

Original sponsor: Mulcahy

Offered: 6/9/81  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Finance)

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 state loan programs under the  
7 Alaska Housing Finance Corporation, the Department of  
8 Community and Regional Affairs, and the Alaska Indus-  
9 trial Development Authority; and providing for an  
10 effective date."

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

12 \* Section 1. AS 18.56.040 is amended to read:

13 Sec. 18.56.040. MEETINGS OF BOARD. (a) The board shall elect a  
14 chairman from among its membership at its annual [FIRST] meeting [IN]  
15 each year. A majority of the members constitute a quorum for organizing  
16 the board, conducting its business and exercising the powers of the  
17 corporation. The board shall meet at the call of its chairman. The  
18 board shall meet not less than once each three months.

19 (b) The board may meet and transact business by electronic media  
20 if

21 (1) public notice of the time and locations where the meeting  
22 will be held by electronic media has been given in the same manner as  
23 if the meeting were held in a single location;

24 (2) participants and members of the public in attendance can  
25 hear and have the same right to participate in the meeting as if the  
26 meeting were conducted in person; and

27 (3) copies of pertinent reference materials, statutes, regu-  
28 lations, and audio-visual materials are reasonably available to parti-  
29 cipants and to the public.

1           (c) A meeting by electronic media as provided in this section has  
2 the same legal effect as a meeting in person.

3 \* Sec. 2. AS 18.56.096 is amended to read:

4           Sec. 18.56.096. LIMITATION ON POWER TO MAKE OR PURCHASE MORTGAGE  
5 LOANS. The corporation may not make, participate in the making of,  
6 purchase, or participate in the purchase of

7           (1) a first mortgage loan under this chapter that [WHICH]  
8 exceeds the limitations on first mortgage loans purchased by the Federal  
9 National Mortgage Association as to principal amount and loan-to-value  
10 ratio; or [,]

11           (2) a second mortgage loan the amount of which, when combined  
12 with the principal balance of a first mortgage loan on the property,  
13 exceeds the limitation on the amount set out in (1) of this section or  
14 which has a loan-to-value ratio when considered with the principal bal-  
15 ance of the first mortgage loan, that exceeds 90 percent.

16 \* Sec. 3. AS 18.56.098(a) is amended to read:

17           (a) The corporation shall establish a special mortgage loan  
18 purchase program. Under the special mortgage loan purchase program,  
19 the corporation may purchase first or second mortgage loans, including  
20 graduated payment mortgage loans, made [(1)] for the purchase, improve-  
21 ment, or rehabilitation of residences [; OR (2) FOR THE REFINANCING OF  
22 A MORTGAGE LOAN ON A RESIDENCE IF THE PURPOSE OF THE REFINANCING IS TO  
23 PROVIDE MONEY FOR THE IMPROVEMENT OR REHABILITATION OF THE RESIDENCE].

24 \* Sec. 4. AS 18.56.098(c) is amended to read:

25           (c) The corporation may pledge mortgage loans purchased by the  
26 corporation under (a) of this section, mortgage loans assigned to the  
27 corporation for the special mortgage loan purchase program, and mortgage  
28 loans purchased with amounts appropriated to the corporation for the  
29 special mortgage loan purchase program to pay the principal, interest,

1 and redemption premium, if any, on bonds or bond anticipation notes  
2 issued by the corporation for the special mortgage loan purchase pro-  
3 gram and may expend amounts appropriated to the special mortgage loan  
4 purchase program for mortgage loan subsidies or other purposes of the  
5 program as necessary to cause the interest rate on mortgage loans pur-  
6 chased under the special mortgage loan purchase program and retained  
7 by the corporation or sold under AS 18.56.099 to equal the rates speci-  
8 fied in this section.

9 \* Sec. 5. AS 18.56.098(d) is repealed and reenacted to read:

10 (d) The corporation shall establish the interest rate on a mort-  
11 gage loan purchased under (a) of this section in accordance with the  
12 following:

13 (1) The interest rate on the first \$90,000 of a mortgage  
14 loan purchased with the proceeds of the first issue of taxable bonds of  
15 the corporation is 10 percent or the cost of funds, whichever is less.

16 (2) The interest rate on the first \$90,000 of a mortgage  
17 loan purchased with the proceeds of a second or subsequent issue of  
18 taxable bonds of the corporation shall be determined as follows:

19 (A) If the cost of funds of an issue of taxable bonds  
20 is more than the cost of funds of the preceding issue of taxable  
21 bonds, the interest rate shall be increased by an amount equal to  
22 the difference between the cost of funds of the two bond issues.

