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Original sponsor: House Special Committee
on State Loans

1 IN THE HOUSE

BY THE RULES COMMITTEE

2

SENATE CS FOR CS FOR HOUSE BILL NO. 302 (Rules)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to state housing loan and state
alternative technology loan programs; and providing
for an effective date."

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

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* Section 1. AS 18.55.996(a) is amended by adding a new paragraph to

11

read:

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(14) Sitka Community Association (Baranof Island)

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* Sec. 2. AS 18.56 is amended by adding a new section to read:

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Sec. 18.56.082. ALASKA HOUSING FINANCE REVOLVING FUND. The

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Alaska housing finance revolving fund is established in the corpo-

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ration. The revolving fund consists of appropriations made to the

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revolving fund by the legislature, money or other assets transferred

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to the revolving fund by the corporation, and unrestricted repayments

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of principal on loans made or purchased by the corporation. Amounts

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deposited in the revolving fund shall be expended for the purposes of

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the corporation, set out in this chapter.

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* Sec. 3. AS 18.56.089 is amended to read:

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Sec. 18.56.089. EXECUTIVE BUDGET ACT. The operating budget of

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the corporation is subject to the Executive Budget Act (AS 37.07). To

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further ensure effective budgetary decision making by the legislature,

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the corporation shall present a complete accounting of all assets of

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the corporation, including assets of the Alaska housing finance re-

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volving fund, to the legislature by January 10 of each year. The

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accounting shall be audited by an independent outside auditor and

1 shall include a full description of all mortgage loan interest and
2 principal repayments and program receipts, including mortgage loan
3 commitment fees, received by or accrued to the corporation during the
4 preceding fiscal year, and all income earned on assets of the
5 corporation during that period, including earnings on assets of the
6 state assisted mortgage fund [FOR FISCAL YEARS BEGINNING AFTER JUNE
7 30, 1981].

8 * Sec. 4. AS 18.56.096(1) is amended to read:

9 (1) a first mortgage loan under this chapter for a duplex,
10 triplex, or four-plex that exceeds the limitations on first mortgage
11 loans for similar housing purchased by the Federal National Mortgage
12 Association as to principal amount and loan-to-value ratio; [OR]

13 * Sec. 5. AS 18.56.096(2) is amended to read:

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

20 * Sec. 6. AS 18.56.096 is amended by adding new paragraphs to read:

21 (4) a first mortgage loan for a single-family residence
22 that exceeds the limitations on first mortgage loans for similar
23 housing purchased by the Federal National Mortgage Association as to
24 principal amount by more than 10 percent, or has a loan-to-value ratio
25 that exceeds 95 percent, or a second mortgage loan for a single-family
26 residence, the amount of which, when combined with the principal
27 balance of a first mortgage loan on the property, exceeds the
28 limitations on loans for similar housing purchased by the Federal
29 National Mortgage Association as to principal amount by more than 10

1 percent, or has a loan-to-value ratio, when considered with the
2 principal balance of the first mortgage loan, that exceeds 90 percent;
3 or

4 (5) a first or second mortgage loan for rental housing
5 unless the borrower agrees not to discriminate against tenants or
6 prospective tenants because of sex, marital status, changes in marital
7 status, pregnancy, parenthood, race, religion, color, national origin,
8 or status as a student.

9 * Sec. 7. AS 18.56.098(g)(1) is amended to read:

10 (1) The interest rate on the first \$90,000 of a mortgage
11 loan purchased with the proceeds of an [THE FIRST] issue of taxable
12 bonds of the corporation is three percent less than [10-1/2 PERCENT
13 OR] the cost of funds of that issue, except that

14 (A) if the cost of funds of that issue is less than 10
15 percent, the interest rate is equal to the cost of funds; and

16 (B) if the cost of funds of that issue is more than 10
17 percent, the interest rate may not be less than 10 percent [,
18 WHICHEVER IS LESS].

19 * Sec. 8. AS 18.56.098(g)(5) is amended to read:

20 (5) The interest rate on the first \$90,000 of a mortgage
21 loan purchased with [FROM] money that is not the proceeds of either
22 taxable or tax-exempt bonds [APPROPRIATED TO THE CORPORATION] is the
23 rate the corporation determines is appropriate by application of the
24 provision of (1) [- (4)] of this subsection. [THE RATE MAY BE BASED
25 ON AN ESTIMATE OF THE COST OF FUNDS OF A PROPOSED ISSUE OR ISSUES OF
26 BONDS.]

