

# COMMITTEE REPORT

4/17/75

SENATE

Mr. President:

Date 5/8/75

The Committee on FINANCE has had SB 289 enlarging the purposes & powers of 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:

[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:  
\_\_\_\_\_ recommends:

[Signature] Chairman

Original sponsor: Rules Committee by Request  
of the Governor

Offered: 4/17/75  
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSJON

5 A BILL

6 For an Act entitled: "An Act enlarging the purposes and powers of the Alaska  
7 Housing Finance Corporation; and providing for an  
8 effective date."

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

10 \* Section 1. AS 18.56.010 is amended by adding new subsections to read:

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

20 (e) Expansion of the program of the Alaska Housing Finance Corpora-  
21 tion of purchasing insured and uninsured mortgage loans is essential to  
22 the economic growth of the state and the supply of adequate residential  
23 housing in the st te.

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

1 public purpose for the benefit of the general public.

2 \* Sec. 2. AS 18.56 is amended by adding a new section to read:

3 Sec. 18.56.092. VETERANS' LOANS FOR RESIDENTIAL HOUSING. The cor-  
4 poration is additionally authorized to exercise the powers enumerated in  
5 sec. 90 of this chapter for the purpose of assisting the financing of the  
6 program of veterans' loans for residential housing in accordance with  
7 AS 26.15.

8 \* Sec. 3. AS 18.56 is amended by adding a new section to read:

9 Sec. 18.56.095. MORTGAGE INSURANCE. (a) There is another special  
10 fund of the state to be known as the "state mortgage insurance fund"  
11 (called the "mortgage insurance fund") which shall be completely segre-  
12 gated and set apart from all other funds of the state, and which is a  
13 trust fund for the uses and purposes of this section and into and from  
14 which money shall be paid as provided in this section. The mortgage  
15 insurance fund shall be held by the commissioner of revenue, subject to  
16 the power of the commissioner of commerce to enter into and perform  
17 agreements with respect to the use of money in the mortgage insurance  
18 fund and to pledge, assign or grant interests in the mortgage insurance  
19 fund as provided in this section. The commissioner of commerce may enter  
20 into agreements with the corporation with respect to the exercise of any  
21 power or approval relating to the mortgage insurance fund under this  
22 section, including, without limitation, agreements as to the use of  
23 money in the mortgage insurance fund, agreements with respect to the  
24 terms and conditions upon which payments from the mortgage insurance fund  
25 shall be made to the corporation with respect to mortgage loans insured  
26 under this section, and agreements regarding the payment of and security  
27 for mortgage insurance bonds, and in connection with these agreements the  
28 commissioner of commerce may pledge, assign or grant other interests in  
29 the mortgage insurance fund to the corporation as may be necessary or

1 appropriate in connection with the insurance of mortgage loans and to  
2 provide for the payment of and security for mortgage insurance bonds.  
3 Any such agreement or any of the rights of the corporation under the  
4 agreement and payments received or to be received under the agreement  
5 may be pledged or assigned by the corporation for the benefit of the  
6 holders of mortgage insurance bonds.

7 (b) In addition to any other fees and charges which the corporation  
8 may charge on mortgage loans, it may collect or cause to be collected on  
9 all mortgage loans made or purchased with the proceeds of the sale of  
10 mortgage insurance bonds, either or both a special mortgage loan insur-  
11 ance commitment fee or a mortgage loan insurance premium. The special  
12 mortgage loan insurance commitment fees and special mortgage loan  
13 insurance premiums when received shall be deposited in the mortgage  
14 insurance fund by the corporation, or by any mortgage loan servicer,  
15 trustee, or agent designated by the corporation to receive them, and  
16 shall be held, invested and, together with all investment income derived  
17 from them, reinvested by the commissioner of revenue in investments  
18 authorized under AS 37.10.070(a), subject to any agreement with the cor-  
19 poration under (a) of this section.

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

29 (d) mortgage loan, including a state veterans' loan, may be

1 insured if the loan to value ratio at the time of the insurance loan  
2 does not exceed 80 per cent or, if the loan to value ratio does exceed  
3 that percentage, if it is federally insured or guaranteed or insured by  
4 a qualified mortgage insurance company to the extent of the excess. In  
5 addition, a state veterans' loan may be insured if the loan to value  
6 ratio does not exceed 90 per cent. The endorsement of the corporation  
7 on the mortgage at the time of purchase or acquisition of the mortgage  
8 loan is conclusive evidence that the mortgage loan is insured under the  
9 provisions of this section. The insurance is payable solely from the  
10 mortgage insurance fund.

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

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

26 (2) in the case of state veterans' loans not insured by a  
27 qualified mortgage insurance company and with a loan to value ratio at  
28 the time of the mortgage insurance application between 80 and 90 per  
29 cent, the greater of (A) six per cent of the unpaid principal amount of

1 those state veterans' loans, or (B) a percentage which the corporation  
2 with the approval of the commissioner of commerce determines is actuarially  
3 sound for the operation of the mortgage insurance fund.

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

19 (g) The commissioner of revenue may sell to the corporation, and  
20 the corporation may purchase, state veterans' loans purchased for and  
21 held in the general fund on such terms and conditions as the commissioner  
22 of revenue and the corporation consider appropriate. When the commis-  
23 sioner of revenue sells any state veterans' loan to the corporation he  
24 may cause to be deposited in the mortgage insurance fund from the pro-  
25 ceeds of sale an amount not exceeding the lesser of (1) six per cent of  
26 the proceeds of sale, or (2) the difference between the amount the  
27 commissioner of revenue actually receives on the sale and the amount the  
28 commissioner determines would have been received if the state v eterans'  
29 loans had been sold in the private mortgage market. The determination

1 shall be based on information reasonably available to the commissioner  
2 of revenue at the time of sale and is conclusive in determining the  
3 amount of the deposit.

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

6 (1) "loan to value ratio" means the ratio between the princi-  
7 pal amount of a mortgage loan and the appraised value, as determined by  
8 the corporation, of the residential housing financed by such mortgage  
9 loan;

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

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

16 (4) "special mortgage loan insurance commitment fee" and  
17 "special mortgage loan insurance premium" mean, respectively, a fee of  
18 such per cent of the principal amount of a mortgage loan to be insured  
19 under this section, and an annual insurance premium of such per cent of  
20 the portion of the unpaid principal amount of a mortgage loan insured  
21 under this section which is not federally insured or guaranteed or  
22 insured by a private mortgage insurance company, which the corporation  
23 with the approval of the commissioner of commerce determines is actuarily  
24 sound for the operation of the mortgage insurance fund;

25 (5) "state veterans' loan" means a mortgage loan for residen-  
26 tial housing made in accordance with AS 26.15;

27 (6) the determination of what is "actuarily sound" with  
28 respect to the operation of the mortgage insurance fund shall be based  
29 on a consideration of the factors which will provide sufficient revenues

1 for the operation of the fund, without regard to amounts which may have  
2 been or may, after the date of determination of actuarial soundness, be  
3 appropriated pursuant to (f) of this section, including, without limita-  
4 tion, estimates of future defaults and losses on mortgage loans insured  
5 under this section based on actual default and loss experience on those  
6 mortgage loans or on similar mortgage loans in Alaska or elsewhere,  
7 estimates of recoveries on defaulted or foreclosed mortgage loans based  
8 on that experience, the terms and conditions of the mortgage loans  
9 insured under this section, estimates of earnings and income of amounts  
10 on deposit in the mortgage insurance fund, and any other appropriate  
11 factors.

