

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE
2
3 CS FOR SENATE BILL NO. 427 (B&ED)
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 SIXTEENTH LEGISLATURE - SECOND SESSION
6 A BILL
7 For an Act entitled: "An Act relating to program and administration re-
8 quirements of certain state corporations; expanding
9 the number of directors of the Alaska Housing Finance
10 Corporation; exempting the Alaska Housing Finance
11 Corporation from the Executive Budget Act and the
12 State Procurement Code; amending the corporation's
13 special mortgage loan purchase program and progres-
14 sively reducing the maximum level of loan amounts
15 eligible for a reduction under a mortgage loan sub-
16 sidy; amending the corporation's mortgage loan sub-
17 sidy program for persons of lower and moderate in-
18 come; and relating to procurement practices of the
19 Alaska Railroad Corporation; and providing for an
20 effective date."
21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
22 * Section 1. AS 18.56.030(a) is amended to read:
23 (a) The corporation shall be governed by a board of directors
24 consisting of
25 (1) the commissioner of revenue and the commissioner of
26 commerce and economic development;
27 (2) one other member who is the head of a [THE] principal
28 department of the executive branch of state government appointed by
29 the governor; and
30 (3) four [TWO] public members appointed by the governor.

1 * Sec. 2. AS 18.56.089 is amended to read:

2 Sec. 18.56.089. ANNUAL ACCOUNTING. The [EXECUTIVE BUDGET ACT.
3 THE OPERATING BUDGET OF THE CORPORATION IS SUBJECT TO THE EXECUTIVE
4 BUDGET ACT (AS 37.07). TO FURTHER ENSURE EFFECTIVE BUDGETARY DECI-
5 SION MAKING BY THE LEGISLATURE, THE] corporation shall present a
6 complete accounting of all assets of the corporation, including assets
7 of the Alaska housing finance revolving fund, to the legislature by
8 January 10 of each year. The accounting shall be audited by an in-
9 dependent outside auditor and shall include a full description of all
10 mortgage loan interest and principal repayments and program receipts,
11 including mortgage loan commitment fees, received by or accrued to the
12 corporation during the preceding fiscal year, and all income earned on
13 assets of the corporation during that period, including earnings on
14 assets of the state assisted mortgage fund.

15 * Sec. 3. AS 18.56.091 is amended by adding a new subsection to read:

16 (b) Notwithstanding (a) of this section, the loan amount eligi-
17 ble for assistance under the subsidy authorized by (a) of this section
18 is the amount determined under AS 18.56.098(f).

19 * Sec. 4. AS 18.56.098(f) is amended to read:

20 (f) In this section and in AS 18.56.099

21 (1) "graduated payment mortgage loan" means a mortgage loan
22 the terms of which provide for monthly principal and interest payments
23 that

24 (A) during the first year of the mortgage loan are
25 lower than the monthly principal and interest payments that would
26 be required under the terms of a level payment mortgage loan made
27 at the same interest rate; and

28 (B) during subsequent years of the mortgage loan are
29 graduated to provide for the same return over the term of the

1 loan that would have been provided by a level payment mortgage
2 loan made at the same interest rate;

3 (2) "loan amount eligible for assistance" means the amount
4 of a mortgage loan that does not exceed the amount of the loan estab-
5 lished by law; if an amount has not been established by law, the
6 amount is zero;

7 (3) [REPEALED] "mortgage loan" includes a beneficial in-
8 terest or participation in a mortgage loan;

9 (4) "residence" means

10 (A) an owner-occupied, single-family residence, in-
11 cluding a mobile home; [,] or

12 (B) an owner-occupied duplex, triplex, or fourplex.

