

Original sponsor: Mulcahy

Offered: 6/24/81

1 IN THE SENATE

BY THE 2d FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE BILL NO. 148

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 18.56.045 is amended to read:

4 Sec. 18.56.045. MINUTES OF MEETINGS. The board shall keep
5 minutes of each meeting and send a certified copy to the governor
6 and to the Legislative Budget and Audit Committee.

7 * Sec. 3. AS 18.56.096 is amended to read:

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

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

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

20 * Sec. 4. AS 18.56.098(a) is amended to read:

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

28 * Sec. 5. AS 18.56.098(c) is amended to read:

29 (c) The corporation may pledge mortgage loans purchased by the

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

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

14 (e) The corporation shall establish regulations in accordance
15 with AS 18.56.088 to implement the special mortgage loan purchase pro-
16 gram. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE
17 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES
18 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions
19 allowing, prohibiting, or restricting [OTHERWISE SETTING CONDITIONS ON]
20 the right to assume or the right to provide for the payment of mortgage
21 loans purchased under (a) of this section by a person other than the
22 mortgagor. A provision in a mortgage loan purchased by the corporation
23 after June 30, 1981, that prohibits or restricts the right to assume or
24 the right to provide for the payment of mortgage loans is enforceable.
25 The corporation shall enforce the regulations adopted under this sub-
26 section.

27 * Sec. 7. AS 18.56.098 is amended by adding new subsections to read:

28 (g) The corporation shall establish the interest rate on a first
29 mortgage loan purchased under (a) of this section in accordance with

1 the following:

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

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

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

12 (B) Except as provided in (C) and (D) of this paragraph
13 and (3) of this subsection, the interest rate may not be less than
14 10 percent and may not be reduced.

15 (C) If the difference between the cost of funds of an
16 issue of taxable bonds and the interest rate established for a
17 mortgage loan purchased with the proceeds of the previous issue
18 would be equal to or less than three percent, the interest rate on
19 mortgage loans purchased with the proceeds of that taxable bond
20 issue and subsequent taxable bond issues is three percent less
21 than the cost of funds of the taxable bond issue that is used to
22 purchase the mortgage loan.

23 (D) The interest rate on a mortgage loan purchased with
24 the proceeds of a taxable bond issue may not be less than 10 per-
25 cent unless the cost of funds of the taxable bond issue is less
26 than 10 percent, in which case the interest on a mortgage loan
27 purchased with the proceeds of a taxable bond issue is equal to
28 the cost of funds.

29 (3) An interest rate determined under this subsection on the

1 first \$90,000 of a mortgage loan shall be reduced by one percentage
2 point if the loan is made to an eligible veteran under AS 18.56.101.

3 (4) The interest rate for the amount of a mortgage loan pur-
4 chased under (a) of this section that exceeds \$90,000 is equal to the
5 cost of funds to the corporation attributable to that part of the loan.

6 (5) The interest rate on a mortgage loan purchased from
7 money appropriated to the corporation is the rate the corporation
8 determines is appropriate by application of the provisions of (1) - (4)
9 of this subsection. The rate may be based on an estimate of the cost
10 of funds of a proposed issue or issues of bonds.

11 (6) The interest rate on the first \$90,000 of a mortgage
12 loan purchased from the proceeds of bonds that are exempt from taxation
13 under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10
14 percent or the cost of the funds, whichever is less. A higher or lower
15 interest rate shall be established on the entire loan amount if required
16 under the Mortgage Subsidy Bond Tax Act.

17 (7) In this subsection

18 (A) "cost of funds" means the true interest cost ex-
19 pressed as a rate on bonds of the corporation plus an additional
20 percentage as determined by the corporation to represent the
21 allocable expenses of operation, costs of issuance, and mortgage
22 servicing;

23 (B) "taxable bonds" means bonds bearing interest that
24 is taxable under the provisions of the Mortgage Subsidy Bond Tax
25 Act of 1980 (26 U.S.C. 103A) issued to finance the purchase of
26 first mortgage loans.

