

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.

f) 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 to the Legislature for consideration in the 1982 Session.

## 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.

SENATE AMENDMENTS

TO: FCCSSB 148

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' means a project applicant that is directly involved in the construction, operation, or rental of dwellings having eight or more units, as a commercial enterprise;"

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

SENATE AMENDMENTS

TO: FCCSSB 148

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' means a project applicant that is directly involved in the construction, operation, or rental of dwellings having eight or more units, as a commercial enterprise;"

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

SENATE AMENDMENTS

TO: FCCSSB 148

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:

"(15) 'multi-family dwelling enterprise' means a project applicant that is directly involved in the construction, operation, or rental of dwellings having eight or more units, as a commercial enterprise;"

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) 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.

(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 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 three or more units;"

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

Asper

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 meetings 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 pro-  
16 gram. 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 after June 30, 1981, that prohibits or restricts the right to assume or  
24 the right to provide for the payment of mortgage loans is enforceable.  
25 The corporation shall enforce the regulations adopted under this sub-  
26 section.

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

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

1 the following:

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

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

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

12 (B) Except as provided in (C) and (D) of this paragraph  
13 and (3) of this subsection, the interest rate may not be less than  
14 10 percent and may not be reduced.

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

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

29 (3) An interest rate determined under this subsection on the

1 first \$90,000 of a mortgage loan shall be reduced by one percentage  
2 point if the loan is made to an eligible veteran under AS 18.56.101.

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

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 - 44.47.560.

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... 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 originator 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 exist;

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] 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] 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] business [, TOURISM, MINING AND COMMERCIAL  
28 FISHING] 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 [SMALL]  
7 business [, TOURISM, MINING, AND COMMERCIAL FISHING ] enterprises,  
8 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];

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 [, TOURISM,  
27 MINING AND COMMERCIAL FISHING] 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 [, 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 [, TOURISM, MINING, AND  
6       COMMERCIAL FISHING] 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  
18 may be used to secure bonds of the authority, and shall be held and  
19 invested by the authority in the types of investments described in  
20 AS 37.10.070(a) and AS 39.35.110(a)(9) and (14) or shall be used to  
21 purchase loans for projects as defined in AS 44.88.220.

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

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

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

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

24           Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan  
25 that qualifies for tax-exempt financing is equal to the interest rate  
26 on loans of the authority prevailing at the time the loan is purchased  
27 for projects having tax-exempt financing. In this subsection, "tax-  
28 exempt financing" means financing from the proceeds of the sale of a  
29 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 equal to the true interest cost,  
4 expressed as a rate, of the most recent sale of taxable bonds of com-  
5 parable term by the authority, plus an additional percentage to repre-  
6 sent allocable expenses of operation, costs of issuance, and mortgage  
7 servicing costs of the authority. In this subsection, "taxable bonds"  
8 means bonds on which the interest is subject to federal income tax.

9 (c) The interest rate on a loan purchased by the authority with  
10 money in the small enterprise loan account that is not from the pro-  
11 ceeds of the sale of a series of taxable bonds is equal to the most  
12 recent index of Aa corporate bond yields as published by Moody's  
13 Investors Service.

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

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

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

21 (2) "business enterprise" means a single proprietorship,  
22 corporation, firm, partnership, or other association of persons organ-  
23 ized in any manner, for any business purpose, other than [WHICH IS NOT  
24 ORGANIZED] on a nonprofit basis;

25 \* Sec. 44. AS 44.88.220(5) is repealed and reenacted to read:

26 (5) "project" means

27 (A) a plant or facility used or intended for use in  
28 connection with making, processing, preparing, or producing in any  
29 manner, goods, products or substances of any kind or nature or in

1 connection with developing or utilizing a natural resource, or  
2 extracting, smelting, transporting, converting, assembling or  
3 producing in any manner, minerals, raw materials, chemicals,  
4 compounds, alloys, fibers, commodities and materials, products or  
5 substances of any kind or nature, any plant or facility used or  
6 intended for use as an industrial park or in connection with air  
7 and water transportation, or any plant or facility for the preven-  
8 tion, limitation or control of air or water pollution, for the  
9 disposal of sewage or solid waste, for the local furnishing of  
10 gas, or for the furnishing of water;