23 (B) Except as provided in (C) and (D) of this paragraph  
24 and (4) of this subsection, the interest rate may not be less than  
25 10 percent and may not be reduced.

26 (C) If the difference between the cost of funds of an  
27 issue of taxable bonds and the interest rate established for a  
28 mortgage loan purchased with the proceeds of the previous issue  
29 would be equal to or less than three percent under the provisions

1 of (B) of this paragraph, the interest rate on mortgage loans  
2 purchased with the proceeds of that taxable bond issue and subse-  
3 quent taxable bond issues is three percent less than the cost of  
4 funds of the taxable bond issue that is used to purchase the  
5 mortgage loan.

6 (D) The interest rate on a mortgage loan purchased with  
7 the proceeds of a taxable bond issue may not be less than 10  
8 percent unless the cost of funds of the taxable bond issue is less  
9 than 10 percent, in which case the interest on a mortgage loan  
10 purchased with the proceeds of a taxable bond issue is equal to  
11 the cost of funds.

12 (3) If the corporation does not issue taxable bonds, the  
13 interest rate on the first \$90,000 of a mortgage loan purchased under  
14 (a) of this section may not exceed 10 percent.

15 (4) An interest rate determined under this subsection shall  
16 be reduced by one percentage point if the loan is made to an eligible  
17 veteran under AS 18.56.101.

18 (5) The interest rate for the amount of a mortgage loan  
19 purchased under (a) of this section that exceeds \$90,000 is equal to  
20 the cost of funds to the corporation attributable to that part of the  
21 loan.

22 (6) If a second mortgage is purchased under (a) of this  
23 section, the existing unamortized loan amount of the first mortgage  
24 shall be subtracted from \$90,000 to determine the amount of the loan  
25 that is eligible for an interest rate determined under (1) - (4) of  
26 this subsection.

27 (7) The interest rate on a mortgage loan purchased from  
28 money appropriated to the corporation is the rate the corporation  
29 determines is appropriate by application of the provisions of (1) - (5)

1 of this subsection.

2 (8) The interest rate on a mortgage loan purchased from the  
3 proceeds of bonds that are exempt from taxation under the Mortgage  
4 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10 percent or the cost  
5 of the funds, whichever is less, unless a higher or lower interest rate  
6 is required to be established under the Mortgage Subsidy Bond Tax Act.

7 (9) In this subsection

8 (A) "cost of funds" means the true interest cost ex-  
9 pressed as a rate on bonds of the corporation plus an additional  
10 percentage as determined by the corporation to represent the  
11 expenses of operation, costs of issuance, and mortgage servicing;

12 (B) "taxable bonds" means bonds bearing interest that  
13 is taxable under the provisions of the Mortgage Subsidy Bond Tax  
14 Act of 1980 (26 U.S.C. 103A).

15 \* Sec. 6. AS 18.56.098(e) is amended to read:

16 (e) The corporation shall establish regulations in accordance  
17 with AS 18.56.088 to implement the special mortgage loan purchase  
18 program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE  
19 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES  
20 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions  
21 allowing, prohibiting, or restricting [OTHERWISE SETTING CONDITIONS ON]  
22 the right to assume or the right to provide for the payment of mortgage  
23 loans purchased under (a) of this section by a person other than the  
24 mortgagor. A provision in a mortgage loan purchased by the corporation  
25 which prohibits or restricts the right to assume or the right to pro-  
26 vide for the payment of mortgage loans is enforceable. The corpora-  
27 tion shall enforce the regulations adopted under this subsection.

28 \* Sec. 7. AS 18.56 is amended by adding a new section to read:

29 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to

1 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
2 103A) the amount of mortgage revenue bonds that may be issued in the  
3 state under sec. 103A(g)(4) of that Act is allocated solely to the  
4 corporation. A municipality may not issue mortgage revenue bonds under  
5 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless  
6 permitted to do so by the corporation. The amount of mortgage revenue  
7 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage  
8 Subsidy Bond Tax Act of 1980 with the permission of the corporation  
9 shall be deducted from the total amount permitted by that Act.

10 (b) The provisions of this section apply to home rule municipali-  
11 ties.

12 \* Sec. 8. AS 18.56 is amended by adding a new section to read:

13 Sec. 18.56.107. LOAN SERVICE FEES FOR RURAL AREAS. Loan service  
14 fees charged for a loan made or purchased in a rural area with money  
15 received by the corporation after July 1, 1981, shall be higher than  
16 loan service fees charged for other loans made or purchased by the  
17 corporation.

