

HOUSE BILL NO. 206**IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION****BY REPRESENTATIVES CHOQUETTE, Baker**

Introduced: 3/8/91

Referred: Labor & Commerce, Finance

A BILL**FOR AN ACT ENTITLED**

1 "An Act revising the loan authority of the Alaska Industrial Development and Export
2 Authority, and amending the requirements relating to the authority's loan guarantee
3 program; and providing for an effective date."

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

5 * Section 1. AS 44.88.155(d) is amended to read:

6 (d) A loan purchased in whole or in part by the authority with assets of the enterprise
7 development account or with proceeds of bonds secured by assets of the enterprise development
8 account, other than a loan which is financed with the proceeds of bonds of the authority and
9 secured only by a project applicant or a project,

10 (1) may not exceed \$10,000,000;

11 (2) may not exceed the cost of the project or 75 percent of the appraised value
12 of the project, whichever is less, unless the amount of the loan in excess of this limit is federally
13 insured or guaranteed or is insured by a qualified mortgage insurance company;

14 (3) may not be for a term longer than three-quarters of the authority's estimate

1 of the life of the project or 25 years from the date the loan is made, whichever is earlier;
2 (4) shall contain [COMPLETE] amortization provisions; the amortization
3 provisions
4 (A) must be complete and satisfactory to the authority and require
5 [REQUIRING] periodic payments by the borrower;
6 (B) may not require the loan originator to amortize the portion of the
7 loan retained by the loan originator for longer than the amortization period for the
8 portion of the loan held by the authority or for 10 years, whichever is less:
9 (5) shall be in the form and contain the terms and provisions with respect to
10 insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency
11 charges, default remedies, acceleration of maturity, secondary liens, and other matters the
12 authority prescribes;
13 (6) shall be secured as to repayment by a mortgage or other security instrument
14 in the manner the authority determines is feasible to assure timely repayment under a loan
15 agreement entered into with the borrower;
16 (7) may not be made unless
17 (A) at least 20 percent of the principal amount of the loan is retained by
18 the originator of the loan [AS LONG AS THE LOAN IS OUTSTANDING]; or
19 (B) 100 percent of the principal amount of the loan is guaranteed by the
20 United States or an agency or instrumentality of the United States;
21 (8) must be
22 (A) financed from the proceeds of bonds; or
23 (B) expected by the authority to be financed from the proceeds of bonds.
24 * Sec. 2. AS 44.88.535(a) is amended to read:
25 (a) The authority may guarantee a loan under AS 44.88.500 - 44.88.599 if the
26 (1) loan
27 (A) is commercially reasonable;
28 (B) [,] contains amortization provisions satisfactory to the authority;
29 (C) [,] is secured by adequate collateral, except that security may not
30 be required for a loan for which the proposed loan amortization period does not
31 exceed five years;

1 **(2)** [AND THE] net cash flow from the borrower provides adequate coverage for
2 the debt service on the loan;

3 **(3)** [(2)] term of the loan does not exceed 20 years;

4 **(4)** [(3)] loan is originated with and serviced by a state chartered or federally
5 chartered financial institution;

6 **(5)** [(4)] portion of the loan not guaranteed by the authority is held by the
7 originating financial institution or another financial institution approved by the authority;

8 **(6)** [(5)] loan is made to a business with a majority interest held by state
9 residents; and

10 **(7)** [(6)] loan guarantee provides a benefit to the borrower.

11 * Sec. 3. AS 44.88.535(b) is amended to read:

12 (b) The authority may provide a guarantee from the fund

13 **(1)** of 80 percent of a loan of \$50,000 or less that qualifies under
14 AS 44.88.500 - 44.88.599;

15 **(2)** for up to 80 percent of a loan of more than \$50,000 that qualifies under
16 AS 44.88.500 - 44.88.599; the [. THE] ratio of the guarantee to the outstanding principal of the
17 loan may not increase over the term of the loan.

18 * Sec. 4. AS 44.88.560 is amended to read:

19 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

20 (1) adopt regulations to implement AS 44.88.500 - 44.88.599;

21 (2) establish terms and conditions for loan guarantees and refinancing agreements
22 subject to the requirements of AS 44.88.500 - 44.88.599;

23 (3) make and execute contracts and other instruments to implement
24 AS 44.88.500 - 44.88.599;

25 (4) except as provided in (b) of this section, charge

26 (A) one percent of the amount guaranteed for the service it provides under
27 AS 44.88.500 - 44.88.599; and

28 (B) any other reasonable fee that the authority may establish by regulation;

29 (5) acquire real or personal property by purchase, transfer, or foreclosure when
30 the acquisition is necessary to protect an interest in the fund; and

31 (6) exercise any other power necessary to implement AS 44.88.500 - 44.88.599;

1 (7) to the extent the authority considers it to be in its best interest to do so, use
2 money in the business assistance fund to pay expenses relating to the liquidation of collateral
3 securing loans guaranteed by the business assistance fund.

4 * **Sec. 5.** AS 44.88.560 is amended by adding a new subsection to read:

5 (b) The authority may not collect a fee for the origination of a loan to be guaranteed
6 under AS 44.88.500 - 44.88.599, if the amount of the loan is less than \$25,000.

7 * **Sec. 6. LOAN RATIOS NOT TO BE INCREASED.** For a loan of \$50,000 or less for which a loan
8 guarantee was made from the business assistance fund of the Alaska Industrial Development and Export
9 Authority before the effective date of this Act, the authority may not increase the ratio of the guarantee
10 to the outstanding principal of the loan in effect on the effective date of this Act over the term of the
11 loan.

12 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).