12 \* Sec. 4. AS 18.56 is amended by adding a new section to read:

13       Sec. 18.56.125. CAPITAL RESERVE FUND. (a) For the purpose of  
14 securing any one or more issues of its obligations, the corporation may  
15 establish one or more special funds, called "capital reserve funds", and  
16 shall pay into those capital reserve funds (1) any money appropriated  
17 and made available by the state for the purpose of any of those funds,  
18 (2) any proceeds of the sale of its obligations, to the extent provided  
19 in the resolution or resolutions of the corporation authorizing their  
20 issuance, and (3) any other money which may be made available to the  
21 corporation for the purposes of those funds from any other source. All  
22 money held in a capital reserve fund, except as provided in this section,  
23 shall be used as required, solely for (1) the payment of the principal  
24 of obligations or of the sinking fund payments with respect to those  
25 obligations, (2) the purchase or redemption of obligations, (3) the  
26 payment of interest on obligations, or (4) the payment of any redemption  
27 premium required to be paid when those obligations are redeemed before  
28 maturity; however, money in any fund may not be withdrawn from it at any  
29 time in an amount which would reduce the amount of that fund to less

1 than the capital reserve requirement set out in (b) of this section,  
2 except for the purpose of making, with respect to those obligations,  
3 payment, when due, of principal, interest, redemption premiums and the  
4 sinking fund payments for the payment of which other money of the corpo-  
5 ration is not available. Any income or interest earned by, or increment  
6 to, a capital reserve fund, due to the investment of the fund or any  
7 other amounts in it, may be transferred by the corporation to other  
8 funds or accounts of the corporation to the extent that the transfer  
9 does not reduce the amount of the capital reserve fund below the capital  
10 reserve fund requirement.

11 (b) If the corporation decides to issue obligations secured by  
12 such a capital reserve fund, the obligations may not be issued if the  
13 amount in such capital reserve fund is less than such a per cent, not  
14 exceeding 10 per cent of the principal amount of all of those obliga-  
15 tions secured by that capital reserve fund then to be issued and then  
16 outstanding in accordance with their terms, as may be established by  
17 resolution of the corporation (called the "capital reserve fund require-  
18 ment"), unless the corporation, at the time of issuance of the obliga-  
19 tions, deposits in such capital reserve fund from the proceeds of the  
20 obligations to be issued or from other sources, an amount which, to-  
21 gether with the amount then in the fund, will not be less than the  
22 capital reserve fund requirement.

23 (c) In computing the amount of a capital reserve fund for the  
24 purpose of this section, securities in which all or a portion of the  
25 funds are invested shall be valued at par or, if purchased at less than  
26 par, at amortized costs as the term is defined by resolution of the  
27 corporation authorizing the issue of the obligations, or by some other  
28 reasonable method established by the corporation by resolution. Valua-  
29 tion on a particular date shall include the amount of any interest

1 earned or accrued to that date.

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

6 (e) The chairman of the corporation shall annually, no later than  
7 January 2, make and deliver to the governor and chairmen of the house  
8 and senate finance committees his certificate stating the sum, if any,  
9 required to restore any capital reserve fund to the capital reserve fund  
10 requirement. The legislature may appropriate such a sum, and all sums  
11 appropriated during the then current fiscal year by the legislature for  
12 such restoration shall be deposited by the corporation in the proper  
13 capital reserve fund. Nothing in this section creates a debt or liabil-  
14 ity of the state.

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

24 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-  
25 070(c).

Original sponsor: Rules Committee by Request  
of the Governor

Offered: 4/17/75  
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2

CS FOR SENATE BILL NO. 289

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act enlarging the purposes and powers of the Alaska  
7 Housing Finance Corporation; and providing for an  
8 effective date."

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

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\* Section 1. AS 18.56.010 is amended by adding new subsections to read:

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

21

22 (e) Expansion of the program of the Alaska Housing Finance Corpora-  
23 tion of purchasing insured and uninsured mortgage loans is essential to  
24 the economic growth of the state and the supply of adequate residential  
25 housing in the state.

26

27 (f) The legislature finds that enabling the Alaska Housing Finance  
28 Corporation to assist in financing the program of veterans' loans for  
29 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 em-  
powered to act on behalf of the state and its people in serving this

1 public purpose for the benefit of the general public.

2 \* Sec. 2. AS 18.56 is amended by adding a new section to read:

3 Sec. 18.56.092. VETERANS' LOANS FOR RESIDENTIAL HOUSING. The cor-  
4 poration is additionally authorized to exercise the powers enumerated in  
5 sec. 90 of this chapter for the purpose of assisting the financing of the  
6 program of veterans' loans for residential housing in accordance with  
7 AS 26.15.

8 \* Sec. 3. AS 18.56 is amended by adding a new section to read:

9 Sec. 18.56.095. MORTGAGE INSURANCE. (a) There is another special  
10 fund of the state to be known as the "state mortgage insurance fund"  
11 (called the "mortgage insurance fund") which shall be completely segre-  
12 gated and set apart from all other funds of the state and which is a  
13 trust fund for the uses and purposes of this section and into and from  
14 which money shall be paid as provided in this section. The mortgage  
15 insurance fund shall be held by the commissioner of revenue, subject to  
16 the power of the commissioner of commerce to enter into and perform  
17 agreements with respect to the use of money in the mortgage insurance  
18 fund and to pledge, assign or grant interests in the mortgage insurance  
19 fund as provided in this section. The commissioner of commerce may enter  
20 into agreements with the corporation with respect to the exercise of any  
21 power or approval relating to the mortgage insurance fund under this  
22 section, including, without limitation, agreements as to the use of  
23 money in the mortgage insurance fund, agreements with respect to the  
24 terms and conditions upon which payments from the mortgage insurance fund  
25 shall be made to the corporation with respect to mortgage loans insured  
26 under this section, and agreements regarding the payment of and security  
27 for mortgage insurance bonds, and in connection with these agreements the  
28 commissioner of commerce may pledge, assign or grant other interests in  
29 the mortgage insurance fund to the corporation as may be necessary or

1 appropriate in connection with the insurance of mortgage loans and to  
2 provide for the payment of and security for mortgage insurance bonds.  
3 Any such agreement or any of the rights of the corporation under the  
4 agreement and payments received or to be received under the agreement  
5 may be pledged or assigned by the corporation for the benefit of the  
6 holders of mortgage insurance bonds.

7 (b) In addition to any other fees and charges which the corporation  
8 may charge on mortgage loans, it may collect or cause to be collected on  
9 all mortgage loans made or purchased with the proceeds of the sale of  
10 mortgage insurance bonds, either or both a special mortgage loan insur-  
11 ance commitment fee or a mortgage loan insurance premium. The special  
12 mortgage loan insurance commitment fees and special mortgage loan  
13 insurance premiums when received shall be deposited in the mortgage  
14 insurance fund by the corporation, or by any mortgage loan servicer,  
15 trustee, or agent designated by the corporation to receive them, and  
16 shall be held, invested and, together with all investment income derived  
17 from them, reinvested by the commissioner of revenue in investments  
18 authorized under AS 37.10.070(a), subject to any agreement with the cor-  
19 poration under (a) of this section.

