

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

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/20/91

Offered: 5/6/91

Referred: Rules

Sponsor(s): REPRESENTATIVES CHOQUETTE, Baker, Ulmer

SENATOR Menard

A BILL

FOR AN ACT ENTITLED

1 "An Act revising the loan authority of the Alaska Industrial Development and Export
2 Authority, and relating to the authority's loan guarantees under its business assistance
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 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;

- 1 (8) must be
2 (A) financed from the proceeds of bonds; or
3 (B) expected by the authority to be financed from the proceeds of bonds.

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

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

6 (1) loan

7 (A) is commercially reasonable;

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

9 (C) [,] is secured by adequate collateral; however, the authority may

10 waive on a case-by-case basis the requirement of collateral for a loan guarantee of
11 \$50,000 or less for which the proposed loan amortization period does not exceed five
12 years, but the ability to waive the requirement of this subparagraph or the grant of
13 a waiver does not prevent the financial institution that holds the loan guaranteed by
14 the authority from requiring reasonable collateral for the loan;

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

17 (3) [(2)] term of the loan does not exceed 20 years;

18 (4) [(3)] loan is originated with and serviced by a state chartered or federally
19 chartered financial institution;

20 (5) [(4)] portion of the loan not guaranteed by the authority is held by the
21 originating financial institution or another financial institution approved by the authority;

22 (6) [(5)] loan is made to a business with a majority interest held by state
23 residents; and

24 (7) [(6)] loan guarantee provides a benefit to the borrower.

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

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

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

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

1 * Sec. 4. Section 4, ch. 162, SLA 1988, is amended to read:

2 Sec. 4. AS 44.88.500 - 44.88.599 are repealed July 1, 1993 [1991].

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

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