27 (h) The corporation shall establish the interest rate on a second
28 mortgage loan purchased under (a) of this section in the manner estab-
29 lished for computing the interest rates on a first mortgage loan under

1 (g) of this section except that the outstanding principal balance of
2 the existing first mortgage loan is subtracted from \$90,000 to determine
3 the amount of the loan that is eligible for an interest rate on a
4 second mortgage loan determined by reference to (g) of this section.

5 * Sec. 8. AS 18.56.101 is amended to read:

6 Sec. 18.56.101. ELIGIBILITY FOR VETERANS' INTEREST RATES. The
7 following persons are eligible veterans for the purposes of AS 18.56.-
8 098(g) and (h) [AS 18.56.098(d)]:

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

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

19 (B) who, not being a bona fide resident of the territory
20 or state at the time of entry into the service, has been a resident
21 of the territory or state for at least one year at the time of the
22 loan application and has been a resident of the territory or state
23 for least five years; and

24 (C) whose discharge was under honorable conditions;

25 (2) the widow or widower of a member of the armed forces of
26 an eligible veteran if

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

29 (B) the member or veteran served in the armed forces

1 for at least 90 days after April 6, 1917; and

2 (C) his discharge was under honorable conditions;

3 (3) a person who has served in the Alaska Army National
4 Guard, the Alaska Air National Guard, or the Alaska Naval Militia or
5 who has served in a reserve unit of the United States armed forces in
6 Alaska if the reserve unit required, as a minimum, one weekend each
7 month of duty and 15 consecutive days of active duty training each year
8 for not less than five years and whose discharge was under honorable
9 conditions.

10 * Sec. 9. AS 18.56 is amended by adding a new section to read:

11 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to
12 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.
13 103A) the amount of mortgage revenue bonds that may be issued in the
14 state under sec. 103A(g)(4) of that Act is allocated solely to the
15 corporation. A municipality may not issue mortgage revenue bonds under
16 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless
17 permitted to do so by the corporation. The amount of mortgage revenue
18 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage
19 Subsidy Bond Tax Act of 1980 with the permission of the corporation
20 shall be deducted from the total amount permitted by that Act.

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

23 * Sec. 10. AS 18.56 is amended by adding a new section to read:

24 Sec. 18.56.107. LOAN ORIGINATION AND SERVICE FEES FOR RURAL
25 AREAS. Loan origination and service fees charged for a loan made or
26 purchased in a rural area with money received by the corporation after
27 July 1, 1981, may be higher than loan origination and service fees
28 charged for other loans made or purchased by the corporation and the
29 corporation may pay a portion of the higher fees.

1 * Sec. 11. AS 18.56.110 is amended by adding a new subsection to read:

2 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the
3 corporation may not issue bonds, other than refunding bonds, in any
4 12-month period beginning after June 30, 1982, in an amount that exceeds
5 the amount of bonds authorized to be issued during the preceding 12-
6 month period, unless a different amount is authorized by the legisla-
7 ture.

8 * Sec. 12. AS 18.56.200(c) is amended to read:

9 (c) The corporation shall include in its annual report under (b)
10 of this section an estimate of the investment activity of the corpora-
11 tion in mortgage loans under this chapter for the following 12-month
12 period and an estimate of the amount of bonds to be issued for the
13 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE
14 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY
15 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS
16 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

17 * Sec. 13. AS 18.56.200 is amended by adding a new subsection to read:

18 (d) The corporation shall include in its annual report under (b)
19 of this section a summary of its efforts to implement a program to ex-
20 tend the operation of the loan programs authorized under this chapter
21 to rural communities.

22 * Sec. 14. AS 18.56.210 is amended by adding a new paragraph to read:

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

26 * Sec. 15. AS 44.47.370 is amended by adding a new paragraph to read:

27 (8) originate and service direct loans made to qualified
28 buyers in accordance with AS 44.47.360 - 44.47.560.

