

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

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 427 (2d Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-  
7 quirements of certain state corporations; expanding  
8 the number of directors of the Alaska Housing Finance  
9 Corporation; exempting the Alaska Housing Finance  
10 Corporation from the State Procurement Code and  
11 making an exception for the corporation under the  
12 Executive Budget Act; 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 cer-  
19 tain state corporations; and providing for an effec-  
20 tive 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

1           (3) four [TWO] public members appointed by the governor,  
2           one of whom shall be a representative of the financial community and  
3           one of whom shall be a person licensed as a real estate broker under  
4           AS 08.88.171(a).

5       \* Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

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

9       \* Sec. 3. AS 18.56.098(f) is amended to read:

10          (f) In this section and in AS 18.56.099

11           (1) "graduated payment mortgage loan" means a mortgage loan  
12           the terms of which provide for monthly principal and interest payments  
13           that

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

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

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

26           (3) "mortgage loan" includes a beneficial interest or  
27           participation in a mortgage loan; [(3) REPEALED]

28           (4) "residence" means

29                   (A) an owner-occupied, single-family residence,

1 including a mobile home; [,] or

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

3 \* Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

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

5 (1) "graduated payment mortgage loan" means a mortgage loan  
6 the terms of which provide for monthly principal and interest payments  
7 that

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

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

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

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

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

24 (3) "mortgage loan" includes a beneficial interest or  
25 participation in a mortgage loan;

26 (4) "residence" means

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

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

1 \* Sec. 5. AS 18.56.098(g) is amended to read:

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

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

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

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

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

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

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

29 (5) The interest rate on the loan amount eligible for

1 assistance [FIRST \$90,000] of a mortgage loan purchased from the  
2 proceeds of bonds that are exempt from taxation other than bonds that  
3 constitute qualified veterans' bonds under (i) of this section, is  
4 equal to the interest rate determined under (1) and (2) of this sub-  
5 section on a loan purchased under (a) of this section from the pro-  
6 ceeds of the most recent applicable issue of taxable bonds sold by the  
7 corporation. A higher or lower interest rate shall be established on  
8 the entire loan amount if required to ensure the tax-exempt status of  
9 the bonds.

10 (6) The corporation shall determine the interest rate on a  
11 mortgage loan that is an adjustable rate mortgage loan as provided in  
12 this subsection. The corporation shall recalculate the interest rate  
13 from time to time based on changes in the cost to the corporation of  
14 the funds used to purchase the adjustable rate mortgage loan. How-  
15 ever, the corporation may establish a minimum interest rate applicable  
16 to an adjustable rate mortgage loan, and the interest rate on the  
17 adjustable rate mortgage loan may not be less than the minimum inter-  
18 est rate so established regardless of the cost of funds to the corpo-  
19 ration.

20 (7) For loans made under this section, the corporation  
21 shall give effect to interest rate changes applicable to the loans  
22 based on time of loan application, time of issuance of the corpora-  
23 tion's bonds issued to purchase loans, or other factors as the corpora-  
24 tion determines.

25 (8) [(7)] In this subsection

26 (A) "cost of funds" means the true interest cost  
27 expressed as a rate on bonds of the corporation plus an addi-  
28 tional percentage as determined by the corporation to represent  
29 the allocable expenses of operation, costs of issuance, and

1 mortgage servicing;

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

7 \* Sec. 6. AS 18.56.098(h) is amended to read:

8 (h) The corporation shall establish the interest rate on a  
9 second mortgage loan purchased under (a) of this section in the manner  
10 established for computing the interest rates on a first mortgage loan  
11 under (g) of this section except that, in the case of a second mort-  
12 gage loan, if the first mortgage loan made to the same borrower is  
13 held by the corporation and was purchased under the special mortgage  
14 loan purchase program, the outstanding principal balance of the exist-  
15 ing first mortgage loan is subtracted from the loan amount eligible  
16 for assistance [\$90,000] to determine the amount of the loan that is  
17 eligible for an interest rate on a second mortgage loan determined by  
18 reference to (g) of this section.

19 \* Sec. 7. AS 18.56.098(i) is amended to read:

20 (i) The interest rate on the loan amount eligible for assistance  
21 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of  
22 bonds that constitute qualified veterans' mortgage bonds under appli-  
23 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.  
24 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-  
25 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate  
26 for other loans to veterans under (g)(2) of this section [AS 18.56.-  
27 098(g)(3)]. A higher or lower interest rate shall be established on  
28 the entire loan amount if required by applicable provisions of 26  
29 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

1 \* Sec. 8. AS 36.30.015(e) is amended to read:

2 (e) The boards of directors of the Alaska Railroad Corporation,  
3 the Alaska Housing Finance Corporation, and the Alaska State Housing  
4 Authority shall adopt procedures to govern the procurement of sup-  
5 plies, services, professional services, and construction for [BY] the  
6 respective public corporations [CORPORATION]. The procedures must

7 (1) reflect competitive bidding principles and provide  
8 vendors reasonable and equitable opportunities to participate in the  
9 procurement process; and

10 (2) include procurement methods to meet emergency and  
11 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-  
12 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS  
13 CHAPTER].

14 \* Sec. 9. AS 36.30.990(1) is amended to read:

15 (1) "agency"

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

20 (B) does not include

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

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

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

24 (iv) the Alaska Housing Finance Corporation;

25 (v) [IT DOES NOT INCLUDE] a regional Native  
26 housing authority created under AS 18.55.996, or a regional  
27 electrical authority created under AS 18.57.020;

28 \* Sec. 10. AS 37.07 is amended by adding a new section to read:

29 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

1 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing  
2 Finance Corporation may, by resolution adopted by the board of direc-  
3 tors, increase an item appropriated from corporation receipts if

4 (1) the board of directors determines that circumstances  
5 require an increase in expenditures in excess of an existing appro-  
6 priation made under the authority conferred by this chapter; and

7 (2) additional corporation receipts are available.

8 (b) Before the resolution required by (a) of this section takes  
9 effect, the board of directors shall submit a revised program to the  
10 governor for approval as provided in AS 37.07.080(d). A copy of the  
11 revised program shall be submitted to the legislative budget and audit  
12 committee.

13 (c) The increase authorized by (a) of this section may not  
14 extend beyond the end of the fiscal year in which the resolution is  
15 adopted.

16 \* Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER  
17 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second  
18 mortgage loans purchased by the Alaska Housing Finance Corporation from the  
19 special mortgage loan purchase program and from qualified veterans' mort-  
20 gage bonds

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

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

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

27 \* Sec. 12. Of the two additional public members appointed by the gover-  
28 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall  
29 serve a term of two years and one shall serve a term of one year. When

1 making the appointments, the governor shall specify the length of the term  
2 of each person appointed.

3 \* Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

4 \* Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect  
5 July 1, 1990.