

Offered: 4/1/86
Referred: Finance

Original sponsors: Duncan, Sund,
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1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

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CS FOR HOUSE BILL NO. 135 (Loans)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - SECOND SESSION

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A BILL

6 For an Act entitled: "An Act establishing the Small Business Loan Guarante
7 tee Program; and providing for an effective date."

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

9 * Section 1. AS 44.88 is amended by adding new sections to read:

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ARTICLE 5. SMALL BUSINESS LOAN GUARANTEE PROGRAM.

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Sec. 44.88.310. SMALL BUSINESS LOAN GUARANTEE FUND. The small

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business loan guarantee fund is established in the authority from

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appropriations for the purpose. Subject to requirements of AS 44.88.-

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310 - 44.88.380, the authority may use money in the fund to guarantee

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loans to small businesses.

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Sec. 44.88.320. APPLICANT QUALIFICATIONS. (a) To qualify to

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apply for a loan guarantee under AS 44.88.310 - 44.88.380 an applicant

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must be a single proprietorship, corporation, firm, partnership, or

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other association organized in any manner for any business purposes,

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other than on a nonprofit basis, with a gross income of \$5,000,000 or

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less for its annual reporting period ending immediately before the

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date of application for the loan guarantee. The authority may estab-

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lish additional applicant qualifications by regulation and these

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qualifications may vary depending upon the type of business the appli-

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cant is engaged in.

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(b) To apply for a loan guarantee an applicant must provide an

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economic and financial feasibility analysis acceptable to the authori-

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ty together with other information required by the authority.

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Sec. 44.88.330. POWERS OF THE AUTHORITY. The authority may

1 (1) designate agents and delegate powers necessary to
2 implement AS 44.88.310 - 44.88.380;

3 (2) adopt regulations to implement AS 44.88.310 - 44.88.-
4 380;

5 (3) establish terms and conditions for loan guarantees
6 subject to the requirements of AS 44.88.310 - 44.88.380;

7 (4) make and execute contracts and other instruments to
8 implement AS 44.88.310 - 44.88.380;

9 (5) acquire real or personal property by purchase, trans-
10 fer, or foreclosure when the acquisition is necessary to protect an
11 interest in the fund; and

12 (6) exercise any other power necessary to implement AS 44.-
13 88.310 - 44.88.380.

14 Sec. 44.88.340. CONDITIONS OF LOAN GUARANTEES. (a) Subject to
15 other requirements of this section, the authority may guarantee a loan
16 under AS 44.88.310 - 44.88.380 if the

17 (1) loan is commercially reasonable, secured by adequate
18 collateral, and the net cash flow from the borrower provides adequate
19 coverage for the debt service on the loan;

20 (2) loan is originated with and serviced by a state or
21 federally chartered financial institution;

22 (3) portion of the loan not guaranteed by the authority is
23 held by the originating financial institution or another financial
24 institution approved by the authority;

25 (4) loan is made to a small business with a majority inter-
26 est held by state residents; and

27 (5) interest rate is no more than 2.5 percent above the
28 prime rate of the majority of the banks doing business in the state.

29 (b) The authority may provide a guarantee from the fund for up

1 to 90 percent of a loan that does not exceed \$500,000. The ratio of
2 the guarantee to the outstanding principal of the loan shall remain
3 the same over the term of the loan.

4 (c) The authority may not guarantee

5 (1) a loan that is used to refinance existing debt;

6 (2) the payment of interest on the guaranteed portion of a
7 loan;

8 (3) loans to a borrower the guaranteed portion of which
9 cumulatively exceed \$500,000 in principal outstanding at any time;

10 (4) a loan secured by real property with a repayment term
11 in excess of 25 years;

12 (5) a loan secured by equipment or other personal property,
13 other than inventory, with a repayment term in excess of 10 years; or

14 (6) an unsecured loan or loan secured by inventory with a
15 repayment term in excess of seven years.

16 (d) At the inception of a loan guaranteed under AS 44.88.310 -
17 44.88.380 the authority shall charge the borrower a fee not to exceed
18 one percent of the principal amount of the guaranteed portion of the
19 loan.

20 Sec. 44.88.350. DEFAULT OR FORECLOSURE. (a) Payments received
21 toward satisfaction of a default on a loan guaranteed under AS 44.88.-
22 310 - 44.88.380 shall be allocated between the lender and the fund
23 according to the guaranteed percentage of the loan until the principal
24 balance has been repaid.

25 (b) The authority shall dispose of property acquired through
26 default or foreclosure of a loan guaranteed under AS 44.88.310 -
27 44.88.380. Disposal shall be made in a manner that serves the best
28 interest of the state, and may include the amortization of payments
29 over a period of years.

1 Sec. 44.88.360. SPECIAL ACCOUNT ESTABLISHED. (a) There is
2 established as a special account within the fund the foreclosure
3 expense account. This account is established as a reserve from fund
4 equity.

5 (b) The authority may expend money credited to the foreclosure
6 expense account when necessary to protect the state's security inter-
7 est in collateral on loans guaranteed under AS 44.88.310 - 44.88.380
8 or to defray expenses incurred during a foreclosure proceeding after a
9 default.

10 Sec. 44.88.380. DEFINITION. In AS 44.88.310 - 44.88.380, "fund"
11 means the small business loan guarantee fund established under AS 44.-
12 88.310.

13 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).