13 * Sec. 5. AS 18.56.098(f) is repealed and reenacted to read:

14 (f) In this section and in AS 18.56.091 and 18.56.099

15 (1) "graduated payment mortgage loan" means a mortgage loan
16 the terms of which provide for monthly principal and interest payments
17 that

18 (A) during the first year of the mortgage loan are
19 lower than the monthly principal and interest payments that would
20 be required under the terms of a level payment mortgage loan made
21 at the same interest rate; and

22 (B) during subsequent years of the mortgage loan are
23 graduated to provide for the same return over the term of the
24 loan that would have been provided by a level payment mortgage
25 loan made at the same interest rate;

26 (2) "loan amount eligible for assistance" means

27 (A) the first \$50,000 of a mortgage loan for persons
28 of lower or moderate income whose purchase of a home is assisted
29 under AS 18.56.091; or

1 (B) except as to persons whose purchase of a home is
2 assisted under AS 18.56.091, the amount of a mortgage loan that
3 does not exceed the amount of the loan established by law; if an
4 amount has not been established by law, the amount is zero;

5 (3) "mortgage loan" includes a beneficial interest or
6 participation in a mortgage loan;

7 (4) "residence" means

8 (A) an owner-occupied, single-family residence, in-
9 cluding a mobile home; or

10 (B) an owner-occupied duplex, triplex, or fourplex.

11 * Sec. 6. AS 18.56.098(g) is amended to read:

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

15 (1) The interest rate on the loan amount eligible for
16 assistance [FIRST \$90,000] of a mortgage loan purchased with the
17 proceeds of an issue of taxable bonds of the corporation is three
18 percent less than the cost of funds of that issue, except that

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

21 (B) if the cost of funds of that issue is more than 10
22 percent, the interest rate may not be less than 10 percent.

23 (2) An interest rate determined under this subsection on
24 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
25 loan that is not purchased from the proceeds of bonds that are qual-
26 ified veterans' mortgage bonds under the applicable provisions of 26
27 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
28 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
29 point if the loan is made to an eligible veteran under AS 18.56.101.

1 (3) The interest rate for the amount of a mortgage loan
2 purchased under (a) of this section that exceeds the loan amount
3 eligible for assistance [\$90,000] is equal to the cost of funds to the
4 corporation attributable to that part of the loan.

5 (4) The interest rate on the loan amount eligible for
6 assistance [FIRST \$90,000] of a mortgage loan purchased with money
7 that is not the proceeds of either taxable or tax-exempt bonds is the
8 rate the corporation determines is appropriate by application of the
9 provision of (1) of this subsection.

10 (5) The interest rate on the loan amount eligible for
11 assistance [FIRST \$90,000] of a mortgage loan purchased from the
12 proceeds of bonds that are exempt from taxation other than bonds that
13 constitute qualified veterans' bonds under (i) of this section, is
14 equal to the interest rate determined under (1) and (2) of this sub-
15 section on a loan purchased under (a) of this section from the pro-
16 ceeds of the most recent applicable issue of taxable bonds sold by the
17 corporation. A higher or lower interest rate shall be established on
18 the entire loan amount if required to ensure the tax-exempt status of
19 the bonds.

20 (6) The corporation shall determine the interest rate on a
21 mortgage loan that is an adjustable rate mortgage loan as provided in
22 this subsection. The corporation shall recalculate the interest rate
23 from time to time based on changes in the cost to the corporation of
24 the funds used to purchase the adjustable rate mortgage loan. How-
25 ever, the corporation may establish a minimum interest rate applicable
26 to an adjustable rate mortgage loan, and the interest rate on the
27 adjustable rate mortgage loan may not be less than the minimum inter-
28 est rate so established regardless of the cost of funds to the corpo-
29 ration.

1 (7) For loans made under this section, the corporation
2 shall give effect to interest rate changes applicable to the loans
3 based on time of loan application, time of issuance of the corpora-
4 tion's bonds issued to purchase loans, or other factors as the corpor-
5 ation determines.

6 (8) [(7)] In this subsection

7 (A) "cost of funds" means the true interest cost
8 expressed as a rate on bonds of the corporation plus an addi-
9 tional percentage as determined by the corporation to represent
10 the allocable expenses of operation, costs of issuance, and
11 mortgage servicing;

12 (B) "taxable bonds" means bonds bearing interest that
13 is taxable under applicable provisions of 26 U.S.C. (Internal
14 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
15 BOND TAX ACT OF 1980)] issued to finance the purchase of first
16 mortgage loans.

17 * Sec. 7. AS 18.56.098(h) is amended to read:

18 (h) The corporation shall establish the interest rate on a
19 second mortgage loan purchased under (a) of this section in the manner
20 established for computing the interest rates on a first mortgage loan
21 under (g) of this section except that, in the case of a second mort-
22 gage loan, if the first mortgage loan made to the same borrower is
23 held by the corporation and was purchased under the special mortgage
24 loan purchase program, the outstanding principal balance of the exist-
25 ing first mortgage loan is subtracted from the loan amount eligible
26 for assistance [\$90,000] to determine the amount of the loan that is
27 eligible for an interest rate on a second mortgage loan determined by
28 reference to (g) of this section.

