

SB

148

2ND FREE CONFERENCE COMMITTEE REPORT

DATE: _____

Mr. President:

Mr. Speaker:

The 2ND FREE Conference Committee which ~~has had~~ considered CS FOR SENATE BILL NO. 148 (Fin) am (housing loans; eff. date) and HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Fin) (state loan programs under the Alaska Housing Finance Corporation, the Department of Community and Regional Affairs, and the Alaska Industrial Development Authority; eff date)

(WITH LIMITED POWERS ON MULTI-FAMILY DWELLINGS)

under-consideration, recommends that

the amendments shown on Attachment A be adopted.

be adopted.

Senate Members:

Don Gilman
Senator Gilman, Chairman

Neil Ray
Senator Ray

Ziegler
Senator Ziegler

House Members:

Robert Bettisworth
Representative Bettisworth, Chairman

Ray Metcalfe
Representative Metcalfe

Miller
Representative Miller

*would need
re-wording
if SBA
changes*

AIDA was created to import low-cost capital into the State, and to pass that low cost on to the business community with the addition of modest administrative and overhead costs.

It is the intent of the Legislature that the expense to the State of the AIDA programs remain modest, and it is not the intent of the Legislature to subsidize taxable loans down to tax-exempt rates nor to appropriate State money, which would otherwise be eligible for investment at taxable rates, directly to an AIDA loan fund to be lent at tax exempt rates.

The Legislature specifically wishes to avoid building into the AIDA program an expectation of low-interest funds the same way that such an expectation has been built into the AHFC program. It is important that the business community recognize the possibility that the issuance of tax-exempt industrial revenue bonds may be halted by Congress, and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt loan programs.

*add to make more use
Wording re encouraging gov't guaranteed loans*

DRAFT LETTER OF INTENT FOR FCCSSB 146 ("Due on Sale" portion)

AS 18.56.098(e) has been amended to authorize AHFC to require "due on sale" clauses in new mortgages that it acquires after July 1, 1981. In the common law of some other states, such as California, judicial decisions have held "due on sale" clauses to be invalid and unenforceable. The amendment to AS 18.56.098(e), by statutory law, rejects this common law principle and provides instead that such clauses by AHFC will be enforceable. The action of modifying the common law in this way is not unlike that done to the common law of contracts by the adoption of the Uniform Commercial Code.

In the case of AHFC, the enforceability of "due on sale" clauses is an essential part of its taxable bond program. This is because the mortgages to be made have a term of 30 years, but the bond market today for taxable, 30-year bonds has become virtually non-existent, even if an extremely high rate of interest is paid on the bonds. To issue bonds in the annual volume that AHFC requires to meet the demand for its mortgages, and to do so at more reasonable interest rates and thereby allow more mortgages to be made with the subsidy monies appropriated to it, AHFC has issued and will issue bonds for a shorter term -- the maturities for its first taxable bond sale earlier this month were for 13 and 18 years. To pay the bonds off with these shorter maturities, AHFC must rely on the prepayment of the outstanding balances on its mortgages when the houses being financed by them are sold. If assumptions or "wrap arounds" are allowed so that these mortgages would not be paid off until the end of their 30-year terms, AHFC would default on its repayment of its bonds.

Thus, the purpose of the "due on sale" clause for new AHFC mortgages is to facilitate the taxable bond program by allowing the subsidy funds to cover more mortgages as the result of the lower bond interest rates with shorter bond maturities. This is a very different case from "due on sale" clauses that private lenders seek to enforce, which merely seek to protect those lenders from the effects of variations in their cost of money during the term of the mortgages they make.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. FCCSSB 148

Title "An Act relating to state loan programs..."

Requested by Department of Revenue/Ak. Housing Finance Corp. Date June 22, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Economic Development

BRU, Program, or Subprogram(s) Affected Alaska Housing Finance Corporation

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		900.0	1,080.0	1,188.0	1,306.8	1,437.5
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	\$5,912.3					

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Capital Appropriation for						
mtg. subsidies and other		900.0	1,080.0	1,188.0	1,306.8	1,437.5
mtg. programs						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

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

Pursuant to the legislative intent of FCCSSB 148, Alaska Housing Finance Corporation may pay an additional fee to lending institutions originating loans in certain rural areas of the State and subsequently sold to the Corporation. The fee will compensate the lending institutions for additional expenses incurred in connection with originating loans in such areas.

Funding of these fees paid by the Corporation will be from annual capital budget appropriations to the Corporation from the General Fund and will not be paid from program receipts or charged against the operating budget of the Corporation.

IV. DATE June 22, 1981

PREPARED BY Alaska Housing Finance Corporation

AGENCY Department of Revenue

PHONE 276-5599

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

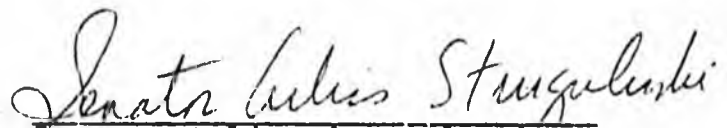
FREE CONFERENCE COMMITTEE
ON SB 148
RECOMMENDATIONS ON APPROPRIATIONS

The Free Conference Committee on SB 148 recommends that the Free Conference Committee on HB 50 approve the following appropriations which would be consistent with the intent and provisions of FCCS SB 148:

	<u>ALLOCATIONS</u>	<u>APPROPRIATIONS</u>
Alaska Housing Finance Corporation		
Special Mortgage Loan Purchase Program		\$222,000,000
Home Ownership Assistance Program		43,000,000
Mobile Home Loan Purchase Program	\$18,000,000	
Owner-Occupied Rural Mortgage Loan Purchase Program	20,000,000	
Non-owner Occupied Rural Mortgage Loan Purchase Program	5,000,000	
Community and Regional Affairs		
Non-conforming Housing Program		40,000,000
Alaska Industrial Development Authority		
Enterprise Development Fund for Reserve Funds to secure bond issues		8,000,000

The following appropriation is also recommended if FCCS SB 148 is amended to provide for subsidized loans for multi-family rental housing:

Alaska Industrial Development Authority		
Small Enterprise Loan Account for multi-family dwelling loan purchases		20,000,000


Senator Arliss Sturgulewski,
Chairman

Steve
From: AK HS'g Finance
Ext 819 /Barauf.

AMENDMENT TO FCCSB 148

Page 3, Line 25

Add new sentence to read as follows:

"The provisions of such regulations prohibiting or restricting the right to assume or the right to provide for the payment of mortgage loans shall be effective for mortgage loans purchased by the Corporation subsequent to July 1, 1981."

MARK CAMERON

Amendment To Letter of Intent

"AIDA shall review the consequences of selling umbrella bonds up to \$2000000...."

Amendment to AIDA

SBA loan purchases only to new SBA's

Original sponsor: Mulcahy

1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE BILL NO. 148

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state loan programs under the
7 Alaska Housing Finance Corporation, the Department of
8 Community and Regional Affairs, and the Alaska Indus-
9 trial Development Authority; and providing for an
10 effective date."

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

12 * Section 1. AS 18.56.040 is amended to read:

13 Sec. 18.56.040. MEETINGS OF BOARD. (a) The board shall elect a
14 chairman from among its membership at its annual [FIRST] meeting [IN]
15 each year. A majority of the members constitute a quorum for organizing
16 the board, conducting its business and exercising the powers of the
17 corporation. The board shall meet at the call of its chairman. The
18 board shall meet not less than once each three months.

19 (b) The board may meet and transact business by electronic media
20 if

21 (1) public notice of the time and locations where the meeting
22 will be held by electronic media has been given in the same manner as
23 if the meeting were held in a single location;

24 (2) participants and members of the public in attendance can
25 hear and have the same right to participate in the meeting as if the
26 meeting were conducted in person; and

27 (3) copies of pertinent reference materials, statutes, regu-
28 lations, and audio-visual materials are reasonably available to parti-
29 cipants and to the public.

1 (c) A meeting by electronic media as provided in this section has
2 the same legal effect as a meeting in person.

3 * Sec. 2. AS 18.56.045 is amended to read:

4 Sec. 18.56.045. MINUTES OF MEETINGS. The board shall keep
5 minutes of each meeting and send a certified copy to the governor
6 and to the Legislative Budget and Audit Committee.

7 * Sec. 3. AS 18.56.096 is amended to read:

8 Sec. 18.56.096. LIMITATION ON POWER TO MAKE OR PURCHASE MORTGAGE
9 LOANS. The corporation may not make, participate in the making of,
10 purchase, or participate in the purchase of

11 (1) a first mortgage loan under this chapter that [WHICH]
12 exceeds the limitations on first mortgage loans purchased by the
13 Federal National Mortgage Association as to principal amount and loan-
14 to-value ratio; or [,]

15 (2) a second mortgage loan the amount of which, when combined
16 with the principal balance of a first mortgage loan on the property,
17 exceeds the limitation on the amount set out in (1) of this section or
18 which has a loan-to-value ratio when considered with the principal bal-
19 ance of the first mortgage loan, that exceeds 90 percent.

20 * Sec. 4. AS 18.56.098(a) is amended to read:

21 (a) The corporation shall establish a special mortgage loan
22 purchase program. Under the special mortgage loan purchase program,
23 the corporation may purchase first or second mortgage loans, including
24 graduated payment mortgage loans, made [(1)] for the purchase, improve-
25 ment, or rehabilitation of residences [; OR (2) FOR THE REFINANCING OF
26 A MORTGAGE LOAN ON A RESIDENCE IF THE PURPOSE OF THE REFINANCING IS TO
27 PROVIDE MONEY FOR THE IMPROVEMENT OR REHABILITATION OF THE RESIDENCE].

28 * Sec. 5. AS 18.56.098(c) is amended to read:

29 (c) The corporation may pledge mortgage loans purchased by the

1 corporation under (a) of this section, mortgage loans assigned to the
 2 corporation for the special mortgage loan purchase program, and mortgage
 3 loans purchased with amounts appropriated to the corporation for the
 4 special mortgage loan purchase program to pay the principal, interest,
 5 and redemption premium, if any, on bonds or bond anticipation notes
 6 issued by the corporation for the special mortgage loan purchase pro-
 7 gram and may expend amounts appropriated to the special mortgage loan
 8 purchase program for mortgage loan subsidies or other purposes of the
 9 program as necessary to cause the interest rate on mortgage loans pur-
 10 chased under the special mortgage loan purchase program and retained
 11 by the corporation or sold under AS 18.56.099 to equal the rates speci-
 12 fied in this section.