18 \* Sec. 9. AS 18.56.110 is amended by adding a new subsection to read:

19 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the  
20 corporation may not issue bonds, other than refunding bonds, in any  
21 12-month period beginning after June 30, 1982, in an amount that exceeds  
22 the amount of bonds authorized to be issued during the preceding 12-  
23 month period, unless a different amount is authorized by the legisla-  
24 ture.

25 \* Sec. 10. AS 18.56.200(c) is amended to read:

26 (c) The corporation shall include in its annual report under (b)  
27 of this section an estimate of the investment activity of the corpora-  
28 tion in mortgage loans under this chapter for the following 12-month  
29 period and an estimate of the amount of bonds to be issued for the

1 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE  
2 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY  
3 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS  
4 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

5 \* Sec. 11. AS 18.56.200 is amended by adding a new subsection to read:

6 (d) The corporation shall include in its annual report under (b)  
7 of this section a summary of its efforts to implement a program to ex-  
8 tend the operation of the loan programs authorized under this chapter  
9 to communities with populations of less than 15,000.

10 \* Sec. 12. AS 18.56.210 is amended by adding a new paragraph to read:

11 (13) "bond" or "obligation" means a bond or note of the  
12 corporation or a mortgage participation certificate issued with respect  
13 to mortgages of the corporation.

14 \* Sec. 13. AS 44.47.370 is amended by adding a new paragraph to read:

15 (8) originate and service direct loans made for construc-  
16 tion, purchase, renovation, or improvements and building materials, for  
17 nonconforming housing made to qualified buyers in accordance with  
18 AS 44.47.360 - 44.47.560.

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

20 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created  
21 in the Department of Community and Regional Affairs the nonconforming  
22 housing loan fund consisting of money appropriated to it by the legis-  
23 lature. The director shall administer the nonconforming housing loan  
24 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the  
25 money in the nonconforming housing loan fund to originate, purchase, or  
26 participate in the purchase of

27 (1) nonconforming housing mortgage loans;

28 (2) loans made for building materials for nonconforming  
29 housing;

1 (3) loans made for renovations or improvements to noncon-  
2 forming housing;

3 (4) loans made for the construction of nonconforming owner-  
4 occupied housing other than loans to builders or contractors.

5 \* Sec. 15. AS 44.47 is amended by adding a new section to read:

6 Sec. 44.47.385. ELIGIBLE LOCATIONS. (a) The director may make  
7 loans from the nonconforming housing loan fund only for nonconforming  
8 housing loans to qualified buyers for nonconforming housing.

9 (b) Not more than 20 percent of the total principal amount of  
10 loans made for nonconforming housing may be made in cities of organized  
11 boroughs and service areas of unified municipalities where the popula-  
12 tion of the city or service area exceeds 3,500.

13 (c) For purposes of (b) of this section, population shall be de-  
14 termined with reference to the 1980 preliminary census report as pub-  
15 lished in "Alaska 1980 Population" and released January 1, 1981, by the  
16 Department of Labor.

17 (d) In allocating money under (b) of this subsection, if a home  
18 proposed for financing is in more than one service area, that home  
19 shall be considered to be in the service area with the smallest popula-  
20 tion.

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

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

25 (1) originate a direct loan or purchase or participate in  
26 the purchase of a nonconforming housing mortgage loan which exceeds the  
27 limitations on mortgage loans purchased by the Federal National Mortgage  
28 Association as to principal amount or loan-to-value ratio;

29 (2) originate a direct loan or purchase or participate in

1 the purchase of a loan made for building materials for nonconforming  
2 housing

3 (A) which exceeds \$45,000 or exceeds

4 (i) 80 percent of the appraised value of the work  
5 completed on the nonconforming housing for which the loan is made  
6 if the nonconforming housing is pledged as collateral for the  
7 loan; or

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

11 (B) unless the terms of the loan agreement require  
12 inspections and certifications, as required by regulations of the  
13 director, at the expense of the borrower; and

14 (C) unless the period of time allowed for repayment of  
15 the loan is equal to or less than 15 years [THE LESSER OF

16 (1) THREE YEARS; OR

17 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY  
18 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG  
19 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE  
20 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

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

27 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION  
28 LOANS].

29 \* Sec. 17. AS 44.47 is amended by adding a new section to read:

1           Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is  
2 established an operating loss reserve account for the purpose of meet-  
3 ing legal expenses incurred through the foreclosure of properties  
4 acquired by the director under AS 44.47.370(6) and making repairs to  
5 these properties so that they may be sold to new buyers.

