

Original sponsors: Fahrenkamp, Bennett
and Parr

Offered: 4/1/82
Referred: Finance

1 IN THE SENATE

BY THE SPECIAL COMMITTEE
ON LOANS

2 HOUSE CS FOR SENATE BILL NO. 666 (Loans)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain state loan programs; and
7 providing for an effective date."

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

9 * Section 1. AS 03.10.020(1) is amended to read:

10 (1) make loans to individual resident farmers, homesteaders,
11 and partnerships or corporations composed of farmers and homesteaders,
12 for clearing land for agricultural purposes, development of farms, stor-
13 age and processing of farm produce, livestock and machinery and to indi-
14 viduals, partnerships or corporations, for storage and processing plants
15 for agricultural products;

16 * Sec. 2. AS 03.10.030(a) is repealed and reenacted to read:

17 (a) A farm development, chattel, or irrigation loan made under
18 this chapter

19 (1) may not exceed a term of 30 years;

20 (2) may not, when added to the outstanding balance of other
21 loans made under this chapter, exceed a total outstanding balance of
22 \$1,000,000;

23 (3) shall be secured by a real estate or chattel mortgage of
24 any priority, except that the portion of a loan that exceeds \$500,000,
25 when added to prior indebtedness that is secured by the same property,
26 must be secured by a first mortgage;

27 (4) shall bear interest at a rate that may not be less than
28 eight percent or more than the commercial rate, unless the commercial
29 rate is eight percent or less; in this paragraph "commercial rate" means

1 the prevailing rate of interest at private lending institutions in the
2 state for loans similar to those referred to in this subsection.

3 * Sec. 3. AS 03.10.030(c) is amended to read:

4 (c) A short term loan, to be amortized within one year, not to
5 exceed \$200,000 to any one borrower may be made for operating purposes,
6 except that short term loans made under this subsection for farm product
7 processing may be made for \$500,000 or less.

8 * Sec. 4. AS 03.10.030(e) is amended to read:

9 (e) An installment payment is delinquent unless it is mailed by
10 the borrower on or before the 30th [15TH] day after the date specified
11 for payment in the loan agreement or unless it is received by the depart-
12 ment on or before the 30th [15TH] day after the date specified for
13 payment in the loan agreement. If an installment payment is delinquent,
14 the director may [SHALL] assess a delinquency penalty. The delinquency
15 penalty shall be an amount equal to seven percent of the delinquent
16 payment, but the combined delinquency penalty and loan interest may not
17 exceed 15 percent.

18 * Sec. 5. AS 03.10.030 is amended by adding new subsections to read:

19 (g) A loan for clearing land may not

20 (1) exceed \$400,000;

21 (2) bear interest that exceeds eight percent; or

22 (3) have a term in excess of 30 years.

23 (h) The commissioner shall adopt regulations to establish other
24 terms for loans made under this chapter, consistent with the provisions
25 of this section, and may establish interest rates for loans under (a)(4)
26 of this section that

27 (1) encourage agricultural development;

28 (2) do not subsidize nonviable agricultural enterprises; and

29 (3) do not discriminate against existing agricultural enter-

1 prises.

2 * Sec. 6. AS 03.10.050(a) is amended to read:

3 (a) The commissioner shall administer the loan fund in conjunction
4 with the agricultural revolving loan fund board. No loan in excess of
5 \$50,000 [\$25,000] may be made by the commissioner without the approval
6 of a majority of the board.

7 * Sec. 7. AS 03.10.050 is amended by adding a new subsection to read:

8 (c) A meeting of the agricultural revolving loan fund board to act
9 on applications for loans is exempt from the public meeting requirements
10 of AS 44.62.310.