13 * Sec. 6. AS 18.56.098(e) is amended to read:

14 (e) The corporation shall establish regulations in accordance
 15 with AS 18.56.088 to implement the special mortgage loan purchase
 16 program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE
 17 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES
 18 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions
 19 allowing, prohibiting, or restricting [OTHERWISE SETTING CONDITIONS ON]
 20 the right to assume or the right to provide for the payment of mortgage
 21 loans purchased under (a) of this section by a person other than the
 22 mortgagor. A provision in a mortgage loan purchased by the corporation
 23 which prohibits or restricts the right to assume or the right to pro-
 24 vide for the payment of mortgage loans is enforceable. The corpora-
 25 tion shall enforce the regulations adopted under this subsection.

26 * Sec. 7. AS 18.56.098 is amended by adding new subsections to read:

27 (g) The corporation shall establish the interest rate on a first
 28 mortgage loan purchased under (a) of this section in accordance with
 29 the following:

ADD: The provisions of such regulations prohibiting or restricting the right to assume or
 the right to provide for the payment of mortgage loans shall be effective for mortgage loans
 purchased by the corporation subsequent to July 1, 1991.

1 (1) The interest rate on the first \$90,000 of a mortgage
2 loan purchased with the proceeds of the first issue of taxable bonds of
3 the corporation is 10 percent or the cost of funds, whichever is less.

4 (2) The interest rate on the first \$90,000 of a mortgage
5 loan purchased with the proceeds of a second or subsequent issue of
6 taxable bonds of the corporation shall be determined as follows:

7 (A) If the cost of funds of an issue of taxable bonds
8 is more than the cost of funds of the preceding issue of taxable
9 bonds, the interest rate shall be increased by an amount equal to,
10 the difference between the cost of funds of the two bond issues.

11 (B) Except as provided in (C) and (D) of this paragraph
12 and (3) of this subsection, the interest rate may not be less than
13 10 percent and may not be reduced.

14 (C) If the difference between the cost of funds of an
15 issue of taxable bonds and the interest rate established for a
16 mortgage loan purchased with the proceeds of the previous issue
17 would be equal to or less than three percent, the interest rate on
18 mortgage loans purchased with the proceeds of that taxable bond
19 issue and subsequent taxable bond issues is three percent less
20 than the cost of funds of the taxable bond issue that is used to
21 purchase the mortgage loan.

22 (D) The interest rate on a mortgage loan purchased with
23 the proceeds of a taxable bond issue may not be less than 10
24 percent unless the cost of funds of the taxable bond issue is less
25 than 10 percent, in which case the interest on a mortgage loan
26 purchased with the proceeds of a taxable bond issue is equal to
27 the cost of funds.

28 (3) An interest rate determined under this subsection on the
29 first \$90,000 of a mortgage loan shall be reduced by one percentage

1 point if the loan is made to an eligible veteran under AS 18. .101.

2 (4) The interest rate for the amount of a mortgage loan
3 purchased under (a) of this section that exceeds \$90,000 is equal to
4 the cost of funds to the corporation attributable to that part of the
5 loan.

6 (5) The interest rate on a mortgage loan purchased from
7 money appropriated to the corporation is the rate the corporation
8 determines is appropriate by application of the provisions of (1) - (4)
9 of this subsection. The rate may be based on an estimate of the cost
10 of funds of a proposed issue or issues of bonds.

11 (6) The interest rate on the first \$90,000 of a mortgage
12 loan purchased from the proceeds of bonds that are exempt from taxation
13 under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10
14 percent or the cost of the funds, whichever is less. A higher or lower
15 interest rate shall be established on the entire loan amount if required
16 under the Mortgage Subsidy Bond Tax Act.

17 (7) In this subsection

18 (A) "cost of funds" means the true interest cost ex-
19 pressed as a rate on bonds of the corporation plus an additional
20 percentage as determined by the corporation to represent the
21 allocable expenses of operation, costs of issuance, and mortgage
22 servicing;

23 (B) "taxable bonds" means bonds bearing interest that
24 is taxable under the provisions of the Mortgage Subsidy Bond Tax
25 Act of 1980 (26 U.S.C. 103A) issued to finance the purchase of
26 first mortgage loans.

27 (h) The corporation shall establish the interest rate on a second
28 mortgage loan purchased under (a) of this section in the manner estab-
29 lished for computing the interest rates on a first mortgage loan under

1 (g) of this section except that the outstanding principal balance of
2 the existing first mortgage loan is subtracted from \$90,000 to determine
3 the amount of the loan that is eligible for an interest rate on a
4 second mortgage loan determined by reference to (g) of this section.

5 * Sec. 8. AS 18.56.101 is amended to read:

6 Sec. 18.56.101. ELIGIBILITY FOR VETERANS' INTEREST RATES. The
7 following persons are eligible veterans for the purposes of AS 18.56.-
8 098(g) and (h) [AS 18.56.098(d)]:

9 (1) a person who served in the armed forces of the United
10 States for 90 days or more, or whose service was for less than 90 days
11 because of injury or disability incurred in the line of duty, after
12 April 6, 1917,

13 (A) who at the time of induction into the service was a
14 resident of the territory or state, who had been a resident for
15 not less than one year immediately before his induction, and who
16 returned to the territory or state within one year after discharge
17 as a resident with the intention of remaining in the territory or
18 state; or

19 (B) who, not being a bona fide resident of the territory
20 or state at the time of entry into the service, has been a resident
21 of the territory or state for at least one year at the time of the
22 loan application and has been a resident of the territory or state
23 for least five years; and

24 (C) whose discharge was under honorable conditions;

25 (2) the widow or widower of a member of the armed forces of
26 an eligible veteran if

27 (A) the member or veteran was a resident of the terri-
28 tory or state for one year before induction into the service;

29 (B) the member or veteran served in the armed forces

1 for at least 90 days after April 6, 1917; and

2 (C) his discharge was under honorable conditions;

3 (3) a person who has served in the Alaska Army National
4 Guard, the Alaska Air National Guard, or the Alaska Naval Militia or
5 who has served in a reserve unit of the United States armed forces in
6 Alaska if the reserve unit required, as a minimum, one weekend each
7 month of duty and 15 consecutive days of active duty training each year
8 for not less than five years and whose discharge was under honorable
9 conditions.

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

11 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to
12 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.
13 103A) the amount of mortgage revenue bonds that may be issued in the
14 state under sec. 103A(g)(4) of that Act is allocated solely to the
15 corporation. A municipality may not issue mortgage revenue bonds under
16 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless
17 permitted to do so by the corporation. The amount of mortgage revenue
18 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage
19 Subsidy Bond Tax Act of 1980 with the permission of the corporation
20 shall be deducted from the total amount permitted by that Act.

21 (b) The provisions of this section apply to home rule municipali-
22 ties.

23 * Sec. 10. AS 18.56 is amended by adding a new section to read:

24 Sec. 18.56.107. LOAN ORIGINATION AND SERVICE FEES FOR RURAL
25 AREAS. Loan origination and service fees charged for a loan made or
26 purchased in a rural area with money received by the corporation after
27 July 1, 1981, may be higher than loan origination and service fees
28 charged for other loans made or purchased by the corporation and the
29 corporation may pay a portion of the higher fees.

1 * Sec. 11. AS 18.56.110 is amended by adding a new subsection to read:

2 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the
3 corporation may not issue bonds, other than refunding bonds, in any
4 12-month period beginning after June 30, 1982, in an amount that exceeds
5 the amount of bonds authorized to be issued during the preceding 12-
6 month period, unless a different amount is authorized by the legisla-
7 ture.

8 * Sec. 12. AS 18.56.200(c) is amended to read:

9 (c) The corporation shall include in its annual report under (b),
10 of this section an estimate of the investment activity of the corpora-
11 tion in mortgage loans under this chapter for the following 12-month
12 period and an estimate of the amount of bonds to be issued for the
13 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE
14 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY
15 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS
16 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

17 * Sec. 13. AS 18.56.200 is amended by adding a new subsection to read:

18 (d) The corporation shall include in its annual report under (b)
19 of this section a summary of its efforts to implement a program to ex-
20 tend the operation of the loan programs authorized under this chapter
21 to ^{rural} communities, ~~with populations of less than 15,000.~~

22 * Sec. 14. AS 18.56.210 is amended by adding a new paragraph to read:

23 (13) "bond" or "obligation" means a bond or note of the
24 corporation or a mortgage participation certificate issued with respect
25 to mortgages of the corporation.

26 * Sec. 15. AS 44.47.370 is amended by adding a new paragraph to read:

27 (8) originate and service direct loans made to qualified
28 buyers in accordance with AS 44.47.360 - +4.47.560.

29 * Sec. 16. AS 44.47.380 is amended to read:

1 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created
2 in the Department of Community and Regional Affairs the nonconforming
3 housing loan fund consisting of money appropriated to it by the legis-
4 lature. The director shall administer the nonconforming housing loan
5 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the
6 money in the nonconforming housing loan fund to originate, purchase, or
7 participate in the purchase of

8 (1) nonconforming housing mortgage loans;

9 (2) loans made for building materials for nonconforming
10 housing;

11 (3) loans made for renovations or improvements to noncon-
12 forming housing;

13 (4) loans made for the construction of owner-occupied non-
14 conforming housing other than loans to builders or contractors or loans
15 that compensate an owner for his labor or services in constructing his
16 own housing.

17 * Sec. 17. AS 44.47 is amended by adding a new section to read:

18 Sec. 44.47.385. ELIGIBLE LOCATIONS. (a) The director may make
19 loans from the nonconforming housing loan fund only for nonconforming
20 housing loans to qualified buyers for nonconforming housing.

21 (b) Not more than 20 percent of the total principal amount of
22 loans made for nonconforming housing may be made in cities of organized
23 boroughs and service areas of unified municipalities where the popula-
24 tion of the city or service area exceeds 3,500.

25 (c) For purposes of (b) of this section, population shall be de-
26 termined with reference to the 1980 preliminary census report as pub-
27 lished in "Alaska 1980 Population" and released January 1, 1981, by the
28 Department of Labor.

29 (d) In allocating money under (b) of this subsection, if a home

1 proposed for financing is in more than one service area, that home
2 shall be considered to be in the service area with the smallest popula-
3 tion.