6           (b) The operating reserve loss account consists of money appro-  
7 priated by the legislature. To the extent that money is paid out of  
8 the operating loss reserve account for the purposes stated in this  
9 section, this money shall be replaced with money received as interest  
10 on loans authorized by this chapter.

11 \* Sec. 18. AS 44.47.400 is amended to read:

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

16           (b) A person may pledge as security for the repayment of a loan  
17 originated or purchased in whole or in part under AS 44.47.380 a pre-  
18 ference right he holds to receive title to land he occupies as a pri-  
19 mary place of residence, primary place of business, subsistence camp-  
20 site, or as headquarters for reindeer husbandry. The preference right  
21 must be conveyed to the person by the Native corporation to which the  
22 land was granted under section 14 of the Alaska Native Claims Settlement  
23 Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.  
24 94-204) before it may be pledged as security under this subsection.  
25 The commissioner of community and regional affairs shall prescribe  
26 procedures and standard forms for establishing, pledging, and appraising  
27 the value of a preference right held by a person to secure the repayment  
28 of a loan originated or purchased in whole or in part under AS 44.-  
29 47.380.

1 \* Sec. 19. AS 44.47.410 is repealed and reenacted to read:

2       Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-  
3 gage loan originated or purchased in whole or in part under AS 44.-  
4 47.380 is equal to the interest rate, as determined under AS 18.56.098-  
5 (d)(1) - (5), on a mortgage loan purchased under AS 18.56.098(d) from  
6 the proceeds of the most recent issue of taxable bonds before the  
7 mortgage loan originated or purchased under AS 44.47.380.

8 \* Sec. 20. AS 44.47.420(a) is amended to read:

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

13 \* Sec. 21. AS 44.47.430(b) is amended to read:

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

21 \* Sec. 22. AS 44.47.460 is amended to read:

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

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

28       (c) Under the servicing agreement, the private financial insti-  
29 tution shall administer the loan and may charge the division a negoti-

1 ated fee on the division's share of the loan. When appropriate, the  
2 [THE] private financial institution may also charge the borrower a  
3 reasonable originator fee not to exceed one percent.

4 (d) Loan servicing agreements entered into under this section  
5 shall provide for higher fees for loans made for nonconforming housing  
6 located outside of cities of organized boroughs and service areas of  
7 unified municipalities that have a population in excess of 3,500, than  
8 for other loans made for nonconforming housing.

9 \* Sec. 23. AS 44.47.470 is amended to read:

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

18 \* Sec. 24. AS 44.47.490 is amended to read:

19 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The  
20 director may establish field offices under this chapter, may [SHALL]  
21 hire [AT LEAST] one or more lending officers, [OFFICER] and may [SHALL]  
22 contract for the services of

23 (1) real property appraisers who are familiar with rural  
24 construction; and

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

27 (b) The personnel described in (a) of this section shall make  
28 regular visits to each of the regions established under AS 44.47.510(a)  
29 to provide preconstruction and post-construction inspections of real

1 property for which loans are originated or purchased by the division in  
2 whole or in part under AS 44.47.380 and to provide assistance to private  
3 financial institutions and their borrowers in the regions. Authority  
4 for final approval of loans may not be exercised by the personnel des-  
5 cribed in this section.

6 \* Sec. 25. AS 44.47.510(b) is amended to read:

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

16 \* Sec. 26. AS 44.88.010 is amended to read:

17 Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-  
18 lature finds, determines and declares that

19 (1) there exist areas of the state in which seasonal and  
20 nonseasonal unemployment exist;

21 (2) this unemployment is a serious menace to the health,  
22 safety and general welfare, not only to the people in those areas, but  
23 also to the people of the entire state;

24 (3) the state lacks the basic manufacturing, industrial, and  
25 small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises  
26 and other facilities referred to in (5) of this subsection [AS 44.88.-  
27 010(a)(5)] necessary to permit adequate development of its natural  
28 resources and the balanced growth of its economy;

29 (4) the establishment, and expansion of industrial, manufac-

1 turing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]  
2 enterprises in Alaska, including facilities for air and water transpor-  
3 tation, facilities for pollution control and waste disposal, facilities  
4 for the local furnishing of gas, facilities for water, and facilities  
5 for industrial parks, is essential to the development of the natural  
6 resources and the long-term economic growth of the state, and will di-  
7 rectly and indirectly alleviate unemployment in the state;

