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Referred: Finance

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1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

2

CS FOR HOUSE BILL NO. 574(Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to state loan programs; and provid-
ing for an effective date."

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8

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

9

* Section 1. AS 16.10.320(a) is amended to read:

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Sec. 16.10.320. LIMITATIONS ON LOANS. (a) A loan under AS 16.-

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10.310 -- 16.10.370

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

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(2) bears a fixed, market-tied interest rate that is based

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on the United States Treasury rate plus an administrative fee and a

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subsidy, and is adjusted for risk; the interest rate is established as

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follows:

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(A) the United States Treasury rate is calculated for

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the term of the loan, interpolated as necessary, based on a

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six-month moving average for six consecutive months within the

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seven-month period immediately preceding the approval of the

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loan;

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(B) 125 basis points are added to the calculated

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United States Treasury rate to account for risk;

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(C) 75 basis points are added to the calculated United

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States Treasury rate to account for administrative costs of loan

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programs; and

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(D) 300 basis points are subtracted from the calculat-

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ed United States Treasury rate as adjusted in (B) and (C) of this

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paragraph to account for the state's subsidized share of the loan

1 [MAY NOT BEAR AN INTEREST RATE EXCEEDING 10-1/2 PERCENT];

2 (3) shall be secured by a first priority lien and appropri-
3 ate security agreements; and

4 (4) may not exceed 90 percent of the appraised value of the
5 collateral used to secure the loan, except that a loan granted under
6 AS 16.10.333 for the purchase of an Alaska limited entry permit may
7 not exceed an amount determined in accordance with (f) or (h) of this
8 section.

9 * Sec. 2. AS 16.10.320(e)(4) is amended to read:

10 (4) bear a fixed, market-tied interest rate that is based
11 on the United States Treasury rate plus an administrative fee and a
12 subsidy, and is adjusted for risk; the interest rate is established as
13 follows:

14 (A) the United States Treasury rate is calculated for
15 the term of the loan, interpolated as necessary, based on a six-
16 month moving average for six consecutive months within the seven-
17 month period immediately preceding the approval of the loan;

18 (B) 125 basis points are added to the calculated
19 United States Treasury rate to account for risk;

20 (C) 75 basis points are added to the calculated United
21 States Treasury rate to account for administrative costs of loan
22 programs; and

23 (D) 300 basis points are subtracted from the calculat-
24 ed United States Treasury rate as adjusted in (B) and (C) of this
25 paragraph to account for the state's subsidized share of the loan
26 [MAY NOT BEAR INTEREST EXCEEDING 10-1/2 PERCENT]; and

27 * Sec. 3. AS 16.10.340 is amended to read:

28 Sec. 16.10.340. CREATION OF FUND. (a) There is a commercial
29 fishing revolving loan fund to carry out the purpose of AS 16.-

1 10.300 -- 16.10.370. Repayment of principal on loans made from the
2 fund must be deposited into the loan fund.

3 (b) The department shall pay to the Department of Revenue for
4 deposit in the general fund (1) interest paid on loans made from the
5 loan fund; and (2) other income from the loans, including (A) service
6 charges to investors, (B) late fees, (C) assumption fees, and (D) the
7 administrative fee portion of the calculated interest rate. The
8 legislature may appropriate to the department, for the operating
9 expenses of the loan program, an amount equal to the amounts paid into
10 the general fund under this subsection.

11 * Sec. 4. AS 16.10.510(6) is amended to read:

12 (6) establish as the rate of interest for a loan a fixed,
13 market-tied interest rate that is based on the United States Treasury
14 rate plus an administrative fee and a subsidy, and is adjusted for
15 risk; the interest rate is established as follows:

16 (A) the United States Treasury rate is calculated for
17 the term of the loan, interpolated as necessary, based on a six-
18 month moving average for six consecutive months within the seven-
19 month period immediately preceding the approval of the loan;

20 (B) 125 basis points are added to the calculated
21 United States Treasury rate to account for risk;

