

COMMITTEE REPORT

4/17/75

SENATE

Mr. President:

Date _____

The Committee on FINANCE has had SB 288 special appropriation to the Alaska Housing Finance Corporation under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the majority report:

Members NOT concurring in the Majority report:

_____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recommends:

Chairman

COMMITTEE REPORT

4/17/75

SENATE

Mr. President:

Date _____

The Committee on FINANCE has had SB 238 special appropriation to the Alaska Housing Finance Corporation under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- () recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recommends:
 _____ recommends:

_____ Chairman

COMMITTEE REPORT

SENATE

3/19/75

Mr. President:

Date 4-17-75

The Committee on COMMERCE has had SB 288 special appropriation to the Alaska Housing Finance Corporation under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE Finance COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

J. Kettle _____

Edward C. Wallis _____

Colette _____

Members NOT concurring in the Majority report:

3 recommends: w/o rec.

Joseph L. Orsini recommends: no rec.

_____ recommends:

_____ recommends:

_____ recommends:

J. Kettle Chairman

Introduced: 3/19/75
Referred: Commerce and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 288

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE -- FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special app opriation to the
7 mortgage insurance fund of the Alaska Housing
8 Finance Corporation; and providing for an
9 effective date."

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

11 * Section 1. The sum of \$500,000 is appropriated from the general fund
12 to the mortgage insurance fund of the Alaska Housing Finance Corporation.
13 The Alaska Housing Finance Corporation is directed to pay into the mortgage
14 insurance fund the sum of \$500,000 from its unrestricted surplus funds.

15 * Sec. 2. This Act takes effect on the effective date of "An Act
16 enlarging the purposes and powers of the Ala Housing Finance Corporation;
17 and providing for an effective date."

COMMITTEE COPY

ALASKA STATE LEGISLATURE

NINTH Legislature FIRST Session

SENATE BILL NO. 288

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act making a special appropriation to the mortgage insurance fund of the Alaska Housing Finance Corporation; and providing for an effective date."

spec. approp. Alaska Housing Finance Corp.

Introduced in the Senate ... 3/19, 19.75

HISTORY IN THE SENATE

19	75	Read first time and referred to Committee on
3	19	Commerce and Finance
4	17	Reported back with recommendation that <i>Con. 3rd page In. re T. Finance</i>
		Read second time and
		Read third time and
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reconsideration
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reported correctly engrossed
		Signed by President
		Sent to House
SECRETARY OF THE SENATE		

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on
	Reported back with recommendation that
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by Speaker
	Returned to Senate
CHIEF CLERK OF THE HOUSE	

HISTORY IN THE SENATE

19	Received from House
	Reported correctly enrolled
	Sent to Governor
 By Governor
	Filed with Lt. Governor
	Chapter No.



JUNEAU, ALASKA

Alaska State Legislature

Senate

RECEIVED

DEC 1 1975

RECEIVED

DEC 8 1975

DEPARTMENT OF COMMERCE

MEMORANDUM

TO: Lois Cook

DATE: December 5, 1975

FROM: James D. Fennel
Staff Assistant
Senate Finance Committee

SUBJ: Fiscal Notes

Attached is a fiscal note submitted for SB288+289, which was referred to the Senate Finance Committee during the last legislative session.

Would you please review this information for accuracy, revise figures to reflect current costs, and add any pertinent data necessary.

We would appreciate receiving the revised fiscal note by January 1, 1976.

1/2/76
Alaska Housing Finance Corporation advises me that there is no change for the fiscal note on SB288 (SB289 passed last session). They also indicate that they will seek an additional appropriation this session for the mortgage insurance fund.

James Fennel



LAWS OF ALASKA

1975

Source

Chapter No.

HCS CSSB 280 am H

151

AN ACT

Relating to housing and to political subdivisions of the state involved in housing; and providing for an effective date.

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

* Section 1. AS 18.55.100 is amended by adding a new subsection to read:

(c) Any two or more authorities may join or cooperate with one another in the exercise of any or all of the power conferred by the housing authorities law for the purpose of financing, planning, undertaking, constructing or operating a housing project or projects located within the area of operation of one or more of the authorities.

* Sec. 2. AS 18.55.995 is amended to read:

Sec. 18.55.995. PURPOSE AND INTENT. The legislature finds that an acute shortage of housing and related facilities exists in the villages of Alaska and that adequate housing cannot be provided by the private sector due to the economic depression which exists in most villages of Alaska. It is the purpose and intent of the legislature to provide a means for certain native associations to form public corporations with the powers and duties comparable to the Alaska State Housing Authority.