8 (5) the achievement of the goal of full employment, and of  
9 establishment and continuing operation and development of industrial,  
10 manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
11 FISHING] enterprises in the state, including facilities for air and  
12 water transportation, facilities for pollution control and waste dis-  
13 posal, facilities for the local furnishing of gas, facilities for  
14 water, and facilities for industrial parks, will be accelerated and  
15 facilitated by the creation of an instrumentality of the state with  
16 powers to incur debt and to make and insure loans to finance, and to  
17 assist private lenders to make loans to finance, the establishment,  
18 operation, and development of industrial, manufacturing, and small  
19 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, includ-  
20 ing facilities for air and water transportation, facilities for pollu-  
21 tion control and waste disposal, facilities for the local furnishing of  
22 gas, facilities for water, and facilities for industrial parks, for  
23 private operation;

24 (6) it is in the public interest to promote the prosperity  
25 and general welfare of all citizens of the state by stimulating commer-  
26 cial and industrial growth and expansion by encouraging an increase of  
27 private investment by banks, investment houses, insurance companies,  
28 and other financial institutions, including pension and retirement  
29 funds, to help satisfy the need for economic expansion;

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

4 (b) It is declared to be the policy of the state, in the interests  
5 of promoting the health, security and general welfare of all the people  
6 of the state, and a public purpose, to increase job opportunities and  
7 otherwise to encourage the economic growth of the state, including the  
8 development of its natural resources, through the establishment of  
9 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
10 COMMERCIAL FISHING] enterprises and the other facilities referred to in  
11 (a)(5) of this section [AS 44.88.010(a)(5)] by creating the public  
12 corporation with power, duties and functions as provided in this chapter.

13 \* Sec. 27. AS 44.88.050(a) is amended to read:

14 (a) A majority of the members of the authority constitutes a  
15 quorum for the transaction of business or the exercise of a power or  
16 function at a meeting of the authority. In case of a tie vote on a  
17 motion or resolution pending before the authority the motion or resolu-  
18 tion shall be presented to the governor and if approved by him, is  
19 considered adopted by the authority. The authority may meet and trans-  
20 act business by electronic media if (1) public notice of the time and  
21 locations where the meeting will be held by electronic media has been  
22 given in the same manner as if the meeting were held in a single loca-  
23 tion; (2) participants and members of the public in attendance can hear  
24 and have the same right to participate in the meeting as if the meeting  
25 were conducted in person; and (3) copies of pertinent reference mater-  
26 ials, statutes, regulations, and audio-visual materials are reasonably  
27 available to participants and to the public. A meeting by electronic  
28 media as provided in this subsection has the same legal effect as a  
29 meeting in person.

1 \* Sec. 28. AS 44.88.070 is amended to read:

2 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
3 authority is to promote, develop and advance the general prosperity and  
4 economic welfare of the people of Alaska, to relieve problems of unem-  
5 ployment, and to create additional employment by providing various  
6 means of financing and means of facilitating the financing of indust-  
7 rial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMER-  
8 CIAL FISHING] enterprises and the other facilities referred to in  
9 AS 44.88.010(a)(5) within the state.

10 \* Sec. 29. AS 44.88.080(12) is amended to read:

11 (12) to purchase or insure loans to finance the costs of  
12 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
13 COMMERCIAL FISHING] enterprise projects;

14 \* Sec. 30. AS 44.88.080(18) is amended to read:

15 (18) to facilitate the expansion of a secondary market for  
16 the resale of federally or commercially insured loans made to finance  
17 the costs of projects held by federal and state chartered financial  
18 institutions [COMMERCIAL BANKS] in Alaska.

19 \* Sec. 31. AS 44.88 is amended by adding a new section to read:

20 Sec. 44.88.085. FEES CHARGED BY AUTHORITY. (a) An application  
21 fee may not be charged for an application for authority participation  
22 in a loan under AS 44.88.158.

23 (b) The commitment fee for a loan commitment by the authority may  
24 not exceed two percent of the principal amount of the loan.

25 \* Sec. 32. AS 44.88.090(g)(1) is repealed and reenacted to read:

26 (1) issue bonds, other than refunding bonds, in any 12-month  
27 period beginning after June 30, 1982, in an amount that exceeds the  
28 amount of bonds authorized to be issued during the preceding 12-month  
29 period, unless a different amount is authorized by the legislature; or

1 \* Sec. 33. AS 44.88.105 is amended by adding new subsections to read:

2 (f) The authority may establish a reserve fund, other than a  
3 capital reserve fund, to secure its bonds. The authority may deposit  
4 in a reserve fund established under this subsection the proceeds of  
5 sale of its bonds and other money that may be made available from any  
6 other source. A reserve fund established under this subsection must  
7 comply with (a) - (c) of this section. The authority may allow a  
8 reserve fund established under this subsection to be depleted without  
9 complying with (d) of this section.