27 * Sec. 9. AS 18.56.101 is amended to read:

28 Sec. 18.56.101. ELIGIBILITY FOR VETERANS' INTEREST RATES. The
29 following persons are eligible veterans for the purposes of

1 AS 18.56.098(g) and (h):

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

6 [(A) WHO AT THE TIME OF INDUCTION INTO THE SERVICE WAS
7 A RESIDENT OF THE TERRITORY OR STATE, WHO HAD BEEN A RESIDENT FOR
8 NOT LESS THAN ONE YEAR IMMEDIATELY BEFORE HIS INDUCTION, AND WHO
9 RETURNED TO THE TERRITORY OR STATE WITHIN ONE YEAR AFTER
10 DISCHARGE AS A RESIDENT WITH THE INTENTION OF REMAINING IN THE
11 TERRITORY OR STATE; OR

12 (B) WHO, NOT BEING A BONA FIDE RESIDENT OF THE
13 TERRITORY OR STATE AT THE TIME OF ENTRY INTO THE SERVICE, HAS
14 BEEN A RESIDENT OF THE TERRITORY OR STATE FOR AT LEAST ONE YEAR
15 AT THE TIME OF THE LOAN APPLICATION AND HAS BEEN A RESIDENT TO
16 THE TERRITORY OR STATE FOR AT LEAST FIVE YEARS; AND

17 (C)] whose discharge was under honorable conditions;

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

20 [(A) THE MEMBER OR VETERAN WAS A RESIDENT OF THE
21 TERRITORY OR STATE FOR ONE YEAR BEFORE INDUCTION INTO THE
22 SERVICE;

23 (B)] the member or veteran served in the armed forces
24 for at least 90 days after April 6, 1917 [;] and

25 [(C)] the veteran's [HIS] discharge was under
26 honorable conditions;

27 (3) a person who has served for not less than five years in
28 the Alaska Army National Guard, or the Alaska Air National Guard, [OR
29 THE ALASKA NAVAL MILITIA] or [WHO HAS SERVED IN] a reserve unit of the

1 United States armed forces [IN ALASKA] if the reserve unit required,
2 as a minimum, one weekend each month of duty and 15 consecutive days
3 of active duty training each year [FOR NOT LESS THAN FIVE YEARS] and
4 whose discharge was under honorable conditions.

5 * Sec. 10. AS 18.56.115 is amended to read:

6 Sec. 18.56.115. INDEPENDENT FINANCIAL ADVISOR. In negotiating
7 the private sale of bonds or bond anticipation notes to an
8 underwriter, the corporation may [SHALL] retain a financial advisor.
9 A financial advisor retained under this section must be [WHO IS]
10 independent from the underwriter.

11 * Sec. 11. AS 18.56 is amended by adding a new section to read:

12 Sec. 18.56.205. RESIDENTIAL MORTGAGE ASSISTANCE FOR MEMBERS OF
13 THE ALASKA DELEGATION TO CONGRESS. The corporation may extend the
14 special mortgage loan purchase program (AS 18.56.098) to purchase a
15 mortgage loan made for the purchase or rehabilitation of a residence
16 located in the District of Columbia or within 50 miles of the District
17 of Columbia to a member of the United States Congress from Alaska if
18 the member is otherwise qualified for assistance under the special
19 mortgage loan purchase program.

20 * Sec. 12. AS 44.47.380 is amended to read:

21 Sec. 44.47.380. HOUSING ASSISTANCE LOAN FUND. There is created
22 in the Department of Community and Regional Affairs, as a revolving
23 loan fund, the housing assistance loan fund consisting of money
24 appropriated to it by the legislature and repayments of principal on
25 loans made or purchased from the assets of the fund. [INTEREST ON
26 LOANS MADE OR PURCHASED FROM THE ASSETS OF THE FUND MUST BE
27 TRANSFERRED TO THE DEPARTMENT OF REVENUE FOR DEPOSIT IN THE GENERAL
28 FUND.] The director shall administer the housing assistance loan fund
29 in accordance with AS 44.47.360 - 44.47.560 and shall use the money in

1 the housing assistance loan fund to originate, purchase, or
2 participate in the purchase of

3 (1) nonconforming and rural housing mortgage loans;

4 (2) loans made for building materials for nonconforming and
5 rural housing;

6 (3) loans made for renovations or improvements to
7 nonconforming and rural housing;

8 (4) loans made for the construction of owner-occupied
9 nonconforming and rural housing other than loans to builders or
10 contractors or loans that compensate an owner for the owner's labor or
11 services in constructing the owner's own housing.