29 * Sec. 16. AS 44.47.380 is amended to read:

1 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created
2 in the Department of Community and Regional Affairs the nonconforming
3 housing loan fund consisting of money appropriated to it by the legis-
4 lature. The director shall administer the nonconforming housing loan
5 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the
6 money in the nonconforming housing loan fund to originate, purchase, or
7 participate in the purchase of

8 (1) nonconforming housing mortgage loans;

9 (2) loans made for building materials for nonconforming
10 housing;

11 (3) loans made for renovations or improvements to noncon-
12 forming housing;

13 (4) loans made for the construction of owner-occupied non-
14 conforming housing other than loans to builders or contractors or loans
15 that compensate an owner for his labor or services in constructing his
16 own housing.

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

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

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

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

29 (d) In allocating money under (b) of this subsection, if a home

1 proposed for financing is in more than one service area, that home
2 shall be considered to be in the service area with the smallest popula-
3 tion.

4 * Sec. 18. AS 44.47.390 is amended to read:

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

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

12 (2) originate a direct loan or purchase or participate in
13 the purchase of a loan made for building materials for nonconforming
14 housing

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

16 (1) 80 percent of the appraised value of the work
17 completed on the nonconforming housing for which the loan is
18 made if the nonconforming housing is pledged as collateral for
19 the loan; or

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

23 (B) unless the terms of the loan agreement require
24 inspections and certifications, as required by regulations of the
25 director, at the expense of the borrower; and

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

28 (1) THREE YEARS; OR

29 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY

1 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE
2 AMONG PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN
3 WHICH THE LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING
4 MATERIALS];

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

11 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION
12 LOANS].

13 * Sec. 19. AS 44.47 is amended by adding a new section to read:

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

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

24 * Sec. 20. AS 44.47.400 is amended to read:

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

29 (b) A person may pledge as security for the repayment of a loan

1 originated or purchased in whole or in part under AS 44.47.380 a pre-
2 ference right he holds to receive title to land he occupies as a pri-
3 mary place of residence, primary place of business, subsistence camp-
4 site, or as headquarters for reindeer husbandry. The preference right
5 must be conveyed to the person by the Native corporation to which the
6 land was granted under section 14 of the Alaska Native Claims Settle-
7 ment Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.
8 94-204) before it may be pledged as security under this subsection.
9 The commissioner of community and regional affairs shall prescribe
10 procedures and standard forms for establishing, pledging, and appraising
11 the value of a preference right held by a person to secure the repay-
12 ment of a loan originated or purchased in whole or in part under AS 44.-
13 47.380.

14 * Sec. 21. AS 44.47.410 is repealed and reenacted to read:

15 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
16 gage loan originated or purchased in whole or in part under AS 44.-
17 47.380 is equal to the interest rate, as determined under AS 18.56.098-
18 (g)(1) - (4), on a mortgage loan purchased under AS 18.56.098(g) from
19 the proceeds of the most recent applicable issue of taxable bonds
20 before the origination or purchase of the mortgage loan originated or
21 purchased under AS 44.47.380.

22 * Sec. 22. AS 44.47.420(a) is amended to read:

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

27 * Sec. 23. AS 44.47.430(b) is amended to read:

28 (b) The director may withdraw money from the restricted title
29 loss reserve account in an amount equal to the loss to the division on

1 a nonconforming housing mortgage loan originated or purchased in whole
2 or in part by the division if marketable title to the real property
3 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).
4 Money withdrawn from the restricted title loss reserve account under
5 this section shall be deposited in the nonconforming housing loan fund.

6 * Sec. 24. AS 44.47.460 is amended to read:

7 Sec. 44.47.460. LOAN ORIGINATION AND SERVICING. (a) Before
8 purchasing or participating in the purchase of a loan, the director
9 shall enter into a loan servicing agreement with the private financial
10 institution from which the loan is to be purchased.