10 (g) The authority may not establish a capital reserve fund to  
11 secure an issue of bonds if the proceeds of the bonds are used to  
12 finance a project the cost of which exceeds \$10,000,000.

13 (h) The authority may not establish a capital reserve fund to  
14 secure an issue of bonds in an amount in excess of \$1,000,000 unless at  
15 least 20 percent of the principal amount of the loan for the project  
16 that is financed from the proceeds of the bonds is retained by a federal  
17 or state chartered financial institution.

18 \* Sec. 34. AS 44.88.155(a) is amended to read:

19 (a) There is established in the authority the enterprise develop-  
20 ment fund. The enterprise development fund is a trust fund for the  
21 uses and purposes of this chapter. Money may be paid into and out of  
22 the enterprise development fund only as provided in this chapter. The  
23 enterprise development fund may be composed of money or assets appro-  
24 priated or transferred to the authority, interest on investments and  
25 loans of the enterprise development fund, and other money deposited in  
26 it by the authority. The authority may use the assets of the enter-  
27 prise development fund to purchase loans made by others for projects,  
28 as defined in AS 44.88.220, that have been or that the authority anti-  
29 cipates will be financed with the proceeds of bonds.

1 \* Sec. 35. AS 44.88.155(b) is amended to read:

2 (b) The authority shall establish within the enterprise develop-  
3 ment fund a loan insurance account, a small enterprise [BUSINESS,  
4 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and  
5 other accounts it considers appropriate. Amounts in the enterprise  
6 development fund including, without limitation, repayments of loan  
7 principal and interest, may be pledged to the payment of bonds of the  
8 authority and shall be held and invested by the authority in investments  
9 authorized under AS 37.10.070(a) or as may be authorized in agreements  
10 with bondholders respecting amounts in the loan insurance account, the  
11 small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
12 ENTERPRISES] loan account, and other accounts within the enterprise  
13 development fund.

14 \* Sec. 36. AS 44.88.155 is amended by adding new subsections to read:

15 (d) A loan purchased with money in the enterprise development  
16 fund

17 (1) may not exceed \$7,500,000

18 (2) may not exceed 75 percent of the cost of the project or  
19 75 percent of the appraised value of the project, whichever is less,  
20 unless the amount of the loan in excess of those limits is federally  
21 insured or guaranteed or is insured by a qualified mortgage insurance  
22 company;

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

26 (4) shall contain complete amortization provisions satisfac-  
27 tory to the authority requiring periodic payments by the borrower;

28 (5) shall be in the form and contain the terms and provi-  
29 sions with respect to insurance, repairs, alterations, payment of taxes

1 and assessments, default reserves, delinquency charges, default reme-  
2 dies, acceleration of maturity, secondary liens and other matters the  
3 authority prescribes;

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

8 (7) may not be made unless at least 10 percent of the  
9 principal amount of the loan is retained by the originator of the  
10 loan.

11 (e) The authority shall establish income eligibility limits for  
12 applicants for loans purchased under this section for projects costing  
13 less than \$10,000,000. The limits shall be consistent with income and  
14 experience levels required to insure the viability of the project.

15 (f) The interest rate on a loan purchased with money in the  
16 enterprise development fund may not exceed the true interest cost  
17 expressed as a rate, plus an additional percentage to represent the  
18 expenses of operation, costs of issuance, and mortgage servicing costs  
19 that the authority estimates would be payable on bonds issued by the  
20 authority to provide money to make the loan.

21 \* Sec. 37. AS 44.88.157 is amended by adding new subsections to read:

22 (j) Notwithstanding (a) - (i) of this section, the authority may  
23 establish additional loan insurance accounts outside the enterprise  
24 development fund to secure special obligation bonds, and pay into the  
25 loan insurance account money made available from an appropriation or  
26 from any other source. A loan insurance account established under this  
27 subsection is not subject to the requirements of (d) and (g) of this  
28 section.

29 (k) A loan may not be insured from a loan insurance account

1 within the enterprise development fund if the loan is for a project the  
2 cost of which exceeds \$10,000,000.

3 (1) A loan in excess of \$1,000,000 may not be insured from a loan  
4 insurance account within the enterprise development fund unless at  
5 least 20 percent of the principal amount of the loan is retained by a  
6 federal or state chartered financial institution.

