

**CS FOR HOUSE BILL NO. 431 (FINANCE)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 4/24/92**

**Referred: Rules**

**Sponsor(s): REPRESENTATIVES IVAN, Brown, Foster**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to housing assistance loans made by the Department of Community and  
2 Regional Affairs; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* **Section 1.** AS 44.47.370 is amended to read:

5           **Sec. 44.47.370. POWERS OF COMMISSIONER.** The commissioner may

6                   (1) adopt regulations in accordance with the Administrative Procedure Act  
7           (AS 44.62) to implement AS 44.47.370 - 44.47.560;

8                   (2) make and execute agreements, contracts, and other instruments necessary or  
9           convenient in the exercise of the commissioner's powers and functions under AS 44.47.370 -  
10           44.47.560;

11                   (3) purchase or participate in the purchase of small community  
12           [**NONCONFORMING AND RURAL**] housing mortgage loans under [**IN ACCORDANCE**  
13           **WITH**] AS 44.47.370 - 44.47.560;

14                   (4) purchase or participate in the purchase of loans for building materials for

1        **small community** [NONCONFORMING AND RURAL] housing **under** [IN ACCORDANCE  
2        WITH] AS 44.47.370 - 44.47.560;

3                (5) procure insurance against loss in connection with the director's functions  
4        under AS 44.47.370 - 44.47.560;

5                (6) acquire real or personal property, or an interest in real or personal property,  
6        by purchase, transfer, or foreclosure, when the acquisition is necessary or appropriate to protect  
7        a loan in which the department has an interest; sell, transfer, and convey that property to a buyer;  
8        and, if the sale, transfer, or conveyance cannot be effected with reasonable promptness or at a  
9        reasonable price, rent or lease the property to a tenant pending the sale, transfer, or conveyance;

10               (7) do all acts necessary, convenient or desirable to carry out the powers expressly  
11        granted or necessarily implied in AS 44.47.370 - 44.47.560;

12               (8) originate and service direct loans made to qualified buyers **under** [IN  
13        ACCORDANCE WITH] AS 44.47.370 - 44.47.560.

14    \* Sec. 2. AS 44.47.380(a) is amended to read:

15               (a) There is created in the department, as a revolving loan fund, the housing assistance  
16        loan fund consisting of money appropriated to it by the legislature and repayments of principal  
17        and interest on loans made or purchased from the assets of the fund. The commissioner shall  
18        administer the housing assistance loan fund **under** [IN ACCORDANCE WITH] AS 44.47.370 -  
19        44.47.560 and shall use the money in the housing assistance loan fund to originate, purchase, or  
20        participate in the purchase of

21               (1) **small community** [NONCONFORMING AND RURAL] housing mortgage  
22        loans;

23               (2) loans made for building materials for **small community** [NONCONFORMING  
24        AND RURAL] housing;

25               (3) loans made for renovations or improvements to **small community**  
26        [NONCONFORMING AND RURAL] housing;

27               (4) loans made for the construction of owner-occupied **small community**  
28        [NONCONFORMING AND RURAL] housing other than loans to builders or contractors or loans  
29        that compensate an owner for the owner's labor or services in constructing the owner's own  
30        housing.

31    \* Sec. 3. AS 44.47.390 is amended to read:

1                   **Sec. 44.47.390. LIMITATIONS ON USE OF HOUSING ASSISTANCE LOAN FUND.**

2                   The commissioner may not use the money in the housing assistance loan fund to

3                               (1) originate a direct loan or purchase or participate in the purchase of a small  
4 community [NONCONFORMING OR RURAL] housing mortgage loan that exceeds the  
5 limitations on mortgage loans purchased by the Federal National Mortgage Association as to  
6 principal amount or loan-to-value ratio;

7                               (2) originate a direct loan or purchase or participate in the purchase of a loan  
8 made for building materials for small community [NONCONFORMING OR RURAL] housing

9                                       (A) that exceeds \$45,000 or exceeds

10   (i) 80 percent of the appraised value of the work completed on the  
11 small community [NONCONFORMING OR RURAL] housing for which the loan  
12 is made if the small community [NONCONFORMING OR RURAL] housing is  
13 pledged as collateral for the loan; or