* Sec. 3. AS 18.55.996(b) is amended to read:

(b) There is created with respect to each of the associations named in (a) of this section a public body corporate and politic to function in the operating area of the individual associations to be known as the regional housing authority of the associations possessing all powers, rights and functions now or subsequently specified for the Alaska State Housing Authority, under the Alaska State

Housing Authority Act (secs. 10 - 290 of this chapter) except those specified with respect to the construction and acquisition of public buildings for lease to the state or any subsequently specified authority which is inconsistent with sec. 995 of this chapter. The authority shall have the power to enter into agreements with local government, other political subdivisions of the state, the state or the federal government for the exercise of a function or power relating to construction, operation and maintenance of public facilities or public utilities. Upon execution of such an agreement and for the period of the agreement the authority shall have the same powers and functions relating to the subject matter of the agreement as those which may legally be exercised by the governmental unit with whom the agreement is made including the authority to separately or together with the other unit borrow money and issue notes, bonds or other evidence of indebtedness to finance a project within the scope of the agreement subject to the express limitations, if any, contained in the agreement. All obligations or liabilities of the regional housing authorities shall remain their own and shall not be obligations or liabilities of the state.

* Sec. 4. AS 18.56.010 is amended by adding new subsections to read:

(d) The program of making loans for residential housing to veterans in accordance with AS 26.15 has increased and improved the supply of adequate housing in the state, and the continuation of the program is essential to the economic growth of the state and the expansion of the supply of adequate residential housing in the state. Participation by the Alaska Housing Finance Corporation in the program of purchasing and insuring state veterans' loans as provided in this chapter will be of material aid in insuring the continuance of the program of making loans for residential housing to veterans in accordance with AS 26.15.

(e) Expansion of the program of the Alaska Housing Finance Corporation of purchasing insured and uninsured mortgage loans is essential to the economic growth of the state and the supply of adequate residential housing in the state.

(f) The legislature finds that enabling the Alaska Housing Finance Corporation to assist in financing the program of veterans' loans for residential housing in accordance with AS 26.15 and to expand its program of purchasing other mortgage loans serves a public purpose in benefiting the people of the state. The Alaska Housing Finance Corporation is empowered to act on behalf of the state and its people in serving this public purpose for the benefit of the general public.

* Sec. 5. AS 18.56.030 is amended to read:

Sec. 18.56.030. CORPORATION GOVERNING BODY. The corporation shall be governed by a board of directors, consisting of the commissioner of commerce and six members appointed by the governor. Members serve without compensation except that each member may be reimbursed by the corporation for actual and necessary expenses at the same

rate as set out in AS 39.20.180.

* Sec. 6. AS 18.55.996 is amended by adding a new subsection to read:

(f) The authority shall have the power to acquire, construct, operate and maintain group homes, multipurpose community centers, child care centers and other community facilities.

* Sec. 7. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.072. VETERANS' LOANS FOR RESIDENTIAL HOUSING. The corporation is additionally authorized to exercise the powers enumerated in sec. 90 of this chapter for the purpose of assisting the financing of the program of veterans' loans for residential housing in accordance with AS 26.15.

* Sec. 8. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.095. MORTGAGE INSURANCE. (a) There is another special fund of the state to be known as the "state mortgage insurance fund" (called the "mortgage insurance fund") which shall be completely segregated and set apart from all other funds of the state, and which is a trust fund for the uses and purposes of this section and into and from which money shall be paid as provided in this section. The mortgage insurance fund shall be held by the commissioner of revenue, subject to the power of the commissioner of commerce to enter into and perform agreements with respect to the use of money in the mortgage insurance fund and to pledge, assign or grant interests in the mortgage insurance fund as provided in this section. The commissioner of commerce may enter into agreements with the corporation with respect to the exercise of any power or approval relating to the mortgage insurance fund under this section, including, without limitation, agreements as to the use of money in the mortgage insurance fund, agreements with respect to the terms and conditions upon which payments from the mortgage insurance fund shall be made to the corporation with respect to mortgage loans insured under this section, and agreements regarding the payment of and security for mortgage insurance bonds, and in connection with these agreements the commissioner of commerce may pledge, assign or grant other interests in the mortgage insurance fund to the corporation as may be necessary or appropriate in connection with the insurance of mortgage loans and to provide for the payment of and security for mortgage insurance bonds. Any such agreement or any of the rights of the corporation under the agreement and payments received or to be received under the agreement may be pledged or assigned by the corporation for the benefit of the holders of mortgage insurance bonds.

(b) In addition to any other fees and charges which the corporation may charge on mortgage loans, it may collect or cause to be collected on all mortgage loans made or purchased with the proceeds of the sale of mortgage insurance bonds, either or both a special mortgage loan insurance commitment fee or a mortgage loan insurance premium. The

special mortgage loan insurance commitment fees and special mortgage loan insurance premiums when received shall be deposited in the mortgage insurance fund by the corporation, or by any mortgage loan servicer, trustee, or agent designated by the corporation to receive them, and shall be held, invested and, together with all investment income derived from them, reinvested by the commissioner of revenue in investments authorized under AS 37.10.070(a), subject to any agreement with the corporation under (a) of this section.

