

Introduced: 1/25/85
Referred: House Special Committee on
State Loans and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

HOUSE BILL NO. 109

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to interest rates on and handling
7 repayment of state loans; and providing for an effective date."
8

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

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

11 (a) A loan under AS 16.10.310 -- 16.10.370

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

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

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

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

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

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

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

2 (3) must [SHALL] be secured by a first priority lien and
3 appropriate 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) is amended to read:

10 (e) Two or more individual commercial fishermen who each satisfy
11 the requirements specified in AS 16.10.310(a)(1)(B) may jointly obtain
12 a commercial fishing loan for the construction of a fishing vessel or
13 the purchase of an existing fishing vessel. Loans granted under this
14 subsection

15 (1) may not exceed the amount specified in (d) of this
16 section multiplied by the number of qualified commercial fishermen
17 applying for the loan;

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

19 (3) shall be secured by a first priority lien and appropri-
20 ate security agreement;

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

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

29 (B) 125 basis points are added to the calculated

1 United States Treasury rate to account for risk;

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

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

9 (5) may not exceed 90 percent of the appraised value of the
10 collateral used to secure the loan.

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

12 Sec. 16.10.340. CREATION OF FUND. (a) There is a commercial
13 fishing revolving loan fund to carry out the purpose of AS 16.10.-
14 300 -- 16.10.370. Repayment of principal on loans made from the fund
15 must be deposited into the loan fund.

16 (b) 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. 4. AS 16.10.510 is amended to read:

25 Sec. 16.10.510. POWERS AND DUTIES OF THE COMMISSIONER. The
26 commissioner may

27 (1) make loans to permit holders, under AS 16.10.400 --
28 16.10.470, including those holders issued permits before June 24,
29 1977, for the planning, construction, and operation of hatchery

1 facilities;

2 (2) make loans to qualified regional associations which
3 have formed a nonprofit corporation or a local nonprofit corporation
4 approved by a qualified regional association, for preconstruction
5 activities necessary to obtain a permit;

6 (3) designate agents and delegate powers to them as neces-
7 sary;

8 (4) adopt regulations necessary to carry out his functions;

9 (5) establish amortization plans for repayment of loans,
10 not to exceed 30 years;

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

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

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

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

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

28 (7) establish regional and local offices and advisory
29 groups to carry out, or assist in carrying out, the duties and

1

1 authority of the commissioner;

2 (8) [Repealed by sec. 77, ch. 106, SLA 1980.]

3 (9) make grants for organizational and planning purposes to
4 qualified regional associations which have formed a nonprofit corpora-
5 tion, in amounts not exceeding \$100,000 per region and up to an addi-
6 tional \$100,000 on a 50/50 cash matching basis with the regional
7 associations which have an authorized royalty assessment under AS 16.-
8 10.530 or 16.10.540. The state portion of the matching share shall be
9 available when a final vote for assessments is made under AS 16.10.530
10 or 16.10.540. This provision also applies to qualified regional
11 associations which have formed a nonprofit corporation before June 24,
12 1977;

13 (10) make loans to qualified regional associations which
14 have formed a nonprofit corporation or to local nonprofit corporations
15 approved by qualified regional associations for planning and implemen-
16 tation of fisheries enhancement and rehabilitation activities includ-
17 ing, but not limited to, lake fertilization and habitat improvement.

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

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

20 (a) The commissioner may not require the repayment of principal on a
21 loan made under AS 16.10.510 for the initial period of the loan.
22 Interest on the principal of a loan made under AS 16.10.510 does not
23 accrue during the initial period of the loan. In this subsection, the
24 "initial period of the loan" means a period of time determined by the
25 commissioner which is not less than six years or more than 10 years
26 from the date the loan is made.

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

29 (c) The department shall pay to the Department of Revenue for

1 deposit in the general fund (1) interest paid on loans made from the
2 loan fund; and (2) other income from the loans, including (A) service
3 charges to investors, (B) late fees, (C) assumption fees, and (D) the
4 administrative fee portion of the calculated interest rate. The
5 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. 6. AS 26.15.040(a) is amended to read:

9 (a) The commissioner of commerce and economic development may,
10 under regulations and policies adopted by him, make the following
11 loans:

12 (1) Personal loans may be made for educational, domestic,
13 remote area family housing and other personal purposes, not exceeding
14 \$10,000. The loans must [SHALL] be secured by acceptable collateral
15 when available but if not available the commissioner may make loans on
16 the basis of good character. [THE RATE OF INTEREST MAY NOT EXCEED
17 NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID BALANCE.]