11 * Sec. 8. AS 16.10.310 is repealed and reenacted to read:

12 Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department may

13 (1) make loans to

14 (A) individual commercial fishermen who have been state
15 residents for a continuous period of five years immediately preced-
16 ing the date of application for a loan under AS 16.10.300 - 16.10.-
17 370 and have had a crewmember or commercial fishing license under
18 AS 16.05.480 or a permit under AS 16.43 for any one of the past
19 five years, and who actively participated in the fishery during
20 that period, for the purchase of entry permits;

21 (B) an individual who has been a state resident for a
22 continuous period of five years immediately preceding the date of
23 application for a loan under AS 16.10.300 - 16.10.370, who (i)
24 because of lack of training or lack of employment opportunities in
25 the area of residence does not have occupational opportunities
26 available other than commercial fishing; or (ii) is economically
27 dependent on commercial fishing for a livelihood and commercial
28 fishing has been a traditional way of life for him in Alaska, for
29 the repair, restoration or upgrading of existing vessels and gear,

1 for the purchase of entry permits and gear, and for the construc-
2 tion and purchase of vessels;

3 (C) corporations, partnerships, or joint ventures, 100
4 percent of which are owned by individual commercial fishermen who
5 have been state residents for a continuous period of five years
6 immediately preceding the date of application for a loan under
7 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial
8 fishing license under AS 16.05.480 or a permit under AS 16.43 for
9 any one of the past five years, and who actively participated in
10 the fishery during that period, for the repair, restoration or
11 upgrading of existing vessels and gear, for the purchase of gear,
12 and for the construction and purchase of vessels;

13 (2) designate agents and delegate its powers to them as
14 necessary;

15 (3) adopt regulations necessary to carry out its functions;

16 (4) establish amortization plans for repayment of loans,
17 which may include extensions for poor fishing seasons;

18 (5) enter into agreements with private lending institutions,
19 other state agencies, or agencies of the federal government, to carry
20 out the purposes of AS 16.10.300 - 16.10.370;

21 (6) enter into agreements with other agencies or organiza-
22 tions to create an outreach program to make loans under AS 16.10.300 -
23 16.10.370 in rural areas of the state.

24 (b) The department shall consult with the Department of Fish and
25 Game on regulations and procedures established under this chapter.

26 * Sec. 9. AS 16.10.320(a) is repealed and reenacted to read:

27 (a) A loan under AS 16.10.310 - 16.10.370

28 (1) made to

29 (A) an individual described in AS 16.10.310(a)(1)(A) may

1 not exceed \$300,000;

2 (B) an individual, corporation, partnership, or joint
3 venture described in AS 16.10.310(a)(1)(B) or (C) may not exceed
4 \$100,000;

5 (2) may not exceed a term of 15 years;

6 (3) may not bear interest exceeding 10 and one-half percent;

7 (4) may be secured by a first priority lien and appropriate
8 security agreement; and

9 (5) may not exceed 75 percent of the appraised value of the
10 collateral used to secure the loan, except that a loan granted under
11 AS 16.10.333 for the purchase of an Alaska limited entry permit may not
12 exceed an amount determined in accordance with (f) or (h) of this
13 section.

14 * Sec. 10. AS 16.10.320(d) is amended to read:

15 (d) A loan may not be made to a borrower under AS 16.10.300 -
16 16.10.370 if it would result in an outstanding debt of the borrower to
17 the commercial fishing revolving loan fund in excess of \$300,000
18 [\$500,000, EXCLUDING OUTSTANDING DEBT INCURRED UNDER (c) OF THIS SECTION.
19 A BORROWER UNDER AS 16.10.300 - 16.10.370 MAY USE UP TO 49 PERCENT OF
20 THE AMOUNT BORROWED TO REFINANCE ANY OUTSTANDING LOANS OF THE BORROWER
21 REGARDLESS OF THE SOURCE OF THE LOANS, IF THE OUTSTANDING LOANS WERE
22 MADE FOR ANY OF THE PURPOSES DESCRIBED IN AS 16.10.310]. A loan to an
23 associate of the borrower is considered to be a loan to the borrower.
24 For the purposes of this section, "associate of the borrower" means

25 (1) a corporation or other organization of which the borrower
26 is an officer, director or partner, or is, directly or indirectly, the
27 beneficial owner of 10 percent or more of any class of equity securi-
28 ties;

29 (2) a person who is, directly or indirectly, the beneficial

1 owner of 10 percent or more of any class of equity securities of the
2 borrower;

3 (3) a trust or other estate in which the borrower has a
4 substantial beneficial interest or as to which the borrower serves as
5 trustee or in a similar fiduciary capacity.

6 * Sec. 11. AS 16.20.320(e) is amended to read:

7 (e) Two or more individual commercial fishermen who each satisfy
8 the requirements specified in AS 16.10.310(a)(1)(B) [AS 16.10.310(a)(1)-
9 (A)] may jointly obtain a commercial fishing loan for the construction
10 of a fishing vessel or the purchase of an existing fishing vessel.