(c) If, at any time after receipt by the corporation of a payment from the mortgage insurance fund with respect to a mortgage loan or any portion of the principal and interest and other amounts payable on a mortgage loan, the corporation recovers an amount on the mortgage loan or portion of it from any source other than the mortgage insurance fund, it shall apply the amount recovered in the following order: first to repay the general fund of the state to the extent of appropriations made pursuant to requests made under (f) of this section, and second, to repay the mortgage insurance fund.

(d) A mortgage loan, including a state veterans' loan, may be insured if the loan to value ratio at the time of the insurance loan does not exceed 80 per cent or, if the loan to value ratio does exceed that percentage, if it is federally insured or guaranteed or insured by a qualified mortgage insurance company to the extent of the excess. In addition, a state veterans' loan may be insured if the loan to value ratio does not exceed 90 per cent. The endorsement of the corporation on the mortgage at the time of purchase or acquisition of the mortgage loan is conclusive evidence that the mortgage loan is insured under the provisions of this section. The insurance is payable solely from the mortgage insurance fund.

(e) Mortgage loans may only be insured when the amount in the mortgage insurance fund as a percentage of the sum of all mortgage loans to be insured and all unpaid principal on mortgage loans insured by the corporation, equals or exceeds the fund requirement. As used in this section, the "fund requirement" is calculated as follows as to the following mortgage loans insured by the corporation:

(1) in the case of federally insured or guaranteed mortgage loans, or mortgage loans, including state veterans' loans, insured by a qualified mortgage insurance company or, if not so insured or guaranteed, with a loan to value ratio at the time of the mortgage insurance application less than 80 per cent, the greater of (A) two per cent of the unpaid principal amount of those mortgage loans, or (B) a percentage which the corporation with the approval of the commissioner of commerce determines is actuarially sound for operation of the mortgage insurance fund;

(2) in the case of state veterans' loans not insured by a qualified mortgage insurance company and with a loan to value ratio at the time of the mortgage insurance application between 80 and 90 per cent, the greater of (A) six per cent of the unpaid principal amount of those state veterans' loans, or (B) a percentage which the corporation with the approval of the commissioner of commerce determines

is actuarially sound for the operation of the mortgage insurance fund.

(f) On December 1 of each year the commissioner of commerce shall determine the amount on deposit in the mortgage insurance fund. If the amount in the fund is less than the fund requirement, the commissioner shall request the corporation to transfer from any available funds the amount necessary to restore the mortgage insurance fund to the fund requirement and the corporation shall promptly comply with the request from any funds available subject to agreements with holders of any of its obligations. If sufficient funds are not provided as the result of such requests, the commissioner shall, no later than January 2 of the following year, make and deliver to the governor and to the chairmen of the house and senate finance committees his certificate stating the sum required to restore the fund to the fund requirement and the sum so certified may be appropriated and paid to the fund during the then current state fiscal year. Nothing in this subsection creates a debt or liability of the state.

(g) The commissioner of revenue may sell to the corporation, and the corporation may purchase, state veterans' loans purchased for and held in the general fund on such terms and conditions as the commissioner of revenue and the corporation consider appropriate. When the commissioner of revenue sells any state veterans' loan to the corporation he may cause to be deposited in the mortgage insurance fund from the proceeds of sale an amount not exceeding the lesser of (1) six per cent of the proceeds of sale, or (2) the difference between the amount the commissioner of revenue actually receives on the sale and the amount the commissioner determines would have been received if the state veterans' loans had been sold in the private mortgage market. The determination shall be based on information reasonably available to the commissioner of revenue at the time of sale and is conclusive in determining the amount of the deposit.

(h) As used in this section, unless the context clearly indicates a different meaning:

(1) "loan to value ratio" means the ratio between the principal amount of a mortgage loan and the appraised value, as determined by the corporation, of the residential housing financed by such mortgage loan;

(2) "mortgage insurance bond" means a bond, note or other obligation of the corporation, the proceeds of which are authorized to be expended to purchase or make a mortgage loan insured under this section;

(3) "qualified mortgage insurance company" means a mortgage insurance company satisfactory to the corporation;

(4) "special mortgage loan insurance commitment fee" and "special mortgage loan insurance premium" mean, respectively, a fee of such per cent of the principal amount of a mortgage loan to be insured under this section, and an annual insurance premium of such per cent of the portion of

the unpaid principal amount of a mortgage loan insured under this section which is not federally insured or guaranteed or insured by a private mortgage insurance company, which the corporation with the approval of the commissioner of commerce determines is actuarially sound for the operation of the mortgage insurance fund;

(5) "state veterans' loan," means a mortgage loan for residential housing made in accordance with AS 26.15;

(6) the determination of what is "actuarially sound" with respect to the operation of the mortgage insurance fund shall be based on a consideration of the factors which will provide sufficient revenues for the operation of the fund, without regard to amounts which may have been or may, after the date of determination of actuarial soundness, be appropriated pursuant to (f) of this section, including, without limitation, estimates of future defaults and losses on mortgage loans insured under this section based on actual default and loss experience on those mortgage loans or on similar mortgage loans in Alaska or elsewhere, estimates of recoveries on defaulted or foreclosed mortgage loans based on that experience, the terms and conditions of the mortgage loans insured under this section, estimates of earnings and income of amounts on deposit in the mortgage insurance fund, and any other appropriate factors.