29 * Sec. 8. AS 18.56.098(i) is amended to read:

1 (i) The interest rate on the loan amount eligible for assistance
2 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
3 bonds that constitute qualified veterans' mortgage bonds under appli-
4 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
5 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
6 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
7 for other loans to veterans under (g)(2) of this section [AS 18.56.-
8 098(g)(3)]. A higher or lower interest rate shall be established on
9 the entire loan amount if required by applicable provisions of 26
10 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

11 * Sec. 9. AS 36.30.015(e) is amended to read:

12 (e) The board [BOARDS] of directors of [THE ALASKA RAILROAD
13 CORPORATION AND] the Alaska State Housing Authority shall adopt proce-
14 dures to govern the procurement of supplies, services, professional
15 services, and construction [BY THE CORPORATION]. The procedures must
16 be substantially equivalent to the procedures prescribed in this
17 chapter and in regulations adopted under this chapter.

18 * Sec. 10. AS 36.30.990(1) is amended to read:

19 (1) "agency"

20 (A) means a department, institution, board, commis-
21 sion, division, authority, public corporation, the Alaska Pio-
22 neers' Home, or other administrative unit of the executive branch
23 of state government;

24 (B) does not include

25 (i) [, EXCEPT FOR] the University of Alaska;

26 (ii) [,] the Alaska State Housing Authority;

27 (iii) the [AND] Alaska Railroad Corporation;

28 (iv) the Alaska Housing Finance Corporation;

29 (v) [IT DOES NOT INCLUDE] a regional Native

1 housing authority created under AS 18.55.996, or a regional
2 electrical authority created under AS 18.57.020;

3 * Sec. 11. AS 37.07.120(1) is amended to read:

4 (1) "agency"

5 (A) means a department, officer, institution, board,
6 commission, bureau, division, or other administrative unit form-
7 ing the state government, and includes the Alaska Pioneers' Home
8 and the University of Alaska;

9 (B) [, BUT] does not include

10 (i) the legislature;

11 (ii) [OR] the judiciary; or

12 (iii) the Alaska Housing Finance Corporation;

13 * Sec. 12. AS 42.40.100 is amended to read:

14 Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsi-
15 ble for the management of the corporation but shall delegate certain
16 powers and duties to the chief executive officer in accordance with
17 AS 42.40.120. In managing the corporation the board shall

18 (1) be responsible for the management of the financial and
19 legal obligations of the Alaska Railroad;

20 (2) operate the Alaska Railroad as a common carrier subject
21 to the jurisdiction of the United States Interstate Commerce Commis-
22 sion consistent with 45 U.S.C. 1207;

23 (3) generally manage the corporation on a self-sustaining
24 basis;

25 (4) apply to the legislature for an appropriation with the
26 concurrence of the governor to be used to provide a particular service
27 that is not otherwise self-sustaining if a subsidy is required to
28 maintain that service;

29 (5) provide for safe, efficient, and economical transporta-

1 tion to meet the overall needs of the state;

2 (6) raise needed capital by issuing bonds of the corpora-
3 tion upon approval by the legislature while ensuring that borrowing by
4 the corporation does not directly or indirectly endanger the state's
5 own borrowing capacity;

6 (7) review all state and other land disposal proposals to
7 aid in planning for future development or expansion of transportation
8 services;

9 (8) adopt and publish procedures to govern the procurement
10 of supplies, services, professional services, and construction by the
11 corporation; the procedures adopted must [ENSURE THAT THE PROCUREMENT
12 PROCEDURES OF THE CORPORATION] meet accepted railroad industry stan-
13 dards;

14 (9) ensure that the accounting procedures of the corpora-
15 tion meet generally accepted accounting principles consistent with
16 industry standards for comparable railroads.

17 * Sec. 13. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 14. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 15. Sections 3 and 5 of this Act take effect July 1, 1992.

5 * Sec. 16. Except for secs. 3 and 5 of this Act, this Act takes effect
6 July 1, 1990.