

Introduced: 2/10/81  
Referred: Finance

1 IN THE HOUSE

BY MALONE

2 HOUSE BILL NO. 135

3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 \* Section 1. AS 44.47.370 is amended by adding a new paragraph to read:

10 (8) originate and service direct loans made for purchase,  
11 renovation, or improvements and building materials, for nonconforming  
12 housing made to qualified buyers in accordance with AS 44.47.360 -  
13 44.47.560.

14 \* Sec. 2. AS 44.47.380 is amended to read:

15 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. (a) There is  
16 created in the Department of Community and Regional Affairs the non-  
17 conforming housing loan fund consisting of money appropriated to it by  
18 the legislature. The director shall administer the nonconforming  
19 housing loan fund in accordance with AS 44.47.360 - 44.47.560 and shall  
20 use the money in the nonconforming housing loan fund to originate,  
21 purchase, or participate in the purchase of

22 (1) nonconforming housing mortgage loans;

23 (2) loans made for building materials for nonconforming  
24 housing;

25 (3) loans made for renovations or improvements to noncon-  
26 forming housing;

27 (4) loans for construction.

28 (b) Loans may be made for

29 (1) owner-occupied single and two-family structures;

1                   (2) owner-occupied three and four unit structures located  
2 in rural areas;

3                   (3) nonowner-occupied single and two-family structures; and

4                   (4) nonowner-occupied three and four unit structures located  
5 in rural areas.

6 \* Sec. 3. AS 44.47 is amended by adding a new section to read:

7                   Sec. 44.47.385. DISPOSITION OF LOAN FUND. (a) Not less than 80  
8 percent of the amount appropriated by the legislature to the nonconform-  
9 ing housing loan fund shall be used to originate direct loans or pur-  
10 chase or participate in the purchase of loans in accordance with  
11 AS 44.47.380(b)(1) and (b)(2).

12                   (b) Not more than 20 percent of the amount appropriated by the  
13 legislature to the nonconforming housing loan fund may be used to  
14 originate direct loans or purchase or participate in the purchase of  
15 loans in accordance with AS 44.47.380(b)(3) and (b)(4).

16 \* Sec. 4. AS 44.47.390 is amended to read:

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

20                   (1) originate direct loans or purchase or participate in the  
21 purchase of a nonconforming housing mortgage loan which exceeds the  
22 limitations on mortgage loans purchased by the Federal National Mortgage  
23 Association as to principal amount;

24                   (2) originate direct loans or purchase or participate in the  
25 purchase of a loan made for building materials for nonconforming housing

26                   (A) which exceeds

27                   (1) 80 percent of the appraised value of the work  
28 completed on the nonconforming housing for which the loan is made  
29 if the nonconforming housing is pledged as collateral for the

1 loan; or

2 (ii) 80 percent of the value of other property  
3 which is pledged as security for the loan and which is satis-  
4 factory to the director as collateral;

5 (B) unless the terms of the loan agreement require  
6 inspections and certifications, as required by regulations of the  
7 director, at the expense of the borrower; and

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

10 (i) three years; or

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

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

21 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION  
22 LOANS].

23 \* Sec. 5. AS 44.47 is amended by adding a new section to read:

24 Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is  
25 established an operating loss reserve account for the purpose of meeting  
26 legal expenses incurred through the foreclosure of properties acquired  
27 by the director under AS 44.47.370(6) and making repairs to these  
28 properties so that they may be sold to new buyers.

29 (b) The operating reserve loss account consists of money appro-

1        priated by the legislature. To the extent that money is paid out of  
2        the operating loss reserve account for the purposes stated in this  
3        section, this money shall be replaced with money received as interest  
4        on loans authorized by this chapter.

5        \* Sec. 6. AS 44.47.400 is amended to read:

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

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

23        \* Sec. 7. AS 44.47.410 is amended to read:

24                Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-  
25        gage loan originated or purchased in whole or in part under AS 44.-  
26        47.380 may not exceed

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

29                (2) ten percent for a mortgage loan made to a person other

1 than a person described in (1) of this subsection.

2 \* Sec. 8. AS 44.47.420(a) is amended to read:

3 Sec. 44.47.420. TITLE. (a) Before the director originates or  
4 purchases a nonconforming housing mortgage loan in whole or in part,  
5 the director may require a borrower to show marketable title to real  
6 property offered as security for the loan to be purchased.

7 \* Sec. 9. AS 44.47.430(b) is amended to read:

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

15 \* Sec. 10. AS 44.47.440 is amended by adding a new subsection to read:

16 (b) The division may establish a blanket fire insurance policy in  
17 cooperation with the Alaska Housing Finance Corporation covering the  
18 assets of both corporations as provided in AS 18.56.

19 \* Sec. 11. AS 44.47.460 is amended to read:

20 Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or  
21 participating in the purchase of a loan, the director shall enter into  
22 a loan servicing agreement with the private financial institution from  
23 which the loan is to be purchased.

24 (b) The director may execute service agreements with private  
25 lending institutions to service loans originated by the division.

26 (c) Under the servicing agreement, the private financial insti-  
27 tution shall administer the loan and may charge the division a negoti-  
28 ated fee on the division's share of the loan. When appropriate, the  
29 [THE] private financial institution may also charge the borrower a

1 reasonable originator fee not to exceed one percent.

2 \* Sec. 12. AS 44.47.470 is amended to read:

3 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
4 participating in the purchase of a nonconforming housing mortgage loan,  
5 the director may have or may require the borrower to have an appraisal  
6 made of the fair market value of the real property, including struc-  
7 tures on the real property, for which the loan is made. In conducting  
8 an appraisal under this section, the appraiser shall give full value to  
9 insulation and other features of construction in structures on the real  
10 property which add to the energy efficiency of the structures.

11 \* Sec. 13. AS 44.47.490 is amended to read:

12 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The  
13 director shall create field offices which have the authority of final  
14 approval of loans under this chapter, hire at least one lending  
15 officer, and may [SHALL] contract for the services of

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

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

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

26 \* Sec. 14. AS 44.47.510(b) is amended to read:

27 (b) Unless otherwise required by an appropriation, the director  
28 shall allocate the money in the nonconforming housing loan fund among  
29 the regions established under (a) of this section for the purpose of

1 originating or purchasing each type of loan described in AS 44.47.380.  
2 In making an allocation under this subsection, the director shall  
3 consider the past and potential lending activity of private financial  
4 institutions in the region as well as the need for loans in the region.  
5 The director may reallocate the money among the regions as he considers  
6 necessary.

7 \* Sec. 15. AS 44.47.560(3) is amended to read:

8 (3) "housing" means owner-occupied single and two family  
9 structures, owner-occupied three and four unit structures located in  
10 rural areas, and nonowner-occupied single and two family structures and  
11 nonowner-occupied three and four unit structures located in rural areas  
12 [, SINGLE-FAMILY HOUSING AND OWNER-OCCUPIED DUPLEXES];

13 \* Sec. 16. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).