14   (ii) 90 percent of the value of other property that is pledged as  
15 security for the loan and that is satisfactory to the commissioner as collateral;

16                                       (B) unless the terms of the loan agreement require inspections and  
17 certifications, as required by regulations of the commissioner, at the expense of the  
18 borrower; and

19                                       (C) unless the period of time allowed for repayment of the loan is equal  
20 to or less than 15 years;

21                               (3) originate direct loans or purchase or participate in the purchase of a small  
22 community [NONCONFORMING OR RURAL] housing mortgage loan that is secured by real  
23 property the marketable title to which is shown under [IN ACCORDANCE WITH] AS  
24 44.47.420(b)(2) if the total amount of outstanding small community [NONCONFORMING AND  
25 RURAL] housing mortgage loans held by the department exceeds 10 times the amount of money  
26 in the restricted title loss reserve account (AS 44.47.430);

27                               (4) originate a direct loan for small community [NONCONFORMING OR  
28 RURAL] housing or purchase or participate in the purchase of a small community  
29 [NONCONFORMING OR RURAL] housing mortgage loan, other than a loan for the repair,  
30 remodeling, rehabilitation, or expansion of an existing owner-occupied residence, if the borrower  
31 has an outstanding housing loan made under a state loan program, other than a loan for

1 nonowner-occupied housing under former AS 44.47.520, that bears interest at a rate that was less  
2 than the prevailing market interest rate for similar housing loans at the time the loan was made;

3 (5) originate a direct mortgage loan or purchase or participate in the purchase of  
4 a mortgage loan for rental housing unless the borrower agrees not to discriminate against tenants  
5 or prospective tenants because of sex, marital status, changes in marital status, pregnancy,  
6 parenthood, race, religion, color, national origin, or status as a student;

7 (6) originate, purchase, or participate in a loan to a person who has a past due  
8 child support obligation established by court order or by the child support enforcement division  
9 under AS 25.27.160 - 25.27.220 at the time of application.

10 \* Sec. 4. AS 44.47.410(b) is amended to read:

11 (b) The interest rate on a mortgage loan originated or purchased in whole or in part under  
12 AS 44.47.380 for small community [RURAL] housing is one percent less than the interest rate,  
13 as determined under AS 18.56.098(g)(1) - (4), on a mortgage loan purchased under  
14 AS 18.56.098(a) from the proceeds of the most recent applicable issue of taxable bonds before  
15 the origination or purchase of the mortgage loan originated or purchased under AS 44.47.380.

16 \* Sec. 5. AS 44.47.420(a) is amended to read:

17 (a) Before the commissioner originates or purchases a small community  
18 [NONCONFORMING OR RURAL] housing mortgage loan in whole or in part, the commissioner  
19 may require a borrower to show marketable title to real property offered as security for the loan  
20 to be purchased.

21 \* Sec. 6. AS 44.47.430(b) is amended to read:

22 (b) The commissioner may withdraw money from the restricted title loss reserve account  
23 in an amount equal to the loss to the department on a small community [NONCONFORMING  
24 OR RURAL] housing mortgage loan originated or purchased in whole or in part by the  
25 department if marketable title to the real property used to secure the loan was shown under [IN  
26 ACCORDANCE WITH] AS 44.47.420(b)(2). Money withdrawn from the restricted title loss  
27 reserve account under this section shall be deposited in the housing assistance loan fund.

28 \* Sec. 7. AS 44.47.440 is amended to read:

29 Sec. 44.47.440. FIRE INSURANCE. Before purchasing or participating in the purchase  
30 of a small community [NONCONFORMING OR RURAL] housing mortgage loan, the  
31 commissioner may require the borrower to agree to purchase and maintain fire insurance for the

1 real property for which the loan is made in an amount not less than the outstanding principal  
2 balance of the loan.

3 \* Sec. 8. AS 44.47.470 is amended to read:

4 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or participating in the  
5 purchase of a small community [NONCONFORMING OR RURAL] housing mortgage loan, the  
6 commissioner may have or may require the borrower to have an appraisal made of the fair  
7 market value of the real property, including structures on the real property, for which the loan  
8 is made. In conducting an appraisal under this section, the appraiser shall give full value to  
9 insulation and other features of construction in structures on the real property that add to the  
10 energy efficiency of the structures.