* Sec. 9. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.125. CAPITAL RESERVE FUND. (a) For the purpose of securing any one or more issues of its obligations, the corporation may establish one or more special funds, called "capital reserve funds", and shall pay into those capital reserve funds (1) any money appropriated and made available by the state for the purpose of any of those funds, (2) any proceeds of the sale of its obligations, to the extent provided in the resolution or resolutions of the corporation authorizing their issuance, and (3) any other money which may be made available to the corporation for the purposes of those funds from any other source. All money held in a capital reserve fund, except as provided in this section, shall be used as required, solely for (1) the payment of the principal of obligations or of the sinking fund payments with respect to those obligations, (2) the purchase or redemption of obligations, (3) the payment of interest on obligations, or (4) the payment of any redemption premium required to be paid when those obligations are redeemed before maturity; however, money in any fund may not be withdrawn from it at any time in an amount which would reduce the amount of that fund to less than the capital reserve requirement set out in (b) of this section, except for the purpose of making, with respect to those obligations, payment, when due, of principal, interest, redemption premiums and the sinking fund payments for the payment of which other money of the corporation is not available. Any income or interest earned by, or increment to, a capital reserve fund, due to the investment of the fund or any other amounts in it, may be transferred by the corporation to other funds or accounts of the corporation to the extent that the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the corporation decides to issue obligations secured by such a capital reserve fund, the obligations may not be issued if the amount in such capital reserve fund is less than such a per cent, not exceeding 10 per cent of the principal amount of all of those obligations secured by that capital reserve fund then to be issued and then outstanding in accordance with their terms, as may be established by resolution of the corporation (called the "capital reserve fund requirement"), unless the corporation, at the time of issuance of the obligations, deposits in such capital reserve fund from the proceeds of the obligations to be issued or from other sources, an amount which, together with the amount then in the fund, will not be less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the funds are invested shall be valued at par or, if purchased at less than par, at amortized costs as that term is defined by resolution of the corporation authorizing the issue of the obligations, or by some other reasonable method established by the corporation by resolution. Valuation on a particular date shall include the amount of any interest earned or accrued to that date.

(d) To assure the continued operation and solvency of the corporation for the carrying out of its corporate purposes, provision is made in (a) of this section for the accumulation in capital reserve funds of an amount equal to their capital reserve fund requirement.

(e) The chairman of the corporation shall annually, not later than January 2, make and deliver to the governor and chairmen of the house and senate finance committees his certificate stating the sum, if any, required to restore an capital reserve fund to the capital reserve fund requirement. The legislature may appropriate such a sum, and all sums appropriated during the then current fiscal year by the legislature for such restoration shall be deposited by the corporation in the proper capital reserve fund. Nothing in this section creates a debt or liability of the state.

(f) Whenever the corporation has created and established a capital reserve fund, the commissioner of revenue may lend surplus money in the general fund to the corporation for deposit in a capital reserve fund in an amount equal to the capital reserve fund requirement. The loans shall be made on such terms and conditions as may be agreed upon by the commissioner of revenue and the corporation, including without limitation terms and conditions providing that the loans need not be repaid until the obligations of the corporation secured and to be secured by the capital reserve fund are no longer outstanding.

* Sec. 10. AS 18 is amended by adding a new chapter to read:

CHAPTER 100. HOUSING DEVELOPMENT REVOLVING LOAN FUND.

Sec. 18.100.010. DECLARATION OF PURPOSE. There exist within the state a serious shortage of decent, safe and sanitary residential housing available at low or moderate prices or rentals to persons of lower and moderate income.

Chapter 151

There also exists in the state organizations whose purposes are to provide the kinds of housing needed to alleviate this shortage. Development work to provide such housing involves substantial expense which is often beyond the resources of the organizations.

Sec. 18.100.020. FUND ESTABLISHED. There is created in the Department of Community and Regional Affairs a housing development revolving loan fund to be administered by the community planning division.