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

13 Sec. 44.47.382. HOME OWNERSHIP ASSISTANCE FUND. (a) There is
14 created in the Department of Community and Regional Affairs, the home
15 ownership assistance fund consisting of money appropriated to it by
16 the legislature. Money in the fund shall be used solely to assist
17 persons of lower and moderate income to purchase or construct
18 single-family homes financed under AS 44.47.360 - 44.47.560 by
19 providing a subsidy to those persons.

20 (b) The subsidy provided by this section may not exceed the
21 amount that is necessary to reduce the annual interest rate paid on
22 the mortgage loan to six percent.

23 (c) A mortgage loan that is subsidized from the home ownership
24 assistance fund may not exceed \$120,000.

25 (d) The division shall adopt regulations that establish maximum
26 income-to-loan payment ratios for persons who apply for a subsidy
27 under this section.

28 (e) In this section, "persons of lower and moderate income"
29 means individuals considered by the division to require assistance

1 under this section because of inadequate income or other limited
2 personal financial resources, taking into consideration

3 (1) the amount of total income available for housing needs;

4 (2) the size of the family;

5 (3) the cost and condition of available housing;

6 (4) standards established in various federal programs for
7 determining eligibility based on income;

8 (5) the ability to enter the private housing market and to
9 pay market amounts for decent, safe, and sanitary housing; and

10 (6) other factors considered relevant by the division.

11 * Sec. 14. AS 44.47.390(4) is amended to read:

12 (4) originate a direct loan for nonconforming or rural
13 housing or purchase or participate in the purchase of a nonconforming
14 or rural housing mortgage loan, other than a loan for the repair,
15 remodeling, rehabilitation, or expansion of an existing owner-occupied
16 residence, if the borrower has an outstanding housing loan made under
17 a state loan program, other than a loan for nonowner-occupied housing
18 under AS 44.47.520, that bears interest at a rate that was less than
19 the prevailing market interest rate for similar housing loans at the
20 time the loan was made.

21 * Sec. 15. AS 44.47.390 is amended by adding a new paragraph to read:

22 (5) originate a direct mortgage loan or purchase or partic-
23 ipate in the purchase of a mortgage loan for rental housing unless the
24 borrower agrees not to discriminate against tenants or prospective
25 tenants because of sex, marital status, changes in marital status,
26 pregnancy, parenthood, race, religion, color, national origin, or
27 status as a student.

28 * Sec. 16. AS 44.47.410 is amended to read:

29 Sec. 44.47.410. INTEREST ON LOANS. (a) The interest rate on a

1 mortgage loan originated or purchased in whole or in part under
2 AS 44.47.380 for nonconforming housing that is not rural housing is
3 one-quarter percent more than [EQUAL TO] the interest rate, as
4 determined under AS 18.56.098(g)(1) - (4), on a mortgage loan
5 purchased under AS 18.56.098(a) from the proceeds of the most recent
6 applicable issue of taxable bonds before the origination or purchase
7 of the mortgage loan originated or purchased under AS 44.47.380.

8 (b) The interest rate on a mortgage loan originated or purchased
9 in whole or in part under AS 44.47.380 for rural housing is one
10 percent less than the interest rate, as determined under AS 18.-
11 56.098(g)(1) - (4), on a mortgage loan purchased under AS 18.56.098(a)
12 from the proceeds of the most recent applicable issue of taxable bonds
13 before the origination or purchase of the mortgage loan originated or
14 purchased under AS 44.47.380 [10-1/2 PERCENT].

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

16 Sec. 44.47.530. ANNUAL REPORT. To further ensure effective
17 budgetary decision making by the legislature, the division shall
18 present a complete accounting of the housing assistance revolving fund
19 to the legislature by January 10 of each year. The accounting shall
20 be audited by an independent outside auditor and shall include a full
21 description of all mortgage loan interest and principal repayments and
22 program receipts, including mortgage loan commitment fees, received by
23 or accrued to the division during the preceding fiscal year, and all
24 income earned on assets of the division during that period.

25 * Sec. 18. AS 44.47.385 is repealed and reenacted to read:

26 Sec. 44.47.385. ELIGIBLE LOCATIONS. Not more than 20 percent of
27 the total amount appropriated to the housing assistance loan fund may
28 be allocated in communities other than those defined in AS 44.-
29 47.560(5).