22 (C) 75 basis points are added to the calculated United
23 States Treasury rate to account for administrative costs of loan
24 programs; and

25 (D) 300 basis points are subtracted from the calculat-
26 ed United States Treasury rate as adjusted in (B) and (C) of this
27 paragraph to account for the state's subsidized share of the loan
28 [LOANS NOT TO EXCEED NINE AND ONE-HALF PER CENT A YEAR];

29 * Sec. 5. AS 16.10.525 is amended to read:

1 Sec. 16.10.525. REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS.

2 (a) The commissioner may not require the repayment of principal on a
3 loan made under AS 16.10.510 for the initial period of the loan.
4 Interest on the principal of a loan made under AS 16.10.510 does not
5 accrue during the initial period of the loan. In this subsection, the
6 "initial period of the loan" means a period of time determined by the
7 commissioner which is not less than six years or more than 10 years
8 from the date the loan is made.

9 (b) Repayment of principal on loans made under AS 16.10.510 must
10 be deposited to the loan fund.

11 (c) The department shall pay to the Department of Revenue for
12 deposit in the general fund (1) interest paid on loans made from the
13 loan fund; and (2) other income from the loans, including (A) service
14 charges to investors, (B) late fees, (C) assumption fees, and (D) the
15 administrative fee portion of the calculated interest rate. The
16 legislature may appropriate to the department, for the operating
17 expenses of the loan program, an amount equal to the amounts paid into
18 the general fund under this subsection.

19 * Sec. 6. AS 26.15.040(a) is amended to read:

20 Sec. 26.15.040. VETERANS' LOANS. (a) The commissioner of
21 commerce and economic development may, under regulations and policies
22 adopted by him, make the following loans:

23 (1) Personal loans may be made for educational, domestic,
24 remote area family housing and other personal purposes, not exceeding
25 \$10,000. The loans shall be secured by acceptable collateral when
26 available but if not available the commissioner may make loans on the
27 basis of good character. [THE RATE OF INTEREST MAY NOT EXCEED NINE
28 AND ONE-HALF PER CENT A YEAR ON THE UNPAID BALANCE.]

29 (2) Repealed by sec. 77, ch. 106, SLA 1980.

1 (3) Business loans not exceeding \$125,000 may be made to
2 acquire, finance or refinance or equip businesses, including mining
3 and fishing but not including farming, if the loan applicant has had
4 three or more years of general business experience. The loans shall
5 be secured by acceptable collateral and may not exceed 75 per cent of
6 the appraised value of the collateral offered as security. [THE RATE
7 OF INTEREST MAY NOT EXCEED NINE AND ONE-HALF PER CENT A YEAR ON THE
8 UNPAID BALANCE.]

9 (4) Multiple dwelling loans not exceeding \$110,000 may be
10 made to purchase, remodel, repair, build, furnish, refinance or equip
11 multiple dwellings. The loans shall be secured by acceptable collat-
12 eral and may not exceed 75 per cent of the appraised value of the
13 collateral offered as security. [THE RATE OF INTEREST MAY NOT EXCEED
14 NINE AND ONE-HALF PER CENT A YEAR ON THE UNPAID BALANCE.]

15 * Sec. 7. AS 26.15.040(b) is amended to read:

16 (b) The commissioner of commerce and economic development may
17 enter into agreements with private banks, other lending institutions
18 and individuals for the purpose of guaranteeing loans made to qual-
19 ified applicants. The guarantees may not exceed 90 percent of the
20 amount loaned and the loans shall be secured in the same manner pro-
21 vided for direct loans under this section. A loan made under this
22 subsection and guaranteed by the commissioner of commerce and economic
23 development and the state shall bear an interest rate in accordance
24 with AS 26.15.050(a) [NOT EXCEEDING NINE AND ONE-HALF PER CENT A YEAR
25 ON THE UNPAID BALANCE].