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

29 (d) A mortgage loan, including a state veterans' loan, may be

1 insured if the loan to value ratio at the time of the insurance loan  
2 does not exceed 80 per cent or, if the loan to value ratio does exceed  
3 that percentage, if it is federally insured or guaranteed or insured by  
4 a qualified mortgage insurance company to the extent of the excess. In  
5 addition, a state veterans' loan may be insured if the loan to value  
6 ratio does not exceed 90 per cent. The endorsement of the corporation  
7 on the mortgage at the time of purchase or acquisition of the mortgage  
8 loan is conclusive evidence that the mortgage loan is insured under the  
9 provisions of this section. The insurance is payable solely from the  
10 mortgage insurance fund.

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

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

26 (2) in the case of state veterans' loans not insured by a  
27 qualified mortgage insurance company and with a loan to value ratio at  
28 the time of the mortgage insurance application between 80 and 90 per  
29 cent, the greater of (A) six per cent of the unpaid principal amount of

1 those state veterans' loans, or (B) a percentage which the corporation  
2 with the approval of the commissioner of commerce determines is actuarially  
3 sound for the operation of the mortgage insurance fund.

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

19 (g) The commissioner of revenue may sell to the corporation, and  
20 the corporation may purchase, state veterans' loans purchased for and  
21 held in the general fund on such terms and conditions as the commissioner  
22 of revenue and the corporation consider appropriate. When the commis-  
23 sioner of revenue sells any state veterans' loan to the corporation he  
24 may cause to be deposited in the mortgage insurance fund from the pro-  
25 ceeds of sale an amount not exceeding the lesser of (1) six per cent of  
26 the proceeds of sale, or (2) the difference between the amount the  
27 commissioner of revenue actually receives on the sale and the amount the  
28 commissioner determines would have been received if the state veterans'  
29 loans had been sold in the private mortgage market. The determination

1 shall be based on information reasonably available to the commissioner  
2 of revenue at the time of sale and is conclusive in determining the  
3 amount of the deposit.

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

6 (1) "loan to value ratio" means the ratio between the princi-  
7 pal amount of a mortgage loan and the appraised value, as determined by  
8 the corporation, of the residential housing financed by such mortgage  
9 loan;

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

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

16 (4) "special mortgage loan insurance commitment fee" and  
17 "special mortgage loan insurance premium" mean, respectively, a fee of  
18 such per cent of the principal amount of a mortgage loan to be insured  
19 under this section, and an annual insurance premium of such per cent of  
20 the portion of the unpaid principal amount of a mortgage loan insured  
21 under this section which is not federally insured or guaranteed or  
22 insured by a private mortgage insurance company, which the corporation  
23 with the approval of the commissioner of commerce determines is actuarially  
24 sound for the operation of the mortgage insurance fund;

25 (5) "state veterans' loan" means a mortgage loan for residen-  
26 tial housing made in accordance with AS 26.15;

27 (6) the determination of what is "actuarially sound" with  
28 respect to the operation of the mortgage insurance fund shall be based  
29 on a consideration of the factors which will provide sufficient revenues

1 for the operation of the fund, without regard to amounts which may have  
2 been or may, after the date of determination of actuarial soundness, be  
3 appropriated pursuant to (f) of this section, including, without limita-  
4 tion, estimates of future defaults and losses on mortgage loans insured  
5 under this section based on actual default and loss experience on those  
6 mortgage loans or on similar mortgage loans in Alaska or elsewhere,  
7 estimates of recoveries on defaulted or foreclosed mortgage loans based  
8 on that experience, the terms and conditions of the mortgage loans  
9 insured under this section, estimates of earnings and income of amounts  
10 on deposit in the mortgage insurance fund, and any other appropriate  
11 factors.

12 \* Sec. 4. AS 18.56 is amended by adding a new section to read:

13 Sec. 18.56.125. CAPITAL RESERVE FUND. (a) For the purpose of  
14 securing any one or more issues of its obligations, the corporation may  
15 establish one or more special funds, called "capital reserve funds", and  
16 shall pay into those capital reserve funds (1) any money appropriated  
17 and made available by the state for the purpose of any of those funds,  
18 (2) any proceeds of the sale of its obligations, to the extent provided  
19 in the resolution or resolutions of the corporation authorizing their  
20 issuance, and (3) any other money which may be made available to the  
21 corporation for the purposes of those funds from any other source. All  
22 money held in a capital reserve fund, except as provided in this section,  
23 shall be used as required, solely for (1) the payment of the principal  
24 of obligations or of the sinking fund payments with respect to those  
25 obligations, (2) the purchase or redemption of obligations, (3) the  
26 payment of interest on obligations, or (4) the payment of any redemption  
27 premium required to be paid when those obligations are redeemed before  
28 maturity; however, money in any fund may not be withdrawn from it at any  
29 time in an amount which would reduce the amount of that fund to less

1 than the capital reserve requirement set out in (b) of this section,  
2 except for the purpose of making, with respect to those obligations,  
3 payment, when due, of principal, interest, redemption premiums and the  
4 sinking fund payments for the payment of which other money of the corpo-  
5 ration is not available. Any income or interest earned by, or increment  
6 to, a capital reserve fund, due to the investment of the fund or any  
7 other amounts in it, may be transferred by the corporation to other  
8 funds or accounts of the corporation to the extent that the transfer  
9 does not reduce the amount of the capital reserve fund below the capital  
10 reserve fund requirement.

11 (b) If the corporation decides to issue obligations secured by  
12 such a capital reserve fund, the obligations may not be issued if the  
13 amount in such capital reserve fund is less than such a per cent, not  
14 exceeding 10 per cent of the principal amount of all of those obliga-  
15 tions secured by that capital reserve fund then to be issued and then  
16 outstanding in accordance with their terms, as may be established by  
17 resolution of the corporation (called the "capital reserve fund require-  
18 ment"), unless the corporation, at the time of issuance of the obliga-  
19 tions, deposits in such capital reserve fund from the proceeds of the  
20 obligations to be issued or from other sources, an amount which, to-  
21 gether with the amount then in the fund, will not be less than the  
22 capital reserve fund requirement.

23 (c) In computing the amount of a capital reserve fund for the  
24 purpose of this section, securities in which all or a portion of the  
25 funds are invested shall be valued at par or, if purchased at less than  
26 par, at amortized costs as the term is defined by resolution of the  
27 corporation authorizing the issue of the obligations, or by some other  
28 reasonable method established by the corporation by resolution. Valua-  
29 tion on a particular date shall include the amount of any interest

1 earned or accrued to that date.

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

6 (e) The chairman of the corporation shall annually, no later than  
7 January 2, make and deliver to the governor and chairmen of the house  
8 and senate finance committees his certificate stating the sum, if any,  
9 required to restore any capital reserve fund to the capital reserve fund  
10 requirement. The legislature may appropriate such a sum, and all sums  
11 appropriated during the then current fiscal year by the legislature for  
12 such restoration shall be deposited by the corporation in the proper  
13 capital reserve fund. Nothing in this section creates a debt or liabil-  
14 ity of the state.