4 * Sec. 18. AS 44.47.390 is amended to read:

5 Sec. 44.47.390. LIMITATIONS ON USE OF NONCONFORMING HOUSING LOAN
6 FUND. The director may not use the money in the nonconforming housing
7 loan fund to

8 (1) originate a direct loan or purchase or participate in
9 the purchase of a nonconforming housing mortgage loan which exceeds the
10 limitations on mortgage loans purchased by the Federal National Mortgage
11 Association as to principal amount or loan-to-value ratio;

12 (2) originate a direct loan or purchase or participate in
13 the purchase of a loan made for building materials for nonconforming
14 housing

15 (A) which exceeds \$45,000 or exceeds

16 (i) 80 percent of the appraised value of the work
17 completed on the nonconforming housing for which the loan is made
18 if the nonconforming housing is pledged as collateral for the
19 loan; or

20 (ii) 80 percent of the value of other property
21 which is pledged as security for the loan and which is satis-
22 factory to the director as collateral;

23 (B) unless the terms of the loan agreement require
24 inspections and certifications, as required by regulations of the
25 director, at the expense of the borrower; and

26 (C) unless the period of time allowed for repayment of
27 the loan is equal to or less than 15 years [THE LESSER OF

28 (i) THREE YEARS; OR

29 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY

1 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE
2 AMONG PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN
3 WHICH THE LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING
4 MATERIALS];

5 (3) originate direct loans or purchase or participate in the
6 purchase of a nonconforming housing mortgage loan which is secured by
7 real property the marketable title to which is shown in accordance with
8 AS 44.47.420(b)(2) if the total amount of outstanding nonconforming
9 housing mortgage loans held by the division exceeds 10 times the amount
10 of money in the restricted title loss reserve account (AS 44.47.430) [;

11 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION
12 LOANS].

13 * Sec. 19. AS 44.47 is amended by adding a new section to read:

14 Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is
15 established an operating loss reserve account for the purpose of meet-
16 ing legal expenses incurred through the foreclosure of properties
17 acquired by the director under AS 44.47.370(6) and making repairs to
18 these properties so that they may be sold to new buyers.

19 ~~(b) The operating reserve loss account consists of money appro-~~
20 priated by the legislature. To the extent that money is paid out of
21 the operating loss reserve account for the purposes stated in this
22 section, this money shall be replaced with money received as interest
23 on loans authorized by this chapter.

24 * Sec. 20. AS 44.47.400 is amended to read:

25 Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall
26 adopt regulations in accordance with the Administrative Procedure Act
27 (AS 44.62) establishing acceptable security for loans originated or
28 purchased in whole or in part under AS 44.47.380.

29 (b) A person may pledge as security for the repayment of a loan

1 originated or purchased in whole or in part under AS 44.47.380 a pre-
2 ference right he holds to receive title to land he occupies as a pri-
3 mary place of residence, primary place of business, subsistence camp-
4 site, or as headquarters for reindeer husbandry. The preference right
5 must be conveyed to the person by the Native corporation to which the
6 land was granted under section 14 of the Alaska Native Claims Settle-
7 ment Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.
8 94-204) before it may be pledged as security under this subsection.
9 The commissioner of community and regional affairs shall prescribe
10 procedures and standard forms for establishing, pledging, and appraising
11 the value of a preference right held by a person to secure the repay-
12 ment of a loan originated or purchased in whole or in part under AS 44.-
13 47.380.

14 * Sec. 21. AS 44.47.410 is repealed and reenacted to read:

15 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-
16 gage loan originated or purchased in whole or in part under AS 44.-
17 47.380 is equal to the interest rate, as determined under AS 18.56.098-
18 (g)(1) - (4), on a mortgage loan purchased under AS 18.56.098(g) from
19 the proceeds of the most recent applicable issue of taxable bonds
20 before the origination or purchase of the mortgage loan originated or
21 purchased under AS 44.47.380.

22 * Sec. 22. AS 44.47.420(a) is amended to read:

23 (a) Before the director originates or purchases a nonconforming
24 housing mortgage loan in whole or in part, the director may require a
25 borrower to show marketable title to real property offered as security
26 for the loan to be purchased.

27 * Sec. 23. AS 44.47.430(b) is amended to read:

28 (b) The director may withdraw money from the restricted title
29 loss reserve account in an amount equal to the loss to the division on

1 a nonconforming housing mortgage loan originated or purchased in whole
2 or in part by the division if marketable title to the real property
3 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).
4 Money withdrawn from the restricted title loss reserve account under
5 this section shall be deposited in the nonconforming housing loan fund.

6 * Sec. 24. AS 44.47.460 is amended to read:

7 Sec. 44.47.460. LOAN ORIGINATION AND SERVICING. (a) Before
8 purchasing or participating in the purchase of a loan, the director
9 shall enter into a loan servicing agreement with the private financial
10 institution from which the loan is to be purchased.

11 (b) The director may execute service agreements with private
12 lending institutions to service loans originated by the division.

13 (c) Under the servicing agreement, the private financial insti-
14 tution shall administer the loan and may charge the division a negoti-
15 ated origination or servicing fee on the division's share of the loan.
16 When appropriate, the [THE] private financial institution may also
17 charge the borrower a reasonable origination fee not to exceed one
18 percent.

19 (d) Loan origination and servicing agreements entered into under
20 this section may provide for higher fees for loans made for nonconform-
21 ing housing located outside of cities of organized boroughs and service
22 areas of unified municipalities that have a population in excess of
23 3,500, than for other loans made for nonconforming housing. The divi-
24 sion may pay a portion of the higher fees.

25 * Sec. 25. AS 44.47.470 is amended to read:

26 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or
27 participating in the purchase of a nonconforming housing mortgage loan,
28 the director may have or may require the borrower to have an appraisal
29 made of the fair market value of the real property, including struc-

1 tures on the real property, for which the loan is made. In conducting
2 an appraisal under this section, the appraiser shall give full value to
3 insulation and other features of construction in structures on the real
4 property which add to the energy efficiency of the structures.

5 * Sec. 26. AS 44.47.490 is amended to read:

6 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The
7 director may establish field offices under this chapter, may [SHALL]
8 hire [AT LEAST] one or more lending officers, [OFFICER] and may [SHALL]
9 contract for the services of

10 (1) real property appraisers who are familiar with rural
11 construction; and

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

14 (b) The personnel described in (a) of this section may [SHALL]
15 make [REGULAR] visits to [EACH OF] the regions established under AS 44.-
16 47.510(a) to provide preconstruction and post-construction inspections
17 of real property for which loans are originated or purchased by the
18 division in whole or in part under AS 44.47.380 and to provide assis-
19 tance to private financial institutions and their borrowers in the
20 regions. Authority for final approval of loans may not be exercised by
21 the personnel described in this section.

22 * Sec. 27. AS 44.47.510(b) is amended to read:

23 (b) Unless otherwise required by an appropriation, the director
24 shall allocate the money in the nonconforming housing loan fund among
25 the regions established under (a) of this section for the purpose of
26 originating or purchasing each type of loan described in AS 44.47.380.
27 In making an allocation under this subsection, the director shall
28 consider the past and potential lending activity of private financial
29 institutions in the region as well as the need for loans in the region.

1 The director may reallocate the money among the regions as he considers
2 necessary.

3 * Sec. 28. AS 44.88.010 is amended to read:

4 Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-
5 lature finds, determines and declares that

6 (1) there exist areas of the state in which seasonal and
7 nonseasonal unemployment exists;

8 (2) this unemployment is a serious menace to the health,
9 safety and general welfare, not only to the people in those areas, but
10 also to the people of the entire state;

11 (3) the state lacks the basic manufacturing, industrial, and
12 ~~small~~ ^{and essential business} [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises
13 and the other facilities referred to in (5) of this subsection [AS 44.-
14 88.010(a)(5)] necessary to permit adequate development of its natural
15 resources and the balanced growth of its economy;

16 (4) the establishment and expansion of industrial, manufac-
17 turing, and ~~small~~ ^{and essential business} [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]
18 enterprises in Alaska and the other facilities referred to in (5) of
19 this subsection are [, INCLUDING FACILITIES FOR AIR AND WATER TRANSPOR-
20 TATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
21 FOR THE LOCAL FURNISHINGS OF GAS, FACILITIES FOR WATER, AND FACILITIES
22 FOR INDUSTRIAL PARKS, IS] essential to the development of the natural
23 resources and the long-term economic growth of the state, and will di-
24 rectly and indirectly alleviate unemployment in the state;

25 (5) the achievement of the goal of full employment, and of
26 establishment and continuing operation and development of industrial,
27 manufacturing, ~~and small~~ ^{and essential business} [BUSINESS, TOURISM, MINING AND COMMERCIAL
28 FISHING] enterprises, ^{and other enterprises} in the state, including facilities for air and
29 water transportation, facilities for pollution control and waste dis-

1 posal, facilities for the local furnishing of gas, facilities for
 2 water, and facilities for industrial parks, will be accelerated and
 3 facilitated by the creation of an instrumentality of the state with
 4 powers to incur debt and to make and insure loans to finance, and to
 5 assist private lenders to make loans to finance, the establishment,
 6 operation, and development of industrial, manufacturing, ~~and~~ ^{business} small
 7 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, ~~and~~
 8 ^{other enterprises,} including facilities for air and water transportation, facilities for
 9 pollution control and waste disposal, facilities for the local furnish-
 10 ing of gas, facilities for water, ~~and~~ facilities for industrial parks,
 11 [, FOR PRIVATE OPERATION]; ~~and~~

12 (6) it is in the public interest to promote the prosperity
 13 and general welfare of all citizens of the state by stimulating commer-
 14 cial and industrial growth and expansion by encouraging an increase of
 15 private investment by banks, investment houses, insurance companies,
 16 and other financial institutions, including pension and retirement
 17 funds, to help satisfy the need for economic expansion;

18 (7) it is in the state's interest to import private capital
 19 to create new economic activity which would not otherwise take place in
 20 the state.