18 (2) [Repealed by sec. 77, ch. 106, SLA 1980.]

19 (3) Business loans not exceeding \$125,000 may be made to
20 acquire, finance or refinance or equip businesses, including mining
21 and fishing but not including farming, if the loan applicant has had
22 three or more years of general business experience. The loans must
23 [SHALL] be secured by acceptable collateral and may not exceed 75 per-
24 cent of the appraised value of the collateral offered as security.
25 [THE RATE OF INTEREST MAY NOT EXCEED NINE AND ONE-HALF PERCENT A YEAR
26 ON THE UNPAID BALANCE.]

27 (4) Multiple dwelling loans not exceeding \$110,000 may be
28 made to purchase, remodel, repair, build, furnish, refinance or equip
29 multiple dwellings. The loans must [SHALL] be secured by acceptable

1 collateral and may not exceed 75 percent of the appraised value of the
2 collateral offered as security. [THE RATE OF INTEREST MAY NOT EXCEED
3 NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID BALANCE.]

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

5 (b) The commissioner of commerce and economic development may
6 enter into agreements with private banks, other lending institutions
7 and individuals for the purpose of guaranteeing loans made to qual-
8 ified applicants. The guarantees may not exceed 90 percent of the
9 amount loaned and the loans must [SHALL] be secured in the same manner
10 provided for direct loans under this section. A loan made under this
11 subsection and guaranteed by the commissioner of commerce and economic
12 development and the state must [SHALL] bear an interest rate in accor-
13 dance with AS 26.15.050(a) [NOT EXCEEDING NINE AND ONE-HALF PERCENT A
14 YEAR ON THE UNPAID BALANCE].

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

16 (d) Money loaned must [SHALL] be delivered to the borrower in
17 the form of a warrant drawn on the treasury, vouchered in the manner
18 prescribed for state disbursing officers, and charged against the
19 Alaska World War II veterans' revolving fund. Each voucher must
20 [SHALL] be approved by the commissioner of commerce and economic
21 development or any bonded deputy authorized to act as a certifying
22 officer. [UPON REPAYMENT OF LOANS BY INSTALLMENTS, OR OTHERWISE, IN
23 ACCORDANCE WITH THE PRESCRIBED TERMS, OR UPON LIQUIDATION BY FORECLO-
24 SURE OR OTHER PROCESS, OR UPON RECEIPT OF INTEREST OR OTHER REVENUE,
25 THE MONEY SO RECEIVED SHALL BE TURNED OVER TO THE COMMISSIONER OF
26 REVENUE FOR DEPOSIT IN THE ALASKA WORLD WAR II VETERANS' REVOLVING
27 FUND.]

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

29 Sec. 26.15.050. INTEREST RATES. (a) A loan granted under

1 AS 26.15.010 -- 26.15.170 bears a fixed, market-tied interest rate
2 that is based on the United States Treasury rate plus an administra-
3 tive fee and a subsidy, and is adjusted for risk. The interest rate
4 is established as follows:

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

9 (2) 125 basis points are added to the calculated United
10 States Treasury rate to account for risk;

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

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

17 (b) The provisions of AS 26.15.040 applying to interest rates
18 apply only to loans made after the effective date of this Act [APRIL
19 1, 1967]. The interest rates on loans made before the effective date
20 of this Act must [APRIL 1, 1967 SHALL] be as prescribed at the time
21 the loan was made.

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

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

26 (b) The department shall pay to the Department of Revenue for
27 deposit in the general fund (1) interest paid on loans made from the
28 revolving fund; and (2) other income from the loans, including (A)
29 service charges to investors, (B) late fees, (C) assumption fees, and

1 (D) the administrative fee portion of the calculated interest rate.
2 The legislature may appropriate to the department, for the operating
3 expenses of the loan program, an amount equal to the amounts paid into
4 the general fund under this subsection.

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

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

10 (b) The mining loan fund is a revolving fund consisting of
11 appropriations made to the fund by the legislature and repayments of
12 principal [AND INTEREST] on loans made from the fund. Money appropri-
13 ated to or 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. 12. AS 27.09.040(a) is amended to read:

23 (a) A loan granted under AS 27.09.010 -- 27.09.060 [THIS CHAP-
24 TER]

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

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

27 (3) bears a fixed, market-tied interest rate that is based
28 on the United States Treasury rate plus an administrative fee and a
29 subsidy, and is adjusted for risk; the interest rate is established as

1 follows:

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

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

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

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

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

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

18 (b) The loan fund consists of appropriations made to the fund by
19 the legislature and repayments of principal on loans made from the
20 fund. Money appropriated to or repaid into the fund does not lapse
21 under AS 37.25.010.