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

24 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-

25 070(c).

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. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act enlarging the purposes and powers of the  
7 Alaska Housing Finance Corporation; and providing for  
8 an effective date."

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

10 \* Section 1. AS 18.56.010 is amended by adding new subsections to read:

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

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

25 (f) The legislature finds that enabling the Alaska Housing  
26 Finance Corporation to assist in financing the program of veterans'  
27 loans for residential housing in accordance with AS 26.15 and to  
28 expand its program of purchasing other mortgage loans serves a  
29 public purpose in benefitting the people of the state. The Alaska

1 Housing Finance Corporation is empowered to act on behalf of the state  
2 and its people in serving this public purpose for the benefit of the  
3 general public.

4 \* Sec. 2. AS 18.56.090 is amended to read:

5 Sec. 18.56.090. GENERAL POWERS. In addition to other powers  
6 granted in this chapter, the corporation may, for the purpose of  
7 providing housing for persons of lower and moderate income or persons  
8 located in remote, underdeveloped or blighted areas of the state, and  
9 for the purpose of assisting the financing of the program of veterans'  
10 loans for residential housing in accordance with AS 26.15

11 (1) make or participate in the making of construction loans  
12 to sponsors, developers and builders of land development or residential  
13 housing, if the corporation determines that construction loans are not  
14 otherwise available, wholly or in part, from private lenders upon  
15 reasonably equivalent terms and conditions;

16 (2) make or participate in the making of mortgage loans to  
17 sponsors, developers, builders and purchasers of residential housing,  
18 if the corporation determines that mortgage loans are not otherwise  
19 available, wholly or in part, from private lenders upon reasonably  
20 equivalent terms and conditions;

21 (3) purchase or participate in the purchase of mortgage  
22 loans made to sponsors, developers, builders, owners and purchasers  
23 of residential housing, if the corporation

24 (A) has given approval before the initial making of  
25 the loan and has determined that mortgage loans were, at the time  
26 the approval was given, not otherwise available, wholly or in  
27 part, from private lenders upon reasonably equivalent terms and  
28 conditions, or

29 (B) has determined that the purchase of participation

1 will result in additional residential housing, taking into account  
2 without limitation such factors as reinvestment of the proceeds  
3 of the sale in additional mortgage loans, increased availability  
4 of mortgage loans insured by the federal government, its agencies  
5 or departments, the reduction, if any, of interest payments to  
6 be made with respect to mortgage loans, or such other factors as  
7 will tend to increase or improve the supply of residential housing  
8 within the state;

9 (4) make partial rental payments and mortgage interest  
10 payments under a contract with any housing owner if the payments will  
11 be applied to decrease rental or mortgage interest charges of persons  
12 of lower or moderate income or owners or purchasers of residential  
13 housing in remote, underdeveloped or blighted areas of the state;

14 (5) make loans from the housing development fund;

15 (6) collect and pay reasonable fees and charges in con-  
16 nection with making, purchasing and servicing its loans, notes, bonds,  
17 commitments and other evidences of indebtedness;

18 (7) acquire real property, or any interest in real property,  
19 in its own name, by purchase, transfer or foreclosure, when the  
20 acquisition is necessary or appropriate to protect any loan in which  
21 the corporation has an interest; sell, transfer and convey any such  
22 property to a buyer; and, if the sale, transfer or conveyance cannot  
23 be effected with reasonable promptness or at a reasonable price, rent  
24 or lease the property to a tenant pending the sale, transfer or  
25 conveyance;

26 (8) sell, at public or private sale, to any purchaser,  
27 including the Federal National Mortgage Association, all or any part  
28 of a mortgage or other instrument or document securing a construction,  
29 land development, mortgage or temporary loan of any type permitted by

1 this chapter;

2 (9) purchase, in order to meet the requirements of the sale  
3 of its mortgages to the Federal National Mortgage Association, stock  
4 of the Federal National Mortgage Association;

5 (10) procure insurance against any loss in connection with  
6 its operation;

7 (11) consent to the modification of the rate of interest,  
8 time of payment of any installment of principal or interest, or any  
9 other terms, of the mortgage loan, mortgage loan commitment, construc-  
10 tion loan, temporary loan, contract or agreement of any kind to which  
11 the corporation is a party;

12 (12) borrow money as herein provided to carry out and  
13 effectuate its corporate purposes; and issue its obligations as evi-  
14 dence of any such borrowing;

15 (13) include in any borrowing the amounts necessary to pay  
16 financing charges, interest on the obligations for a period not ex-  
17 ceeding one year after the date on which the corporation estimates  
18 funds will otherwise be available to pay the interest, consultant,  
19 advisory and legal fees and such other expenses as are necessary or  
20 incident to this borrowing;

21 (14) make and publish rules and regulations respecting  
22 its lending programs and such other rules and regulations as are  
23 necessary to effectuate its purposes;

24 (15) provide technical and advisory services to sponsors,  
25 builders and developers of residential housing and to residents of it;

26 (16) promote research and development in scientific methods  
27 of constructing low-cost residential housing of high durability;

28 (17) make and execute agreements, contracts and other instru-  
29 ments necessary or convenient in the exercise of the powers and

1 functions of the corporation under this chapter, including contracts  
2 with any person, firm, corporation, governmental agency or other  
3 entity;

4 (18) receive, administer and comply with the conditions and  
5 requirements respecting any appropriation or gift, grant or donation  
6 of property or money;

7 (19) sue and be sued in its own name;

8 (20) adopt an official seal;

9 (21) adopt bylaws for the regulation of its affairs and the  
10 conduct of its business and prescribe rules, regulations and policies  
11 in connection with the performance of its functions and duties;

12 (22) employ fiscal consultants, engineers, attorneys, real  
13 estate counselors, appraisers and such other consultants and employees  
14 as may be required in the judgment of the corporation, and fix and pay  
15 their compensation from funds available to the corporation;

16 (23) do all acts and things necessary, convenient or  
17 desirable to carry out the powers expressly granted or necessarily  
18 implied in this chapter;

19 (24) invest or reinvest, subject to its contracts with  
20 noteholders and bondholders, any money or funds held by the corporation  
21 in any obligations or other securities or investments in which banks  
22 or trust companies in the state may legally invest funds held in  
23 reserves or sinking funds or any funds not required for immediate dis-  
24 bursement, and in certificates of deposit or time deposits secured by  
25 obligations of or guaranteed by, the state or the United States of  
26 America.