26 * Sec. 8. AS 26.15.040(d) is amended to read:

27 (d) Money loaned shall be delivered to the borrower in the form
28 of a warrant drawn on the treasury, vouchered in the manner prescribed
29 for state disbursing officers, and charged against the Alaska World

1 War II veterans' revolving fund. Each voucher shall be approved by
2 the commissioner of commerce or any bonded deputy authorized to act as
3 a certifying officer. [UPON REPAYMENT OF LOANS BY INSTALLMENTS, OR
4 OTHERWISE, IN ACCORDANCE WITH THE PRESCRIBED TERMS, OR UPON LIQUIDA-
5 TION BY FORECLOSURE OR OTHER PROCESS, OR UPON RECEIPT OF INTEREST OR
6 OTHER REVENUE, THE MONEY SO RECEIVED SHALL BE TURNED OVER TO THE
7 COMMISSIONER OF REVENUE FOR DEPOSIT IN THE ALASKA WORLD WAR II VETER-
8 ANS' REVOLVING FUND.]

9 * Sec. 9. AS 26.15.050 is amended to read:

10 Sec. 26.15.050. INTEREST RATES. (a) A loan granted under
11 AS 26.15.010 -- 26.15.170 bears a fixed, market-tied interest rate
12 that is based on the United States Treasury rate plus an administra-
13 tive fee and a subsidy, and is adjusted for risk. The interest rate
14 is established as follows:

15 (1) the United States Treasury rate is calculated for the
16 term of the loan, interpolated as necessary, based on a six-month
17 moving average for six consecutive months within the seven-month
18 period immediately preceding the approval of the loan;

19 (2) 125 basis points are added to the calculated United
20 States Treasury rate to account for risk;

21 (3) 75 basis points are added to the calculated United
22 States Treasury rate to account for administrative costs of loan
23 programs; and

24 (4) 300 basis points are subtracted from the calculated
25 United States Treasury rate as adjusted in (2) and (3) of this subsec-
26 tion to account for the state's subsidized share of the loan.

27 (b) The provisions of AS 26.15.040 applying to interest rates
28 apply only to loans made after the effective date of this Act [APRIL
29 1, 1967]. The interest rates on loans made before the effective date

1 of this Act [APRIL 1, 1967] shall be as prescribed at the time the
2 loan was made.

3 * Sec. 10. AS 26.15 is amended by adding a new section to read:

4 Sec. 26.15.101. REPAYMENT OF LOANS. (a) Repayment of principal
5 on loans made from the revolving fund under AS 26.15.040 must be
6 deposited into the fund.

7 (b) The department shall pay to the Department of Revenue for
8 deposit in the general fund (1) interest paid on loans made from the
9 revolving fund; and (2) other income from the loans, including (A)
10 service charges to investors, (B) late fees, (C) assumption fees, and
11 (D) the administrative fee portion of the calculated interest rate.
12 The legislature may appropriate to the department, for the operating
13 expenses of the loan program, an amount equal to the amounts paid into
14 the general fund under this subsection.

15 * Sec. 11. AS 27.09.010 is amended to read:

16 Sec. 27.09.010. MINING LOAN FUND. (a) There is established in
17 the Department of Commerce and Economic Development the mining loan
18 fund. The department may make loans from the fund to underwrite
19 advanced mineral exploration, development, or mining in the state.

20 (b) The mining loan fund is a revolving fund consisting of
21 appropriations made to the fund by the legislature and repayments of
22 principal [AND INTEREST] on loans made from the fund. Money appropri-
23 ated to or repaid into the fund does not lapse under AS 37.25.010.

24 (c) The department shall pay to the Department of Revenue for
25 deposit in the general fund (1) interest paid on loans made from the
26 loan fund; and (2) other income from the loans, including (A) service
27 charges to investors, (B) late fees, (C) assumption fees, and (D) the
28 administrative fee portion of the calculated interest rate. The
29 legislature may appropriate to the department, for the operating

1 expenses of the loan program, an amount equal to the amounts paid into
2 the general fund under this subsection.

