

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

1 IN THE SENATE

BY THE RULES COMMITTEE

2

CS FOR SENATE BILL NO. 427 (Rules)

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 allowing the corporation to expend additional corpo-

12 ration receipts immediately after submission of a

13 revised program to the Legislative Budget and Audit

14 Committee; amending the corporation's special mort-

15 gage loan purchase program and progressively reducing

16 the maximum level of loan amounts eligible for a re-

17 duction under a mortgage loan subsidy; amending the

18 corporation's mortgage loan subsidy program for

19 persons of lower and moderate income; and relating to

20 procurement practices of certain state corporations;

21 and providing for an effective date."

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

23 \* Section 1. AS 18.56.030(a) is amended to read:

24 (a) The corporation shall be governed by a board of directors

25 consisting of

26 (1) the commissioner of revenue and the commissioner of

27 commerce and economic development;

28 (2) one other member who is the head of a [THE] principal

29 department of the executive branch of state government appointed by

1 the governor; and

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

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

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

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

11 (f) In this section and in AS 18.56.099

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

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

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

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

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

29 (4) "residence" means

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

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

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

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

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

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

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

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

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

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

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

27                   (4) "residence" means

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

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

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

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

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

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

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

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

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

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

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

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

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

26           (8) [(7)] In this subsection

27           (A) "cost of funds" means the true interest cost  
28 expressed as a rate on bonds of the corporation plus an addi-  
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and  
2 mortgage servicing;

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

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

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

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

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

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

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

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

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

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

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

16 (1) "agency"

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

21 (B) does not include

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

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

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

25 (iv) the Alaska Housing Finance Corporation;

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

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

1           Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)  
2       Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing  
3       Finance Corporation may, by resolution adopted by the board of direc-  
4       tors, increase an item appropriated from corporation receipts if

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

8           (2) additional corporation receipts are available.

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

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

17      \* Sec. 11. 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. 12. 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. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

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