27 \* Sec. 3. AS 18.56 is amended by adding a new section to read:

28 Sec. 18.56.095. MORTGAGE INSURANCE. (a) There is another  
29 special fund of the state to be known as the "state mortgage insurance

1 fund" (called the "mortgage insurance fund") which shall be completely  
2 segregated and set apart from all other funds of the state, and which  
3 is a trust fund for the uses and purposes of this section and into and  
4 from which money shall be paid as provided in this section. The  
5 mortgage insurance fund shall be held by the commissioner of revenue,  
6 subject to the power of the commissioner of commerce to enter into and  
7 perform agreements with respect to the use of money in the mortgage  
8 insurance fund and to pledge, assign or grant interests in the mortgage  
9 insurance fund as provided in this section. The commissioner of  
10 commerce may enter into agreements with the corporation with respect  
11 to the exercise of any power or approval relating to the mortgage  
12 insurance fund under this section, including, without limitation,  
13 agreements as to the use of money in the mortgage insurance fund,  
14 agreements with respect to the terms and conditions upon which payments  
15 from the mortgage insurance fund shall be made to the corporation with  
16 respect to mortgage loans insured under this section, and agreements  
17 regarding the payment of and security for mortgage insurance bonds,  
18 and in connection with these agreements the commissioner of commerce  
19 may pledge, assign or grant other interests in the mortgage insurance  
20 fund to the corporation as may be necessary or appropriate in con-  
21 nection with the insurance of mortgage loans and to provide for the  
22 payment of and security for mortgage insurance bonds. Any such  
23 agreement or any of the rights of the corporation under the agreement  
24 and payments received or to be received under the agreement may be  
25 pledged or assigned by the corporation for the benefit of the holders  
26 of mortgage insurance bonds.

27 (b) In addition to any other fees and charges which the cor-  
28 poration may charge on mortgage loans, it may collect or cause to be  
29 collected on all mortgage loans made or purchased with the proceeds of

1 the sale of mortgage insurance bonds, either or both a special mortgage  
2 loan insurance commitment fee or a mortgage loan insurance premium.  
3 The special mortgage loan insurance commitment fees and special  
4 mortgage loan insurance premiums when received shall be deposited in  
5 the mortgage insurance fund by the corporation, or by any mortgage  
6 loan servicer, trustee, or agent designated by the corporation to  
7 receive them, and shall be held, invested and, together with all  
8 investment income derived from them, reinvested by the commissioner of  
9 revenue in investments authorized under AS 37.10.070(a), subject to  
10 agreement with the corporation under (a) of this section.

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

20 (d) A mortgage loan, including a state veterans' loan, may be  
21 insured if the mortgage loan does not exceed 80 per cent of the  
22 appraised value of the property securing the mortgage loan or, if the  
23 mortgage loan does exceed that percentage, if it is federally insured  
24 or guaranteed or insured by a qualified mortgage insurance company to  
25 the extent of the excess. In addition, a state veteran's loan may be  
26 insured if it does not exceed 90 per cent of the appraised value of  
27 the property securing the mortgage loan. The endorsement of the  
28 corporation on the mortgage at the time of purchase or acquisition of  
29 the mortgage loan is conclusive evidence that the mortgage loan is

1 insured under the provisions of this section. The insurance is  
2 payable solely from the mortgage insurance fund.

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

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

18 (2) in the case of state veterans' loans not insured by a  
19 qualified mortgage insurance company and with a loan to value ratio at  
20 the time of the mortgage insurance application between 80 and 90 per  
21 cent, the greater of (A) six per cent of the unpaid principal amount  
22 of those state veterans' loans, or (B) a percentage which the corpora-  
23 tion with the approval of the commissioner of commerce determines is  
24 actuarially sound for the operation of the mortgage insurance fund.

25 (f) On December 1 of each year the commissioner of commerce  
26 shall determine the amount on deposit in the mortgage insurance fund.  
27 If the amount in the fund is less than the fund requirement, the  
28 commissioner shall request the corporation to transfer from any  
29 available funds the amount necessary to restore the mortgage insurance

1 the sale of mortgage insurance bonds, either or both a special mortgage  
2 loan insurance commitment fee or a mortgage loan insurance premium.  
3 The special mortgage loan insurance commitment fees and special  
4 mortgage loan insurance premiums when received shall be deposited in  
5 the mortgage insurance fund by the corporation, or by any mortgage  
6 loan servicer, trustee, or agent designated by the corporation to  
7 receive them, and shall be held, invested and, together with all  
8 investment income derived from them, reinvested by the commissioner of  
9 revenue in investments authorized under AS 37.10.070(a), subject to  
10 agreement with the corporation under (a) of this section.

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

20 (d) A mortgage loan, including a state veterans' loan, may be  
21 insured if the mortgage loan does not exceed 80 per cent of the  
22 appraised value of the property securing the mortgage loan or, if the  
23 mortgage loan does exceed that percentage, if it is federally insured  
24 or guaranteed or insured by a qualified mortgage insurance company to  
25 the extent of the excess. In addition, a state veteran's loan may be  
26 insured if it does not exceed 90 per cent of the appraised value of  
27 the property securing the mortgage loan. The endorsement of the  
28 corporation on the mortgage at the time of purchase or acquisition of  
29 the mortgage loan is conclusive evidence that the mortgage loan is

1 fund to the fund requirement and the corporation shall promptly comply  
2 with the request from any funds available, subject to agreements with  
3 holders of mortgage insurance bonds. If the funds are not transferred  
4 the commissioner shall, no later than January 2 of the following year,  
5 make and deliver to the governor and to the chairmen of the house and  
6 senate finance committees his certificate stating the sum required to  
7 restore the fund to the fund requirement and the sum so certified may  
8 be appropriated and paid to the fund during the then current state  
9 fiscal year. Nothing in this subsection creates a debt or liability  
10 of the state.

11 (g) The commissioner of revenue may sell to the corporation, and  
12 the corporation may purchase, state veterans' loans purchased for and  
13 held in the general fund on such terms and conditions as the commis-  
14 sioner of revenue and the corporation consider appropriate. When the  
15 commissioner of revenue sells any state veteran's loan to the corpora-  
16 tion he may cause to be deposited in the mortgage insurance fund from  
17 the proceeds of sale an amount not exceeding the lesser of (1) six per  
18 cent of the proceeds of sale, or (2) the difference between the amount  
19 the commissioner of revenue actually receives on the sale and the  
20 amount the commissioner determines would have been received if the  
21 state veterans' loans had been sold in the private mortgage market.  
22 The determination shall be based on information reasonably available  
23 to the commissioner of revenue at the time of sale and is conclusive  
24 in the determining the amount of the deposit.

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

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

1 section;

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

4 (3) "special mortgage loan insurance commitment fee" and  
5 "special mortgage loan insurance premium" mean, respectively, a fee of  
6 such per cent of the principal amount of a mortgage loan to be insured  
7 under this section, and an annual insurance premium of such per cent  
8 of the portion of the unpaid principal amount of a mortgage loan  
9 insured under this section which is not federally insured or guaranteed  
10 or insured by a private mortgage company, which the corporation with  
11 the approval of the commissioner of commerce determines is actuarially  
12 sound for the operation of the mortgage insurance fund;

13 (4) "state veteran's loan" means a mortgage loan for resi-  
14 dential housing made in accordance with AS 26.15;

15 (5) the determination of what is "actuarially sound" with  
16 respect to the operation of the mortgage insurance fund shall be based  
17 on a consideration of the factors which will provide sufficient  
18 revenues for the operation of the fund, without regard to amounts  
19 which may have been or may, after the date of determination of actu-  
20 arial soundness, be appropriated pursuant to (f) of this section,  
21 including, without limitation, estimates of future defaults and losses  
22 on mortgage loans insured under this section based on actual default  
23 and loss experience on those mortgage loans or on similar mortgage  
24 loans in Alaska or elsewhere, estimates of recoveries on defaulted or  
25 foreclosed mortgage loans based on that experience, the terms and  
26 conditions of the mortgage loans insured under this section, estimates  
27 of earnings and income of amounts on deposit in the mortgage insurance  
28 fund, and any other appropriate factors.

