

Introduced: 3/29/83  
Referred: House Special Committee  
on State Loans and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2

HOUSE BILL NO. 305

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 loans; and provid-  
7 ing for an effective date."

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

9 \* Section 1. AS 18.56.098(g) is amended to read:

10 (g) The corporation shall establish the interest rate on a first  
11 mortgage loan purchased under (a) of this section in accordance with  
12 the following:

13 (1) The interest rate on the first \$100,000 [\$90,000] of a  
14 mortgage loan purchased with the proceeds of an [THE FIRST] issue of  
15 taxable bonds of the corporation is four percent less than [10 PERCENT  
16 OR] the cost of funds of that issue except that

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

19 (B) if the cost of funds of that issue is more than 10  
20 percent, the interest rate may not be less than 10 percent; and

21 (C) the interest rate may not exceed 12.5 percent [,   
22 WHICHEVER IS LESS].

23 (2) [THE INTEREST RATE ON THE FIRST \$90,000 OF A MORTGAGE  
24 LOAN PURCHASED WITH THE PROCEEDS OF A SECOND OR SUBSEQUENT ISSUE OF  
25 TAXABLE BONDS OF THE CORPORATION SHALL BE DETERMINED AS FOLLOWS:

26 (A) IF THE COST OF FUNDS OF AN ISSUE OF TAXABLE BONDS  
27 IS MORE THAN THE COSTS OF FUNDS OF THE PRECEDING ISSUE OF TAXABLE  
28 BONDS, THE INTEREST RATE SHALL BE INCREASED BY AN AMOUNT EQUAL TO  
29 THE DIFFERENCE BETWEEN THE COST OF FUNDS OF THE TWO BOND ISSUES.

1 (B) EXCEPT AS PROVIDED IN (C) AND (D) OF THIS PARA-  
2 GRAPH AND (3) OF THIS SUBSECTION, THE INTEREST RATE MAY NOT BE  
3 LESS THAN 10 PERCENT AND MAY NOT BE REDUCED.

4 (C) IF THE DIFFERENCE BETWEEN THE COSTS OF FUNDS OF AN  
5 ISSUE OF TAXABLE BONDS AND THE INTEREST RATE ESTABLISHED FOR A  
6 MORTGAGE LOAN PURCHASED WITH THE PROCEEDS OF THE PREVIOUS ISSUE  
7 WOULD BE EQUAL TO OR LESS THAN THREE PERCENT, THE INTEREST RATE  
8 ON MORTGAGE LOANS PURCHASED WITH THE PROCEEDS OF THAT TAXABLE  
9 BOND ISSUE AND SUBSEQUENT TAXABLE BOND ISSUES IS THREE PERCENT  
10 LESS THAN THE COST OF FUNDS OF THE TAXABLE BOND ISSUE THAT IS  
11 USED TO PURCHASE THE MORTGAGE LOAN.

12 (D) THE INTEREST RATE ON A MORTGAGE LOAN PURCHASED  
13 WITH THE PROCEEDS OF A TAXABLE BOND ISSUE MAY NOT BE LESS THAN 10  
14 PERCENT UNLESS THE COST OF FUNDS OF THE TAXABLE BOND ISSUE IS  
15 LESS THAN 10 PERCENT, IN WHICH CASE THE INTEREST ON A MORTGAGE  
16 LOAN PURCHASED WITH THE PROCEEDS OF A TAXABLE BOND ISSUE IS EQUAL  
17 TO THE COST OF FUNDS.

18 (E) IF THE PROCEEDS OF A TAXABLE BOND ISSUE ARE TO BE  
19 USED ONLY FOR THE PURCHASE OF MORTGAGE LOANS FOR TRIPLEX AND  
20 FOUR-PLEX RESIDENCES, THE COST OF FUNDS OF THAT BOND ISSUE IS NOT  
21 CONSIDERED IN DETERMINING THE INTEREST RATE ON THE FIRST \$90,000  
22 OF A MORTGAGE LOAN. THE INTEREST RATE ON THE FIRST \$90,000 OF A  
23 MORTGAGE LOAN THAT IS PURCHASED WITH THE PROCEEDS FROM A TAXABLE  
24 BOND ISSUE USED SOLELY FOR THE PURCHASE OF MORTGAGE LOANS FOR  
25 TRIPLEX AND FOUR-PLEX RESIDENCES IS EQUAL TO THE INTEREST RATE,  
26 AS DETERMINED UNDER THIS PARAGRAPH, ON A MORTGAGE LOAN PURCHASED  
27 WITH THE PROCEEDS OF THE PRECEDING ISSUE OF TAXABLE BONDS.]

28 (3) An interest rate determined under this subsection on  
29 the first \$100,000 [\$90,000] of a mortgage loan that is not purchased

1 from the proceeds of bonds that are qualified veterans' mortgage bonds  
2 under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A), as  
3 amended, shall be reduced by one percentage point if the loan is made  
4 to an eligible veteran under AS 18.56.101.