3 * Sec. 12. AS 27.09.040(a) is amended to read:

4 Sec. 27.09.040. LOAN TERMS. (a) A loan granted under AS 27.-
5 09.010 -- 27.09.060 [THIS CHAPTER]

6 (1) may not exceed \$5,000,000;

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

8 (3) bears a fixed, market-tied interest rate that is based
9 on the United States Treasury rate plus an administrative fee and a
10 subsidy, and is adjusted for risk; the interest rate is established as
11 follows:

12 (A) the United States Treasury rate is calculated for
13 the term of the loan, interpolated as necessary, based on a six-
14 month moving average for six consecutive months within the seven-
15 month period immediately preceding the approval of the loan;

16 (B) 125 basis points are added to the calculated
17 United States Treasury rate to account for risk;

18 (C) 75 basis points are added to the calculated United
19 States Treasury rate to account for administrative costs of loan
20 programs; and

21 (D) 300 basis points are subtracted from the calcu-
22 lated United States Treasury rate as adjusted in (B) and (C) of
23 this paragraph to account for the state's subsidized share of the
24 loan [MAY NOT BEAR INTEREST EXCEEDING 10 PERCENT]; and

25 (4) may not exceed 75 percent of the appraised value of the
26 collateral used to secure the loan.

27 * Sec. 13. AS 44.33.240 is amended by adding a new subsection to read:

28 (b) The loan fund consists of appropriations made to the fund by
29 the legislature and repayments of principal on loans made from the

1 fund. Money appropriated to or repaid into the fund does not lapse
2 under AS 37.25.010.

3 * Sec. 14. AS 44.33.255 is amended to read:

4 Sec. 44.33.255. LOAN TERMS. (a) A loan to a child care facil-
5 ity under AS 44.33.240 -- 44.33.275 may not exceed \$50,000.

6 (b) The loan bears a fixed, market-tied interest rate that is
7 based on the United States Treasury rate plus an administrative fee
8 and a subsidy, and is adjusted for risk. The interest rate is estab-
9 lished as follows:

10 (1) the United States Treasury rate is calculated for the
11 term of the loan, interpolated as necessary, based on a six-month
12 moving average for six consecutive months within the seven-month
13 period immediately preceding the approval of the loan:

14 (2) 125 basis points are added to the calculated United
15 States Treasury rate to account for risk;

16 (3) 75 basis points are added to the calculated United
17 States Treasury rate to account for administrative costs of loan
18 programs; and

19 (4) 300 basis points are subtracted from the calculated
20 United States Treasury rate as adjusted in (2) and (3) of this subsec-
21 tion to account for the state's subsidized share of the loan [RATE OF
22 INTEREST CHARGED SHALL BE SEVEN PER CENT ON THE UNPAID BALANCE OF THE
23 LOAN].

24 (c) The duration for repayment of a loan may not exceed 20
25 years.

26 (d) All principal [AND INTEREST] payments on loans under AS 44.-
27 33.240 -- 44.33.275 shall be paid into the child care facility revolv-
28 ing loan fund. The department shall pay to the Department of Revenue
29 for deposit in the general fund (1) interest paid on loans made from

1 the loan fund; and (2) other income from the loans, including (A)
2 service charges to investors, (B) late fees, (C) assumption fees, and
3 (D) the administrative fee portion of the calculated interest rate.
4 The legislature may appropriate to the department, for the operating
5 expenses of the loan program, an amount equal to the amounts paid into
6 the general fund under this subsection.

7 (e) If a child care facility ceases operation, any loan to the
8 facility from the fund is due on the date the facility ceases opera-
9 tion.

10 * Sec. 15. AS 45.87.020 is amended to read:

11 Sec. 45.87.020. LOAN TERMS FOR BULK FUEL PURCHASES. (a) Loans
12 made from the bulk fuel revolving loan fund to one borrower in any
13 fiscal year

14 (1) may not exceed \$50,000;

15 (2) shall be repaid in one year or less; and

16 (3) may not exceed 90 percent of the wholesale price of the
17 fuel purchased.