11 (B) a plant or facility used or intended for use in  
12 connection with a business enterprise;

13 (C) commercial activity by a small enterprise;

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

15 (8) "project cost" or "cost of a project" means all or any  
16 part of the aggregate costs determined by the authority to be necessary  
17 to finance the construction, expansion, or acquisition of a project,  
18 including without limitation the cost of acquiring real or tangible  
19 personal property, and, in connection with real property, the cost of  
20 constructing buildings and improvements, the cost of constructing means  
21 of access to and from the project, the cost of constructing extensions  
22 of utility systems to the site of the project; the cost of a project  
23 includes, without limitation, the cost of financing the project, in-  
24 terest charges before, during or after construction, expansion, or  
25 acquisition of the project, costs related to the determination of the  
26 feasibility, planning, design or engineering of the project and, to the  
27 extent determined necessary by the authority, administrative expenses,  
28 the cost of machinery or equipment to be used in the operation of the  
29 project and expenses of installation, replacement or rehabilitation,

1 and all other costs, charges, fees and expenses which may be determined  
2 by the authority to be necessary to finance the construction, expansion,  
3 or acquisition;

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

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

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

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

13 \* Sec. 48. The Alaska Housing Finance Corporation may issue bonds in the  
14 principal amount of \$592,000,000 during the fiscal year ending June 30,  
15 1982.

16 \* Sec. 49. Subject to the limitation of AS 44.88.090(g), the Alaska  
17 Industrial Development Authority may issue bonds in the principal amount of  
18 \$400,000,000 during the fiscal year ending June 30, 1982.

19 \* Sec. 50. The following laws are repealed: AS 18.56.090(1), 18.56.-  
20 098(d) and (f)(3), and AS 44.88.220(13), (14), and (15).

21 \* Sec. 51. This Act takes effect immediately in accordance with AS 01.-  
22 10.070(c).

# 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, Fiscal Analyst  
<sup>MB</sup>  
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

Original sponsor: Mulcahy

Offered: 6/9/81  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Finance)

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 18.56.096 is amended to read:

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

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

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

16 \* Sec. 3. AS 18.56.098(a) is amended to read:

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

24 \* Sec. 4. AS 18.56.098(c) is amended to read:

25           (c) The corporation may pledge mortgage loans purchased by the  
26 corporation under (a) of this section, mortgage loans assigned to the  
27 corporation for the special mortgage loan purchase program, and mortgage  
28 loans purchased with amounts appropriated to the corporation for the  
29 special mortgage loan purchase program to pay the principal, interest,

1 and redemption premium, if any, on bonds or bond anticipation notes  
2 issued by the corporation for the special mortgage loan purchase pro-  
3 gram and may expend amount's appropriated to the special mortgage loan  
4 purchase program for mortgage loan subsidies or other purposes of the  
5 program as necessary to cause the interest rate on mortgage loans pur-  
6 chased under the special mortgage loan purchase program and retained  
7 by the corporation or sold under AS 18.56.099 to equal the rates speci-  
8 fied in this section.

9 \* Sec. 5. AS 18.56.098(d) is repealed and reenacted to read:

10 (d) The corporation shall establish the interest rate on a mort-  
11 gage loan purchased under (a) of this section in accordance with the  
12 following:

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

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

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

23 (B) Except as provided in (C) and (D) of this paragraph  
24 and (4) of this subsection, the interest rate may not be less than  
25 10 percent and may not be reduced.

26 (C) If the difference between the cost of funds of an  
27 issue of taxable bonds and the interest rate established for a  
28 mortgage loan purchased with the proceeds of the previous issue  
29 would be equal to or less than three percent under the provisions

1 of (B) of this paragraph, the interest rate on mortgage loans  
2 purchased with the proceeds of that taxable bond issue and subse-  
3 quent taxable bond issues is three percent less than the cost of  
4 funds of the taxable bond issue that is used to purchase the  
5 mortgage loan.