5 (4) The interest rate for the amount of a mortgage loan  
6 purchased under (a) of this section that exceeds \$100,000 [\$90,000] is  
7 equal to the cost of funds to the corporation attributable to that  
8 part of the loan.

9 (5) The interest rate on the first \$100,000 of a mortgage  
10 loan purchased with [FROM] money that is not the proceeds of either  
11 taxable or tax-exempt bonds [APPROPRIATED TO THE CORPORATION] is the  
12 rate the corporation determines is appropriate by application of the  
13 provisions of (1) -- (4) of this subsection. [THE RATE MAY BE BASED  
14 ON AN ESTIMATE OF THE COST OF FUNDS OF A PROPOSED ISSUE OR ISSUES OF  
15 BONDS.]

16 (6) The interest rate on the first \$100,000 [\$90,000] of a  
17 mortgage loan purchased from the proceeds of bonds that are exempt  
18 from taxation under the Mortgage Subsidy Bond Tax Act of 1980 (26  
19 U.S.C. 103A), as amended, other than bonds that constitute qualified  
20 veterans' bonds under (i) of this section, is 10 percent or the cost  
21 of the funds, whichever is less. A higher or lower interest rate  
22 shall be established on the entire loan amount if required under the  
23 Mortgage Subsidy Bond Tax Act.

24 (7) In this subsection

25 (A) "cost of funds" means the true interest cost  
26 expressed as a rate on bonds of the corporation plus an addition-  
27 al percentage as determined by the corporation to represent the  
28 allocable expenses of operation, costs of issuance, and mortgage  
29 servicing;

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

5 \* Sec. 2. AS 18.56.098(h) is amended to read:

6 (h) The corporation shall establish the interest rate on a  
7 second mortgage loan purchased under (a) of this section in the manner  
8 established for computing the interest rates on a first mortgage loan  
9 under (g) of this section except that, in the case of a second mort-  
10 gage loan, if the first mortgage loan made to the same borrower is  
11 held by the corporation and was purchased under the special mortgage  
12 loan purchase program, the outstanding principal balance of the  
13 existing first mortgage loan is subtracted from \$100,000 [\$90,000] to  
14 determine the amount of the loan that is eligible for an interest rate  
15 on a second mortgage loan determined by reference to (g) of this  
16 section.

17 \* Sec. 3. AS 18.56.098(i) is amended to read:

18 (i) The interest rate on the first \$100,000 [\$90,000] of a  
19 mortgage loan purchased from the proceeds of bonds that constitute  
20 qualified veterans' mortgage bonds under the Mortgage Subsidy Bond Tax  
21 Act of 1980 (26 U.S.C. 103A) as amended, is the greater of (1) four  
22 percent less than the cost of funds or (2) the rate for other loans to  
23 veterans under AS 18.56.098(g)(3). A higher or lower interest rate  
24 shall be established on the entire loan amount if required under the  
25 Mortgage Subsidy Bond Tax Act of 1980.

26 \* Sec. 4. AS 18.56.101 is amended to read:

27 Sec. 18.56.101. ELIGIBILITY FOR VETERANS' INTEREST RATES. The  
28 following persons are eligible veterans for the purposes of AS 18.56.-  
29 098(g) and (h):

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

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

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

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

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

19                   [(A) THE MEMBER OR VETERAN WAS A RESIDENT OF THE  
20 TERRITORY OR STATE FOR ONE YEAR BEFORE INDUCTION INTO THE SER-  
21 VICE;

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

24                   [(C)] the veteran's [HIS] discharge was under honor-  
25 able conditions;

26           (3) a person who has served for not less than five years in  
27 the Alaska Army National Guard, the Alaska Air National Guard, [OR]  
28 the Alaska Naval Militia, or [WHO HAS SERVED IN] a reserve unit of the  
29 United States armed forces [IN ALASKA] if the reserve unit required,

1 as a minimum, one weekend each month of duty and 15 consecutive days  
2 of active duty training each year [FOR NOT LESS THAN FIVE YEARS] and  
3 whose discharge was under honorable conditions.

4 \* Sec. 5. AS 18.56.115 is amended to read:

5 Sec. 18.56.115. INDEPENDENT FINANCIAL ADVISOR. In negotiating  
6 the private sale of bonds or bond anticipation notes to an underwrit-  
7 er, the corporation may [SHALL] retain a financial advisor. Any such  
8 advisor retained by the corporation must be [WHO IS] independent from  
9 the underwriter.