21 (b) It is declared to be the policy of the state, in the interests
 22 of promoting the health, security and general welfare of all the people
 23 of the state, and a public purpose, to increase job opportunities and
 24 otherwise to encourage the economic growth of the state, including the
 25 development of its natural resources, through the establishment and
 26 expansion of manufacturing, industrial, ~~and small~~ ^{business} [BUSINESS, TOURISM,
 27 MINING AND COMMERCIAL FISHING] enterprises, ~~and~~ ^{other enterprises,} and the other facilities
 28 referred to in (a)(5) of this section [AS 44.88.010(a)(5)] by creating
 29 the public corporation with power, duties and functions as provided in

1 this chapter.

2 * Sec. 29. AS 44.88.050(a) is amended to read:

3 (a) A majority of the members of the authority constitutes a
4 quorum for the transaction of business or the exercise of a power or
5 function at a meeting of the authority. In case of a tie vote on a
6 motion or resolution pending before the authority the motion or resolu-
7 tion shall be presented to the governor and if approved by him, is
8 considered adopted by the authority. The authority may meet and trans-
9 act business by electronic media if (1) public notice of the time and
10 locations where the meeting will be held by electronic media has been
11 given in the same manner as if the meeting were held in a single loca-
12 tion; (2) participants and members of the public in attendance can hear
13 and have the same right to participate in the meeting as if the meeting
14 were conducted in person; and (3) copies of pertinent reference mater-
15 ials, statutes, regulations, and audio-visual materials are reasonably
16 available to participants and to the public. A meeting by electronic
17 media as provided in this subsection has the same legal effect as a
18 meeting in person.

19 * Sec. 30. AS 44.88.050 is amended by adding a new subsection to read:

20 (d) The authority shall keep minutes of each meeting and send a
21 certified copy to the governor and to the Legislative Budget and Audit
22 Committee.

23 * Sec. 31. AS 44.88.070 is amended to read:

24 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
25 authority is to promote, develop and advance the general prosperity and
26 economic welfare of the people of Alaska, to relieve problems of unem-
27 ployment, and to create additional employment by providing various
28 means of financing and means of facilitating the financing of indus-
29 trial, manufacturing, ~~and small~~ ^{business} [BUSINESS, TOURISM, MINING, AND COM-

1 ~~COMMERCIAL FISHING~~ enterprises, and the other facilities referred to in
2 AS 44.88.010(a)(5) within the state.

3 * Sec. 32. AS 44.88.080(12) is amended to read:

4 (12) to purchase or insure loans to finance the costs of
5 manufacturing, industrial, ~~and small~~ ^{business} [BUSINESS, TOURISM, MINING, AND
6 COMMERCIAL FISHING] enterprise ~~and other enterprise~~ projects;

7 * Sec. 33. AS 44.88.080(18) is amended to read:

8 (18) to facilitate the expansion of a secondary market for the
9 resale of federally or commercially insured loans made to finance the
10 costs of projects in Alaska held by federal and state chartered finan-
11 cial institutions or by the Alaska Commercial Fishing and Agriculture
12 Bank [COMMERCIAL BANKS IN ALASKA].

13 * Sec. 34. AS 44.88 is amended by adding a new section to read:

14 Sec. 44.88.085. FEES CHARGED BY AUTHORITY. (a) An application
15 fee may not be charged for an application for authority participation
16 in a loan under AS 44.88.158.

17 (b) The commitment fee for a loan commitment by the authority may
18 not exceed two percent of the principal amount of the loan.

19 * Sec. 35. AS 44.88.090(g)(1) is repealed and reenacted to read:

20 (1) issue bonds, other than refunding bonds, in any 12-month
21 period beginning after June 30, 1982, in an amount that exceeds the
22 amount of bonds authorized to be issued during the preceding 12-month
23 period, unless a different amount is authorized by the legislature; or

24 * Sec. 36. AS 44.88.105(a) is amended to read:

25 (a) For the purpose of securing one or more issues of its bonds,
26 the authority may establish one or more special funds, called "capital
27 reserve funds", and shall pay into those capital reserve funds the
28 proceeds of the sale of its bonds and other money which may be made
29 available to the authority from other sources for the purposes of the

1 capital reserve funds. A capital reserve fund may be established only
2 if the authority determines that the establishment of the fund would
3 enhance the marketability of the bonds, and if those costs of a pro-
4 ject, as defined in AS 44.88.220, which are to be financed with the
5 proceeds of the bonds, do not exceed \$10,000,000. Money in a capital
6 reserve fund, except as provided in this section, may be used as re-
7 quired only for (1) the payment of the principal of, and interest on,
8 bonds or of the sinking fund payments with respect to those bonds; (2)
9 the purchase or redemption of the bonds; or (3) the payment of a
10 redemption premium required to be paid when the bonds are redeemed
11 before maturity. However, money in a capital reserve fund may not be
12 withdrawn if the withdrawal would reduce the amount in the capital
13 reserve fund to less than the capital reserve requirement, except for
14 the purpose of making payment, when due, of principal, interest,
15 redemption premiums on the bonds, and sinking fund payments when other
16 money of the authority is not available for the payments. Income or
17 interest earned by, or increment to, a capital reserve fund, from the
18 investment of all or part of the fund, may be transferred by the author-
19 ity to other funds or accounts of the authority if the transfer does
20 not reduce the amount of the capital reserve fund below the capital
21 reserve fund requirement.

22 * Sec. 37. AS 44.88.105 is amended by adding new subsections to read:

23 (f) The authority may not establish a capital reserve fund to
24 secure an issue of bonds in an amount in excess of \$1,000,000 unless at
25 least 20 percent of the principal amount of the loan for the project is
26 retained by a federal or state chartered financial institution or the
27 Alaska Commercial Fishing and Agriculture Bank.

28 (g) The authority may establish reserve funds, other than capital
29 reserve funds, to secure one or more issues of its bonds. The authority

1 may deposit in a reserve fund established under this subsection the
2 proceeds of sale of its bonds and other money which may be made avail-
3 able from any other source. A reserve fund established under this
4 subsection must comply with (a) - (c) of this section. The authority
5 may allow a reserve fund established under this subsection to be
6 depleted without complying with (d) of this section.

7 * Sec. 38. AS 44.88.155 is repealed and reenacted to read:

8 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) The enterprise
9 development fund is established in the authority. The enterprise
10 development fund is a trust fund for the uses and purposes of this
11 chapter. The enterprise development fund consists of money or assets
12 appropriated or transferred to the authority and other money or assets
13 deposited in it by the authority.

14 (b) The authority may establish in the enterprise development
15 fund a small enterprise loan account, a loan insurance account, and
16 other accounts it considers appropriate.

17 (c) Money and other assets of the enterprise development fund may
18 be used to secure bonds of the authority, and shall be held and invested
19 by the authority in the types of investments described in AS 37.10.-
20 070(a) and AS 39.35.110(a)(9) and (14); ^{or shall} ~~Money in the enterprise devel-~~
21 ~~opment fund may also~~ be used to purchase loans for projects as defined
22 in AS 44.88.220.

23 (d) A loan purchased in whole or in part by the authority, other
24 than a loan which is financed with the proceeds of bonds of the author-
25 ity and secured only by a project applicant or a project,

26 (1) may not exceed

27 (A) \$10,000,000; or

28 (B) \$500,000 if the loan is purchased under AS 44.88.-

29 158;

1 (2) may not exceed the cost of the project or 75 percent of
2 the appraised value of the project, whichever is less, unless the
3 amount of the loan in excess of this limit is federally insured or
4 guaranteed or is insured by a qualified mortgage insurance company;

5 (3) may not be for a term longer than three-quarters of the
6 authority's estimate of the life of the project or 25 years from the
7 date the loan is made, whichever is earlier;

8 (4) shall contain complete amortization provisions satisfac-
9 tory to the authority requiring periodic payments by the borrower;

10 (5) shall be in the form and contain the terms and provi-
11 sions with respect to insurance, repairs, alterations, payment of taxes
12 and assessments, default reserves, delinquency charges, default reme-
13 dies, acceleration of maturity, secondary liens and other matters the
14 authority prescribes;

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

19 (7) may not be made unless

20 (A) at least 10 percent of the principal amount of the
21 loan is retained by the originator of the loan; or

22 (B) 100 percent of the principal amount of the loan is
23 guaranteed by the United States or an agency or instrumentality of
24 the United States;

25 (8) must be

26 (A) at least partially guaranteed by the United States
27 or an agency or instrumentality of the United States, subject to
28 the provisions of AS 44.88.158; or

29 (B) financed from the proceeds of bonds; or

1 (C) expected by the authority to be financed from the
2 proceeds of bonds.

3 (e) The authority may adopt regulations for the administration of
4 the enterprise development fund which may include, without limitation,
5 provisions for fees and agreements relating to application, loan com-
6 mitment, servicing, and origination of loans by other lenders.

7 (f) The authority may enter into agreements as to the use of the
8 money in the enterprise development fund, including without limitation,
9 trust or custody arrangements with banks or trust companies. It may
10 also pledge, assign, or grant the agreement, interests under an agree-
11 ment, or interests in the enterprise development fund as may be neces-
12 sary or appropriate to provide for payment and security for bonds of
13 the authority.

14 * Sec. 39. AS 44.88.157 is amended by adding new subsections to read:

15 (j) Notwithstanding (a) - (i) of this section, the authority may
16 establish additional insurance accounts to secure special obligation
17 bonds, and may pay into an insurance account established under this
18 subsection money made available from an appropriation or any other
19 source. An insurance account established under this subsection is not
20 subject to the requirements of (d) and (g) of this section.

21 (k) A loan may not be insured from a loan insurance account
22 within the enterprise development fund if the loan is for a project the
23 cost of which exceeds \$10,000,000.

24 (l) A loan in excess of \$1,000,000 may not be insured from a loan
25 insurance account within the enterprise development fund unless at
26 least 20 percent of the principal amount of the loan is retained by a
27 federal or state chartered financial institution or the Alaska Commer-
28 cial Fishing and Agriculture Bank.

29 * Sec. 40. AS 44.88.158 is repealed and reenacted to read:

1 Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) A small
2 enterprise loan account is established in the enterprise development
3 fund. The account may be composed of money or assets appropriated or
4 transferred to the authority, interest on investments and loans of the
5 small enterprise loan account, the unpledged income of the enterprise
6 development fund, and other money or assets deposited in it by the
7 authority.