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

13 (c) Under the servicing agreement, the private financial insti-
14 tution shall administer the loan and may charge the division a negoti-
15 ated origination or servicing fee on the division's share of the loan.
16 When appropriate, the [THE] private financial institution may also
17 charge the borrower a reasonable originator fee not to exceed one
18 percent.

19 (d) Loan origination and servicing agreements entered into under
20 this section may provide for higher fees for loans made for nonconform-
21 ing housing located outside of cities of organized boroughs and service
22 areas of unified municipalities that have a population in excess of
23 3,500, than for other loans made for nonconforming housing. The divi-
24 sion may pay a portion of the higher fees.

25 * Sec. 25. AS 44.47.470 is amended to read:

26 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
27 participating in the purchase of a nonconforming housing mortgage loan,
28 the director may have or may require the borrower to have an appraisal
29 made of the fair market value of the real property, including struc-

1 tures on the real property, for which the loan is made. In conducting
2 an appraisal under this section, the appraiser shall give full value to
3 insulation and other features of construction in structures on the real
4 property which add to the energy efficiency of the structures.

5 * Sec. 26. AS 44.47.490 is amended to read:

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

10 (1) real property appraisers who are familiar with rural
11 construction; and

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

14 (b) The personnel described in (a) of this section may [SHALL]
15 make [REGULAR] visits to [EACH OF] the regions established under AS 44.-
16 47.510(a) to provide preconstruction and post-construction inspections
17 of real property for which loans are originated or purchased by the
18 division in whole or in part under AS 44.47.380 and to provide assis-
19 tance to private financial institutions and their borrowers in the
20 regions. Authority for final approval of loans may not be exercised by
21 the personnel described in this section.

22 * Sec. 27. AS 44.47.510(b) is amended to read:

23 (b) Unless otherwise required by an appropriation, the director
24 shall allocate the money in the nonconforming housing loan fund among
25 the regions established under (a) of this section for the purpose of
26 originating or purchasing each type of loan described in AS 44.47.380.
27 In making an allocation under this subsection, the director shall
28 consider the past and potential lending activity of private financial
29 institutions in the region as well as the need for loans in the region.

1 The director may reallocate the money among the regions as he considers
2 necessary.

3 * Sec. 28. AS 44.88.010 is amended to read:

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

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

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

11 (3) the state lacks the basic manufacturing, industrial, and
12 [SMALL] business [, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises
13 and the other facilities referred to in (5) of this subsection [AS 44.-
14 88.010(a)(5)] necessary to permit adequate development of its natural
15 resources and the balanced growth of its economy;

16 (4) the establishment and expansion of industrial, manufac-
17 turing, and [SMALL] business [, TOURISM, MINING, AND COMMERCIAL FISHING]
18 enterprises in Alaska and the other facilities referred to in (5) of
19 this subsection are [, INCLUDING FACILITIES FOR AIR AND WATER TRANSPOR-
20 TATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
21 FOR THE LOCAL FURNISHINGS OF GAS, FACILITIES FOR WATER, AND FACILITIES
22 FOR INDUSTRIAL PARKS, IS] essential to the development of the natural
23 resources and the long-term economic growth of the state, and will di-
24 rectly and indirectly alleviate unemployment in the state;

25 (5) the achievement of the goal of full employment, and of
26 establishment and continuing operation and development of industrial,
27 manufacturing, and [SMALL] business [, TOURISM, MINING AND COMMERCIAL
28 FISHING] enterprises in the state, including facilities for air and
29 water transportation, facilities for pollution control and waste dis-

1 posal, facilities for the local furnishing of gas, facilities for
2 water, and facilities for industrial parks, will be accelerated and
3 facilitated by the creation of an instrumentality of the state with
4 powers to incur debt and to make and insure loans to finance, and to
5 assist private lenders to make loans to finance, the establishment,
6 operation, and development of industrial, manufacturing, and [SMALL]
7 business [, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises,
8 including facilities for air and water transportation, facilities for
9 pollution control and waste disposal, facilities for the local furnish-
10 ing of gas, facilities for water, and facilities for industrial parks
11 [, FOR PRIVATE OPERATION];

