

CS FOR HOUSE BILL NO. 206 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/6/91  
Referred: Rules

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 guarantees under  
3 its business assistance 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 allow the loan originator to amortize the portion of the loan  
7 retained by the loan originator using a shorter amortization schedule than the  
8 amortization schedule for the portion of the loan held by the authority if

9 (i) in the authority's opinion, the project financed can support  
10 the increased debt service; and

11 (ii) the accelerated amortization schedule is required to induce  
12 the originator to make the loan;

13 (5) shall be in the form and contain the terms and provisions with respect to  
14 insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency  
15 charges, default remedies, acceleration of maturity, secondary liens, and other matters the  
16 authority prescribes;

17 (6) shall be secured as to repayment by a mortgage or other security instrument  
18 in the manner the authority determines is feasible to assure timely repayment under a loan  
19 agreement entered into with the borrower;

20 (7) may not be made unless

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

25 (B) with respect to the loan,

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

29 (ii) [(B)] 100 percent of the principal amount of the loan is  
30 guaranteed by the United States or an agency or instrumentality of the United  
31 States;

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(8) must be

(A) financed from the proceeds of bonds; or

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

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

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

(1) loan

(A) is commercially reasonable;

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

(C) [,] is secured by adequate collateral; however, the authority may waive on a case-by-case basis the requirement of collateral for a loan guarantee of \$50,000 or less for which the proposed loan amortization period does not exceed five years, but the ability to waive the requirement of this subparagraph or the grant of a waiver does not prevent the financial institution that holds the loan guaranteed by the authority from requiring reasonable collateral for the loan;

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

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

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

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

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

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

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

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

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

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

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

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