29 \* Sec. 4. AS 18.56 is amended by adding a new section to read:

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

28               (b) If the corporation decides to issue obligations secured by  
29               such a capital reserve fund, the obligations may not be issued if the

1 amount in the capital reserve fund is less than such a per cent, not  
2 exceeding 10 per cent of the principal amount of all of those obliga-  
3 tions secured by that capital reserve fund then to be issued and then  
4 outstanding in accordance with their terms, as may be established by  
5 resolution of the corporation (called the "capital reserve fund  
6 requirement"), unless the corporation, at the time of issuance of the  
7 obligations, deposits in the fund from the proceeds of the obligations  
8 to be issued or from other sources, an amount which, together with the  
9 amount then in the fund, will not be less than the capital reserve  
10 fund requirement.

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

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

23 (e) The chairman of the corporation shall annually, no later  
24 than January 2, make and deliver to the governor and chairmen of the  
25 house and senate finance committees his certificate stating the sum,  
26 if any, required to restore any capital reserve fund to the capital  
27 reserve fund requirement. The legislature may appropriate such a sum,  
28 and all sums appropriated during the then current fiscal year by the  
29 legislature for such restoration shall be deposited by the corporation

1 in the proper capital reserve fund. Nothing in this section creates a  
2 debt or liability of the state.

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

12 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
13 10.070(c).

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. 289

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act enlarging the purposes and powers of the  
7 Alaska Housing Finance Corporation; and providing for  
8 an effective date."

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

10 \* Section 1. AS 18.56.010 is amended by adding new subsections to read:

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

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

25 (f) The legislature finds that enabling the Alaska Housing  
26 Finance Corporation to assist in financing the program of veterans'  
27 loans for residential housing in accordance with AS 26.15 and to  
28 expand its program of purchasing other mortgage loans serves a  
29 public purpose in benefitting the people of the state. The Alaska

1 Housing Finance Corporation is empowered to act on behalf of the state  
2 and its people in serving this public purpose for the benefit of the  
3 general public.

4 \* Sec. 2. AS 18.56.090 is amended to read:

5 Sec. 18.56.090. GENERAL POWERS. In addition to other powers  
6 granted in this chapter, the corporation may, for the purpose of  
7 providing housing for persons of lower and moderate income or persons  
8 located in remote, underdeveloped or blighted areas of the state, and  
9 for the purpose of assisting the financing of the program of veterans'  
10 loans for residential housing in accordance with AS 26.15

11 (1) make or participate in the making of construction loans  
12 to sponsors, developers and builders of land development or residential  
13 housing, if the corporation determines that construction loans are not  
14 otherwise available, wholly or in part, from private lenders upon  
15 reasonably equivalent terms and conditions;

16 (2) make or participate in the making of mortgage loans to  
17 sponsors, developers, builders and purchasers of residential housing,  
18 if the corporation determines that mortgage loans are not otherwise  
19 available, wholly or in part, from private lenders upon reasonably  
20 equivalent terms and conditions;

21 (3) purchase or participate in the purchase of mortgage  
22 loans made to sponsors, developers, builders, owners and purchasers  
23 of residential housing, if the corporation

24 (A) has given approval before the initial making of  
25 the loan and has determined that mortgage loans were, at the time  
26 the approval was given, not otherwise available, wholly or in  
27 part, from private lenders upon reasonably equivalent terms and  
28 conditions, or

29 (B) has determined that the purchase of participation

1 will result in additional residential housing, taking into account  
2 without limitation such factors as reinvestment of the proceeds  
3 of the sale in additional mortgage loans, increased availability  
4 of mortgage loans insured by the federal government, its agencies  
5 or departments, the reduction, if any, of interest payments to  
6 be made with respect to mortgage loans, or such other factors as  
7 will tend to increase or improve the supply of residential housing  
8 within the state;

9 (4) make partial rental payments and mortgage interest  
10 payments under a contract with any housing owner if the payments will  
11 be applied to decrease rental or mortgage interest charges of persons  
12 of lower or moderate income or owners or purchasers of residential  
13 housing in remote, underdeveloped or blighted areas of the state;

14 (5) make loans from the housing development fund;

15 (6) collect and pay reasonable fees and charges in con-  
16 nection with making, purchasing and servicing its loans, notes, bonds,  
17 commitments and other evidences of indebtedness;

18 (7) acquire real property, or any interest in real property,  
19 in its own name, by purchase, transfer or foreclosure, when the  
20 acquisition is necessary or appropriate to protect any loan in which  
21 the corporation has an interest; sell, transfer and convey any such  
22 property to a buyer; and, if the sale, transfer or conveyance cannot  
23 be effected with reasonable promptness or at a reasonable price, rent  
24 or lease the property to a tenant pending the sale, transfer or  
25 conveyance;

26 (8) sell, at public or private sale, to any purchaser,  
27 including the Federal National Mortgage Association, all or any part  
28 of a mortgage or other instrument or document securing a construction,  
29 land development, mortgage or temporary loan of any type permitted by

1 this chapter;

2 (9) purchase, in order to meet the requirements of the sale  
3 of its mortgages to the Federal National Mortgage Association, stock  
4 of the Federal National Mortgage Association;

5 (10) procure insurance against any loss in connection with  
6 its operation;

7 (11) consent to the modification of the rate of interest,  
8 time of payment of any installment of principal or interest, or any  
9 other terms, of the mortgage loan, mortgage loan commitment, construc-  
10 tion loan, temporary loan, contract or agreement of any kind to which  
11 the corporation is a party;

12 (12) borrow money as herein provided to carry out and  
13 effectuate its corporate purposes; and issue its obligations as evi-  
14 dence of any such borrowing;

15 (13) include in any borrowing the amounts necessary to pay  
16 financing charges, interest on the obligations for a period not ex-  
17 ceeding one year after the date on which the corporation estimates  
18 funds will otherwise be available to pay the interest, consultant,  
19 advisory and legal fees and such other expenses as are necessary or  
20 incident to this borrowing;

21 (14) make and publish rules and regulations respecting  
22 its lending programs and such other rules and regulations as are  
23 necessary to effectuate its purposes;

24 (15) provide technical and advisory services to sponsors,  
25 builders and developers of residential housing and to residents of it;

26 (16) promote research and development in scientific methods  
27 of constructing low-cost residential housing of high durability;

28 (17) make and execute agreements, contracts and other instru-  
29 ments necessary or convenient in the exercise of the powers and

1 functions of the corporation under this chapter, including contracts  
2 with any person, firm, corporation, governmental agency or other  
3 entity;

4 (18) receive, administer and comply with the conditions and  
5 requirements respecting any appropriation or gift, grant or donation  
6 of property or money;

7 (19) sue and be sued in its own name;

8 (20) adopt an official seal;

9 (21) adopt bylaws for the regulation of its affairs and the  
10 conduct of its business and prescribe rules, regulations and policies  
11 in connection with the performance of its functions and duties;

12 (22) employ fiscal consultants, engineers, attorneys, real  
13 estate counselors, appraisers and such other consultants and employees  
14 as may be required in the judgment of the corporation, and fix and pay  
15 their compensation from funds available to the corporation;

16 (23) do all acts and things necessary, convenient or  
17 desirable to carry out the powers expressly granted or necessarily  
18 implied in this chapter;

19 (24) invest or reinvest, subject to its contracts with  
20 noteholders and bondholders, any money or funds held by the corporation  
21 in any obligations or other securities or investments in which banks  
22 or trust companies in the state may legally invest funds held in  
23 reserves or sinking funds or any funds not required for immediate dis-  
24 bursement, and in certificates of deposit or time deposits secured by  
25 obligations of or guaranteed by, the state or the United States of  
26 America.