6 (D) The interest rate on a mortgage loan purchased with  
7 the proceeds of a taxable bond issue may not be less than 10  
8 percent unless the cost of funds of the taxable bond issue is less  
9 than 10 percent, in which case the interest on a mortgage loan  
10 purchased with the proceeds of a taxable bond issue is equal to  
11 the cost of funds.

12 (3) If the corporation does not issue taxable bonds, the  
13 interest rate on the first \$90,000 of a mortgage loan purchased under  
14 (a) of this section may not exceed 10 percent.

15 (4) An interest rate determined under this subsection shall  
16 be reduced by one percentage point if the loan is made to an eligible  
17 veteran under AS 18.56.101.

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

22 (6) If a second mortgage is purchased under (a) of this  
23 section, the existing unamortized loan amount of the first mortgage  
24 shall be subtracted from \$90,000 to determine the amount of the loan  
25 that is eligible for an interest rate determined under (1) - (4) of  
26 this subsection.

27 (7) The interest rate on a mortgage loan purchased from  
28 money appropriated to the corporation is the rate the corporation  
29 determines is appropriate by application of the provisions of (1) - (5)

1 of this subsection.

2 (8) The interest rate on a mortgage loan purchased from the  
3 proceeds of bonds that are exempt from taxation under the Mortgage  
4 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10 percent or the cost  
5 of the funds, whichever is less, unless a higher or lower interest rate  
6 is required to be established under the Mortgage Subsidy Bond Tax Act.

7 (9) In this subsection

8 (A) "cost of funds" means the true interest cost ex-  
9 pressed as a rate on bonds of the corporation plus an additional  
10 percentage as determined by the corporation to represent the  
11 expenses of operation, costs of issuance, and mortgage servicing;

12 (B) "taxable bonds" means bonds bearing interest that  
13 is taxable under the provisions of the Mortgage Subsidy Bond Tax  
14 Act of 1980 (26 U.S.C. 103A).

15 \* Sec. 6. AS 18.56.092(e) is amended to read:

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

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

29 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to

1 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
2 103A) the amount of mortgage revenue bonds that may be issued in the  
3 state under sec. 103A(g)(4) of that Act is allocated solely to the  
4 corporation. A municipality may not issue mortgage revenue bonds under  
5 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless  
6 permitted to do so by the corporation. The amount of mortgage revenue  
7 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage  
8 Subsidy Bond Tax Act of 1980 with the permission of the corporation  
9 shall be deducted from the total amount permitted by that Act.

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

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

13 Sec. 18.56.107. LOAN SERVICE FEES FOR RURAL AREAS. Loan service  
14 fees charged for a loan made or purchased in a rural area with money  
15 received by the corporation after July 1, 1981, shall be higher than  
16 loan service fees charged for other loans made or purchased by the  
17 corporation.

18 \* Sec. 9. AS 18.56.110 is amended by adding a new subsection to read:

19 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the  
20 corporation may not issue bonds, other than refunding bonds, in any  
21 12-month period beginning after June 30, 1982, in an amount that exceeds  
22 the amount of bonds authorized to be issued during the preceding 12-  
23 month period, unless a different amount is authorized by the legisla-  
24 ture.

25 \* Sec. 10. AS 18.56.200(c) is amended to read:

26 (c) The corporation shall include in its annual report under (b)  
27 of this section an estimate of the investment activity of the corpora-  
28 tion in mortgage loans under this chapter for the following 12-month  
29 period and an estimate of the amount of bonds to be issued for the

1 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE  
2 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY  
3 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS  
4 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

5 \* Sec. 11. AS 18.56.200 is amended by adding a new subsection to read:

6 (d) The corporation shall include in its annual report under (b)  
7 of this section a summary of its efforts to implement a program to ex-  
8 tend the operation of the loan programs authorized under this chapter  
9 to communities with populaticns of less than 15,000.