1 * Sec. 19. AS 45.88.030(c)(1) is amended to read:

2 (1) the cost of purchase, construction, and installation of
3 an alternative energy system or "centralized multifuel heating
4 systems" which is likely to result in energy conservation or
5 energy cost savings; or

6 * Sec. 20. AS 45.88.500 is amended to read:

7 Sec. 45.88.500 DEFINITION. (a) In this chapter, "alternative
8 energy system"

9 (1) means a source of thermal, mechanical or electrical
10 energy which is not dependent on oil or gas or a nuclear fuel for the
11 supply of energy for space heating and cooling, refrigeration and cold
12 storage, electrical power, mechanical power, or the heating of water;

13 (2) includes

14 (A) an alternative energy property as defined by sec.
15 48(1)[(1)](3)(a) of the Internal Revenue Code (26 U.S.C. sec.
16 48(1)[(1)](3)(a);

17 (B) a method of architectural design and construction
18 which provides for the collection, storage and use of direct radiation
19 from the sun;

20 (C) any other device approved by the Commissioner of
21 Commerce and Economic Development under AS 44.33.040(12); and

22 (D) a woodstove with a catalytic converter or a cata-
23 lytic converter for a wood stove; and[.]

24 (E) a steam, hot water, or ducted hot air central
25 heating system that uses wood or coal for fuel;

26 (3) does not include

27 (A) a stove that uses only wood, coal or oil for
28 fuel; [A WOOD, COAL, OR MULTIFUEL HEATING STOVE] or

29 (B) a fireplace or fireplace insert.

1 (b) Notwithstanding any other provision in this chapter, a
2 multifuel heating system which uses the combination of wood or fossil
3 fuel for fuel does qualify under this loan fund.

4 * Sec. 21. AS 44.47 is amended by adding new sections to read:

5 ARTICLE 12. LOW COST AND LOW INCOME
6 MULTIPLE FAMILY HOUSING DEVELOPMENT FUND.

7 Sec. 44.47.630 DECLARATION OF PURPOSE. There exists in the
8 state a serious shortage of low cost multiple family residential
9 housing available at low rentals. There also exists in the state
10 organizations whose purposes are to provide the housing needed to
11 alleviate this shortage. Development work to provide this housing
12 involves substantial expense that is often beyond the resources of the
13 organizations.

14 Sec. 44.47.635. LOW COST AND LOW INCOME MULTIPLE FAMILY HOUSING
15 DEVELOPMENT. (a) There is created in the Department of Community and
16 Regional Affairs a low cost and low income multiple family housing
17 development fund. Subject to appropriation the department shall make
18 grants to municipalities or public or private nonprofit corporations
19 designated as tax exempt under 26 U.S.C. 501(c)(3) and (4) (Internal
20 Revenue Code of 1954) for the purpose of developing low cost, low
21 income multiple family housing.

22 (b) Application for a grant under (a) of this section shall be
23 in the form prescribed by the department. The application shall
24 demonstrate the need for low cost, low income multiple family housing
25 in the area to be served, the feasibility of the proposed project, and
26 an adequate management plan that shall demonstrate the ability of the
27 eligible recipient to sustain the proposed project.

28 (c) All projects under this section shall be in accordance with
29 facility procurement policies developed under AS 35.10.160 - 35.10.200

1 and are public facilities under those sections.

2 (d) The department shall adopt regulations to carry out the
3 purposes of this section. The provisions of the Administrative Proce-
4 dure Act (AS 44.62) apply to regulations adopted under this section.

5 (e) In this section "low cost and low income multiple family
6 housing" means a specific work or improvement undertaken primarily to
7 provide multiple family dwelling accommodations for low income
8 persons. Low cost and low income multiple family housing includes the
9 acquisition, construction, or rehabilitation of land, buildings,
10 improvements, and other nonhousing facilities that are incidental or
11 appurtenant to the housing.

12 * Sec. 22. Section 69(c)(8), ch. 113, SLA 1982, is amended to read:

13 (8) to use assets of the multifamily housing loans security
14 fund to establish capital reserve funds to secure bonds issued in
15 connection with the financing of multifamily housing projects and to
16 provide a loan loss reserve for loans purchased by the multifamily
17 housing loan account of the enterprise development fund.

18 * Sec. 23. Section 69(e), ch. 113, SLA 1982, is amended to read:

19 (e) A capital reserve fund established under this section to
20 secure bonds issued in connection with the financing of multifamily
21 housing projects is not subject to the \$10,000,000 limitation stated
22 in AS 44.88.105(a). The provisions of AS 44.88.105(f) do not apply to
23 capital reserve funds established to secure bonds issued to finance
24 one or more multifamily housing projects.