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

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

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

29 (1) the United States Treasury rate is calculated for the

1 term of the loan, interpolated as necessary, based on a six-month
2 moving average for six consecutive months within the seven-month
3 period immediately preceding the approval of the loan:

4 (2) 125 basis points are added to the calculated United
5 States Treasury rate to account for risk;

6 (3) 75 basis points are added to the calculated United
7 States Treasury rate to account for administrative costs of loan
8 programs; and

9 (4) 300 basis points are subtracted from the calculated
10 United States Treasury rate as adjusted in (2) and (3) of this subsec-
11 tion to account for the state's subsidized share of the loan [RATE OF
12 INTEREST CHARGED SHALL BE SEVEN PERCENT A YEAR ON THE UNPAID BALANCE
13 OF THE LOAN].

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

16 (d) All principal [AND INTEREST] payments on loans under AS 44.-
17 33.240 -- 44.33.275 must [SHALL] be paid into the child care facility
18 revolving loan fund. The department shall pay to the Department of
19 Revenue for deposit in the general fund (1) interest paid on loans
20 made from the loan fund; and (2) other income from the loans, includ-
21 ing (A) service charges to investors, (B) late fees, (C) assumption
22 fees, and (D) the administrative fee portion of the calculated inter-
23 est rate. The legislature may appropriate to the department, for the
24 operating expenses of the loan program, an amount equal to the amounts
25 paid into the general fund under this subsection.

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

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

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

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

5 (2) must [SHALL] be repaid in one year or less; and

6 (3) may not exceed 90 percent of the wholesale price of the
7 fuel purchased.

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

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

26 (2) 125 basis points are added to the calculated United
27 States Treasury rate to account for risk;

28 (3) 75 basis points are added to the calculated United
29 States Treasury rate to account for administrative costs of loan

1 programs; and

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

5 (c) Repayments of the principal on a loan from the bulk fuel
6 revolving loan fund must [SHALL] be paid [BY THE COMMISSIONER OF
7 COMMERCE AND ECONOMIC DEVELOPMENT] into the bulk fuel revolving loan
8 fund.

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

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

18 (d) All principal [AND INTEREST] payments on loans made under
19 this chapter must [SHALL] be paid into the alternative technology and
20 energy revolving loan fund. The department shall pay to the Depart-
21 ment of Revenue for deposit in the general fund (1) interest on loans
22 made from the fund; and (2) other income from the loans, including (A)
23 service charges to investors, (B) late fees, (C) assumption fees, and
24 (D) the administrative fee portion of the calculated interest rate.
25 The legislature may appropriate to the department, for the operating
26 expenses of the loan program, an amount equal to the amounts paid into
27 the general fund under this subsection.

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

29 (e) The rate of interest for a loan under this section is a

1 fixed, market-tied rate that is based on the United States Treasury
2 rate plus an administrative fee and a subsidy, and is adjusted for
3 risk [, OTHER THAN A LOAN FOR AN ALTERNATIVE ENERGY SYSTEM, MAY NOT
4 EXCEED NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID BALANCE OF THE
5 LOAN. THE RATE OF INTEREST FOR A LOAN FOR AN ALTERNATIVE ENERGY
6 SYSTEM IS FIVE PERCENT FOR THE FIRST \$15,000 OF THE LOAN AND 15 PER-
7 CENT FOR THE AMOUNT OF THE LOAN THAT EXCEEDS \$15,000]. The interest
8 rate is established as follows:

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

13 (2) 125 basis points are added to the calculated United
14 States Treasury rate to account for risk;

15 (3) 75 basis points are added to the calculated United
16 States Treasury rate to account for administrative costs of loan
17 programs; and

18 (4) 300 basis points are subtracted from the calculated
19 United States Treasury rate as adjusted in (2) and (3) of this subsec-
20 tion to account for the state's subsidized share of the loan.

