

**CS FOR HOUSE BILL NO. 206 (L&C)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE LABOR AND COMMERCE COMMITTEE**

**Offered: 4/10/91**  
**Referred: Finance**

**Sponsor(s): REPRESENTATIVES CHOQUETTE, Baker**

**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 \$15,000,000 [\$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) the project applicant is a new business venture;

18 (B) the project applicant is not, or, if the applicant is not a single  
19 proprietorship, all members of the business enterprise or enterprises constituting the  
20 project applicant are not, in default on another loan made by the state or by a  
21 public corporation of the state; and

22 (C) with respect to the loan,

23 (i) at least 20 percent of the principal amount of the loan is  
24 retained by the loan originator [OF THE LOAN AS LONG AS THE LOAN IS  
25 OUTSTANDING]; or

26 (ii) [(B)] 100 percent of the principal amount of the loan is  
27 guaranteed by the United States or an agency or instrumentality of the United  
28 States;

29 (8) must be

30 (A) financed from the proceeds of bonds; or

31 (B) expected by the authority to be financed from the proceeds of bonds.

1 \* Sec. 2. AS 44.88.535(a) is amended to read:

2 (a) The authority may guarantee a loan under AS 44.88.500 - 44.88.599 if the

3 (1) loan

4 (A) is commercially reasonable;

5 (B) [,] contains amortization provisions satisfactory to the authority;

6 (C) [,] is secured by adequate collateral, except that security may not

7 be required for a guarantee that is no more than \$50,000 for which the proposed

8 loan amortization period does not exceed five years;

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

11 (3) [(2)] term of the loan does not exceed 20 years;

12 (4) [(3)] loan is originated with and serviced by a state chartered or federally  
13 chartered financial institution;

14 (5) [(4)] portion of the loan not guaranteed by the authority is held by the  
15 originating financial institution or another financial institution approved by the authority;

16 (6) [(5)] loan is made to a business with a majority interest held by state  
17 residents; and

18 (7) [(6)] loan guarantee provides a benefit to the borrower.

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

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

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

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

26 \* Sec. 4. LOAN RATIOS NOT TO BE INCREASED. For a loan of \$50,000 or less for which a loan  
27 guarantee was made from the business assistance fund of the Alaska Industrial Development and Export  
28 Authority before the effective date of this Act, the authority may not increase the ratio of the guarantee  
29 to the outstanding principal of the loan in effect on the effective date of this Act over the term of the  
30 loan.

31 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

1 \* Sec. 2. AS 44.88.535(a) is amended to read:

2 (a) The authority may guarantee a loan under AS 44.88.500 - 44.88.599 if the

3 (1) loan

4 (A) is commercially reasonable;

5 (B) [,] contains amortization provisions satisfactory to the authority;

6 (C) [,] is secured by adequate collateral, except that security may not

7 be required for a guarantee that is no more than \$50,000 for which the proposed

8 loan amortization period does not exceed five years;

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

11 (3) [(2)] term of the loan does not exceed 20 years;

12 (4) [(3)] loan is originated with and serviced by a state chartered or federally  
13 chartered financial institution;

14 (5) [(4)] portion of the loan not guaranteed by the authority is held by the  
15 originating financial institution or another financial institution approved by the authority;

16 (6) [(5)] loan is made to a business with a majority interest held by state  
17 residents; and

18 (7) [(6)] loan guarantee provides a benefit to the borrower.

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

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

21 (1) of 80 percent of a loan of \$50,000 or less that qualifies under

22 AS 44.88.500 - 44.88.599;

23 (2) for up to 80 percent of a loan of more than \$50,000 that qualifies under

24 AS 44.88.500 - 44.88.599; the [. THE] ratio of the guarantee to the outstanding principal of the

25 loan may not increase over the term of the loan.

26 \* Sec. 4. LOAN RATIOS NOT TO BE INCREASED. For a loan of \$50,000 or less for which a loan  
27 guarantee was made from the business assistance fund of the Alaska Industrial Development and Export  
28 Authority before the effective date of this Act, the authority may not increase the ratio of the guarantee  
29 to the outstanding principal of the loan in effect on the effective date of this Act over the term of the  
30 loan.

31 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).