8 Prospective
9 Only) (b) The authority may use money in the small enterprise loan
10 account to purchase the guaranteed portion of a loan made by a private,
11 financial institution, ^{after June 30, 1981} to a small enterprise to pay the cost of a pro-
12 ject, as defined in AS 44.88.220, if the loan is guaranteed by the
13 United States or an agency or instrumentality of the United States,
14 including, but not limited to, the Small Business Administration, the
15 National Marine Fisheries Service, and the Farmers Home Administration,
16 ~~and if the loan is originated after June 30, 1981~~

17 (c) The authority may purchase loans originated by the Alaska
18 Rural Rehabilitation Corporation which are made to agricultural enter-
19 prises. Loans purchased under this subsection may be secured by sub-
20 stitute collateral if the amount of the loan does not exceed 75 percent
21 of the value of the total collateral for the loan. Loans may be pur-
22 chased under this subsection only from money appropriated to the small
23 enterprise loan account for that purpose.

24 * Sec. 41. AS 44.88 is amended by adding a new section to read:

25 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
26 that qualifies for tax-exempt financing ^{is equal to} ~~may not exceed~~ the interest
27 rate on loans of the authority prevailing at the time the loan is
28 purchased for projects having tax-exempt financing. In this subsection,
29 "tax-exempt financing" means financing from the proceeds of the sale of
a series of bonds on which the interest is exempt from federal income
tax.

1 (b) The interest rate on a loan purchased by the authority with
 2 money in the small enterprise loan account from the proceeds of the
 3 sale of a series of taxable bonds ^{is still equal to} ~~may not exceed~~ the true interest
 4 cost, expressed as a rate, of the most recent sale of taxable bonds of
 5 comparable term by the authority, plus an additional percentage to
 6 represent allocable expenses of operation, costs of issuance, and
 7 mortgage servicing costs of the authority. [If the authority has not
 8 sold taxable bonds of comparable term within three months of the time
 9 the loan is purchased, the interest rate on the loan may not exceed the
 10 true interest cost, expressed as a rate, that the authority estimates
 11 would be payable on taxable bonds issued by the authority to provide
 12 money to make the loan, plus an additional percentage to represent
 13 allocable expenses of operation, costs of issuance, and mortgage ser-
 14 vicing costs of the authority.] In this subsection, "taxable bonds"
 15 means bonds on which the interest is subject to federal income tax.

16 (c) The interest rate on a loan purchased by the authority with
 17 money in the small enterprise loan ^{that is} ~~an~~ account not from the proceeds
 18 of the sale of a series of taxable bonds ^{is} ~~is~~ the most recent index of
 19 corporate ^{AA} ~~AA~~ bond yields as published by Moody's ^{Investors Service.} ~~rating service.~~

20 * Sec. 42. AS 44.88 is amended by adding a new section to read:

21 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
 22 the total outstanding balance of loans purchased from a financial
 23 institution under this chapter becomes delinquent for 90 days or more,
 24 the authority shall discontinue purchasing loans from that financial
 25 institution until the delinquency is reduced to less than two percent.

26 * Sec. 43. AS 44.88.220(2) is amended to read:

27 (2) "business enterprise" means a single proprietorship,
 28 corporation, firm, partnership, or other association of persons organ-
 29 ized in any manner, for any business purpose, other than [WHICH IS NOT

Including but not limited to plants or facilities which qualify for tax-exempt bonding

1 ORGANIZED] on a nonprofit basis;

2 * Sec. 44. AS 44.88.220(5) is amended to read:

3 (5) "project" means [INCLUDES]

4 (A) a plant or facility used or intended for use in
5 connection with ^{B) a business enterprise} making, processing, preparing, or producing in any
6 manner, goods, products or substances of any kind or nature ^{including plants and facilities to be used} in
7 connection with developing or utilizing a natural resource, or
8 extracting, smelting, transporting, converting, assembling or
9 producing in any manner, minerals, raw materials, chemicals,
10 compounds, alloys, fibers, commodities and materials, products or
11 substances of any kind or nature, any plant or facility used or
12 intended for use as an industrial park or in connection with air
13 and water transportation, or any plant or facility for the preven-
14 tion, limitation or control of air or water pollution, for the
15 disposal of sewage or solid waste, for the local furnishing of
16 gas, or for the furnishing of water; *Excluded from the scope of the Act*

17 (B) commercial activity by a small [BUSINESS] enterprise
18 [, TOURISM ENTERPRISE, MINING ENTERPRISE AND COMMERCIAL FISHING
19 ENTERPRISE AS DEFINED IN (12), (13), (14), AND (15) OF THIS SEC-
20 TION];

21 * Sec. 45. AS 44.88.220(8) is amended to read:

22 (8) "project cost" or "cost of a project" means all or any
23 part of the aggregate costs determined by the authority to be necessary
24 to finance the construction, expansion, or acquisition of a project,
25 including without limitation the cost of acquiring real or tangible
26 personal property, and, in connection with real property, the cost of
27 constructing buildings and improvements, the cost of constructing means
28 of access to and from the project, the cost of constructing extensions
29 of utility systems to the site of the project; the cost of a project

1 includes, without limitation, the cost of financing the project, in-
2 terest charges before, during or after construction, expansion, or
3 acquisition of the project, costs related to the determination of the
4 feasibility, planning, design or engineering of the project and, to the
5 extent determined necessary by the authority, administrative expenses,
6 the cost of machinery or equipment to be used in the operation of the
7 project and expenses of installation, replacement or rehabilitation,
8 and all other costs, charges, fees and expenses which may be determined
9 by the authority to be necessary to finance the construction, expansion,
10 or acquisition;

11 * Sec. 46. AS 44.88.220(12) is repealed and reenacted to read:

12 (12) "small enterprise" means a business enterprise which is
13 a project applicant with gross income of \$10,000,000 or less for its
14 annual reporting period ending immediately before the application to
15 the authority for a loan;

16 * Sec. 47. AS 44.88.220 is amended by adding a new paragraph to read:

17 (16) "commercial activity" includes work in process or activ-
18 ity involving stock in trade, accounts receivable, or the refinancing
19 of existing indebtedness, subject to the provisions of AS 44.88.158.

20 * Sec. 48. The Alaska Housing Finance Corporation may issue bonds in the
21 principal amount of \$592,000,000 during the fiscal year ending June 30,
22 1982.

23 * Sec. 49. Subject to the limitation of AS 44.88.090(g), the Alaska
24 Industrial Development Authority may issue bonds in the principal amount of
25 \$400,000,000 during the fiscal year ending June 30, 1982.

26 * Sec. 50. The following laws are repealed: AS 18.56.090(1), 18.56.-
27 098(d) and (f)(3), and AS 44.88.220(13), (14), and (15).

28 * Sec. 51. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).

H O U S E A M E N D M E N T S

TO: FCCSSB 148

Page 20, line 27 after "\$10,000,000;" delete "or"

Page 20, line 29 after "158;" insert "or"

Page 20, after line 29, insert:

"(C) \$3,000,000 or \$50,000 for each dwelling unit, whichever is less, if the loan is made for a multi-family dwelling enterprise;"

Page 23, after line 21, insert:

Until June 30, 1982,
"(d) *^* The authority may use the assets of the small enterprise loan account to purchase a loan made to a project applicant for a multi-family dwelling enterprise. *Loans may be purchased under this subsection only from money appropriated to the small enterprise loan account for that purpose.*

(e) The authority shall adopt regulations to establish priorities for the purchase of loans for multi-family dwelling enterprises which take into account the need for multi-family housing in the state as reflected by vacancy rates in multi-family housing in different areas of the state."

Page 24, after line 19, insert:

the portion of *by the authority*
"(d) The interest rate on *^* a loan purchased *^* for a multi-family dwelling enterprise shall be one percent more than the interest rate,

as determined under AS 18.56.098(g)(1) and (2), on a mortgage loan purchased under AS 18.56.098(g) or (h) from the proceeds of the most recent issue of taxable bonds before the loan purchased for a multi-family dwelling enterprise."

Page 25, line 20, after "TION];" insert "and"

Page 25, after line 20, insert:

"(C) a multi-family dwelling enterprise;"

Page 26, line 16, delete "a new paragraph" and insert "new paragraphs"

Page 26, after line 16, insert:

"(16) 'multi-family dwelling enterprise' is a rental or cooperative dwelling of ^{eight} ~~three~~ or more units;"

Page 26, line 17, delete "(16)" and insert "(17)"

H O U S E A M E N D M E N T S

TO: FCCSSB 148

Page 20, line 27 after "\$10,000,000;" delete "or"

Page 20, line 29 after "158;" insert "or"

Page 20, after line 29, insert:

"(C) \$3,000,000 or \$50,000 for each dwelling unit, whichever is less, if the loan is made for a multi-family dwelling enterprise;"

Page 23, after line 21, insert:

"(d) Until June 30, 1982, the authority may use the assets of the small enterprise loan account to purchase a loan made to a project applicant for a multi-family dwelling enterprise. Loans may be purchased under this subsection only from money appropriated to the small enterprise loan account for that purpose.

(e) The authority shall adopt regulations to establish priorities for the purchase of loans for multi-family dwelling enterprises which take into account the need for multi-family housing in the state as reflected by vacancy rates in multi-family housing in different areas of the state.

Page 24, after line 19, insert:

"(d) The interest rate on the portion of a loan purchased by the authority for a multi-family dwelling enterprise shall be one percent more than the interest rate, as determined under AS 18.56.098(g)(1) and (2), on a mortgage loan purchased under AS 18.56.098(g) or (h) from the proceeds of the most recent issue of taxable bonds before the loan purchased for a multi-family dwelling enterprise."

Page 25, line 20, after TION];" insert "and"

Page 25, after line 20, insert:

"(C) a multi-family dwelling enterprise;"

Page 26, line 16, delete "a new paragraph" and insert "new paragraphs"

Page 26, after line 16, insert:

"(16) 'multi-family dwelling enterprise' is a rental or cooperative dwelling of eight or more units;"

Page 26, line 17, delete "(16)" and insert "(17)"

June 23

Gilman calls meeting back to order 3:00 pm June 23

Gilman reconsiders his vote

p 23, after line 21: insert: "until June 30, 1982"

"loans may be purchased under this subsector only for loans appropriated specifically for that purpose"

"the portion of a loan purchased by the authority for a multiple family dwelling enterprise

bank participation will be added on top.

Then switch to Senate definition of multi ^{family} dwelling enterprise. (eight or more)

Letter of intent

(change ~~to~~ new (f)

"by Feb 1"

"[make specific reference to ~~state~~ how this is a one-time pilot program]"

Agree that there will not be any letter of intent regarding regional designation.

