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1 IN THE HOUSE

BY THE FINANCE COMMITTEE

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CS FOR HOUSE BILL NO. 432 (Finance)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

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For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-

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ration to stabilize the market price of and the

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demand for residential housing in the state; and

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providing for an effective date."

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

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* Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature

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finds that

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(1) a sizeable proportion of the residents of the state have

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mortgages that exceed both the present value of the property and the pre-

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sent ability of the mortgagors of the property to make payments agreed to

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in the past;

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(2) it is desirable for the Alaska Housing Finance Corporation

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to use creative solutions to the present crisis in the housing market;

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(3) the Alaska Housing Finance Corporation and federal agencies

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currently hold large portfolios of foreclosed residential housing;

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(4) these governmental agencies should be permitted to cooperate

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in administering foreclosed properties to avoid further adverse effects on

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the state's real estate markets;

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(5) it is in the state's best interests, in certain instances,

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to reduce the supply of residential housing in the state by demolishing

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substandard publicly owned residential housing and to permit the corpo-

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ration to seek disposal of surplus residences within the corporation's

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inventory;

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(6) residential housing situated in condominium projects with

1 high vacancy rates caused by defaults and foreclosures presents special
2 problems because mortgage investors and insurers have established con-
3 ditions relating to owner-occupancy that adversely affect the ability to
4 sell or finance a mortgage loan secured by a condominium unit; and

5 (7) the maintenance of stable and orderly markets for the pur-
6 chase and sale of residential housing in the state is essential to the
7 economy of the state and the welfare of its citizens.

8 (b) The legislature intends to improve the stability of the state's
9 market for residential housing. It is desirable to prevent a precipitous
10 decline in the price of available housing that will erode the tax base of
11 municipalities and further weaken the state's financial institutions. The
12 legislature intends to accomplish these ends by government regulation of
13 matters relating to the sale and disposition of residential housing held by
14 financial institutions, the Alaska Housing Finance Corporation, and federal
15 agencies. By authorizing the Alaska Housing Finance Corporation to exer-
16 cise the market stabilization powers enacted in sec. 2 of this Act, the
17 legislature intends to immunize to the fullest extent possible the board of
18 directors of the Alaska Housing Finance Corporation against potential
19 liability under federal antitrust and state antitrust, competition, and
20 trade practices laws arising from the exercise of stabilization powers.

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

22 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board
23 of directors determines that it is in the best interest of the corpo-
24 ration, the corporation may take appropriate action under this sec-
25 tion to stabilize the market price of and demand for residential
26 housing in the state. To accomplish the purposes of this section, the
27 corporation may

28 (1) make and execute necessary agreements and conveyances
29 under which a borrower may exchange residential housing securing a

1 mortgage loan owned, held, or sold by the corporation for other res-
2 idential housing owned by the corporation;

3 (2) repurchase a mortgage loan sold or pledged by the
4 corporation for the purpose of exercising a power conferred by this
5 section;

6 (3) for the purpose of qualifying residential housing
7 situated in a condominium project for the best available financing for
8 mortgage loans, make and execute agreements and contracts necessary to
9 encourage all owners who occupy units in a condominium project that is
10 not eligible for financing under this chapter to exchange their owner-
11 ship interest for a condominium unit owned by the corporation in
12 another project;

13 (4) make and execute appropriate agreements with insurers,
14 investors, and guarantors concerning the temporary removal of residen-
15 tial housing owned by the corporation from the resale market;

16 (5) demolish residential housing owned by the corporation
17 if the corporation determines that

18 (A) the housing is substandard compared to housing
19 available on the open market;

20 (B) the housing cannot be converted to a public or
21 charitable use; and

22 (C) there is a substantial oversupply of similar
23 housing on the open market;

24 (6) convert residential housing owned by the corporation
25 that is designed and constructed for owner occupancy to another bene-
26 ficial use;

27 (7) make bulk sales of property owned by the corporation
28 under procedures and terms the corporation determines are in the best
29 interests of the corporation;

1 (8) provide financing under terms established by the board
2 to promote the sale of residential housing owned by the corporation if
3 the board of directors determines that the terms of financing do not
4 work an excessive hardship on competing individual sellers of residen-
5 tial housing;

6 (9) invest funds of the corporation in the removal and
7 disposal of substandard publicly owned residential housing if the
8 board of directors determines that the investment is prudent, properly
9 secured, and in the long-term best interests of the corporation;

10 (10) create subsidiary entities to implement a power con-
11 ferred by this section and to provide insurance under AS 18.56.093 and
12 18.56.095;

13 (11) work with the mortgagor to assist in mitigating,
14 through loan restructuring and other methods, the financial hardship
15 that may be present; and

16 (12) take other actions necessary, convenient, or desirable
17 to carry out the powers granted in this subsection.

18 (b) The corporation shall implement the powers conferred by (a)
19 of this section by adopting regulations under AS 18.56.088.

20 (c) In this section, "residence" includes mobile homes.

21 * Sec. 3. AS 45.50.572 is amended by adding a new subsection to read:

22 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the
23 Alaska Housing Finance Corporation to stabilize the market price of
24 and demand for residential housing in the state under AS 18.56.210.

25 * Sec. 4. (a) The stabilization fund is established in the Alaska
26 Housing Finance Corporation. Notwithstanding AS 18.56.210(a)(9), the fund
27 may be expended by the corporation to make a grant to a state agency to
28 finance the cost of demolishing state-owned residential housing in the
29 state.

1 (b) It is the intent of the legislature that the board of directors
2 of the Alaska Housing Finance Corporation transfer \$2,700,000 from the
3 Alaska Housing Finance revolving fund (AS 18.56.082) to the stabilization
4 fund established in (a) of this section.

5 * Sec. 5. Section 4 of this Act is repealed July 1, 1991.

6 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).