11 Loans granted under this subsection

12 (1) may not exceed the amount specified in (a)(1) of this
13 section multiplied by the number of qualified commercial fishermen
14 applying for the loan;

15 (2) may not exceed a term of 15 years;

16 (3) shall be secured by a first priority lien and appropriate
17 security agreement;

18 (4) may not bear interest exceeding 10 [NINE] and one-half
19 percent; and

20 (5) may not exceed 75 percent of the appraised value of the
21 collateral used to secure the loan.

22 * Sec. 12. AS 16.10.320(f) is amended to read:

23 (f) Except as permitted in (h) of this section a [A] loan granted
24 under AS 16.10.333(a) for the purchase of an Alaska limited entry permit
25 may not exceed 90 percent of the appraised value of the collateral used
26 to secure the loan.

27 * Sec. 13. AS 16.10.320 is amended by adding a new subsection to read:

28 (h) A loan under AS 16.10.333(a) may be made for up to 100 percent
29 of the appraised value of the collateral used to secure the loan if the

1 borrower demonstrates that he has at least three years of experience as
2 a commercial fisherman in the fishery to which the entry permit applies;
3 as used in this paragraph, "three years of experience as a commercial
4 fisherman in the fishery" means that for an accumulated total of three
5 fishing seasons in the same fishery the person has actively participated
6 in the commercial harvest of fish under the direction of a limited entry
7 permit holder.

8 * Sec. 14. AS 16.10 is amended by adding a new section to read:

9 Sec. 16.10.325. GUARANTORS. A person may act as guarantor if the
10 borrower has insufficient collateral to secure a loan for the purposes
11 described in AS 16.10.310(a)(1)(B). The loan agreement shall specific-
12 ally describe the property of the guarantor to be used as collateral by
13 the borrower and shall be signed by the guarantor and the borrower. The
14 department shall provide the guarantor with a copy of all notices sent
15 to the borrower by the department. If the loan is for the purchase of
16 an entry permit, the guaranty by the guarantor may not constitute a
17 lien, mortgage, or encumbrance on or pledge of the entry permit.

18 * Sec. 15. AS 18.55.997 is amended to read:

19 Sec. 18.55.997. RESIDENTIAL LOANS. (a) In addition to the powers
20 authorized to a regional housing authority under AS 18.55.996, a regional
21 housing authority may, in accordance with procedures and policies adopted
22 and approved by the division of housing assistance in the Department of
23 Community and Regional Affairs [BOARD OF DIRECTORS OF THE ALASKA HOUSING
24 FINANCE CORPORATION], make loans for the purchase or development of resi-
25 dential housing in rural areas of the state. A loan shall be secured by
26 collateral in an amount acceptable to the division of housing assistance
27 in the Department of Community and Regional Affairs [BOARD OF DIRECTORS
28 OF THE ALASKA HOUSING FINANCE CORPORATION]. The rate of interest on a
29 loan authorized by this section may not exceed the interest rate on a

1 loan originated or purchased under AS 44.47.360 - 44.47.560 [AN INTEREST
2 RATE APPROVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE
3 CORPORATION].

4 (b) In this section,

5 (1) "development" means the construction of a new residence
6 or the repair, remodeling, rehabilitation or expansion of an existing
7 home;

8 (2) "rural" means

9 (A) a [ANY] community in the second, third, or fourth
10 judicial district of the state with a population of 4,500 or less
11 that is not connected by road or rail to Anchorage or Fairbanks; or

12 (B) a community in the first judicial district of the
13 state with a population of 4,500 or less.

14 * Sec. 16. AS 18.56.040 is amended by adding a new subsection to read:

15 (d) Public notice of 24 hours or more shall be given before a
16 meeting of the board at which the issuance of corporation bonds is
17 authorized.

