, or interest on the obligations,
15 are exempt from taxation except for transfer, inheritance and estate
16 taxes.

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

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

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

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

26 (3) "governmental agency" means any department, division,
27 public agency, political subdivision or other public instrumentality of
28 the state or federal government.

29 * Sec. 3. All assets of the World War II veterans' loan fund established

1 under AS 26.15.090 are transferred to the Alaska Veterans' Loan Corporation
2 to be used for the purposes of AS 26.16.

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

11 * Sec. 5. AS 26.15 is repealed.

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

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

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