Gilman moves House language, with exception of 8 right units rather than three, ~~and~~

Ziegler & Gilman agree. Gilman says Ray will sign

Bathworth asks if we can make recommendation regarding the funding for SBA money. Gilman says that this is outside of the purview of the committee. Metcalfe moves to send a letter -- Gilman moves ~~it's~~ ^{it's} ~~out~~ ^{out} of order

Second Free Conference Committee Report

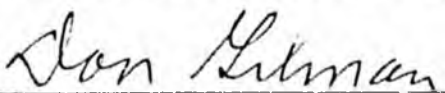
The letter of intent shall be amended to include the following section under AIDA:

f. That the multi-family dwelling program provided for in FCCS CSSB 148 is a pilot program and may not be continued, and that the staff of AIDA develop a financing plan or a set of alternative financing plans for multi-family housing, including estimates of demand and subsidy cost, if any, to the State. AIDA shall present its plans by February 1, 1982 to the Legislature for consideration in the 1982 session.

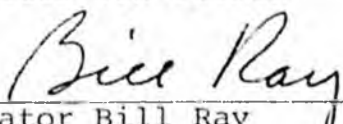
2nd FREE CONFERENCE COMMITTEE
ON SB 148
RECOMMENDATION FOR APPROPRIATION

The 2nd Free Conference Committee on SB 148 recommends that the Free Conference Committee on HB 297 appropriate \$20,000,000 from the general fund to the Alaska Industrial Development Authority, small enterprise loan account for the purchase of loans for multi-family dwelling enterprises. This appropriation should have a lapse date of June 30, 1982.

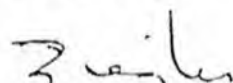
The above action would be consistent with provisions adopted by the 2nd Free Conference Committee on SB 148 which authorized the Alaska Industrial Development Authority to purchase loans for multi-family dwellings of eight or more units with 10% bank participation until June 30, 1982, subject to appropriation.



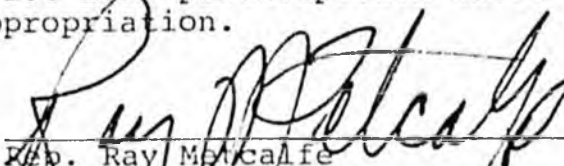
Senator Don Gilman



Senator Bill Ray



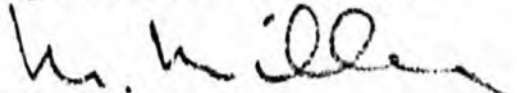
Senator Robert Ziegler



Rep. Ray McCalfe



Rep. Robert Bettisworth



Rep. Mike Miller

The Free Conference Committee on HCS CSSB 148 (Finance) intends the following on FCCS CSSB 148:

AHFC Second Mortgages

a) that the Alaska Housing Finance Corporation implement a program of purchasing second mortgages for acquisition of residences as soon as possible after determining the potential demand for the program, the ability to finance the program through the sale of bonds and mortgage pass-through certificates and that a second mortgage purchase program does not adversely affect the first mortgage bond financing program;

b) that AHFC implement a program of purchasing second mortgages for home improvement provided that:

1) it conducts a study to determine:

A) the ability of the corporation to finance second mortgages through the sale of bonds or pass-through mortgage certificates; and,

B) the potential demand for second mortgages for home improvements; and,

C) whether the second mortgage program will adversely affect the first mortgage program;

2) copies of the study are submitted to the Legislature; and,

3) the corporation determines, based on results of the study, that it is advisable to undertake such a program and informs the Legislature of its determination.

c) that if the corporation decides to implement a second mortgage program for home improvement:

1) up to \$20 million or any excess, whichever is greater, of the appropriation special mortgage loan purchase program be allocated for second mortgage loans for home improvement; and,

2) the second mortgage program for home improvement be implemented no later than February 15, 1982.

All AHFC Mortgage Programs

a) that AS 18.56.098(e) has been amended to authorize AHFC to require "due on sale" clauses in new mortgages that it acquires after July 1, 1981. In the common law of some other states, such as California, judicial decisions have held "due on sale" clauses to be invalid and unenforceable. The amendment to AS 18.56.098(e), by statutory law, rejects this common law principle and provides instead that such clauses by AHFC will be enforceable. The action of modifying the common law in this way is not unlike that done to the common law of contracts by the adoption of the Uniform Commercial Code.

In the case of AHFC, the enforceability of "due on sale" clauses is an essential part of its taxable bond program. This is because the mortgages to be made have a term of 30 years, but the bond market today for taxable, 30-year bonds has become virtually non-existent, even if an extremely high rate of interest is paid on the bonds. To issue bonds in the annual volume that AHFC requires to meet the demand for its mortgages, and to do so at more reasonable interest rates and thereby allow more mortgages to be made with the subsidy monies appropriated to it, AHFC has issued and will issue bonds for a shorter term-- the maturities for its first taxable bond sale earlier this month were for 15 and 18 years. To pay the bonds off with these shorter maturities, AHFC must rely on the prepayment of the outstanding balances on its mortgages when the houses being financed by them are sold. If assumptions or "wrap arounds" are allowed so that these mortgages would not be paid off until the end of their 30-year terms, AHFC would default on its repayment of its bonds.

Thus, the purpose of the "due on sale" clause for new AHFC mortgages is to facilitate the taxable bond program by allowing the subsidy funds to cover more mortgages as the result of the lower bond interest rates with shorter bond maturities. This is a very different case from "due on sale" clauses that private lenders seek to enforce, which merely seek to protect those lenders from the effects of variations in their cost of money during the term of the mortgages they make.

AHFC Rural Mortgages

- a) that the corporation increase its outreach, services, and provision of information about its programs in rural areas and small communities:
- b) that the corporation meet demand for mortgage loans in rural areas and small communities.
- c) that the corporation make use of the provisions of the bill allowing higher origination or servicing fees whenever appropriate, including the provision that the corporation pay all or part of the higher cost of originations in rural areas, so that home purchasers in urban and rural areas pay similar percentage amounts for loan origination.

AIDA

- a) that the Alaska Industrial Development Authority give first priority for use of an estimated \$2 million per month of cash flow during fiscal year 1982 from existing assets of the authority to the purchase of federally guaranteed loans for working capital, inventory, accounts receivable, and refinancing of existing indebtedness:
- b) that the authority allocate up to 30 percent, if demand exists, of this cash flow for the purchase of loans described above which are for \$100,000 or less;
- c) that the Alaska Industrial Development Authority make maximum use of the Federal guarantee programs in its financings, including the Farm Home Administration, National Marine Fisheries Service, and Small Business Administration guarantees.
- d) that the authority submit a report to the Legislature on the performance and results of its purchase of federally guaranteed loans;
- e) that if a financing is secured by the moral obligation of the State or by the general assets of AIDA, and if the borrower is subject to capital spending restrictions in order to maintain tax-exempt status of that financing, AIDA shall require the borrower to provide annual certified audits to the board, and a condition of those audits shall be to verify compliance with the Internal Revenue Service capital spending restrictions.
- f) that the board and staff of AIDA or any other state agency disseminating information about AIDA's programs be cognizant of the following long-term legislative intent toward AIDA:

AIDA was created to import low-cost capital into the State, and to pass that low cost on to the business community with the addition of modest administrative and overhead costs.

It is the intent of the Legislature that the expense to the State of the AIDA programs remain modest, and it is not the intent of the Legislature to subsidize taxable loans down to tax-exempt rates nor to appropriate State money; which would otherwise be eligible for investment at taxable rates, directly to an AIDA loan fund to be lent at tax-exempt rates.

The Legislature specifically wishes to avoid building into the AIDA program an expectation of low-interest funds the same way that such an expectation has been built into the AHFC program. It is important that the business community recognize the possibility that the issuance of tax-exempt industrial revenue bonds may be halted and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt rate loan programs.

Nonconforming Housing Loans

a) the Department of Community and Regional Affairs place the lowest priority on construction loans (interim financing) other than building material loans:

b) that the Department of Community and Regional Affairs may originate loans in areas of the State where in the opinion of the Department financial institutions are not adequately providing extension of credit for housing, or not making a good faith effort to do so.

Business Loans

a) that the Department of Commerce and Economic Development process to completion beyond July 1, 1981, if necessary, certain types of loans approved prior to July 1, 1981, after which date the authority of the Department to make such loans is repealed by Sec. 71, Ch. 106, SLA 1980.

Ba
Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B
Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa
Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca
Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C
Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's Corporate Bond Yield Averages