18 * Sec. 17. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.084. INTERNATIONAL BORROWING. For the purpose of
20 obtaining access to international capital markets to borrow money for
21 the special mortgage loan purchase program (AS 18.56.098), as an addition
22 to the powers of the corporation under AS 18.56.090, the corporation may
23 (1) establish or cause to be established, subsidiary corporations in-
24 corporated in the state or in another state, or under the laws of a
25 foreign jurisdiction; (2) invest in corporations established under this
26 section; (3) issue bonds and borrow money for investments in corpora-
27 tions established under this section; (4) borrow from corporations
28 established under this section; (5) guarantee the obligations of corpora-
29 tions established under this section; (6) enter into agreements with

1 corporations established under this section or with other persons; or
2 (7) do anything otherwise necessary to facilitate access to international
3 capital markets. A guarantee under this section constitutes a bond of
4 the corporation as defined in AS 18.56.210(13).

5 * Sec. 18. AS 18.56.098(f)(4) is amended to read:

6 (4) "residence" means an owner-occupied, single-family resi-
7 dence, including a mobile home, or an owner-occupied duplex, triplex or
8 four-plex.

9 * Sec. 19. AS 18.56.098(g)(2) is amended to read:

10 (2) The interest rate on the first \$90,000 of a mortgage loan
11 for a single-family or duplex residence, on the first \$105,000 of a
12 mortgage loan for a triplex residence, and on the first \$140,000 of a
13 mortgage loan for a four-plex residence purchased with the proceeds of a
14 second or subsequent issue of taxable bonds of the corporation shall be
15 determined as follows:

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

20 (B) Except as provided in (C) and (D) of this paragraph
21 and (3) of this subsection, the interest rate may not be less than
22 10 percent and may not be reduced.

23 (C) If the difference between the cost of funds of an
24 issue of taxable bonds and the interest rate established for a
25 mortgage loan purchased with the proceeds of the previous issue
26 would be equal to or less than three percent, the interest rate on
27 mortgage loans purchased with the proceeds of that taxable bond
28 issue and subsequent taxable bond issues is three percent less than
29 the cost of funds of the taxable bond issue that is used to purchase

1 the mortgage loan.

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

8 * Sec. 20. AS 18.56.098(g)(3) is amended to read:

9 (3) An interest rate determined under this subsection on the
10 first \$90,000 of a mortgage loan that is not purchased from the proceeds
11 of bonds that are qualified veterans' mortgage bonds under the Mortgage
12 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)), as amended, shall be
13 reduced by one percentage point if the loan is made to an eligible
14 veteran under AS 18.56.101.

15 * Sec. 21. AS 18.56.098(g)(6) is amended to read:

16 (6) The interest rate on the first \$90,000 of a mortgage loan
17 for a single-family or duplex residence, on the first \$105,000 of a
18 mortgage loan for a triplex residence and on the first \$140,000 of a
19 mortgage loan for a four-plex residence purchased from the proceeds of
20 bonds that are exempt from taxation under the Mortgage Subsidy Bond Tax
21 Act of 1980 (26 U.S.C. 103(A)) is 10 percent or the cost of the funds,
22 whichever is less. A higher or lower interest rate shall be established
23 on the entire loan amount if required under the Mortgage Subsidy Bond
24 Tax Act.

25 * Sec. 22. AS 18.56.098 is amended by adding new subsections to read:

26 (1) The interest rate on the first \$90,000 of a mortgage loan
27 purchased from the proceeds of bonds that constitute qualified veterans'
28 mortgage bonds under the Mortgage Subsidy Bond Tax Act of 1980 (26
29 U.S.C. 103(A)) as amended, is the greater of (1) four percent less than

1 the cost of funds or (2) the rate for other loans to veterans under
2 AS 18.56.098(g)(3). A higher or lower interest rate shall be estab-
3 lished on the entire loan amount if required under the Mortgage Subsidy
4 Bond Tax Act of 1980.

5 (j) If the money used to purchase a mortgage loan made to a veteran
6 under this section comes from an issue of bonds of the corporation
7 guaranteed by the state each bond must be issued as part of an issue
8 substantially all of the proceeds of which are used to provide resi-
9 dences for veterans, or be issued in such other manner that may be
10 necessary to insure that the bond is a "qualified veteran's mortgage
11 bond" under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)),
12 as amended.

13 (k) The interest rate limitations of AS 45.45.010 do not apply to
14 loans purchased under this section or to loans that the corporation has,
15 in any manner, committed itself to purchase.