10 \* Sec. 12. AS 18.56.210 is amended by adding a new paragraph to read:

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

14 \* Sec. 13. AS 44.47.370 is amended by adding a new paragraph to read:

15 (8) originate and service direct loans made for construc-  
16 tion, purchase, renovation, or improvements and building materials, for  
17 nonconforming housing made to qualified buyers in accordance with  
18 AS 44.47.360 - 44.47.560.

19 \* Sec. 14. AS 44.47.380 is amended to read:

20 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created  
21 in the Department of Community and Regional Affairs the nonconforming  
22 housing loan fund consisting of money appropriated to it by the legis-  
23 lature. The director shall administer the nonconforming housing loan  
24 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the  
25 money in the nonconforming housing loan fund to originate, purchase, or  
26 participate in the purchase of

27 (1) nonconforming housing mortgage loans;

28 (2) loans made for building materials for nonconforming  
29 housing;

1 (3) loans made for renovations or improvements to noncon-  
2 forming housing;

3 (4) loans made for the construction of nonconforming owner-  
4 occupied housing other than loans to builders or contractors.

5 \* Sec. 15. AS 44.47 is amended by adding a new section to read:

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

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

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

17 (d) In allocating money under (b) of this subsection, if a home  
18 proposed for financing is in more than one service area, that home  
19 shall be considered to be in the service area with the smallest popula-  
20 tion.

21 \* Sec. 16. AS 44.47.390 is amended to read:

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

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

29 (2) originate a direct loan or purchase or participate in

1 the purchase of a loan made for building materials for nonconforming  
2 housing

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

4 (i) 80 percent of the appraised value of the work  
5 completed on the nonconforming housing for which the loan is made  
6 if the nonconforming housing is pledged as collateral for the  
7 loan; or

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

11 (B) unless the terms of the loan agreement require  
12 inspections and certifications, as required by regulations of the  
13 director, at the expense of the borrower; and

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

16 (i) THREE YEARS; OR

17 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY  
18 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG  
19 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE  
20 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

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

27 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION  
28 LOANS].

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

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

6           (b) The operating reserve loss account consists of money appro-  
7 priated by the legislature. To the extent that money is paid out of  
8 the operating loss reserve account for the purposes stated in this  
9 section, this money shall be replaced with money received as interest  
10 on loans authorized by this chapter.

11 \* Sec. 18. AS 44.47.400 is amended to read:

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

16           (b) A person may pledge as security for the repayment of a loan  
17 originated or purchased in whole or in part under AS 44.47.380 a pre-  
18 ference right he holds to receive title to land he occupies as a pri-  
19 mary place of residence, primary place of business, subsistence camp-  
20 site, or as headquarters for reindeer husbandry. The preference right  
21 must be conveyed to the person by the Native corporation to which the  
22 land was granted under section 14 of the Alaska Native Claims Settlement  
23 Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.  
24 94-204) before it may be pledged as security under this subsection.  
25 The commissioner of community and regional affairs shall prescribe  
26 procedures and standard forms for establishing, pledging, and appraising  
27 the value of a preference right held by a person to secure the repayment  
28 of a loan originated or purchased in whole or in part under AS 44.-  
29 47.380.

1 \* Sec. 19. AS 44.47.410 is repealed and reenacted to read:

2       Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-  
3       gage loan originated or purchased in whole or in part under AS 44.-  
4       47.380 is equal to the interest rate, as determined under AS 18.56.098-  
5       (d)(1) - (5), on a mortgage loan purchased under AS 18.56.098(d) from  
6       the proceeds of the most recent issue of taxable bonds before the  
7       mortgage loan originated or purchased under AS 44.47.380.

8 \* Sec. 20. AS 44.47.420(a) is amended to read:

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

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

14       (b) The director may withdraw money from the restricted title  
15       loss reserve account in an amount equal to the loss to the division on  
16       a nonconforming housing mortgage loan originated or purchased in whole  
17       or in part by the division if marketable title to the real property  
18       used to secure the loan was shown in accordance with AS 44.47.420(b)(2).  
19       Money withdrawn from the restricted title loss reserve account under  
20       this section shall be deposited in the nonconforming housing loan fund.