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

22 (e) Interest must [SHALL] be charged on a loan made under this
23 chapter. The rate of interest is a fixed, market-tied rate that is
24 based on the United States Treasury rate plus an administrative fee
25 and a subsidy, and is adjusted for risk [IF A LOAN IS MADE BEFORE
26 JANUARY 1, 1984, INTEREST SHALL BE FIVE PERCENT. IF THE LOAN IS MADE
27 AFTER DECEMBER 31, 1983, INTEREST SHALL EQUAL THE PERCENTAGE OF THE
28 AVERAGE WEEKLY YIELD OF MUNICIPAL BONDS FOR THE 12 MONTHS PRECEDING
29 THE LOAN, AS DETERMINED BY THE COMMISSIONER FROM THE MUNICIPAL BOND

1 YIELD RATES REPORTED IN THE 30-YEAR REVENUE INDEX OF THE WEEKLY BOND
2 BUYER]. The interest rate is established as 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 of 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 * Sec. 19. AS 45.89.030(h) is amended to read:

16 (h) All principal payments [AMOUNTS REPAID] on loans [A LOAN]
17 made under this chapter must [SECTION SHALL] be deposited to the
18 residential energy conservation fund. The department shall pay to the
19 Department of Revenue for deposit in the general fund (1) interest
20 paid on loans made from the energy conservation fund; and (2) other
21 income from the loans, including (A) service charges to investors, (B)
22 late fees, (C) assumption fees, and (D) the administrative fee portion
23 of the calculated interest rate. The legislature may appropriate to
24 the department, for the operating expenses of the loan program, an
25 amount equal to the amounts paid into the general fund under this sub-
26 section.

27 * Sec. 20. AS 45.98.010 is amended by adding new subsections to read:

28 (b) The historical district revolving loan fund consists of
29 appropriations made to the fund by the legislature and repayments of

1 principal on loans made from the fund. Money appropriated to or
2 repaid into the fund does not lapse under AS 37.25.010.

3 (c) 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. 21. AS 45.98.040 is amended to read:

12 Sec. 45.98.040. LIMITATIONS ON LOANS. Loans made under this
13 chapter are subject to the following limitations:

14 (1) state participation in all loans in the aggregate, for
15 any one historical district qualifying under this chapter may not
16 exceed \$1,500,000;

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

20 (3) the loans shall be secured by acceptable collateral and
21 may not exceed 85 percent of the appraised value of the collateral
22 offered as security;

23 (4) the rate of interest on the state's share of the loan
24 is a fixed, market-tied rate that is based on the United States Trea-
25 sury rate plus an administrative fee and a subsidy, and is adjusted
26 for 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 PERCENT A YEAR ON THE UNPAID
12 BALANCE OF THE STATE'S SHARE OF THE LOAN];

13 (5) a participating financial institution shall administer
14 and service the loan for a reasonable fee not exceeding one-quarter of
15 one percent;

16 (6) the state has a lien on the property accepted as col-
17 lateral to the extent of its portion of the loan; when the lien or
18 notice of the lien is properly recorded it is superior to all other
19 liens except those for taxes and special assessments; a lien of the
20 participating financial institution, to the extent of its portion of
21 the loan after it is properly recorded, is superior to all other liens
22 except liens for taxes, special assessments, and the lien of the
23 state.

24 * Sec. 22. AS 45.98.060 is amended to read:

25 Sec. 45.98.060. PENALTY PROVISION. After a project for which a
26 loan is granted is commenced, if the Department of Commerce and Eco-
27 nomic Development or a local historical district commission, in con-
28 sultation with the Historic Sites Advisory Committee, determines that
29 the project is inconsistent with the guidelines or stipulations for

1 construction, or otherwise fails to conform to the requirements of the
2 loan, the interest rate on the state's share of the loan must [SHALL]
3 be increased by removing the subsidy in AS 45.98.040(4)(D) from the
4 calculation of the interest rate [TO THE HIGHEST RATE OF INTEREST
5 ALLOWED AT THAT TIME AS PROVIDED IN AS 45.45.010]. In addition, a
6 penalty in the amount of two percent of the balance of the loan must
7 [SHALL] be assessed by the Department of Commerce and Economic Devel-
8 opment.

9 * Sec. 23. Section 63, ch. 113, SLA 1982 is amended to read:

10 Sec. 63. All assets of the fishermen's mortgage and note fund
11 (AS 16.10.650) are transferred to the commercial fishing revolving
12 loan fund (AS 16.10.340). Repayments of principal of [AND INTEREST
13 ON] loans made from the fishermen's mortgage and note fund shall be
14 deposited into the commercial fishing revolving loan fund by the
15 commissioner of the Department of Commerce and Economic Development as
16 they are received. The department shall pay to the Department of
17 Revenue for deposit in the general fund (1) interest paid on loans
18 made from the loan fund; and (2) other income from the loans, includ-
19 ing (A) service charges to investors, (B) late fees, (C) assumption
20 fees, and (D) the administrative fee portion of the calculated inter-
21 est rate. The legislature may appropriate to the department, for the
22 operating expenses of the commercial fishing revolving loan fund, an
23 amount equal to the amounts paid into the general fund under this
24 section.

25 * Sec. 24. This Act takes effect July 1, 1985.