	Corporate by Ratings				Corporate by Groups			Public Utility Bonds				Industrial Bonds				Railroad Bonds							
	Av. Corp.	Aaa	Aa	A	Baa	P.U.	Ind.	R.R.	Aaa	Aa	A	Baa	Aaa	Aa	A	Baa	Aaa	Aa	A	Baa			
1975																							
June	9.55	8.77	9.13	9.67	10.62	9.81	9.29	9.40	June	8.93	9.34	10.10	10.85	June	8.61	8.91	9.23	10.39	June	---	8.56	9.68	9.97
July	9.54	8.84	9.13	9.61	10.55	9.81	9.26	9.37	July	9.04	9.38	10.01	10.80	July	8.62	8.88	9.22	10.30	July	---	8.54	9.67	9.90
Aug.	9.61	8.95	9.23	9.68	10.59	9.93	9.29	9.41	Aug.	9.20	9.52	10.12	10.87	Aug.	8.69	8.94	9.24	10.31	Aug.	---	8.62	9.74	9.86
Sept.	9.67	8.95	9.35	9.74	10.51	9.98	9.35	9.42	Sept.	9.21	9.64	10.19	10.89	Sept.	8.68	9.06	9.28	10.35	Sept.	---	8.61	9.75	9.91
Oct.	9.63	8.86	9.32	9.72	10.62	9.94	9.32	9.40	Oct.	9.14	9.55	10.16	10.89	Oct.	8.57	9.08	9.22	10.34	Oct.	---	8.55	9.77	9.87
Nov.	9.55	8.78	9.23	9.64	10.56	9.83	9.27	9.36	Nov.	9.03	9.45	10.04	10.78	Nov.	8.52	9.00	9.24	10.33	Nov.	---	8.46	9.72	9.88
Dec.	9.57	8.79	9.25	9.67	10.56	9.87	9.26	9.37	Dec.	9.07	9.51	10.11	10.79	Dec.	8.51	8.99	9.23	10.33	Dec.	---	8.47	9.69	9.94
1976																							
Jan.	9.42	8.60	9.13	9.54	10.41	9.68	9.16	9.32	Jan.	8.86	9.39	9.90	10.55	Jan.	8.33	8.87	9.18	10.26	Jan.	---	8.45	9.62	9.90
Feb.	9.31	8.55	9.02	9.43	10.24	9.50	9.12	9.25	Feb.	8.80	9.16	9.71	10.31	Feb.	8.29	8.87	9.15	10.17	Feb.	---	8.38	9.54	9.81
Mar.	9.26	8.52	9.01	9.40	10.12	9.43	9.10	9.16	Mar.	8.74	9.12	9.67	10.17	Mar.	8.30	8.88	9.12	10.07	Mar.	---	8.28	9.47	9.74
Apr.	9.12	8.40	8.89	9.26	9.94	9.27	8.98	9.05	Apr.	8.59	9.00	9.53	9.95	Apr.	8.20	8.78	9.00	9.92	Apr.	---	8.23	9.27	9.63
May	9.16	8.58	8.92	9.28	9.86	9.31	9.00	8.96	May	8.73	9.06	9.55	9.91	May	8.43	8.78	9.00	9.81	May	---	8.14	9.17	9.55
June	9.16	8.62	8.89	9.24	9.89	9.36	8.96	8.88	June	8.84	9.07	9.54	10.01	June	8.40	8.71	8.97	9.76	June	---	8.12	9.11	9.40
July	9.08	8.56	8.81	9.14	9.82	9.26	8.90	8.81	July	8.78	9.02	9.37	9.85	July	8.33	8.59	8.91	9.75	July	---	8.04	9.11	9.27
Aug.	8.93	8.45	8.66	8.98	9.64	9.07	8.79	8.75	Aug.	8.64	8.83	9.13	9.67	Aug.	8.26	8.48	8.82	9.61	Aug.	---	7.99	9.06	9.19
Sept.	8.79	8.38	8.54	8.81	9.40	8.91	8.66	8.66	Sept.	8.57	8.69	8.90	9.47	Sept.	8.18	8.39	8.72	9.33	Sept.	---	7.96	8.92	9.01
Oct.	8.71	8.32	8.48	8.73	9.29	8.83	8.58	8.54	Oct.	8.50	8.60	8.79	9.41	Oct.	8.14	8.36	8.66	9.17	Oct.	---	7.82	8.85	8.96
Nov.	8.66	8.25	8.46	8.69	9.23	8.77	8.54	8.48	Nov.	8.39	8.61	8.76	9.34	Nov.	8.12	8.30	8.63	9.12	Nov.	---	7.72	8.82	8.91
Dec.	8.47	7.98	8.24	8.53	9.12	8.61	8.33	8.39	Dec.	8.15	8.45	8.62	9.21	Dec.	7.81	8.04	8.43	9.03	Dec.	---	7.67	8.69	8.81
1977																							
Jan.	8.41	7.96	8.16	8.45	9.08	8.59	8.24	8.27	Jan.	8.14	8.41	8.61	9.17	Jan.	7.77	7.90	8.28	8.99	Jan.	---	7.52	8.54	8.76
Feb.	8.48	8.04	8.26	8.49	9.12	8.63	8.33	8.26	Feb.	8.21	8.46	8.65	9.19	Feb.	7.86	8.06	8.33	9.04	Feb.	---	7.59	8.52	8.67
Mar.	8.51	8.10	8.28	8.55	9.12	8.66	8.36	8.26	Mar.	8.27	8.49	8.70	9.20	Mar.	7.92	8.07	8.40	9.04	Mar.	---	7.70	8.48	8.59
Apr.	8.49	8.04	8.28	8.55	9.07	8.65	8.32	8.17	Apr.	8.21	8.51	8.71	9.17	Apr.	7.86	8.05	8.39	8.97	Apr.	---	7.63	8.37	8.53
May	8.47	8.05	8.28	8.55	9.01	8.64	8.30	8.12	May	8.22	8.49	8.71	9.13	May	7.87	8.06	8.39	8.88	May	---	7.61	8.21	8.54
June	8.38	7.95	8.19	8.46	8.91	8.53	8.23	8.06	June	8.12	8.37	8.58	9.02	June	7.77	8.00	8.33	8.80	June	---	7.55	8.08	8.55
July	8.33	7.94	8.12	8.40	8.87	8.48	8.18	8.02	July	8.10	8.32	8.51	8.97	July	7.78	7.92	8.28	8.75	July	---	7.53	7.89	8.65
Aug.	8.34	7.98	8.17	8.40	8.82	8.47	8.21	8.05	Aug.	8.13	8.36	8.49	8.91	Aug.	7.82	7.97	8.30	8.72	Aug.	---	7.56	7.89	8.71
Sept.	8.31	7.92	8.15	8.37	8.80	8.43	8.19	8.03	Sept.	8.07	8.32	8.46	8.85	Sept.	7.76	7.97	8.27	8.74	Sept.	---	7.62	7.83	8.65
Oct.	8.42	8.04	8.26	8.48	8.89	8.56	8.27	8.07	Oct.	8.18	8.44	8.61	9.01	Oct.	7.88	8.08	8.35	8.77	Oct.	---	7.74	7.87	8.59
Nov.	8.48	8.08	8.34	8.56	8.95	8.61	8.36	8.10	Nov.	8.23	8.48	8.64	9.06	Nov.	7.93	8.20	8.46	8.84	Nov.	---	7.79	7.91	8.61
Dec.	8.54	8.19	8.40	8.57	8.99	8.65	8.42	8.10	Dec.	8.34	8.55	8.64	9.08	Dec.	8.04	8.25	8.49	8.90	Dec.	---	7.83	7.93	8.51
1978																							
Jan.	8.74	8.41	8.59	8.76	9.17	8.87	8.60	8.20	Jan.	8.52	8.76	8.92	9.27	Jan.	8.31	8.42	8.60	9.07	Jan.	---	7.93	8.04	8.63
Feb.	8.78	8.47	8.65	8.79	9.20	8.90	8.65	8.32	Feb.	8.57	8.79	8.97	9.29	Feb.	8.37	8.50	8.62	9.11	Feb.	---	8.09	8.18	8.71
Mar.	8.80	8.47	8.66	8.83	9.22	8.93	8.66	8.41	Mar.	8.57	8.79	8.98	9.37	Mar.	8.36	8.53	8.69	9.07	Mar.	---	8.10	8.30	8.84
Apr.	8.88	8.56	8.73	8.93	9.32	9.05	8.72	8.49	Apr.	8.69	8.86	9.09	9.54	Apr.	8.43	8.59	8.76	9.10	Apr.	---	8.08	8.45	8.93
May	9.02	8.69	8.84	9.05	9.49	9.19	8.84	8.60	May	8.83	9.02	9.22	9.70	May	8.54	8.66	8.87	9.27	May	---	8.14	8.67	9.01
June	9.13	8.76	8.95	9.18	9.60	9.33	8.92	8.68	June	8.92	9.19	9.40	9.78	June	8.60	8.71	8.96	9.40	June	---	8.08	8.89	9.07
July	9.22	8.88	9.07	9.33	9.60	9.38	9.05	8.70	July	9.02	9.26	9.51	9.73	July	8.73	8.87	9.14	9.46	July	---	7.92	9.05	9.13
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Dec.	9.49	9.16	9.33	9.53	9.94	9.67	9.31	9.15	Dec.	9.34	9.56	9.70	10.08	Dec.	8.98	9.10	9.35	9.79	Dec.	---	8.32	9.38	9.75
1979																							
Jan.	9.65	9.25	9.48	9.72	10.13	9.85	9.44	9.21	Jan.	9.48	9.70	9.90	10.29	Jan.	9.01	9.24	9.54	9.96	Jan.	---	8.33	9.53	9.78
Feb.	9.63	9.26	9.50	9.68	10.08	9.84	9.42	9.22	Feb.	9.51	9.74	9.84	10.27	Feb.	9.01	9.25	9.51	9.89	Feb.	---	8.32	9.52	9.81
Mar.	9.76	9.37	9.61	9.81	10.26	10.02	9.50	9.30	Mar.	9.61	9.89	10.04	10.53	Mar.	9.11	9.33	9.59	9.98	Mar.	---	8.46	9.62	9.84
Apr.	9.81	9.38	9.65	9.88	10.33	10.05	9.57	9.38	Apr.	9.61	9.92	10.10	10.56	Apr.	9.15	9.37	9.65	10.11	Apr.	---	8.50	9.67	9.98
May	9.96	9.50	9.86	10.00	10.47	10.23	9.69	9.48	May	9.71	10.19	10.30	10.70	May	9.30	9.52	9.70	10.24	May	---	8.69	9.65	10.08
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July	9.69	9.20	9.49	9.75	10.29	9.90	9.47	9.45	July	9.42	9.72	9.98	10.48	July	8.98	9.26	9.52	10.11	July	---	8.76	9.55	10.03
Aug.	9.74	9.23	9.53	9.85	10.35	9.97	9.52	9.48	Aug.	9.46	9.75	10.14	10.50	Aug.	8.99	9.31	9.56	10.20	Aug.	---	8.86	9.57	10.03
Sept.	9.93	9.44	9.70	10.03	10.54</																		

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b) that AHFC implement a program of purchasing second mortgages for home improvement provided that it conducts a study to determine:

- 1) the ability of the corporation to finance second mortgages through the sale of bonds or pass-through mortgage certificates; and,
- 2) the potential demand for second mortgages for home improvement; and,
- 3) whether the second mortgage program will adversely affect the first mortgage program;

and provided that the corporation determines, based on the results of the study, that it is advisable to undertake such a program;

c) that copies of the study mentioned in (b) above are to be submitted to the legislature;

d) that if the corporation decides to implement a second mortgage program for home improvement:

- 1) up to \$20 million or any excess, whichever is greater, of the appropriation for the special mortgage loan purchase program be allocated for second mortgage loans for home improvement; and,
- 2) the second mortgage program for home improvement be implemented no later than ~~January~~,
February 15,
1982.