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

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

21 (b) It is declared to be the policy of the state, in the interests
22 of promoting the health, security and general welfare of all the people
23 of the state, and a public purpose, to increase job opportunities and
24 otherwise to encourage the economic growth of the state, including the
25 development of its natural resources, through the establishment and
26 expansion of manufacturing, industrial, and [SMALL] business [, TOURISM,
27 MINING AND COMMERCIAL FISHING] enterprises and the other facilities
28 referred to in (a)(5) of this section [AS 44.88.010(a)(5)] by creating
29 the public corporation with power, duties and functions as provided in

1 this chapter.

2 * Sec. 29. AS 44.88.050(a) is amended to read:

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

19 * Sec. 30. AS 44.88.050 is amended by adding a new subsection to read:

20 (d) The authority shall keep minutes of each meeting and send a
21 certified copy to the governor and to the Legislative Budget and Audit
22 Committee.

23 * Sec. 31. AS 44.88.070 is amended to read:

24 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
25 authority is to promote, develop and advance the general prosperity and
26 economic welfare of the people of Alaska, to relieve problems of unem-
27 ployment, and to create additional employment by providing various
28 means of financing and means of facilitating the financing of indus-
29 trial, manufacturing, and [SMALL] business [, TOURISM, MINING, AND COM-

1 MERCIAL FISHING] enterprises and the other facilities referred to in
2 AS 44.88.010(a)(5) within the state.

3 * Sec. 32. AS 44.88.080(12) is amended to read:

4 (12) to purchase or insure loans to finance the costs of
5 manufacturing, industrial, and [SMALL] business [, TOURISM, MINING, AND
6 COMMERCIAL FISHING] enterprise projects;

7 * Sec. 33. AS 44.88.080(18) is amended to read:

8 (18) to facilitate the expansion of a secondary market for the
9 resale of federally or commercially insured loans made to finance the
10 costs of projects in Alaska held by federal and state chartered finan-
11 cial institutions or by the Alaska Commercial Fishing and Agriculture
12 Bank [COMMERCIAL BANKS IN ALASKA].

13 * Sec. 34. AS 44.88 is amended by adding a new section to read:

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

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

19 * Sec. 35. AS 44.88.090(g)(1) is repealed and reenacted to read:

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

24 * Sec. 36. AS 44.88.105(a) is amended to read:

25 (a) For the purpose of securing one or more issues of its bonds,
26 the authority may establish one or more special funds, called "capital
27 reserve funds", and shall pay into those capital reserve funds the
28 proceeds of the sale of its bonds and other money which may be made
29 available to the authority from other sources for the purposes of the

1 capital reserve funds. A capital reserve fund may be established only
2 if the authority determines that the establishment of the fund would
3 enhance the marketability of the bonds, and if those costs of a pro-
4 ject, as defined in AS 44.88.220, which are to be financed with the
5 proceeds of the bonds, do not exceed \$10,000,000. Money in a capital
6 reserve fund, except as provided in this section, may be used as re-
7 quired only for (1) the payment of the principal of, and interest on,
8 bonds or of the sinking fund payments with respect to those bonds; (2)
9 the purchase or redemption of the bonds; or (3) the payment of a
10 redemption premium required to be paid when the bonds are redeemed
11 before maturity. However, money in a capital reserve fund may not be
12 withdrawn if the withdrawal would reduce the amount in the capital
13 reserve fund to less than the capital reserve requirement, except for
14 the purpose of making payment, when due, of principal, interest,
15 redemption premiums on the bonds, and sinking fund payments when other
16 money of the authority is not available for the payments. Income or
17 interest earned by, or increment to, a capital reserve fund, from the
18 investment of all or part of the fund, may be transferred by the author-
19 ity to other funds or accounts of the authority if the transfer does
20 not reduce the amount of the capital reserve fund below the capital
21 reserve fund requirement.