27 \* Sec. 3. AS 18.56 is amended by adding a new section to read:

28 Sec. 18.56.095. MORTGAGE INSURANCE. (a) There is another  
29 special fund of the state to be known as the "state mortgage insurance

1 fund" (called the "mortgage insurance fund") which shall be completely  
2 segregated and set apart from all other funds of the state, and which  
3 is a trust fund for the uses and purposes of this section and into and  
4 from which money shall be paid as provided in this section. The  
5 mortgage insurance fund shall be held by the commissioner of revenue,  
6 subject to the power of the commissioner of commerce to enter into and  
7 perform agreements with respect to the use of money in the mortgage  
8 insurance fund and to pledge, assign or grant interests in the mortgage  
9 insurance fund as provided in this section. The commissioner of  
10 commerce may enter into agreements with the corporation with respect  
11 to the exercise of any power or approval relating to the mortgage  
12 insurance fund under this section, including, without limitation,  
13 agreements as to the use of money in the mortgage insurance fund,  
14 agreements with respect to the terms and conditions upon which payments  
15 from the mortgage insurance fund shall be made to the corporation with  
16 respect to mortgage loans insured under this section, and agreements  
17 regarding the payment of and security for mortgage insurance bonds,  
18 and in connection with these agreements the commissioner of commerce  
19 may pledge, assign or grant other interests in the mortgage insurance  
20 fund to the corporation as may be necessary or appropriate in con-  
21 nection with the insurance of mortgage loans and to provide for the  
22 payment of and security for mortgage insurance bonds. Any such  
23 agreement or any of the rights of the corporation under the agreement  
24 and payments received or to be received under the agreement may be  
25 pledged or assigned by the corporation for the benefit of the holders  
26 of mortgage insurance bonds.

27 (b) In addition to any other fees and charges which the cor-  
28 poration may charge on mortgage loans, it may collect or cause to be  
29 collected on all mortgage loans made or purchased with the proceeds of

1 the sale of mortgage insurance bonds, either or both a special mortgage  
2 loan insurance commitment fee or a mortgage loan insurance premium.  
3 The special mortgage loan insurance commitment fees and special  
4 mortgage loan insurance premiums when received shall be deposited in  
5 the mortgage insurance fund by the corporation, or by any mortgage  
6 loan servicer, trustee, or agent designated by the corporation to  
7 receive them, and shall be held, invested and, together with all  
8 investment income derived from them, reinvested by the commissioner of  
9 revenue in investments authorized under AS 37.10.070(a), subject to  
10 agreement with the corporation under (a) of this section.

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

20 (d) A mortgage loan, including a state veterans' loan, may be  
21 insured if the mortgage loan does not exceed 80 per cent of the  
22 appraised value of the property securing the mortgage loan or, if the  
23 mortgage loan does exceed that percentage, if it is federally insured  
24 or guaranteed or insured by a qualified mortgage insurance company to  
25 the extent of the excess. In addition, a state veteran's loan may be  
26 insured if it does not exceed 90 per cent of the appraised value of  
27 the property securing the mortgage loan. The endorsement of the  
28 corporation on the mortgage at the time of purchase or acquisition of  
29 the mortgage loan is conclusive evidence that the mortgage loan is

1 insured under the provisions of this section. The insurance is  
2 payable solely from the mortgage insurance fund.

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

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

18 (2) in the case of state veterans' loans not insured by a  
19 qualified mortgage insurance company and with a loan to value ratio at  
20 the time of the mortgage insurance application between 80 and 90 per  
21 cent, the greater of (A) six per cent of the unpaid principal amount  
22 of those state veterans' loans, or (B) a percentage which the corpora-  
23 tion with the approval of the commissioner of commerce determines is  
24 actuarily sound for the operation of the mortgage insurance fund.

25 (f) On December 1 of each year the commissioner of commerce  
26 shall determine the amount on deposit in the mortgage insurance fund.  
27 If the amount in the fund is less than the fund requirement, the  
28 commissioner shall request the corporation to transfer from any  
29 available funds the amount necessary to restore the mortgage insurance

1 fund to the fund requirement and the corporation shall promptly comply  
2 with the request from any funds available, subject to agreements with  
3 holders of mortgage insurance bonds. If the funds are not transferred  
4 the commissioner shall, no later than January 2 of the following year,  
5 make and deliver to the governor and to the chairmen of the house and  
6 senate finance committees his certificate stating the sum required to  
7 restore the fund to the fund requirement and the sum so certified may  
8 be appropriated and paid to the fund during the then current state  
9 fiscal year. Nothing in this subsection creates a debt or liability  
10 of the state.

11 (g) The commissioner of revenue may sell to the corporation, and  
12 the corporation may purchase, state veterans' loans purchased for and  
13 held in the general fund on such terms and conditions as the commis-  
14 sioner of revenue and the corporation consider appropriate. When the  
15 commissioner of revenue sells any state veteran's loan to the corpora-  
16 tion he may cause to be deposited in the mortgage insurance fund from  
17 the proceeds of sale an amount not exceeding the lesser of (1) six per  
18 cent of the proceeds of sale, or (2) the difference between the amount  
19 the commissioner of revenue actually receives on the sale and the  
20 amount the commissioner determines would have been received if the  
21 state veterans' loans had been sold in the private mortgage market.  
22 The determination shall be based on information reasonably available  
23 to the commissioner of revenue at the time of sale and is conclusive  
24 in the determining the amount of the deposit.

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

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

1 section;

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

4 (3) "special mortgage loan insurance commitment fee" and  
5 "special mortgage loan insurance premium" mean, respectively, a fee of  
6 such per cent of the principal amount of a mortgage loan to be insured  
7 under this section, and an annual insurance premium of such per cent  
8 of the portion of the unpaid principal amount of a mortgage loan  
9 insured under this section which is not federally insured or guaranteed  
10 or insured by a private mortgage company, which the corporation with  
11 the approval of the commissioner of commerce determines is actuarially  
12 sound for the operation of the mortgage insurance fund;

13 (4) "state veteran's loan" means a mortgage loan for resi-  
14 dential housing made in accordance with AS 26.15;

15 (5) the determination of what is "actuarially sound" with  
16 respect to the operation of the mortgage insurance fund shall be based  
17 on a consideration of the factors which will provide sufficient  
18 revenues for the operation of the fund, without regard to amounts  
19 which may have been or may, after the date of determination of actu-  
20 arial soundness, be appropriated pursuant to (f) of this section,  
21 including, without limitation, estimates of future defaults and losses  
22 on mortgage loans insured under this section based on actual default  
23 and loss experience on those mortgage loans or on similar mortgage  
24 loans in Alaska or elsewhere, estimates of recoveries on defaulted or  
25 foreclosed mortgage loans based on that experience, the terms and  
26 conditions of the mortgage loans insured under this section, estimates  
27 of earnings and income of amounts on deposit in the mortgage insurance  
28 fund, and any other appropriate factors.