7 \* Sec. 38. AS 44.88.158(a) is repealed and reenacted to read:

8 Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) The authority  
9 may use the assets of the small enterprise loan account to purchase

10 (1) loans made to a project applicant for a multi-family  
11 dwelling enterprise;

12 (2) the guaranteed portion of a loan made by a private state  
13 or federal chartered financial institution to a small enterprise to pay  
14 the cost of a project, as defined in AS 44.88.220, if the loan is  
15 guaranteed by the United States or an agency or instrumentality of the  
16 United States, including, but not limited to, the federal Small Business  
17 Administration, the National Marine Fisheries Service, and the Farmers  
18 Home Administration; and

19 (3) other loans made to small enterprises to pay the costs  
20 of projects, as defined in AS 44.88.220.

21 \* Sec. 39. AS 44.88.158(b) is repealed and reenacted to read:

22 (b) The interest rate on a loan purchased with money in the small  
23 enterprise loan account shall equal the true interest cost, expressed  
24 as a rate, plus an additional percentage to represent the expenses of  
25 operation, costs of issuance, and mortgage servicing costs that the  
26 authority estimates would be payable on tax-exempt bonds, except that  
27 the interest rate on a loan purchased for a multi-family dwelling  
28 enterprise shall be one percent more than the interest rate, as deter-  
29 mined under AS 18.56.098(d)(1) - (3), on a mortgage loan purchased

1 under AS 18.56.098(d) from the proceeds of the most recent issue of  
2 taxable bonds before the loan purchased for a multi-family dwelling  
3 enterprise.

4 \* Sec. 40. AS 44.88.158(c) is repealed and reenacted to read:

5 (c) A loan purchased with money in the small enterprise loan  
6 account

7 (1) may not exceed

8 (A) \$3,000,000 or \$50,000 for each dwelling unit,  
9 whichever is less, if the loan is made for a multi-family dwelling  
10 enterprise;

11 (B) \$500,000 if the loan is purchased under AS 44.88.-  
12 158(a)(2); or

13 (C) \$7,500,000 if the loan is made to a small enterprise  
14 that is not a multi-family dwelling enterprise;

15 (2) may not exceed 75 percent of the cost of the project or  
16 75 percent of the appraised value of the project, whichever is less,  
17 unless the amount of the loan in excess of those limits is federally  
18 insured or guaranteed or is insured by a qualified mortgage insurance  
19 company;

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

23 (4) shall contain complete amortization provisions satisfac-  
24 tory to the authority requiring periodic payments by the borrower;

25 (5) shall be in the form and contain the terms and provi-  
26 sions with respect to insurance, repairs, alterations, payment of taxes  
27 and assessments, default reserves, delinquency charges, default reme-  
28 dies, acceleration of maturity, secondary liens and other matters the  
29 authority prescribes;

1 (6) shall be secured as to repayment by a mortgage or other  
2 security instrument in the manner the authority determines is feasible  
3 to assure timely repayment under a loan agreement entered into with the  
4 borrower; and

5 (7) may not be made unless at least 10 percent of the prin-  
6 cipal amount of the loan is retained by the originator of the loan.

7 \* Sec. 41. AS 44.88.158(d) is amended to read:

8 (d) The authority may adopt regulations for the administration of  
9 the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
10 ENTERPRISES] loan account which may include, without limitation, provi-  
11 sions for fees and agreements relating to application, loan commitment,  
12 servicing, and origination of loans by other lenders.

13 \* Sec. 42. AS 44.88.158(e) is amended to read:

14 (e) The authority may enter into agreements as to the use of the  
15 money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
16 FISHING ENTERPRISES] loan account, including without limitation, trust  
17 or custody arrangements with banks or trust companies. It may also  
18 pledge, assign, or grant the agreement, interests under an agreement,  
19 or interests in the small enterprise [BUSINESS, TOURISM, MINING, AND  
20 COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or  
21 appropriate to provide for payment and security for bonds of the author-  
22 ity.

23 \* Sec. 43. AS 44.88.158 is amended by adding a new subsection to read:

24 (g) The authority shall adopt regulations to establish priorities  
25 for the purchase of loans for multi-family dwelling enterprises which  
26 take into account the need for multi-family housing in the state as  
27 reflected by vacancy rates in multi-family housing in different areas  
28 of the state.