Go back to House wording per FCC

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a) that AS 18.56.098(e) has been amended to authorize AHFC to require "due on sale" clauses in new mortgages that it acquires after July 1, 1981. In the common law of some other states, such as California, judicial decisions have held "due on sale" clauses to be invalid and unenforceable. The amendment to AS 18.56.098(e), by statutory law, rejects this common law principle and provides instead that such clauses by AHFC will be enforceable. The action of modifying the common law in this way is not unlike that done to the common law of contracts by the adoption of the Uniform Commercial Code.

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b) that the corporation meet demand for mortgage loans in rural areas and small communities.

c) that the corporation make use of the provisions of the bill allowing higher origination or servicing fees whenever appropriate, including the provision that the corporation pay all or part of the higher cost of originations in rural areas, so that home purchasers in urban and rural areas pay similar percentage amounts for loan origination.

AIDA *Add back in a) and b) from the House letter of intent*

a) that the Alaska Industrial Development Authority make maximum use of the Federal guarantee programs in its financings, including the Farm Home Administration, National Marine Fisheries Service, and Small Business Administration guarantees.

b) that the authority submit a report to the legislature on the performance and results of its purchase of federally guaranteed loans;

c) that if a financing is secured by the moral obligation of the state or by the general assets of AIDA, and if the borrower is subject to capital spending restrictions in order to maintain tax-exempt status of that financing, AIDA shall require the borrower to provide annual certified audits to the board, and a condition of those audits shall be to verify compliance with the Internal Revenue Service capital spending restrictions.

d) that the board and staff of AIDA or any other state agency disseminating information about AIDA's programs be cognizant of the following long-term legislative intent toward AIDA:

AIDA was created to import low-cost capital into the State, and to pass that low cost on to the business community with the addition of modest administrative and overhead costs.

It is the intent of the Legislature that the expense to the State of the AIDA programs remain modest, and it is not the intent of the Legislature to subsidize taxable loans down to tax-exempt rates nor to appropriate State money, which would otherwise be eligible for investment at taxable rates, directly to an AIDA loan fund to be lent at tax-exempt rates.

The two words
Delete,
per FCC

The Legislature specifically wishes to avoid building into the AIDA program an expectation of low-interest funds the same way that such an expectation has been built into the AHFC program. It is important that the business community recognize the possibility that the issuance of tax-exempt industrial revenue bonds may be halted ~~by the Legislature~~ and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt rate loan programs.

Nonconforming Housing Loans

- a) the Department of Community and Regional Affairs place the lowest priority on construction loans (interim financing) other than building material loans;
- b) that the Department of Community and Regional Affairs may originate loans in areas of the state where in the opinion of the Department financial institutions are not adequately providing extension of credit for housing, or not making a good faith effort to do so.

Business Loans

- a) that the Department of Commerce and Economic Development process to completion beyond July 1, 1981, if necessary, certain types of loans approved prior to July 1, 1981, after which date the authority of the department to make such loans is repealed by sec. 71, ch. 106, SLA 1980.

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

June 23, 1981

MEMORANDUM

TO: Honorable Arliss Sturgulewski, Chairman
Free Conference Committee on SB 148

FROM: Milt Barker, ^{MB}Fiscal Analyst
Legislative Finance Division

SUBJECT: FCCS SB 148

The following are the major provisions of FCCS SB 148:

AHFC

1. Authorization for board meetings via electronic media;
2. Authorization for second mortgages for either home purchase or home acquisition:
 - a) interest rate is the same as first mortgages;
 - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
3. Authorization for AHFC to enforce "due on sale" clauses on loans purchased after July 1, 1981;
4. The "Rogers ratchet" interest rate for first and second mortgages on the first \$90,000 of a loan:
 - a) starts at 10%, 9% for veterans;
 - b) gradually adjusts to 3% below the corporation's cost of funds;
 - c) in no case is less than 10% or 9% unless the corporation's cost of funds is less than 10%;

5. Allocation of the State's \$200 million allotment of tax-exempt mortgage revenue bonds to AHFC which may reallocate amounts to municipalities;
6. Authorization for higher loan origination and service fees in rural areas (the corporation is authorized to pay a portion of the origination fees);
7. Automatic extension of prior year bond authorization in the absence of legislative action;
8. Requirement for a summary of loan efforts in rural communities in the corporation's annual report;
9. Authorization of \$592,000,000 in bonds.

Nonconforming Housing Loans

1. Authorization for Community & Regional Affairs to originate nonconforming loans;
2. Authorization for construction loans other than to builders and contractors or for a person's own labor;
3. No more than 20% of nonconforming loans allowed in urban areas;
4. Interest rates equal to the "Rogers" ratchet (in effect, no subsidy on amounts greater than \$90,000);
5. Authorization for higher loan origination and service fees in rural areas (the department is authorized to pay a portion of the origination fees);

AIDA

1. Authorization for meetings of the authority via electronic media;
2. Loan application fees prohibited and loan commitment fees limited to two percent of the loan amount for small enterprise loan account purchases of loans;
3. Extension of prior year bond authorization in the absence of legislative action;
4. Limitation on the use of the moral obligation of the State to:

- a) loans for projects less than \$10,000,000;
 - b) loans for projects between \$1,000,000 and \$10,000,000 only with bank participation of 20% or more;
5. Maximum amount on loans purchased by the Enterprise Development Fund is the lesser of:
- a) \$10,000,000; or
 - b) \$500,000 in the case of federally insured loans to small enterprises;
 - c) the cost of the project; or
 - d) 75% of the appraised value of the project;
6. Loans purchased by the Enterprise Development Fund from cash flow or assets of the authority other than bond proceeds must be:
- a) new federally insured loans to small enterprises; or
 - b) loans that will eventually be funded from bond proceeds;
7. Loans purchased by the Enterprise Development Fund must have at least 10% bank participation;
8. The interest rate on loans purchased by the Enterprise Development Fund is:
- a) for projects eligible for tax-exempt financing: the cost of tax-exempt bond funds;
 - b) for projects not eligible for tax-exempt financing:
 - 1) the cost of taxable bond funds if the authority issues taxable bonds;
 - 2) the rate on Aa corporate bonds if the authority does not issue taxable bonds;
9. Loans purchased by the Enterprise Development Fund from other than bond proceeds may not be made to businesses with gross income over \$10,000,000; there is no income limit for loans purchased from bond proceeds;
10. The federally insured portion of new working capital, inventory, accounts receivable and refinancing loans

up to \$500,000 made to small enterprises may be purchased from other than tax-exempt bond proceeds;

11. Authorization of \$400,000,000 in bonds.

MBB:pw

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

June 24, 1981

MEMORANDUM

TO: Honorable Arliss Sturgulewski, Chairman
Free Conference Committee on SB 148

FROM: Milt Barker, ^{MB} Fiscal Analyst
Legislative Finance Division

SUBJECT: FCCS SB 148

The following are the major provisions of FCCS SB 148:

AHFC

1. Authorization for board meetings via electronic media;
2. Authorization for second mortgages for either home purchase or home acquisition:
 - a) interest rate is the same as first mortgages;
 - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
3. Authorization for AHFC to enforce "due on sale" clauses on loans purchased after July 1, 1981;
4. The "Rogers ratchet" interest rate for first and second mortgages on the first \$90,000 of a loan:
 - a) starts at 10%, 9% for veterans;
 - b) gradually adjusts to 3% below the corporation's cost of funds;
 - c) in no case is less than 10% or 9% unless the corporation's cost of funds is less than 10%;

5. Allocation of the State's \$200 million allotment of tax-exempt mortgage revenue bonds to AHFC which may reallocate amounts to municipalities;
6. Authorization for higher loan origination and service fees in rural areas (the corporation is authorized to pay a portion of the origination fees);
7. Automatic extension of prior year bond authorization in the absence of legislative action;
8. Requirement for a summary of loan efforts in rural communities in the corporation's annual report;

Nonconforming Housing Loans

1. Authorization for Community & Regional Affairs to originate nonconforming loans;
2. Authorization for construction loans other than to builders and contractors or for a person's own labor;
3. No more than 20% of nonconforming loans allowed in urban areas;
4. Interest rates equal to the "Rogers" ratchet (in effect, no subsidy on amounts greater than \$90,000);
5. Authorization for higher loan origination and service fees in rural areas (the department is authorized to pay a portion of the origination fees);

AIDA

1. Authorization for meetings of the authority via electronic media; ,
2. Loan application fees prohibited and loan commitment fees limited to two percent of the loan amount for small enterprise loan account purchases of loans;
3. Extension of prior year bond authorization in the absence of legislative action;
4. Limitation on the use of the moral obligation of the State to:

- a) loans for projects less than \$10,000,000;
 - b) loans for projects between \$1,000,000 and \$10,000,000 only with bank participation of 20% or more;
5. Maximum amount on loans purchased by the Enterprise Development Fund is the lesser of:
- a) \$10,000,000; or
 - b) \$500,000 in the case of federally insured loans to small enterprises;
 - c) the cost of the project; or
 - d) 75% of the appraised value of the project;
6. Loans purchased by the Enterprise Development Fund from cash flow or assets of the authority other than bond proceeds must be:
- a) new federally insured loans to small enterprises; or
 - b) loans that will eventually be funded from bond proceeds;
7. Loans purchased by the Enterprise Development Fund must have at least 10% bank participation;
8. The interest rate on loans purchased by the Enterprise Development Fund is:
- a) for projects eligible for tax-exempt financing: the cost of tax-exempt bond funds;
 - b) for projects not eligible for tax-exempt financing:
 - 1) the cost of taxable bond funds if the authority issues taxable bonds;
 - 2) the rate on Aa corporate bonds if the authority does not issue taxable bonds;
9. Loans purchased by the Enterprise Development Fund from other than bond proceeds may not be made to businesses with gross income over \$10,000,000; there is no income limit for loans purchased from bond proceeds;
10. The federally insured portion of new working capital, inventory, accounts receivable and refinancing loans

up to \$500,000 made to small enterprises may be purchased from other than tax-exempt bond proceeds;

11. Authorization of \$400,000,000 in bonds;
12. Authorization for the purchase of loans for rental or cooperative multi-family dwellings of eight or more units:
 - a) until June 30, 1982;
 - b) subject to appropriation;
 - c) with 10% bank participation;
 - d) at an interest rate of 1% above the "Rogers ratchet";
 - e) in an amount not to exceed the lesser of \$3,000,000 or \$50,000 per unit.

MBB:pw