29 \* Sec. 4. AS 18.56 is amended by adding a new section to read:

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

28               (b) If the corporation decides to issue obligations secured by  
29               such a capital reserve fund, the obligations may not be issued if the

1 amount in the capital reserve fund is less than such a per cent, not  
2 exceeding 10 per cent of the principal amount of all of those obliga-  
3 tions secured by that capital reserve fund then to be issued and then  
4 outstanding in accordance with their terms, as may be established by  
5 resolution of the corporation (called the "capital reserve fund  
6 requirement"), unless the corporation, at the time of issuance of the  
7 obligations, deposits in the fund from the proceeds of the obligations  
8 to be issued or from other sources, an amount which, together with the  
9 amount then in the fund, will not be less than the capital reserve  
10 fund requirement.

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

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

23 (e) The chairman of the corporation shall annually, no later  
24 than January 2, make and deliver to the governor and chairmen of the  
25 house and senate finance committees his certificate stating the sum,  
26 if any, required to restore any capital reserve fund to the capital  
27 reserve fund requirement. The legislature may appropriate such a sum,  
28 and all sums appropriated during the then current fiscal year by the  
29 legislature for such restoration shall be deposited by the corporation

1 in the proper capital reserve fund. Nothing in this section creates a  
2 debt or liability of the state.

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

12 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
13 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

1. Memorandum from Wohlforth & Flint
2. 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  
JNEAU

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 \$500,000 MATCHING FUNDS FOR THE MORTGAGE  
INSURANCE FUND. WE DO NOT HAVE FISCAL NOTE FORMS. WILL BE IN  
JNEAU THURSDAY IF YOU HAVE FURTHER QUESTIONS.

TOLBERT 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

Current program allows for:

- 90% of funds FHA and VA insured loans.
- 10% Conventional

SB 288 and SB 289 provides for alternatives

1. Existing program.
2. 100% conventional loan program.
3. Option provided to the State to sell veterans loans.

AHFC - TAX EXEMPT These factors should make long term money available  
NON PROFIT at lowest possible rate to consumer.

\$500,000 of AHF Corporation money into new program with \$500,000 of state funding will allow us to make up to \$50,000,000 in conventional loans.

- a. Veterans will fund their own reserve at time loans are sold to AHF Corporation.
- b. \$500,000 of AHFC money was created through arbitrage on notes prior to bond sale.
- c. State participation needed to show good faith to bond buyers.
- d. Future money will need to be appropriated by state to mortgage insurance fund.

Two funds are created in SB 289

Mortgage Insurance Fund  
20 of portfolio

Bond Insurance Fund  
10% of bonds.

1. 80% loan to value ratio.  
If 95% loan then top 15% will be covered by private mortgage insurance (PMI)
2. This takes the place of FHA and VA Insurance.

Bond Council says this program will sell.

Dean Witter	Wolforth
Solmon Brothers	Dalefield Wood etc.
Pain Weber	
Blyth Eastman Dillon	

Need for new expanded legislation -

1. Now we must abide by FHA & VA rates - 8%  
Our cost of money is more than that  
(A historical high - we hope will settle down)
2. Only 10% conventional  
Most condominiums and town houses are not federally insured.
3. Covers rural Alaska.
4. Option to state for placing Vets loans.
5. Option to state to loan surplus funds to AHFC from bonus sales etc. in the future. Take place of the Bond Market..
6. Provide lowest possible mortgage rates for the consumer.

Kerttula  
Palmar Kerttula  
Chairman

Ed Willis  
Ed Willis  
Vice Chairman

Mike Colletta  
Mike Colletta

J. Orsini  
Joseph Orsini

Ziegler  
Robert Ziegler

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 (Duc 1976)  
2,500 single family units statewide for low and moderate income persons.

**AHFC works as follows:**

Home buyer - Bank - AHFC - Bonds

**Current program allows for:**

90% of funds FHA and VA insured loans.  
10% Conventional

**SB 288 and SB 289 provides for alternatives**

1. Existing program.
2. 100% conventional loan program.
3. Option provided to the State to sell veterans loans.

**AHFC - TAX EXEMPT** These factors should make long term money available  
**NON PROFIT** at lowest possible rate to consumer.

\$500,000 of AHF Corporation money into new program with \$500,000 of state funding will allow us to make up to \$50,000,000 in conventional loans.

- a. Veterans will fund their own reserve at time loans are sold to AHF Corporation.
- b. \$500,000 of AHFC money was created through arbitrage on notes prior to bond sale.
- c. State participation needed to show good faith to bond buyers.
- d. Future money will need to be appropriated by state to mortgage insurance fund.

**Two funds are created in SB 289**

**Mortgage Insurance Fund**  
2% of portfolio

**Bond Insurance Fund**  
10% of bonds.

1. 80% loan to value ratio.  
If 95% loan then top 15% will be covered by private mortgage insurance (PMI)
2. This takes the place of FHA and VA Insurance.

**Bond Council says this program will sell.**

Dean Witter                      Wolforth  
Solmon Brothers                Dalefield Wood etc.  
Pain Weber  
Blyth Eastman Dillon

**Need for new expanded legislation -**

1. Now we must abide by FHA & VA rates - 8%  
Our cost of money is more than that  
(A historical high - we hope will settle down)
2. Only 10% conventional  
Most condominiums and town houses are not federally insured.
3. Covers rural Alaska.
4. Option to state for placing Vets loans.
5. Option to state to loan surplus funds to AHFC from bonus sales etc. in the future. Take place of the Bond Market.
6. Provide lowest possible mortgage rates for the consumer.

Kerttula  
Jalmar Kerttula  
Chairman

Ed Willis  
Ed Willis  
Vice Chairman

Mike Colletta  
Mike Colletta

J. Orsini  
Joseph Orsini

Ziegler  
Robert Ziegler

Poland

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18.56

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Comments of  
R. 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)

① 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
Chitina	1	33,690.68	McGrath	1	33,690.68
Chugiak	4	134,762.72	Moose Pass	2	67,381.36
Cordova	13	437,978.84	Nome	3**	101,072.04
Delta Junction	2	67,381.36	North Pole	4	134,762.72
Dillingham	2	67,381.36	Palmer	13	437,978.84
Douglas	6	202,144.08	Peters Creek	3	101,072.04
Eagle River	3	101,072.04	Petersburg	4	134,762.72
② Fairbanks	23	774,885.64	Sand Point	4	134,762.72
Gambell	2	67,381.36	Seldovia	2	67,381.36
Glennallen	1	33,690.68	Seward	5	113,453.40
Haines	5	113,453.40	Sitka	2	67,381.36
Healy	1	33,690.68	Soldotna	5	113,453.40
Homer	3	101,072.04	Valdez	7	235,834.76
Hoonah	3	101,072.04	Wasilla	4	134,762.72
Iliamna	2	67,381.36	Wrangell	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-family \$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.