25 * Sec. 24. Section 69(f), ch. 113, SLA 1982, is amended to read:

26 (f) A multifamily housing loan account is established in the
27 enterprise development fund of the authority (AS 44.88.155),
28 consisting of money and other assets of the enterprise development
29 fund that the authority deposits into it. [HOWEVER, THE AUTHORITY MAY

1 NOT DEPOSIT PROCEEDS FROM THE SALE OF BONDS OF THE AUTHORITY INTO THE
2 MULTIFAMILY HOUSING LOAN ACCOUNT.] The multifamily housing loan
3 account shall be used only to purchase or originate loans for multi-
4 family housing projects. The authority may not use proceeds from the
5 sale of bonds of the authority to finance secondary loans for multi-
6 family housing. Notwithstanding the provisions of
7 AS 44.88.155(d), a loan purchased or originate by the authority for
8 the multifamily housing loan account

9 (1) may not be for a term longer than 30 years from the
10 date the loan is made;

11 (2) shall be secured by a mortgage or other security
12 instrument in the manner the authority determines is feasible to
13 assure timely repayment under a loan agreement entered into with the
14 borrower; the mortgage or other security instrument constitutes a
15 first lien against the multifamily housing project, except that it may
16 be subordinated by the authority to a loan made directly or indirectly
17 with the proceeds of a sale of bonds by the authority, the Alaska
18 State Housing Authority, or a municipality of the state during the
19 time when the loan from these proceeds is outstanding, and may be
20 subordinated to a loan that refinances the original loan, if the
21 authority considers it appropriate to do so;

22 (3) shall provide for a schedule of payments of principal
23 and interest that is satisfactory to the authority, and that may
24 include, without limitation, deferrals or reductions of payments,
25 variable payments, balloon payments, sharing in equity appreciation,
26 and other arrangements;

27 (4) shall be in the form and contain the terms and pro-
28 visions with respect to insurance, repairs, alterations, payment of
29 taxes and assessments, default reserves, delinquency charges, default

1 remedies, acceleration of maturity, secondary liens, and other matters
2 as the authority prescribes.

3 * Sec. 25. Section 69(h), ch. 113, SLA 1982, is amended to read:

4 (h) The multifamily housing loans security fund is established
5 in the authority. The multifamily housing loans security fund con-
6 sists of money and assets appropriated or transferred to it, the
7 income produced from its investments and holdings, and deposits that
8 the authority may make from repayments of multifamily housing loans
9 purchased by the multifamily housing loan account of the enterprise
10 development fund. The assets of the multifamily housing loans
11 security fund may be used to establish capital reserve funds to secure
12 bonds issued in connection with the financing of multifamily housing
13 projects. The assets of [THE PURPOSE OF] the multifamily housing
14 loans security fund may also be used [IS] to provide a loan loss
15 reserve for the enterprise development fund for multifamily housing
16 loans made by the authority from the multifamily housing loan account
17 of the enterprise development fund. The multifamily housing loans
18 security fund is not a general asset of the authority and may not be
19 pledged or committed in any way except as provided in this subsection
20 [TO PROVIDE A LOAN LOSS RESERVE FOR THE ENTERPRISE DEVELOPMENT FUND
21 FOR MULTIFAMILY HOUSING LOANS MADE BY THE AUTHORITY FROM THE MULTI-
22 FAMILY HOUSING LOAN ACCOUNT OF THE ENTERPRISE DEVELOPMENT FUND]. The
23 authority may

24 (1) establish separate accounts in the multifamily housing
25 loans security fund for multifamily housing loans, as it finds appro-
26 priate, and may establish other accounts that it considers
27 appropriate;

28 (2) hold and invest money and other assets of the multi-
29 family housing loans security fund at competitive national market

1 rates in the types of investments described in AS 37.10.070(a).

2 * Sec. 26. Section 69(k)(2), ch. 113, SLA 1982, is amended to read:

3 (3) "multifamily housing project" means a specific
4 building, structure, work, or improvement of five or more dwelling
5 units, or a group of these buildings, structures, works, or improve-
6 ments, the primary purpose of which is to provide rental dwelling
7 accommodations and which qualifies for tax-exempt financing under sec.
8 103 of the Internal Revenue Code of 1954, as amended (26 U.S.C. sec.
9 103), or sec. 11(b) of the National Housing Act of 1937, as amended [,
10 AND WHICH IS ORIGINALLY FINANCED BEFORE JANUARY 1, 1984]; "multi-
11 family housing project" includes the acquisition, construction, or
12 rehabilitation of land, buildings, and improvements for rental
13 dwellings, accommodations, and other facilities that may be incidental
14 or appurtenant to rental dwelling accommodations.

15 * Sec. 27. AS 18.56.098(g)(2) is repealed.

16 * Sec. 28. Sections 13 and 21 of this Act takes effect January 1,
17 1984.

18 * Sec. 29. Sections 1 - 12, 14 - 20 and 22 - 26 of this Act take
19 effect immediately in accordance with AS 01.10.070(c).