21 \* Sec. 22. AS 44.47.460 is amended to read:

22       Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-  
23       ticipating in the purchase of a loan, the director shall enter into a  
24       loan servicing agreement with the private financial institution from  
25       which the loan is to be purchased.

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

28       (c) Under the servicing agreement, the private financial insti-  
29       tution shall administer the loan and may charge the division a negoti-

1 ated fee on the division's share of the loan. When appropriate, the  
2 [THE] private financial institution may also charge the borrower a  
3 reasonable originator fee not to exceed one percent.

4 (d) Loan servicing agreements entered into under this section  
5 shall provide for higher fees for loans made for nonconforming housing  
6 located outside of cities of organized boroughs and service areas of  
7 unified municipalities that have a population in excess of 3,500, than  
8 for other loans made for nonconforming housing.

9 \* Sec. 23. AS 44.47.470 is amended to read:

10 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
11 participating in the purchase of a nonconforming housing mortgage loan,  
12 the director may have or may require the borrower to have an appraisal  
13 made of the fair market value of the real property, including struc-  
14 tures on the real property, for which the loan is made. In conducting  
15 an appraisal under this section, the appraiser shall give full value to  
16 insulation and other features of construction in structures on the real  
17 property which add to the energy efficiency of the structures.

18 \* Sec. 24. AS 44.47.490 is amended to read:

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

23 (1) real property appraisers who are familiar with rural  
24 construction; and

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

27 (b) The personnel described in (a) of this section shall make  
28 regular visits to each of the regions established under AS 44.47.510(a)  
29 to provide preconstruction and post-construction inspections of real

1 property for which loans are originated or purchased by the division in  
2 whole or in part under AS 44.47.380 and to provide assistance to private  
3 financial institutions and their borrowers in the regions. Authority  
4 for final approval of loans may not be exercised by the personnel des-  
5 cribed in this section.

6 \* Sec. 25. AS 44.47.510(b) is amended to read:

7 (b) Unless otherwise required by an appropriation, the director  
8 shall allocate the money in the nonconforming housing loan fund among  
9 the regions established under (a) of this section for the purpose of  
10 originating or purchasing each type of loan described in AS 44.47.380.  
11 In making an allocation under this subsection, the director shall  
12 consider the past and potential lending activity of private financial  
13 institutions in the region as well as the need for loans in the region.  
14 The director may reallocate the money among the regions as he considers  
15 necessary.

16 \* Sec. 26. AS 44.88.010 is amended to read:

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

19 (1) there exist areas of the state in which seasonal and  
20 nonseasonal unemployment exist;

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

24 (3) the state lacks the basic manufacturing, industrial, and  
25 small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises  
26 and other facilities referred to in (5) of this subsection [AS 44.88.-  
27 010(a)(5)] necessary to permit adequate development of its natural  
28 resources and the balanced growth of its economy;

29 (4) the establishment, and expansion of industrial, manufac-

1 turing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]  
2 enterprises in Alaska, including facilities for air and water transpor-  
3 tation, facilities for pollution control and waste disposal, facilities  
4 for the local furnishing of gas, facilities for water, and facilities  
5 for industrial parks, is essential to the development of the natural  
6 resources and the long-term economic growth of the state, and will di-  
7 rectly and indirectly alleviate unemployment in the state;

8 (5) the achievement of the goal of full employment, and of  
9 establishment and continuing operation and development of industrial,  
10 manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
11 FISHING] enterprises in the state, including facilities for air and  
12 water transportation, facilities for pollution control and waste dis-  
13 posal, facilities for the local furnishing of gas, facilities for  
14 water, and facilities for industrial parks, will be accelerated and  
15 facilitated by the creation of an instrumentality of the state with  
16 powers to incur debt and to make and insure loans to finance, and to  
17 assist private lenders to make loans to finance, the establishment,  
18 operation, and development of industrial, manufacturing, and small  
19 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, includ-  
20 ing facilities for air and water transportation, facilities for pollu-  
21 tion control and waste disposal, facilities for the local furnishing of  
22 gas, facilities for water, and facilities for industrial parks, for  
23 private operation;