29 \* Sec. 44. AS 44.88.220(2) is amended to read:

1 (2) "business enterprise" means a single proprietorship,  
2 corporation, firm, partnership, or other association of persons organ-  
3 ized in any manner, for any business purpose, other than [WHICH IS NOT  
4 ORGANIZED] on a nonprofit basis;

5 \* Sec. 45. AS 44.88.220(5) is amended to read:

6 (5) "project" means [INCLUDES]

7 (A) a plant or facility used or intended for use in  
8 connection with making, processing, preparing, or producing in any  
9 manner, goods, products or substances of any kind or nature or in  
10 connection with developing or utilizing a natural resource, or  
11 extracting, smelting, transporting, converting, assembling or  
12 producing in any manner, minerals, raw materials, chemicals,  
13 compounds, alloys, fibers, commodities and materials, products or  
14 substances of any kind or nature, any plant or facility used or  
15 intended for use as an industrial park or in connection with air  
16 and water transportation, or any plant or facility for the preven-  
17 tion, limitation or control of air or water pollution, for the  
18 disposal of sewage or solid waste, for the local furnishing of  
19 gas, or for the furnishing of water;

20 (B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE,  
21 MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN  
22 (12), (13), (14), AND (15) OF THIS SECTION]; or

23 (C) a multi-family dwelling enterprise;

24 \* Sec. 46. AS 44.88.220(6) is amended to read:

25 (6) "plant" or "facility" means real property, whether above  
26 or below mean high water, or an interest in it, and the buildings,  
27 improvements and structures constructed or to be constructed on or in  
28 it, and may include fixtures, machinery, and equipment on it or in it,  
29 and tangible personal property, regardless of whether the tangible

1 personal property is attached to or connected with real property, if  
2 the owner has agreed not to remove the tangible personal property  
3 permanently from the state for the period the authority sets; ["PLANT"  
4 OR "FACILITY" DOES NOT INCLUDE WORK IN PROCESS OR STOCK IN TRADE;]

5 \* Sec. 47. AS 44.88.220(8) is amended to read:

6 (8) "project cost" or "cost of a project"

7 (A) means all or any part of the aggregate costs deter-  
8 mined by the authority to be necessary to finance the construc-  
9 tion, expansion, or acquisition of a project, including without  
10 limitation the cost of acquiring real or tangible personal prop-  
11 erty, and, in connection with real property, the cost of con-  
12 structing buildings and improvements, the cost of constructing  
13 means of access to and from the project, the cost of constructing  
14 extensions of utility systems to the site of the project; the cost  
15 of a project includes, without limitation, the cost of financing  
16 the project, interest charges before, during or after construction,  
17 expansion, or acquisition of the project, costs related to the  
18 determination of the feasibility, planning, design or engineering  
19 of the project and, to the extent determined necessary by the  
20 authority, administrative expenses, the cost of machinery or  
21 equipment to be used in the operation of the project and expenses  
22 of installation, replacement or rehabilitation, and all other  
23 costs, charges, fees and expenses which may be determined by the  
24 authority to be necessary to finance the construction, expansion,  
25 or acquisition;

26 (B) includes work in progress, stock in trade, accounts  
27 receivable, or the refinancing of the existing indebtedness of a  
28 project applicant, financed or refinanced through a loan purchased  
29 under AS 44.88.158(a)(2);

1 \* Sec. 48. AS 44.88.220(12) is repealed and reenacted to read:

2 (12) "small enterprise" means

3 (A) a business enterprise that is a project applicant  
4 with gross income of \$10,000,000 or less for its last annual  
5 reporting period before the application to the authority for a  
6 loan; or

7 (B) a utility that

8 (i) provides telecommunication services;

9 (ii) is not eligible for financing from the Alaska  
10 Power Authority;

11 (iii) qualifies for a loan under the Rural Electri-  
12 fication Act (7 U.S.C. sec. 901, et seq.); and

13 (iv) has gross revenues of \$20,000,000 or less  
14 during its last annual reporting period before it applies to  
15 the authority for a loan;

16 \* Sec. 49. AS 44.88.220 is amended by adding a new paragraph to read:

17 (16) "multi-family dwelling enterprise" is a rental or  
18 cooperative dwelling of three or more units.

19 \* Sec. 50. The Alaska Housing Finance Corporation may issue bonds in the  
20 principal amount of \$592,000,000 during the fiscal year ending June 30,  
21 1982.

22 \* Sec. 51. Subject to the limitation of AS 44.88.090(g), the Alaska  
23 Industrial Development Authority may issue bonds in the principal amount of  
24 \$400,000,000 during the fiscal year ending June 30, 1982.

25 \* Sec. 52. The following laws are repealed: AS 18.56.098(f)(3) and  
26 AS 44.88.220(13), (14), and (15).

27 \* Sec. 53. This Act takes effect immediately in accordance with AS 01.-  
28 10.070(c).

29