

Introduced: 1/17/83
Referred: Labor & Commerce and Finance

1 IN THE HOUSE

BY LINDAUER, FURNACE AND
BETTISWORTH

2

HOUSE BILL NO. 26

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act establishing the business refinancing and
7 expansion loan program in the Alaska Industrial
8 Development Authority; and providing for an effective
9 date."

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

11 * Section 1. AS 37.13.120 is amended by adding a new subsection to
12 read:

13 (n) Notwithstanding the other provisions of this section, the
14 board shall invest up to 25 percent of the assets of the corporation
15 to purchase, on the date offered, Alaska Industrial Development
16 Authority Bonds, bearing interest of 10 percent, guaranteed by the
17 Alaska Industrial Development Authority, and secured by loans made
18 under the Alaska Industrial Development Authority business refinancing
19 and expansion loan program (AS 44.88.300 - 44.88.390).

20 * Sec. 2. AS 44.88 is amended by adding new sections to read:

21 ARTICLE 5. BUSINESS REFINANCING AND EXPANSION LOAN PROGRAM.

22 Sec. 44.88.300. PROGRAM ESTABLISHED; PURPOSE AND INTENT. The
23 Alaska Industrial Development Authority business refinancing and
24 expansion loan program is established in the authority. The purpose
25 of the business loan program is to enable state residents to refinance
26 existing business debt and finance business expansion. It is the
27 intention of the legislature that business loans be made through state
28 banks and other financial institutions without unnecessary involvement
29 of the authority.

1 Sec. 44.88.310. **POWERS AND DUTIES OF THE AUTHORITY.** The author-
2 ity shall sell its bonds to the Alaska permanent fund under AS 37.13.-
3 120(n) and shall use the bond sale proceeds to purchase business loans
4 under the terms and conditions set out in AS 44.88.300 - 44.88.390.

5 Sec. 44.88.320. **LOAN PURCHASE REQUIRED.** Subject only to the
6 availability of funds from the sale of bonds to the Alaska permanent
7 fund under AS 37.13.120(n) and the priorities set out in AS 44.88.330,
8 the authority shall purchase a business loan when offered by a bank or
9 other financial institution if the business loan meets the conditions
10 set out in AS 44.88.340 and is made to an eligible borrower under
11 AS 44.88.350. The authority shall accept a sworn statement from the
12 bank or financial institution that the loan conforms to the require-
13 ments of AS 44.88.300 - 44.88.390 in purchasing a business loan under
14 this section.

15 Sec. 44.88.330. **PRIORITIES.** If insufficient money is available
16 from the sale of bonds to the Alaska permanent fund under AS 37.13.-
17 120(n) to purchase all qualifying business loans offered to the
18 authority, the following priorities shall be followed by the authority
19 in purchasing business loans:

20 (1) loans for expansion of business in communities having a
21 population under 10,000 have priority over all other qualifying busi-
22 ness loans; and

23 (2) loans that use at least 25 percent of the loan proceeds
24 for expansion of a business have priority over loans that use less
25 than 25 percent of the loan proceeds for business expansion.

26 Sec. 44.88.340. **LOAN CONDITIONS.** (a) To qualify for purchase
27 by the authority under the business loan program a business loan

28 (1) may not exceed \$2,000,000 or 75 percent of the net
29 market value of the borrower's business, whichever is less;

1 (2) may not bear interest in excess of 10.9 percent or one
2 percent above the prime lending rate, whichever is less;

3 (3) shall have a fixed interest rate and fixed monthly
4 payments;

5 (4) shall have a term of 15 years but may not impose a
6 penalty for acceleration of payments;

7 (5) may be assumed;

8 (6) shall be made to refinance the business debt or expand
9 the business of an eligible sole proprietorship, partnership, corpora-
10 tion, or other business entity doing business primarily in the state;

11 (7) may not be made to a business that is engaged in the
12 construction or rental of single or multiple housing units;

13 (8) shall be personally guaranteed by the sole proprietor,
14 partners, corporate shareholders, or other owners of the business; and

15 (9) shall be secured by documents establishing a first
16 priority on assets of the business, including assets to be acquired
17 with the proceeds of the loan, valued at an amount equal to the amount
18 of the loan.

19 (b) In order to qualify a business loan for purchase by the
20 authority under the business loan program the bank or financial insti-
21 tution that originates the loan must retain at least 10 percent of the
22 financing of the loan, or the maximum amount that the bank or finan-
23 cial institution is allowed, as a matter of law, to invest in a single
24 loan, whichever amount is less.

25 Sec. 44.88.350. BORROWER ELIGIBILITY. To be eligible for a
26 business loan that qualifies for purchase by the authority under the
27 business loan program the borrower must do business in the state for
28 at least one year before applying for the loan and shall be

29 (1) a sole proprietorship owned by a state resident;

1 (2) a partnership in which all of the partners are state
2 residents;

3 (3) a corporation in which the controlling interest is
4 owned by state residents; or

5 (4) a business entity that is not a sole proprietorship,
6 partnership, or corporation, in which a controlling interest is owned
7 by state residents.

8 Sec. 44.88.360. LIMIT ON THE NUMBER OF LOANS. A business may
9 receive only one loan under the business loan program except that a
10 corporation that is eligible to receive a business loan is not dis-
11 qualified from receiving a loan by the fact that a prior business loan
12 was made to a shareholder of the corporation.

13 Sec. 44.88.370. FEES. (a) The bank or other financial institu-
14 tion that originates a business loan purchased by the authority may
15 charge the borrower an amount not to exceed three percent of the total
16 loan amount as an application or origination fee.

17 (b) The bank or other financial institution that originates a
18 business loan purchased by the authority shall act as the collection
19 agent for the authority and shall receive six-tenths of one percent of
20 all amounts collected as a collection fee.

21 (c) The authority may not charge a fee for authority participa-
22 tion in a business loan.

23 Sec. 44.88.380. REGULATIONS. The authority may make and enforce
24 reasonable regulations to carry out the purposes of the business loan
25 program.

26 Sec. 44.88.390. DEFINITIONS. In AS 44.88.300 - 44.88.390

27 (1) "business loan" or "business loan program" refers to
28 the Alaska Industrial Development Authority business refinancing and
29 expansion loan program;

1 (2) "net market value" means the total assets of a business
2 less the total liabilities of the business and less an amount equal to
3 the total amount of interest due on business debts that are not to be
4 retired by using the proceeds of a business loan, plus the increased
5 value of the business that will result from use of the business loan
6 proceeds, as valued by an appraiser acceptable to the originating bank
7 or other financial institution.

8 * Sec. 3. AS 44.88.320 enacted in sec. 2 of this Act applies to the
9 first \$2,000,000 of loans made by a bank or other financial institution
10 after June 1, 1983.

11 * Sec. 4. This Act takes effect July 1, 1983.