11 \* Sec. 9. AS 44.47.490(a) is amended to read:

12 (a) The commissioner may establish field offices under this chapter, may hire one or  
13 more lending officers, and, under AS 36.30 (State Procurement Code), may contract for the  
14 services of

15 (1) real property appraisers who are familiar with housing and [RURAL]  
16 construction in small communities; and

17 (2) engineers who are familiar with engineering problems in arctic and subarctic  
18 regions.

19 \* Sec. 10. AS 44.47.520(a) is amended to read:

20 (a) In addition to the powers authorized by AS 44.47.370 the commissioner may adopt  
21 regulations allowing the use of money in the housing assistance loan fund to make loans for the  
22 purchase or development of nonowner occupied housing in small communities [RURAL AREAS  
23 OF THE STATE].

24 \* Sec. 11. AS 44.47.520(c) is amended to read:

25 (c) The principal amount of loans made for nonowner occupied housing under this  
26 section may not exceed 20 percent of the total principal amount of loans made for small  
27 community [NONCONFORMING AND RURAL] housing under AS 44.47.370 - 44.47.560.

28 \* Sec. 12. AS 44.47.520(d) is amended to read:

29 (d) In this section,

30 (1) "development" means the construction of a new residence or the repair,  
31 remodeling, rehabilitation, or expansion of an existing residence;

1 (2) "nonowner occupied housing" means a single-family residence or a  
2 multi-family residence having up to eight dwelling units [ THAT IS NOT NONCONFORMING  
3 HOUSING,] and is not occupied by the owner; the commissioner may modify this definition if  
4 the commissioner determines that there is a special need for nonowner occupied housing and that  
5 a change in the definition is necessary to enable the department to meet that need.

6 \* Sec. 13. AS 44.47.560 is amended to read:

7 Sec. 44.47.560. DEFINITIONS. In AS 44.47.370 - 44.47.560,

8 (1) [REPEALED

9 (2) REPEALED

10 (3)] "housing" means owner-occupied, single-family housing and owner-occupied  
11 duplexes in which not more than 25 percent of the gross floor area is or will be devoted to  
12 commercial use:

13 (2) "small community" [(4) "NONCONFORMING HOUSING" MEANS  
14 HOUSING THAT DOES NOT CONFORM TO MINIMUM BUILDING STANDARDS UNDER  
15 ANY STATE OR FEDERAL PROGRAM THAT PROVIDES LOANS FOR HOUSING  
16 PURCHASES;

17 (5) "RURAL"] means

18 [(A) a community [IN THE SECOND, THIRD, OR FOURTH JUDICIAL  
19 DISTRICT OF THE STATE] with a population of 5,500 [4,500] or less that is not  
20 connected by road or rail to Anchorage or Fairbanks [;] or with a population of  
21 1,400 or less that is connected by road or rail to Anchorage or Fairbanks; in  
22 this paragraph "connected by road" does not include a connection by the  
23 Alaska marine highway system;

24 [(B) A COMMUNITY IN THE FIRST JUDICIAL DISTRICT OF THE  
25 STATE WITH A POPULATION OF 4,500 OR LESS;

26 (6) "RURAL HOUSING" MEANS HOUSING WHETHER OR NOT IT IS  
27 NONCONFORMING HOUSING THAT IS LOCATED IN A RURAL AREA OF THE STATE].

28 \* Sec. 14. AS 44.47.410(a) is repealed.

29 \* Sec. 15. Sections 1 - 14 of this Act are retroactive to January 1, 1992, and apply to all loans and  
30 loan commitments for small community housing loans made after December 31, 1991.

31 \* Sec. 16. (a) Notwithstanding sec. 15 of this Act, nonconforming housing loans made by the

1 Department of Community and Regional Affairs under AS 44.47.370 - 44.47.560 between December 31,  
2 1991, and the effective date of this Act are valid.

3 (b) Notwithstanding secs. 1 - 14 of this Act, the Department of Community and Regional Affairs  
4 may continue to administer nonconforming and rural housing loans made under AS 44.47.370 -  
5 44.47.560 before the effective date of this Act.

6 \* Sec. 17. This Act takes effect immediately under AS 01.10.070(c).