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

17 Sec. 18.56.102. COMMITMENTS FOR THE PURCHASE OF MORTGAGE LOANS.
18 The corporation shall offer commitments for the purchase of mortgage
19 loans at the interest rate prevailing for similar mortgage loans at the
20 time a commitment is made. The corporation shall charge a commitment fee
21 for an initial 90-day commitment of one-half percent of the amount of the
22 mortgage loan for which the commitment is purchased. A commitment made
23 under this section may be extended for a second 90-day period for an
24 additional fee of one-half percent of the amount of the mortgage loan
25 and, at the option of the corporation, for further periods of one month
26 for an additional fee of one-sixth percent of the amount of the mortgage
27 loan for each month the commitment is extended. A commitment made under
28 this section, including extensions, may not exceed one year.

29 * Sec. 24. AS 18.56.110(b) is amended to read:

1 (b) The principal and interest on these bonds or notes, except
2 state guaranteed bonds, is payable from corporation funds, excluding
3 funds in the housing development fund. The principal and interest on
4 state guaranteed bonds is payable from corporation funds, excluding
5 funds in the housing development fund, and in accordance with the terms
6 of the state guaranty of principal and interest. Bond anticipation
7 notes may be payable from the proceeds of the sale of bonds or from the
8 proceeds of sale of other bond anticipation notes or, in the event bond
9 or bond anticipation note proceeds are not available, such notes may be
10 paid from other funds or assets of the corporation. Bonds or notes may
11 be additionally secured by a pledge of a grant or contribution from the
12 federal government, or a corporation, association, institution or person,
13 or a pledge of money, income, or revenues of the corporation from any
14 source. Notes issued in anticipation of the sale of bonds that are to
15 be issued under this chapter and guaranteed as to principal and interest
16 by the state are guaranteed as to principal and interest by the state
17 and secured by the full faith, credit and resources of the state.

18 * Sec. 25. AS 18.56.110(d) is amended to read:

19 (d) Bonds or bond anticipation notes, except state guaranteed
20 bonds and bond anticipation notes, may be sold in the manner, on the
21 terms and at the price the corporation determines. State guaranteed
22 bonds and bond anticipation notes shall be sold at public sale by the
23 corporation in amounts and at times as may be approved by the state
24 bond committee, on terms and at the price fixed under the notice of
25 sale.

26 * Sec. 26. AS 27.09.010 is amended by adding a new subsection to read:

27 (b) The mining loan fund is a revolving fund consisting of ap-
28 propriations made to the fund by the legislature and repayments of
29 principal and interest on loans made from the fund. Money appropriated

1 to or repaid into the fund does not lapse in accordance with AS 37.25.-
2 010.

3 * Sec. 27. AS 29.48.110(a) is amended to read:

4 (a) In addition to existing municipal authority providing for the
5 preservation, protection, and maintenance of historic sites, the local
6 historical district commission established under AS 29.48.108, in con-
7 sultation with the Historic Sites Advisory Committee within the Depart-
8 ment of Natural Resources, may establish [A] historical districts
9 [DISTRICT] within the boundaries of the municipality.

10 * Sec. 28. AS 44.33.255(c) is amended to read:

11 (c) The duration for repayment of a loan may not exceed 20 [10]
12 years.

13 * Sec. 29. AS 44.47.370(3) is amended to read:

14 (3) purchase or participate in the purchase of nonconforming
15 and rural housing mortgage loans in accordance with AS 44.47.360 -
16 44.47.560;

17 * Sec. 30. AS 44.47.370(4) is amended to read:

18 (4) purchase or participate in the purchase of loans for
19 building materials for nonconforming and rural housing in accordance
20 with AS 44.47.360 - 44.47.560;

21 * Sec. 31. AS 44.47.380 is amended to read:

22 Sec. 44.47.380. [NONCONFORMING] HOUSING ASSISTANCE LOAN FUND.
23 There is created in the Department of Community and Regional Affairs the
24 [NONCONFORMING] housing assistance loan fund consisting of money appro-
25 priated to it by the legislature. The director shall administer the
26 [NONCONFORMING] housing assistance loan fund in accordance with AS 44.-
27 47.360 - 44.47.560 and shall use the money in the [NONCONFORMING] housing
28 assistance loan fund to originate, purchase, or participate in the pur-
29 chase of

- 1 (1) nonconforming and rural housing mortgage loans;
2 (2) loans made for building materials for nonconforming
3 and rural housing;
4 (3) loans made for renovations or improvements to nonconform-
5 ing and rural housing;
6 (4) loans made for the construction of owner-occupied noncon-
7 forming and rural housing other than loans to builders or contractors or
8 loans that compensate an owner for his labor or services in constructing
9 his own housing.