18 (b) Interest may be charged on a loan made from the bulk fuel
19 revolving loan fund. When interest is charged, it shall be a fixed,
20 market-tied interest rate that is based on the United States Treasury
21 rate plus an administrative fee and a subsidy, and is adjusted for
22 risk [INTEREST SHALL BE CHARGED ON A LOAN AT A RATE EQUAL TO THE
23 PERCENTAGE OF THE AVERAGE WEEKLY YIELD OF MUNICIPAL BONDS FOR THE 12
24 MONTHS PRECEDING THE DATE OF THE LOAN, AS DETERMINED BY THE COMMIS-
25 SIONER OF COMMERCE AND ECONOMIC DEVELOPMENT FROM MUNICIPAL BOND YIELD
26 RATES REPORTED IN THE 30-YEAR REVENUE INDEX OF THE WEEKLY BOND BUYER].
27 However, if the commissioner finds that a community cannot afford to
28 repay a portion of interest on a loan, and makes a determination in
29 writing, he may reduce or eliminate the interest rate applicable to

1 the loan. The fixed, market-tied interest rate is established as
2 follows:

3 (1) the United States Treasury rate is calculated for the
4 term of the loan, interpolated as necessary, based on a six-month
5 moving average for six consecutive months within the seven-month
6 period immediately preceding the approval of the loan;

7 (2) 125 basis points are added to the calculated United
8 States Treasury rate to account for risk;

9 (3) 75 basis points are added to the calculated United
10 States Treasury rate to account for administrative costs for loan
11 programs; and

12 (4) 300 basis points are subtracted from the calculated
13 United States Treasury rate as adjusted in (2) and (3) of this subsec-
14 tion to account for the state's subsidized share of the loan.

15 (c) Repayments of the principal on a loan from the bulk fuel
16 revolving loan fund shall be paid [BY THE COMMISSIONER OF COMMERCE AND
17 ECONOMIC DEVELOPMENT] into the bulk fuel revolving loan fund.

18 (d) The department shall pay to the Department of Revenue for
19 deposit in the general fund (1) interest paid on loans made from the
20 loan fund; and (2) other income from the loans, including (A) service
21 charges to investors, (B) late fees, (C) assumption fees, and (D) the
22 administrative fee portion of the calculated interest rate. The
23 legislature may appropriate to the department, for the operating
24 expenses of the loan program, an amount equal to the amounts paid into
25 the general fund under this subsection.

26 * Sec. 16. AS 45.88.030(d) is amended to read:

27 (d) All principal [AND INTEREST] payments on loans made under
28 this chapter shall be paid into the alternative technology and energy
29 revolving loan fund. The department shall pay to the Department of

1 Revenue for deposit in the general fund (1) interest on loans made
2 from the fund; and (2) other income from the loans, including (A)
3 service charges to investors, (B) late fees, (C) assumption fees, and
4 (D) the administrative fee portion of the calculated interest rate.
5 The legislature may appropriate to the department, for the operating
6 expenses of the loan program, an amount equal to the amounts paid into
7 the general fund under this subsection.

8 * Sec. 17. AS 45.88.030(e) is amended to read:

9 (e) The rate of interest for a loan under this section is a
10 fixed, market-tied rate that is based on the United States Treasury
11 rate plus an administrative fee and a subsidy, and is adjusted for
12 risk [, OTHER THAN A LOAN FOR AN ALTERNATIVE ENERGY SYSTEM, MAY NOT
13 EXCEED NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID BALANCE OF THE
14 LOAN. THE RATE OF INTEREST FOR A LOAN FOR AN ALTERNATIVE ENERGY
15 SYSTEM IS FIVE PERCENT FOR THE FIRST \$15,000 OF THE LOAN AND 15 PER-
16 CENT FOR THE AMOUNT OF THE LOAN THAT EXCEEDS \$15,000]. The interest
17 rate is established as follows:

18 (1) the United States Treasury rate is calculated for the
19 term of the loan, interpolated as necessary, based on a six-month
20 moving average for six consecutive months within the seven-month
21 period immediately preceding the approval of the loan;

22 (2) 125 basis points are added to the calculated United
23 States Treasury rate to account for risk,

24 (3) 75 basis points are added to the calculated United
25 States Treasury rate to account for administrative costs of loan
26 programs; and

27 (4) 300 basis points are subtracted from the calculated
28 United States Treasury rate as adjusted in (2) and (3) of this subsec-
29 tion to account for the state's subsidized share of the loan.