Sec. 18.100.030. POWERS AND DUTIES OF THE DEPARTMENT. The department may

(1) make loans to sponsors, builders and developers of residential housing for the costs approved by the division as appropriate expenditures which may be incurred by sponsors, builders and developers of residential housing, before commitment and initial advance of the proceeds of a construction loan or of a mortgage loan, including but not limited to

(A) payments for options to purchase properties on the proposed residential housing site;

(B) legal and organizational expenses, including payments of attorney fees, project manager, clerical and other staff salaries, office rent and other incidental expenses;

(C) payment of fees for preliminary feasibility studies and advances for planning, engineering and architectural work;

(D) expenses for tenant surveys and market analyses; and

(E) necessary application and other fees;

(2) designate agents and delegate powers to them as is necessary;

(3) adopt regulations necessary to carry out the purposes of this chapter;

(4) determine the eligibility of applicants for loans under this chapter.

Sec. 18.100.040. REPAYMENT OF LOAN. The repayment of a loan made under this chapter shall be at such time as the department designates but not later than final closing of a permanent loan on the project. The department may not require payment if construction of the contemplated project does not commence.

Sec. 18.100.050. ELIGIBILITY FOR LOANS. Only public or nonprofit private corporations are eligible for loans under this chapter. The nonprofit corporations must be designated as tax exempt under sec. 501(e)(3) and (4) of the Internal Revenue Code of 1954.

Sec. 18.100.060. INTEREST. The interest rate on loans

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made under this chapter shall be set by the Department at a rate sufficient to pay the administrative costs of the fund but the interest rate may not exceed three per cent.

* Sec. 11. This Act takes effect immediately in accordance with AS 01.10.070(c).

The Legislature of the State of Alaska
FISCAL NOTE

First Session - Ninth Legislature

I. REQUEST

Bill No. SB 288 and SB 289
 Title: An Act enlarging the purposes & powers of AHFC
 Requested by: Budget and Management Date: _____
 Return Date Requested: ASAP
 Agency: Commerce Program: Alaska State Housing Author.

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 75	FY 76	FY 77	FY 78	FY 79	FY 80
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Matching Capitalization	500.0					
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND	500.0					
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No administration costs anticipated.

IV. ATTACHMENTS

- Memorandum from Wohlforth & Flint
- Teletype from Tolbert Elliott

V. DATE: 4-18-75

PREPARED BY: Lois J. Cook
Lois J. Cook

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

TO: Members of the Board, Alaska
Housing Finance Corporation

FROM: Wohlforth & Flint

DATE: March 6, 1975

RE: Bill Enlarging the Powers and Purposes of the Alaska
Housing Finance Corporation

The bill submitted herewith enlarges the purposes of the Alaska Housing Finance Corporation by permitting the purchase and state insurance of State Veterans housing loans with the intent of expanding the State's ability to make such loans and by permitting a substantial program of conventional housing loan financing by the Corporation.

By June 30, 1975, the Corporation expects to have purchased \$104.5 million in Alaska home mortgages. Funds for the mortgage purchases have been provided through the issuance of tax exempt bonds and notes. \$8.2 million of the mortgages are non-federally insured. With funds borrowed from the State of Alaska the Corporation has made or purchased a total of \$8.3 million in conventional loans.

These housing mortgage loans have been purchased at below market rates with savings reflected in reduced interest rates to home owners. The Corporation has operated this program without any State general fund appropriations and now enjoys a surplus.

The demand, however, for conventional housing loan moneys outpaces the ability of the State to provide these funds and the ability of the Corporation to borrow money for the purpose under existing legislation and bond covenants. The demand for conventional housing loans is of course particularly acute in rural areas. Here, however, private mortgage insurance has recently become available and throughout

the State conventional home mortgage financing has increasingly become a preferred borrowing vehicle for homeowners. In these times of inflationary stress it is obvious that the Corporation should act to increase its ability to purchase conventional mortgage loans at below market rates.

To accomplish these purposes the bill creates a State mortgage insurance fund to be initially funded by a companion appropriation bill with \$500,000 of State funds and \$500,000 of Corporation surplus. The bill provides that the Corporation can purchase and insure private or federally insured mortgage loans on a 50 to 1 basis or whenever the amount in the fund equals two percent (2%) of the amount of the loans to be insured. The fund could also purchase uninsured loans with a loan to value ratio of 80% or less.

The insurance fund would have additional income of whatever commitment fee and annual premium the Corporation with the approval of the commissioner of commerce determines is sound for its operation. As drawn the legislation provides for an annual examination of the soundness of the insurance fund and the submission to the legislature of a request for a deficiency appropriation if the fund falls below its requirements.

The second major feature of the bill is provision for insurance of State Veterans housing mortgage loans sold to the Corporation by the commissioner of revenue. Currently the commissioner of revenue holds approximately \$42 million of State Veterans loans. In order to insure the continuance of this program the bill provides that the commissioner of revenue at the time he sells Veterans loans to the Corporation

may deposit in the fund from the proceeds of sale an amount equal to the lesser of 6% of the total amount of proceeds or the difference between the amount at which he sells the mortgages to the Corporation and the amount which he would have realized in private sale. Because of the ability of the Corporation to borrow money at tax exempt rates it is expected that veterans mortgages could be sold to the Corporation for an amount substantially above the amount the mortgages would command if sold on the private markets. As to uninsured State Veterans loans with a loan to value ratio between 80 and 90 percent, the insurance fund requirement would be 6% of the State Veterans loans insured or to be insured by the fund.