10 * Sec. 32. AS 44.47.385(a) is amended to read:

11 (a) The director may make loans from the [NONCONFORMING] housing
12 assistance loan fund only for nonconforming and rural housing loans to
13 qualified buyers for nonconforming and rural housing.

14 * Sec. 33. AS 44.47.390 is amended to read:

15 Sec. 44.47.390. LIMITATIONS ON USE OF [NONCONFORMING] HOUSING
16 ASSISTANCE LOAN FUND. The director may not use the money in the [NON-
17 CONFORMING] housing assistance loan fund to

18 (1) originate a direct loan or purchase or participate in the
19 purchase of a nonconforming or rural housing mortgage loan that [WHICH]
20 exceeds the limitations on mortgage loans purchased by the Federal
21 National Mortgage Association as to principal amount or loan-to-value
22 ratio;

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

26 (A) that [WHICH] exceeds \$45,000 or exceeds

27 (i) 80 percent of the appraised value of the work
28 completed on the nonconforming or rural housing for which the
29 loan is made if the nonconforming or rural housing is pledged

1 as collateral for the loan; or

2 (ii) 90 percent of the value of other property which
3 is pledged as security for the loan and which is satisfactory
4 to the director as collateral;

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

8 (C) unless the period of time allowed for repayment of
9 the loan is equal to or less than 15 years;

10 (3) originate direct loans or purchase or participate in the
11 purchase of a nonconforming or rural housing mortgage loan that [WHICH]
12 is secured by real property the marketable title to which is shown in
13 accordance with AS 44.47.420(b)(2) if the total amount of outstanding
14 nonconforming and rural housing mortgage loans held by the division
15 exceeds 10 times the amount of money in the restricted title loss reserve
16 account (AS 44.47.430).

17 * Sec. 34. AS 44.47.420(a) is amended to read:

18 (a) Before the director originates or purchases a nonconforming
19 or rural housing mortgage loan in whole or in part, the director may
20 require a borrower to show marketable title to real property offered as
21 security for the loan to be purchased.

22 * Sec. 35. AS 44.47.430(b) is amended to read:

23 (b) The director may withdraw money from the restricted title loss
24 reserve account in an amount equal to the loss to the division on a
25 nonconforming or rural housing mortgage loan originated or purchased in
26 whole or in part by the division if marketable title to the real property
27 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).
28 Money withdrawn from the restricted title loss reserve account under
29 this section shall be deposited in the [NONCONFORMING] housing assistance

1 loan fund.

2 * Sec. 36. AS 44.47.440 is amended to read:

3 Sec. 44.47.440. FIRE INSURANCE. Before purchasing or participat-
4 ing in the purchase of a nonconforming or rural housing mortgage loan,
5 the director may require the borrower to agree to purchase and maintain
6 fire insurance for the real property for which the loan is made in an
7 amount not less than the outstanding principal balance of the loan.

8 * Sec. 37. AS 44.47.470 is amended to read:

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

17 * Sec. 38. AS 44.47.510(b) is amended to read:

18 (b) Unless otherwise required by an appropriation, the director
19 shall allocate the money in the [NONCONFORMING] housing assistance loan
20 fund among the regions established under (a) of this section for the
21 purpose of originating or purchasing each type of loan described in
22 AS 44.47.380. In making an allocation under this subsection, the direc-
23 tor shall consider the past and potential lending activity of private
24 financial institutions in the region as well as the need for loans in
25 the region. The director may reallocate the money among the regions as
26 he considers necessary.

27 * Sec. 39. AS 44.47 is amended by adding a new section to read:

28 Sec. 44.47.520. LOANS FOR NON-OWNER OCCUPIED HOUSING. (a) In
29 addition to the powers authorized by AS 44.47.370 the director may adopt

1 regulations allowing the use of money in the housing assistance loan
2 fund to make loans for the purchase or development of non-owner occupied
3 housing in rural areas of the state.

4 (b) The rate of interest on a loan authorized by this section may
5 not exceed nine and one-half percent.