22 * Sec. 37. AS 44.88.105 is amended by adding new subsections to read:

23 (f) The authority may not establish a capital reserve fund to
24 secure an issue of bonds in an amount in excess of \$1,000,000 unless at
25 least 20 percent of the principal amount of the loan for the project is
26 retained by a federal or state chartered financial institution or the
27 Alaska Commercial Fishing and Agriculture Bank.

28 (g) The authority may establish reserve funds, other than capital
29 reserve funds, to secure one or more issues of its bonds. The authority

1 may deposit in a reserve fund established under this subsection the
2 proceeds of sale of its bonds and other money which may be made avail-
3 able from any other source. A reserve fund established under this
4 subsection must comply with (a) - (c) of this section. The authority
5 may allow a reserve fund established under this subsection to be
6 depleted without complying with (d) of this section.

7 * Sec. 38. AS 44.88.155 is repealed and reenacted to read:

8 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) The enterprise
9 development fund is established in the authority. The enterprise
10 development fund is a trust fund for the uses and purposes of this
11 chapter. The enterprise development fund consists of money or assets
12 appropriated or transferred to the authority and other money or assets
13 deposited in it by the authority.

14 (b) The authority may establish in the enterprise development
15 fund a small enterprise loan account, a loan insurance account, and
16 other accounts it considers appropriate.

17 (c) Money and other assets of the enterprise development fund
18 may be used to secure bonds of the authority, and shall be held and
19 invested by the authority in the types of investments described in
20 AS 37.10.070(a) and AS 39.35.110(a)(9) and (14) or shall be used to
21 purchase loans for projects as defined in AS 44.88.220.

22 (d) A loan purchased in whole or in part by the authority,
23 other than a loan which is financed with the proceeds of bonds of
24 the authority and secured only by a project applicant or a pro-
25 ject,

26 (1) may not exceed

27 (A) \$10,000,000; or

28 (B) \$500,000 if the loan is purchased under AS 44.88.-

29 158;

1 (2) may not exceed the cost of the project or 75 percent of
2 the appraised value of the project, whichever is less, unless the
3 amount of the loan in excess of this limit is federally insured or
4 guaranteed or is insured by a qualified mortgage insurance company;

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

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

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

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

19 (7) may not be made unless

20 (A) at least 10 percent of the principal amount of the
21 loan is retained by the originator of the loan; or

22 (B) 100 percent of the principal amount of the loan is
23 guaranteed by the United States or an agency or instrumentality of
24 the United States;

25 (8) must be

26 (A) at least partially guaranteed by the United States
27 or an agency or instrumentality of the United States, subject to
28 the provisions of AS 44.88.158; or

29 (B) financed from the proceeds of bonds; or

1 (C) expected by the authority to be financed from the
2 proceeds of bonds.

3 (e) The authority may adopt regulations for the administration of
4 the enterprise development fund which may include, without limitation,
5 provisions for fees and agreements relating to application, loan com-
6 mitment, servicing, and origination of loans by other lenders.

7 (f) The authority may enter into agreements as to the use of the
8 money in the enterprise development fund, including without limitation,
9 trust or custody arrangements with banks or trust companies. It may
10 also pledge, assign, or grant the agreement, interests under an agree-
11 ment, or interests in the enterprise development fund as may be neces-
12 sary or appropriate to provide for payment and security for bonds of
13 the authority.

14 * Sec. 39. AS 44.88.157 is amended by adding new subsections to read:

15 (j) Notwithstanding (a) - (i) of this section, the authority may
16 establish additional insurance accounts to secure special obligation
17 bonds, and may pay into an insurance account established under this
18 subsection money made available from an appropriation or any other
19 source. An insurance account established under this subsection is not
20 subject to the requirements of (d) and (g) of this section.