1 * Sec. 18. AS 45.89.030(e) is amended to read:

2 (e) Interest shall be charged on a loan made under this chapter.
3 The rate of interest is a fixed, market-tied rate that is based on the
4 United States Treasury rate plus an administrative fee and a subsidy,
5 and is adjusted for risk [IF A LOAN IS MADE BEFORE JANUARY 1, 1984,
6 INTEREST SHALL BE FIVE PERCENT. IF THE LOAN IS MADE AFTER DECEM-
7 BER 31, 1983, INTEREST SHALL EQUAL THE PERCENTAGE OF THE AVERAGE
8 WEEKLY YIELD OF MUNICIPAL BONDS FOR THE 12 MONTHS PRECEDING THE LOAN,
9 AS DETERMINED BY THE COMMISSIONER FROM THE MUNICIPAL BOND YIELD RATES
10 REPORTED IN THE 30-YEAR REVENUE INDEX OF THE WEEKLY BOND BUYER]. The
11 interest rate is established as follows:

12 (1) the United States Treasury rate is calculated for the
13 term of the loan, interpolated as necessary, based on a six-month
14 moving average for six consecutive months within the seven-month
15 period immediately preceding the approval of the loan;

16 (2) 125 basis points are added to the calculated United
17 States Treasury rate to account for risk;

18 (3) 75 basis points are added to the calculated United
19 States Treasury rate to account for administrative costs of loan
20 programs; and

21 (4) 300 basis points are subtracted from the calculated
22 United States Treasury rate as adjusted in (2) and (3) of this subsec-
23 tion to account for the state's subsidized share of the loan.

24 * Sec. 19. AS 45.89.030(h) is amended to read:

25 (h) All principal payments [AMOUNTS REPAID] on loans [A LOAN]
26 made under this chapter [SECTION] shall be deposited to the residen-
27 tial energy conservation fund. The department shall pay to the De-
28 partment of Revenue for deposit in the general fund (1) interest paid
29 on loans made from the energy conservation fund; and (2) other income

1 from the loans, including (A) service charges to investors, (B) late
2 fees, (C) assumption fees, and (D) the administrative fee portion of
3 the calculated interest rate. The legislature may appropriate to the
4 department, for the operating expenses of the loan program, an amount
5 equal to the amounts paid into the general fund under this subsection.

6 * Section 20. AS 45 is amended by adding a new chapter to read:

7 CHAPTER 96. SMALL BUSINESS DEVELOPMENT LOANS.

8 Sec. 45.96.010. SMALL BUSINESS DEVELOPMENT REVOLVING LOAN FUND
9 ESTABLISHED. (a) There is established in the Department of Commerce
10 and Economic Development the small business development revolving loan
11 fund to carry out the purposes of this chapter.

12 (b) The small business development revolving loan fund consists
13 of appropriations made to the fund by the legislature and repayments
14 of principal on loans made from the fund. Money appropriated to the
15 fund does not lapse under AS 37.25.010.

16 (c) The department shall pay to the Department of Revenue for
17 deposit in the general fund (1) interest paid on loans made from the
18 loan fund; and (2) other income from the loans, including (A) service
19 charges to investors, (B) late fees, (C) assumption fees, and (D) the
20 administrative fee portion of the calculated interest rate. The
21 legislature may appropriate to the department, for the operating
22 expenses of the loan program, an amount equal to the amounts paid into
23 the general fund under this subsection.

24 Sec. 45.96.120. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
25 department shall adopt regulations setting out procedures for making
26 small business development loans. No loan may be made from the fund
27 until regulations have been adopted.