Finally, in order to insure the marketability of bonds at the best possible interest rate, the bill provides that the commissioner of revenue may lend to the Corporation for deposit in a capital reserve fund an amount equal to 10% of principal amount of bonds in the Corporation outstanding. This bond security feature is essentially designed to permit the Corporation to function when unforeseen events such as accelerated prepayments disrupt the planned schedule of bond repayments. The money is loaned to the capital reserve fund with provision for repayment at such time as bonds secured by the fund are no longer outstanding.

REV INVEST JNJ

ASHA AHG
15 APRIL 1975 ANCHORAGE AK

DEPT OF REVENUE
JINEAU

PLEASE DELIVER FOLLOWING MESSAGE TO BARBARA MARLOW OFFICE OF THE
COMMISSIONER, DEPARTMENT OF COMMERCE

BARBARA MARLOW
DEPT OF COMMERCE
RE YOUR REQUEST FOR FISCAL NOTE ON SB 289. THERE WILL BE NO COSTS
TO THE STATE FOR ADMINISTRATION UNDER SB289. THE ONLY APPROPRIA-
TION IS UNDER SB289 FOR \$520,000 MATCHING FUNDS FOR THE MORTGAGE
INSURANCE FUND. WE DO NOT HAVE FISCAL NOTE FORMS. WILL BE IN
JINEAU THURSDAY IF YOU HAVE FURTHER QUESTIONS.

TOLPERT F ELLIOTT
ACTING EXECUTIVE DIRECTOR
ALASKA HOUSING FINANCE CORPORATION

*
REV INVEST JNJ

ASHA AHG
V

COMMERCE COMMITTEE REPORT

TO ACCOMPANY

CSSB 289 AND SB 288

Section One consists of the necessary statutory findings to expand the program of the Corporation to include the purchase of State veterans loans.

Section 2 of the bill may cause confusion. The only new matter in section 2 is the matter underlined in lines 8, 9 and 10 on page 2. The balance of page 2, page 3, page 4 and page 5 down to section 3 is existing law:

The essence of the bill starts with section 3 on page 5 which creates the State Mortgage Insurance Fund. The Fund which is held for investment purposes by the Commissioner of Revenue, is controlled by the Commissioner of Commerce who is empowered to enter into agreements with bondholders of the Corporation with respect to the use of the money in the Fund. In subparagraph (b) on page 6, line 27, the Corporation is empowered to charge insurance fees and/or commitment fees which are to be deposited in the Fund. Subparagraph (d) on page 7 permits the insurance by the State Insurance Fund of any mortgage loans including State Veterans Loans which do not exceed 80% of the appraised value of the property securing the mortgage, and State Veterans Loans if they do not exceed 90% of appraised value.

Subparagraph (e) provides that mortgage loans may only be insured when the amount in the Fund is equal to the "Fund Requirement" which is defined in said subsection. The Fund Requirement with respect to 80% loan to value loans is 2% of the unpaid principal amount of the loans or such percentage as the Corporation determines is actuarially sound for operation of the Fund. In the case of State Veterans Loans with a loan to value ratio between 80 and 90 per cent the Fund Requirement is 6% of the unpaid principal amount of the State Veterans Loans. Again the percentage may be increased if it is determined to be necessary for the sound operation of the Fund. The Fund Requirement operates to limit the amount of loans which may be insured by the Corporation.

Subparagraph (f) on pages 8 and 9 provide for annual information to the Legislature as to whether the Fund contains a balance equal to the Fund Requirement.

Subparagraph (g) on page 9 permits the Commissioner of Revenue to sell to the Corporation State Veterans Loans. It also provides that the Commissioner may cause to be deposited in the Mortgage Insurance Fund from the proceeds of sale of State Veterans Loans an amount equal to the lesser of 6% of the proceeds of sale or the price received on the sale less the amount the Commissioner determines would have been received if the State Veterans Loans had been sold on the private market.

In addition, section 4 of the Bill starting on page 10, provides for a capital reserve fund which is a fund to secure payment of the bonds. The capital Reserve Fund Requirement is stated to be 10% of the principal amount of the obligations secured by the Fund. Subparagraph (b) on page 12 provides for an annual legislative report as to whether or not the Fund contains the requirement.

Subparagraph (f) on page 13 provides that the Commissioner of Revenue may lend monies in the General Fund to the Corporation for deposit in the capital reserve fund in amount equal to the capital reserve requirement.