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

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

4 (b) It is declared to be the policy of the state, in the interests  
5 of promoting the health, security and general welfare of all the people  
6 of the state, and a public purpose, to increase job opportunities and  
7 otherwise to encourage the economic growth of the state, including the  
8 development of its natural resources, through the establishment of  
9 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
10 COMMERCIAL FISHING] enterprises and the other facilities referred to in  
11 (a)(5) of this section [AS 44.88.010(a)(5)] by creating the public  
12 corporation with power, duties and functions as provided in this chapter.  
13 \* Sec. 27. AS 44.88.050(a) is amended to read:

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

1 \* Sec. 28. AS 44.88.070 is amended to read:

2       Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
3 authority is to promote, develop and advance the general prosperity and  
4 economic welfare of the people of Alaska, to relieve problems of unem-  
5 ployment, and to create additional employment by providing various  
6 means of financing and means of facilitating the financing of indust-  
7 rial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMER-  
8 CIAL FISHING] enterprises and the other facilities referred to in  
9 AS 44.88.010(a)(5) within the state.

10 \* Sec. 29. AS 44.88.080(12) is amended to read:

11       (12) to purchase or insure loans to finance the costs of  
12 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
13 COMMERCIAL FISHING] enterprise projects;

14 \* Sec. 30. AS 44.88.080(18) is amended to read:

15       (18) to facilitate the expansion of a secondary market for  
16 the resale of federally or commercially insured loans made to finance  
17 the costs of projects held by federal and state chartered financial  
18 institutions [COMMERCIAL BANKS] in Alaska.

19 \* Sec. 31. AS 44.88 is amended by adding a new section to read:

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

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

25 \* Sec. 32. AS 44.88.090(g)(1) is repealed and reenacted to read:

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

1 \* Sec. 33. AS 44.88.105 is amended by adding new subsections to read:

2 (f) The authority may establish a reserve fund, other than a  
3 capital reserve fund, to secure its bonds. The authority may deposit  
4 in a reserve fund established under this subsection the proceeds of  
5 sale of its bonds and other money that may be made available from any  
6 other source. A reserve fund established under this subsection must  
7 comply with (a) - (c) of this section. The authority may allow a  
8 reserve fund established under this subsection to be depleted without  
9 complying with (d) of this section.

10 (g) The authority may not establish a capital reserve fund to  
11 secure an issue of bonds if the proceeds of the bonds are used to  
12 finance a project the cost of which exceeds \$10,000,000.

13 (h) The authority may not establish a capital reserve fund to  
14 secure an issue of bonds in an amount in excess of \$1,000,000 unless at  
15 least 20 per cent of the principal amount of the loan for the project  
16 that is financed from the proceeds of the bonds is retained by a federal  
17 or state chartered financial institution.

18 \* Sec. 34. AS 44.88.155(a) is amended to read:

19 (a) There is established in the authority the enterprise develop-  
20 ment fund. The enterprise development fund is a trust fund for the  
21 uses and purposes of this chapter. Money may be paid into and out of  
22 the enterprise development fund only as provided in this chapter. The  
23 enterprise development fund may be composed of money or assets appro-  
24 priated or transferred to the authority, interest on investments and  
25 loans of the enterprise development fund, and other money deposited in  
26 it by the authority. The authority may use the assets of the enter-  
27 prise development fund to purchase loans made by others for projects,  
28 as defined in AS 44.88.220, that have been or that the authority anti-  
29 cipates will be financed with the proceeds of bonds.