21 (k) A loan may not be insured from a loan insurance account
22 within the enterprise development fund if the loan is for a project the
23 cost of which exceeds \$10,000,000.

24 (l) A loan in excess of \$1,000,000 may not be insured from a loan
25 insurance account within the enterprise development fund unless at
26 least 20 percent of the principal amount of the loan is retained by a
27 federal or state chartered financial institution or the Alaska Commer-
28 cial Fishing and Agriculture Bank.

29 * Sec. 40. AS 44.88.158 is repealed and reenacted to read:

1 Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) A small
2 enterprise loan account is established in the enterprise development
3 fund. The account may be composed of money or assets appropriated or
4 transferred to the authority, interest on investments and loans of the
5 small enterprise loan account, the unpledged income of the enterprise
6 development fund, and other money or assets deposited in it by the
7 authority.

8 (b) The authority may use money in the small enterprise loan
9 account to purchase the guaranteed portion of a loan made by a private
10 financial institution after June 30, 1981, to a small enterprise to pay
11 the cost of a project, as defined in AS 44.88.220, if the loan is
12 guaranteed by the United States or an agency or instrumentality of the
13 United States, including, but not limited to, the Small Business Admin-
14 istration, the National Marine Fisheries Service, and the Farmers Home
15 Administration.

16 (c) The authority may purchase loans originated by the Alaska
17 Rural Rehabilitation Corporation which are made to agricultural enter-
18 prises. Loans purchased under this subsection may be secured by sub-
19 stitute collateral if the amount of the loan does not exceed 75 percent
20 of the value of the total collateral for the loan. Loans may be pur-
21 chased under this subsection only from money appropriated to the small
22 enterprise loan account for that purpose.

23 * Sec. 41. AS 44.88 is amended by adding a new section to read:

24 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
25 financed from the proceeds of tax-exempt bonds or expected by the
26 authority to be financed from the proceeds of tax-exempt bonds is equal
27 to the cost of funds to the authority. In this subsection "cost of
28 funds" means the true interest cost expressed as a rate on tax-exempt
29 bonds of the authority plus an additional percentage as determined by

1 the authority to represent the allocable expenses of operation, costs
2 of issuance, and loan servicing.

3 (b) The interest rate on a loan financed from the proceeds of
4 taxable bonds or expected by the authority to be financed from the
5 proceeds of taxable bonds is equal to the cost of funds to the author-
6 ity. In this subsection "cost of funds" means the true interest cost
7 expressed as a rate on taxable bonds, plus an additional percentage as
8 determined by the authority to represent the allocable expenses of
9 operation, costs of issuance, and loan servicing costs.

10 (c) The interest rate on a loan purchased by the authority with
11 money in the small enterprise loan account that is not from the pro-
12 ceeds of the sale of a series of bonds is equal to the most recent
13 index of Aa corporate bond yield averages as published by Moody's
14 Investors Service.

15 * Sec. 42. AS 44.88 is amended by adding a new section to read:

16 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
17 the total outstanding balance of loans purchased from a financial
18 institution under this chapter becomes delinquent for 90 days or more,
19 the authority shall discontinue purchasing loans from that financial
20 institution until the delinquency is reduced to less than two percent.

21 * Sec. 43. AS 44.88.220(2) is amended to read:

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

26 * Sec. 44. AS 44.88.220(5) is repealed and reenacted to read:

27 (5) "project" means

28 (A) a plant or facility used or intended for use in
29 connection with making, processing, preparing, or producing in any

1 manner, goods, products or substances of any kind or nature or in
2 connection with developing or utilizing a natural resource, or
3 extracting, smelting, transporting, converting, assembling or
4 producing in any manner, minerals, raw materials, chemicals,
5 compounds, alloys, fibers, commodities and materials, products or
6 substances of any kind or nature, any plant or facility used or
7 intended for use as an industrial park or in connection with air
8 and water transportation, or any plant or facility for the preven-
9 tion, limitation or control of air or water pollution, for the
10 disposal of sewage or solid waste, for the local furnishing of
11 gas, or for the furnishing of water;