The companion Bill SB 288, provides for an initial seed money appropriation from the General Fund to the Mortgage Insurance Fund of \$500,000 which is to be matched by payment from the Housing Finance Corporation of an equal sum from its unrestricted surplus funds.

ALASKA HOUSING FINANCE CORPORATION
CURRENT POSITION AND WORKING MECHANISM

Current Position:

\$92,000,000 in bonds outstanding
50,000,000 notes (Due 1976)
2,500 single family units statewide for low and moderate income persons.

AHFC works as follows:

Home buyer - Bank - AHFC - Bonds

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SB 288 and SB 289 provides for alternatives

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2% of portfolio	10% of bonds.

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(A historical high - we hope will settle down)
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Jaumar Kerttula
Chairman

Ed Willis
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Vice Chairman

Mike Colletta
Mike Colletta

J. Orsini
Joseph Orsini

Robert Ziegler
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COMMERCE COMMITTEE REPORT

TO ACCOMPANY

CSSB 289 AND SB 288

Section One consists of the necessary statutory findings to expand the program of the Corporation to include the purchase of State veterans loans.

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AHFC
 Conventional Mtgs
 Number - Amount - Location

District	Location	Total Number	Number %	Total Mtg & Commitments	Dollar %
# 1	Letchikan, Prince Wales	1 UNIT - 56 UNITS 24	7.38 %	236494428	16.55 %
# 2	Wrangell, Petersburg	8	2.36 %	26676561	1.87 %
# 3	Sitka, Hornah	7	2.06 %	26736086	1.87 %
# 4	Juneau, Haines, Douglas, Yakutat	56	16.52 %	214892574	15.04 %
# 6	Cordova, Valdez, Chitina	22	6.49 %	84158053	5.89 %
# 7	Wasilla, Palmer, Talkeetna	27	7.97 %	107923573	7.55 %
# 8	Anchorage, Chugiak, Eagle River, Rabbit Creek	70	20.65 %	292614285	20.47 %
# 9	Lemond, Moose Pass	8	2.36 %	22564154	1.58 %
# 10	Kenai, Homer, Soldotna Seldotna	18	5.31 %	54559867	3.82 %
# 11	Kodiak, Chiniak	7	2.06 %	24507254	1.72 %
# 12	Sand Point	3	.89 %	11813439	.83 %
# 13	Dillingham	4	1.18 %	6701455	.47 %
# 14	Bethel	16	4.72 %	57840432	4.05 %
# 15	Nenana, Idley, McGrath	2	.59 %	4628122	.32 %
# 16	Fairbanks, Fort Yukon, Big Delta	45	13.27 %	172134139	12.05 %
# 17	Kotzebue, Barrow, Hiama	16	4.72 %	55938165	3.91 %
# 18	Nome, Gambell	1 UNIT - 12 UNITS 4	1.18 %	28735526	2.01 %
E. Johnson, AHFC 11 April 1975		339	100.00 %	1428918118	100.00 %

Introduced: 3/19/75
Referred: Commerce and
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 288

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the
7 mortgage insurance fund of the Alaska Housing
8 Finance Corporation; and providing for an
9 effective date."

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

11 * Section 1. The sum of \$500,000 is appropriated from the general fund
12 to the mortgage insurance fund of the Alaska Housing Finance Corporation.
13 The Alaska Housing Finance Corporation is directed to pay into the mortgage
14 insurance fund the sum of \$500,000 from its unrestricted surplus funds.

15 * Sec. 2. This Act takes effect on the effective date of "An Act
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SB 288

MEMORANDUM

TO: Members of the Board, Alaska
Housing Finance Corporation

FROM: Wohlforth & Flint

DATE: March 6, 1975

RE: Bill Enlarging the Powers and Purposes of the Alaska
Housing Finance Corporation

The bill submitted herewith enlarges the purposes of the Alaska Housing Finance Corporation by permitting the purchase and state insurance of State Veterans housing loans with the intent of expanding the State's ability to make such loans and by permitting a substantial program of conventional housing loan financing by the Corporation.

By June 30, 1975, the Corporation expects to have purchased \$104.5 million in Alaska home mortgages. Funds for the mortgage purchases have been provided through the issuance of tax exempt bonds and notes. \$8.2 million of the mortgages are non-federally insured. With funds borrowed from the State of Alaska the Corporation has made or purchased a total of \$8.3 million in conventional loans.

These housing mortgage loans have been purchased at below market rates with savings reflected in reduced interest rates to home owners. The Corporation has operated this program without any State general fund appropriations and now enjoys a surplus.

The demand, however, for conventional housing loan moneys outpaces the ability of the State to provide these funds and the ability of the Corporation to borrow money for the purpose under existing legislation and bond covenants. The demand for conventional housing loans is of course particularly acute in rural areas. Here, however, private mortgage insurance has recently become available and throughout

Memorandum to Members of the Board,
Alaska Housing Finance Corporation
March 6, 1975
Page 2

the State conventional home mortgage financing has increasingly become a preferred borrowing vehicle for homeowners. In these times of inflationary stress it is obvious that the Corporation should act to increase its ability to purchase conventional mortgage loans at below market rates.