28 (b) The department may make a loan from the fund to an applicant
29 who has been a state resident for a continuous period of one year

1 immediately preceding the date of application. A loan may be made
2 from the fund to acquire, operate, equip, or finance a business.
3 However, a loan may not be made for farming, fishing, or mining.

4 (c) The department may allow assumption of a loan if

5 (1) the applicant has been a state resident for a continu-
6 ous period of one year immediately preceding the date of the request
7 for an assumption;

8 (2) the original loan was executed at least 30 months
9 before the date of the proposed assumption; and

10 (3) the state's ability to recover its investment will be
11 significantly enhanced.

12 Sec. 45.96.130. LOAN TERMS. (a) A small business development
13 loan under this chapter may be for a minimum of \$5,000 and a maximum
14 of \$50,000. A loan may not be made unless the department is satisfied
15 that no money is available on a timely basis to the applicant from
16 private financial institutions.

17 (b) An individual who receives more than one small business
18 development loan is limited to a maximum of \$50,000 in outstanding
19 loans under this chapter.

20 (c) The duration for repayment of a loan shall be established by
21 the department but may not exceed 10 years.

22 (d) The department may defer loan payments for a maximum of two
23 years.

24 (e) A loan may be secured by acceptable collateral. For the
25 purposes of this chapter, acceptable collateral includes the assign-
26 ment of proceeds of a contract bid award.

27 (f) A loan made under this chapter bears a fixed, market-tied
28 interest rate that is based on the United States Treasury rate plus an
29 administrative fee and a subsidy, and is adjusted for risk. The

1 interest rate is established as follows:

2 (A) the United States Treasury rate is calculated for
3 the term of the loan, interpolated as necessary, based on a
4 six-month moving average for six consecutive months within the
5 seven-month period immediately preceding the approval of the
6 loan;

7 (B) 125 basis points are added to the calculated
8 United States Treasury rate to account for risk;

9 (C) 75 basis points are added to the calculated United
10 States Treasury rate to account for administrative costs of loan
11 programs; and

12 (D) 300 basis points are subtracted from the calculat-
13 ed United States Treasury rate as adjusted in (B) and (C) of this
14 paragraph to account for the state's subsidized share of the
15 loan.

16 Sec. 45.96.140. POWER OF COMMISSIONER TO SELL OR TRANSFER MORT-
17 GAGES AND NOTES. The commissioner may sell or transfer at par value
18 or at a premium or discount small business development loans to the
19 Department of Revenue, or to a private financial institution or other
20 private purchaser in consideration of receiving its cash, bonds,
21 debentures and notes upon conditions which the commissioner considers
22 advantageous to the small business development loan program.

23 Sec. 45.96.150. DISPOSAL OF PROPERTY. (a) The department may
24 dispose of property acquired through default or foreclosure. Disposal
25 may be made by

- 26 (1) sale, either competitive or negotiated; or
27 (2) destruction.

28 (b) Property that is disposed of by sale must be offered for
29 sale to the general public. Notice must be given by one or more of

1 the following methods:

- 2 (1) publication in a newspaper;
- 3 (2) radio spot announcements; or
- 4 (3) notice by mail to all known interested persons.

5 (c) The department may provide financing from the small business
6 development revolving loan fund for the purchase of property to be
7 disposed of under this section if the state's ability to recover its
8 investment will be significantly enhanced.

9 * Sec. 21. AS 45.98.010 is amended by adding new subsections to read:

10 (b) The historical district revolving loan fund consists of
11 appropriations made to the fund by the legislature and repayments of
12 principal on loans made from the fund. Money appropriated to or
13 repaid into the fund does not lapse under AS 37.25.010.

14 (c) The department shall pay to the Department of Revenue for
15 deposit in the general fund (1) interest paid on loans made from the
16 loan fund; and (2) other income from the loans, including (A) service
17 charges to investors, (B) late fees, (C) assumption fees, and (D) the
18 administrative fee portion of the calculated interest rate. The
19 legislature may appropriate to the department, for the operating
20 expenses of the loan program, an amount equal to the amounts paid into
21 the general fund under this subsection.