10 \* Sec. 6. AS 44.47.380 is amended to read:

11 Sec. 44.47.380. HOUSING ASSISTANCE LOAN FUND. There is created  
12 in the Department of Community and Regional Affairs, as a revolving  
13 loan fund, the housing assistance loan fund consisting of money appro-  
14 priated to it by the legislature and repayments of principal of loans  
15 made or purchased from the assets of the fund. Interest on loans made  
16 or purchased from the assets of the fund must be transferred to the  
17 Department of Revenue for deposit in the general fund. The director  
18 shall administer the housing assistance loan fund in accordance with  
19 AS 44.47.360 -- 44.47.560 and shall use the money in the housing  
20 assistance loan fund to originate, purchase, or participate in the  
21 purchase of

22 (1) nonconforming and rural housing mortgage loans;

23 (2) loans made for building materials for nonconforming and  
24 rural housing;

25 (3) loans made for renovations or improvements to noncon-  
26 forming and rural housing;

27 (4) loans made for the construction of owner-occupied  
28 nonconforming and rural housing other than loans to builders or con-  
29 tractors or loans that compensate an owner for the owner's labor or

1 services in constructing the owner's own housing.

2 \* Sec. 7. AS 44.47 is amended by adding a new section to read:

3 Sec. 44.47.382. HOME OWNERSHIP ASSISTANCE FUND. (a) There is  
4 created in the Department of Community and Regional Affairs, the home  
5 ownership assistance fund consisting of money appropriated to it by  
6 the legislature. Money in the fund shall be used solely to assist  
7 persons of lower and moderate income to purchase single-family homes  
8 financed under AS 44.47.360 -- 44.47.560 by providing a subsidy to  
9 those persons in an amount not greater than the difference between

10 (1) the amount annually required to pay the interest on and  
11 principal of that person's loan and real property taxes and insurance  
12 for the home purchased with the loan; and

13 (2) 25 percent of that person's annual gross income.

14 (b) In this section, "persons of lower and moderate income"  
15 means individuals considered by the division to require assistance  
16 under this section because of inadequate income or other limited  
17 personal financial resources, taking into consideration

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

19 (2) the size of the family;

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

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

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

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

26 \* Sec. 8. AS 44.47.390(4) is amended to read:

27 (4) originate a direct loan for nonconforming or rural  
28 housing or purchase or participate in the purchase of a nonconforming  
29 or rural housing mortgage loan, other than a loan for the repair,

1 remodeling, rehabilitation, or expansion of an existing owner-occupied  
2 residence, if the borrower has an outstanding housing loan made under  
3 a state loan program, other than a loan for nonowner-occupied housing  
4 under AS 44.47.520, that bears interest at a rate that was less than  
5 the prevailing market interest rate for similar housing loans at the  
6 time the loan was made.

7 \* Sec. 9. AS 44.47.410 is amended to read:

8 Sec. 44.47.410. INTEREST ON LOANS. (a) The interest rate on a  
9 mortgage loan originated or purchased in whole or in part under  
10 AS 44.47.380 for nonconforming housing that is not rural housing is  
11 one-quarter percent more than [EQUAL TO] the interest rate, as deter-  
12 mined under AS 18.56.098(g)(1) -- (4), on a mortgage loan purchased  
13 under AS 18.56.098(a) from the proceeds of the most recent applicable  
14 issue of taxable bonds before the origination or purchase of the  
15 mortgage loan originated or purchased under AS 44.47.380.

16 (b) The interest rate on a mortgage loan originated or purchased  
17 in whole or in part under AS 44.47.380 for rural housing is one per-  
18 cent less than the interest rate, as determined under AS 18.56.-  
19 098(g)(1) -- (4), on a mortgage loan purchased under AS 18.56.098(a)  
20 from the proceeds of the most recent applicable issue of taxable bonds  
21 before the origination or purchase of the mortgage loan originated or  
22 purchased under AS 44.47.380 [10-1/2 PERCENT].

23 \* Sec. 10. AS 44.47.560(5) is repealed and reenacted to read:

24 (5) "rural" means of or relating to a community in the  
25 state with a population of 4,500 or less, as determined by the  
26 department under AS 29.88.015, that

27 (A) is not connected by road or rail to Anchorage or  
28 Fairbanks; or

29 (B) is connected by road or rail to Anchorage or

1 Fairbanks, but is more than 100 air miles from Anchorage and from  
2 Fairbanks.

3 \* Sec. 11. The amendments to AS 18.56.098(g) -- (i) made by secs. 1 --  
4 3 of this Act apply only to mortgage loans purchased by the Alaska Housing  
5 Finance Corporation from the proceeds of, or other money to be pledged to,  
6 bonds sold after the effective date of secs. 1 -- 3 of this Act.

7 \* Sec. 12. AS 44.47.385 is repealed.

8 \* Sec. 13. Sections 7, 8, 10, and 12 of this Act take effect January 1,  
9 1984.

10 \* Sec. 14. Sections 1 -- 6, 9, and 11 of this Act take effect immedi-  
11 ately in accordance with AS 01.10.070(c).