12 (B) a plant or facility used or intended for use in
13 connection with a business enterprise;

14 (C) commercial activity by a small enterprise;

15 * Sec. 45. AS 44.88.220(8) is amended to read:

16 (8) "project cost" or "cost of a project" means all or any
17 part of the aggregate costs determined by the authority to be necessary
18 to finance the construction, expansion, or acquisition of a project,
19 including without limitation the cost of acquiring real or tangible
20 personal property, and, in connection with real property, the cost of
21 constructing buildings and improvements, the cost of constructing means
22 of access to and from the project, the cost of constructing extensions
23 of utility systems to the site of the project; the cost of a project
24 includes, without limitation, the cost of financing the project, in-
25 terest charges before, during or after construction, expansion, or
26 acquisition of the project, costs related to the determination of the
27 feasibility, planning, design or engineering of the project and, to the
28 extent determined necessary by the authority, administrative expenses,
29 the cost of machinery or equipment to be used in the operation of the

1 project and expenses of installation, replacement or rehabilitation,
2 and all other costs, charges, fees and expenses which may be determined
3 by the authority to be necessary to finance the construction, expansion,
4 or acquisition;

5 * Sec. 46. AS 44.88.220(12) is repealed and reenacted to read:

6 (12) "small enterprise" means a business enterprise which is
7 a project applicant with gross income of \$10,000,000 or less for its
8 annual reporting period ending immediately before the application to
9 the authority for a loan;

10 * Sec. 47. AS 44.88.220 is amended by adding a new paragraph to read:

11 (16) "commercial activity" includes work in process or activ-
12 ity involving stock in trade, accounts receivable, or the refinancing
13 of existing indebtedness, subject to the provisions of AS 44.88.158.

14 * Sec. 48. The Alaska Housing Finance Corporation may issue bonds in the
15 principal amount of \$592,000,000 during the fiscal year ending June 30,
16 1982.

17 * Sec. 49. Subject to the limitation of AS 44.88.090(g), the Alaska
18 Industrial Development Authority may issue bonds in the principal amount of
19 \$400,000,000 during the fiscal year ending June 30, 1982.

20 * Sec. 50. MULTI-FAMILY DWELLING ENTERPRISES. (a) Until July 1, 1982,
21 the Alaska Industrial Development Authority may use the assets of the small
22 enterprise loan account established under AS 44.88.158 to purchase a loan
23 made to a project applicant, as defined in AS 44.88.220, for a multi-family
24 enterprise. Loans may be purchased under this section only from money
25 appropriated to the small enterprise loan account for that purpose.

26 (b) A loan purchased under this section may not exceed \$3,000,000 or
27 \$50,000 for each dwelling unit of a multi-family dwelling enterprise, which-
28 ever is less.

29 (c) The interest rate on the portion of a loan purchased by the Alaska

1 Industrial Development Authority for a multi-family dwelling enterprise
2 shall be one percent more than the interest rate, as determined under AS 18.-
3 56.098(g)(1) and (2), on a mortgage loan purchased under AS 18.56.098(g) or
4 (h) from the proceeds of the most recent issue of taxable bonds before the
5 loan purchased for a multi-family dwelling enterprise.

6 (d) A loan may not be purchased under this section after June 30,
7 1982.

8 (e) The authority shall adopt regulations to establish priorities for
9 the purchase of loans for multi-family dwelling enterprises which take into
10 account the need for multi-family housing in the state as reflected by
11 vacancy rates in multi-family housing in different areas of the state.

12 (f) In this section "multi-family dwelling enterprise" is a rental or
13 cooperative dwelling of eight or more units.

14 * Sec. 51. The following laws are repealed: AS 18.56.090(1), 18.56.-
15 098(d) and (f)(3), and AS 44.88.220(13), (14), and (15).

16 * Sec. 52. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

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