22 * Sec. 22. AS 45.98.040(4) is amended to read:

23 (4) the rate of interest on the state's share of loan is a
24 fixed, market-tied rate that is based on the United States Treasury
25 rate plus an administrative fee and a subsidy, and is adjusted for
26 risk; the interest rate is established as follows:

27 (A) the United States Treasury rate is calculated for
28 the term of the loan, interpolated as necessary, based on a
29 six-month moving average for six consecutive months within the

1 seven-month period immediately preceding the approval of the
2 loan;

3 (B) 125 basis points are added to the calculated
4 United States Treasury rate to account for risk;

5 (C) 75 basis points are added to the calculated United
6 States Treasury rate to account for administrative costs of loan
7 programs; and

8 (D) 300 basis points are subtracted from the calculat-
9 ed United States Treasury rate as adjusted in (B) and (C) of this
10 paragraph to account for the state's subsidized share of the loan
11 [MAY NOT EXCEED SEVEN AND ONE-HALF PER CENT A YEAR ON THE UNPAID
12 BALANCE OF THE STATE'S SHARE OF THE LOAN].

13 * Sec. 23. AS 45.98.060 is amended to read:

14 Sec. 45.98.060. PENALTY PROVISION. After a project for which a
15 loan is granted is commenced, if the Department of Commerce and Eco-
16 nomic Development or a local historical district commission, in con-
17 sultation with the Historic Sites Advisory Committee, determines that
18 the project is inconsistent with the guidelines or stipulations for
19 construction, or otherwise fails to confirm to the requirements of the
20 loan, the interest rate on the state's share of the loan shall be
21 increased by removing the subsidy in AS 45.98.040(4)(D) from the
22 calculation of the interest rate [TO THE HIGHEST RATE OF INTEREST
23 ALLOWED AT THE TIME AS PROVIDED IN AS 45.45.010]. In addition, a
24 penalty in the amount of two percent of the balance of the loan shall
25 be assessed by the Department of Commerce and Economic Development.

26 * Sec. 24. Section. 63, ch. 113, SLA 1982 is amended to read:

27 Sec. 63. All assets of the fishermen's mortgage and note fund
28 (AS 16.10.650) are transferred to the commercial fishing revolving
29 loan fund (AS 16.10.340). Repayments of principal of [AND INTEREST

1 ON] loans made from the fishermen's mortgage and note fund shall be
2 deposited into the commercial fishing revolving loan fund by the
3 commissioner of the Department of Commerce and Economic Development as
4 they are received. The department shall pay to the Department of
5 Revenue for deposit in the general fund (1) interest paid on loans
6 made from the loan fund; and (2) other income from the loans, includ-
7 ing (A) service charges to investors, (B) late fees, (C) assumption
8 fees, and (D) the administrative fee portion of the calculated inter-
9 est rate. The legislature may appropriate to the department, for the
10 operating expenses of the commercial fishing revolving loan fund, an
11 amount equal to the amounts paid into the general fund under this
12 section.

13 * Sec. 25. The unexpended and unobligated assets of the small business
14 revolving loan fund, AS 45.95.060, are transferred to the small business
15 development revolving loan fund established in AS 45.96.010. Repayment of
16 principal on loans made from the small business revolving loan fund must be
17 deposited in the small business development revolving loan fund. Income
18 from loans made from the small business revolving loan fund must be depos-
19 ited in the same manner as provided in AS 45.96.010 for income from loans
20 made from the small business development revolving loan fund.

21 * Sec. 26. If a version of HB 536 providing for an appropriation from
22 the small business revolving loan fund to the Department of Commerce and
23 Economic Development is enacted, and that section is inconsistent with any
24 provision of this Act, the provisions of this Act prevail.

25 * Sec. 27. AS 45.95.010 -- 45.95.080 are repealed.

26 * Sec. 28. This Act takes effect July 1, 1984.