To accomplish these purposes the bill creates a State mortgage insurance fund to be initially funded by a companion appropriation bill with \$500,000 of State funds and \$500,000 of Corporation surplus. The bill provides that the Corporation can purchase and insure private or federally insured mortgage loans on a 50 to 1 basis or whenever the amount in the fund equals two percent (2%) of the amount of the loans to be insured. The fund could also purchase uninsured loans with a loan to value ratio of 80% or less.

The insurance fund would have additional income of whatever commitment fee and annual premium the Corporation with the approval of the commissioner of commerce determines is sound for its operation. As drawn the legislation provides for an annual examination of the soundness of the insurance fund and the submission to the legislature of a request for a deficiency appropriation if the fund falls below its requirements.

The second major feature of the bill is provision for insurance of State Veterans housing mortgage loans sold to the Corporation by the commissioner of revenue. Currently the commissioner of revenue holds approximately \$42 million of State Veterans loans. In order to insure the continuance of this program the bill provides that the commissioner of revenue at the time he sells Veterans loans to the Corporation

Memorandum to Members of the Board,
Alaska Housing Finance Corporation
March 6, 1975
Page 3

may deposit in the fund from the proceeds of sale an amount equal to the lesser of 6% of the total amount of proceeds or the difference between the amount at which he sells the mortgages to the Corporation and the amount which he would have realized in private sale. Because of the ability of the Corporation to borrow money at tax exempt rates it is expected that veterans mortgages could be sold to the Corporation for an amount substantially above the amount the mortgages would command if sold on the private markets. As to uninsured State Veterans loans with a loan to value ratio between 80 and 90 percent, the insurance fund requirement would be 6% of the State Veterans loans insured or to be insured by the fund.

Finally, in order to insure the marketability of bonds at the best possible interest rate, the bill provides that the commissioner of revenue may lend to the Corporation for deposit in a capital reserve fund an amount equal to 10% of principal amount of bonds in the Corporation outstanding. This bond security feature is essentially designed to permit the Corporation to function when unforeseen events such as accelerated prepayments disrupt the planned schedule of bond repayments. The money is loaned to the capital reserve fund with provision for repayment at such time as bonds secured by the fund are no longer outstanding.

B 288

ALASKA HOUSING FINANCE CORPORATION
18.56

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Comments of

E. T. Hall

Chairman AHFC

Before Senate Commerce Committee

April 4, 1975

ALASKA HOUSING FINANCE CORPORATION

Conventional Loans - Purchased and Committed
(Based on average cost of actual mortgages purchased)

④ Anchorage	21	\$707,504.28	① Juneau	44	1,482,389.92
546 { Barrow	15	505,360.20	Kenai	9	303,216.12
Bethel	15	505,360.20	② Ketchikan	24*	808,576.32
Big Delta	1	33,690.68	Kiana	1	33,690.68
Bird Creek	1	33,690.68	Kodiak	7	235,834.76
Chiniak	1	33,690.68	McGrath	1	33,690.68
Chitina	1	33,690.68	Moose Pass	2	67,381.36
Chugiak	4	134,762.72	Nome	3**	101,072.04
Cordova	13	437,978.84	North Pole	4	134,762.72
Delta Junction	2	67,381.36	Palmer	13	437,978.84
Dillingham	2	67,381.36	Peters Creek	3	101,072.04
Douglas	6	202,144.08	Petersburg	4	134,762.72
Eagle River	3	101,072.04	Sand Point	4	134,762.72
③ Fairbanks	23	774,885.64	Seldovia	2	67,381.36
Gambell	2	67,381.36	Seward	5	113,453.40
Glennallen	1	33,690.68	Sitka	2	67,381.36
Haines	5	113,453.40	Soldotna	5	113,453.40
Healy	1	33,690.68	Valdez	7	235,834.76
Homer	3	101,072.04	Wasilla	4	134,762.72
Hoonah	3	101,072.04	Wrangell	2	67,381.36
Iliamna	2	67,381.36	Yakutat	12 units Elderly Housing	283

271 Single Family Units @ average \$33,690.68 per = \$9,130,174.28
 *Ketchikan + 1 multi-family (56 units) 1,550,000.00
 **Nome + 1 multi-family (12 units) 200,000.00
 Yakutat - 1 multi-family (12 units -elderly) 260,000.00
 82 multi-f
\$11,140,174.28

Of the total amount of conventional mortgage loans shown above, funds in the amount of \$5,250,000 were borrowed from the State of Alaska by Alaska Housing Finance Corporation. The balance is from our regular program which provides 10% for conventional mortgages after 90% is committed for federally insured loans.