6 (c) In this section

7 (1) "development" means the construction of a new residence
8 or the repair, remodeling, rehabilitation, or expansion of an existing
9 residence;

10 (2) "non-owner occupied housing" means a single-family resi-
11 dence or a multi-family residence having up to eight dwelling units,
12 that is not nonconforming housing, and is not occupied by the owner.

13 * Sec. 40. AS 44.47.560 is amended by adding new paragraphs to read:

14 (5) "rural" means

15 (A) a community in the second, third, or fourth judicial
16 district of the state with a population of 4,500 or less that is
17 not connected by road or rail to Anchorage or Fairbanks; or

18 (B) a community in the first judicial district of the
19 state with a population of 4,500 or less;

20 (6) "rural housing" means housing, other than nonconforming
21 housing, that is located in a rural area of the state.

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

23 Sec. 44.88.153. MULTI-FAMILY HOUSING LOANS. (a) The authority
24 may purchase loans made for the construction of qualified multi-family
25 housing.

26 (b) A loan for qualified multi-family housing

27 (1) may not exceed the cost of the qualified multi-family
28 housing project, or 75 percent of the appraised value of the project,
29 whichever is less;

1 (2) may not be made unless at least 20 percent of the princi-
2 pal amount of the loan is retained by the originator of the loan;

3 (3) shall be in the form and contain the terms and provisions
4 with respect to term of the loan, insurance, repairs, alterations,
5 payment of taxes and assessments, default reserves, delinquency charges,
6 default remedies, acceleration of maturity, secondary liens, amortiza-
7 tion schedules, and other matters the authority may prescribe; and

8 (4) shall bear interest at a rate equal to the cost of funds
9 to the authority.

10 (c) In this section

11 (1) "cost of funds" means the true interest cost expressed as
12 a rate on tax-exempt bonds of the authority plus an additional percent-
13 age as determined by the authority to represent the allocable expenses
14 of operation, costs of issuance and loan servicing; and

15 (2) "qualified multi-family housing" means residential housing
16 of 5 - 20 dwelling units that qualifies for tax-exempt bond financing
17 under the laws of the United States.

18 * Sec. 42. AS 45.88.030(a) is amended to read:

19 (a) A loan for the development of an alternative energy system or
20 for the development or implementation of a northern technology under
21 this chapter may not exceed \$30,000 [\$10,000].

22 * Sec. 43. AS 45.88.030(e) is repealed and reenacted to read:

23 (e) The rate of interest for a loan under this section, other than
24 a loan for an alternative energy system may not exceed nine and one-half
25 percent a year on the unpaid balance of the loan. The rate of interest
26 for a loan for an alternative energy system is five percent for the
27 first \$15,000 of the loan and 15 percent for the amount of the loan that
28 exceeds \$15,000.

29 * Sec. 44. AS 45.88.500 is amended by adding a new paragraph to read:

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(3) does not include

- (A) a wood, coal, or multi-fuel heating stove; or
- (B) a fireplace or fireplace insert.

* Sec. 45. AS 45.89.030 is amended by adding a new subsection to read:

(j) If, in the opinion of the department, it is not necessary to conduct an energy audit to determine that a loan application meets the requirements of this section, the department may waive the audit requirement for the applicant.

* Sec. 46. AS 45.98.040(2) is amended to read:

(2) state participation in a loan for the restoration, improvement, rehabilitation or maintenance of any one building or structure qualifying under this chapter may not exceed \$250,000 [\$100,000];

* Sec. 47. The following laws are repealed: AS 03.10.030(b) and (d); AS 16.10.320(c) and (g), 16.10.342(b), and 16.10.560 - 16.10.720.

* Sec. 48. AS 44.47.410 does not apply to a rural housing mortgage loan made under AS 44.47.360 - 44.47.560 until January 1, 1983. Before January 1, 1983, the interest rate on a rural mortgage housing loan made under AS 44.47.360 - 44.47.560 is eight and three-quarters percent. After September 15, 1982, the Department of Community and Regional Affairs may not make a commitment for a rural housing mortgage loan for an interest rate that is less than an interest rate determined under AS 44.47.410. A loan commitment made by the Department of Community and Regional Affairs after the effective date of this Act and before September 16, 1982, may not exceed six months in length.

* Sec. 49. This Act takes effect immediately in accordance with AS 01.10.070(c).