1 \* Sec. 35. AS 44.88.155(b) is amended to read:

2 (b) The authority shall establish within the enterprise develop-  
3 ment fund a loan insurance account, a small enterprise [BUSINESS,  
4 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and  
5 other accounts it considers appropriate. Amounts in the enterprise  
6 development fund including, without limitation, repayments of loan  
7 principal and interest, may be pledged to the payment of bonds of the  
8 authority and shall be held and invested by the authority in investments  
9 authorized under AS 37.10.070(a) or as may be authorized in agreements  
10 with bondholders respecting amounts in the loan insurance account, the  
11 small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
12 ENTERPRISES] loan account, and other accounts within the enterprise  
13 development fund.

14 \* Sec. 36. AS 44.88.155 is amended by adding new subsections to read:

15 (d) A loan purchased with money in the enterprise development  
16 fund

17 (1) may not exceed \$7,500,000

18 (2) may not exceed 75 percent of the cost of the project or  
19 75 percent of the appraised value of the project, whichever is less,  
20 unless the amount of the loan in excess of those limits is federally  
21 insured or guaranteed or is insured by a qualified mortgage insurance  
22 company;

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

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

28 (5) shall be in the form and contain the terms and provi-  
29 sions with respect to insurance, repairs, alterations, payment of taxes

1 and assessments, default reserves, delinquency charges, default reme-  
2 dies, acceleration of maturity, secondary liens and other matters the  
3 authority prescribes;

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

8 (7) may not be made unless at least 10 percent of the  
9 principal amount of the loan is retained by the originator of the  
10 loan.

11 (e) The authority shall establish income eligibility limits for  
12 applicants for loans purchased under this section for projects costing  
13 less than \$10,000,000. The limits shall be consistent with income and  
14 experience levels required to insure the viability of the project.

15 (f) The interest rate on a loan purchased with money in the  
16 enterprise development fund may not exceed the true interest cost  
17 expressed as a rate, plus an additional percentage to represent the  
18 expenses of operation, costs of issuance, and mortgage servicing costs  
19 that the authority estimates would be payable on bonds issued by the  
20 authority to provide money to make the loan.

21 \* Sec. 37. AS 44.88.157 is amended by adding new subsections to read:

22 (j) Notwithstanding (a) - (i) of this section, the authority may  
23 establish additional loan insurance accounts outside the enterprise  
24 development fund to secure special obligation bonds, and pay into the  
25 loan insurance account money made available from an appropriation or  
26 from any other source. A loan insurance account established under this  
27 subsection is not subject to the requirements of (d) and (g) of this  
28 section.

29 (k) A loan may not be insured from a loan insurance account

1 within the enterprise development fund if the loan is for a project the  
2 cost of which exceeds \$10,000,000.

3 (1) A loan in excess of \$1,000,000 may not be insured from a loan  
4 insurance account within the enterprise development fund unless at  
5 least 20 percent of the principal amount of the loan is retained by a  
6 federal or state chartered financial institution.

7 \* Sec. 38. AS 44.88.158(a) is repealed and reenacted to read:

8 Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) The authority  
9 may use the assets of the small enterprise loan account to purchase

10 (1) loans made to a project applicant for a multi-family  
11 dwelling enterprise;

12 (2) the guaranteed portion of a loan made by a private state  
13 or federal chartered financial institution to a small enterprise to pay  
14 the cost of a project, as defined in AS 44.88.220, if the loan is  
15 guaranteed by the United States or an agency or instrumentality of the  
16 United States, including, but not limited to, the federal Small Business  
17 Administration, the National Marine Fisheries Service, and the Farmers  
18 Home Administration; and

19 (3) other loans made to small enterprises to pay the costs  
20 of projects, as defined in AS 44.88.220.

21 \* Sec. 39. AS 44.88.158(b) is repealed and reenacted to read:

22 (b) The interest rate on a loan purchased with money in the small  
23 enterprise loan account shall equal the true interest cost, expressed  
24 as a rate, plus an additional percentage to represent the expenses of  
25 operation, costs of issuance, and mortgage servicing costs that the  
26 authority estimates would be payable on tax-exempt bonds, except that  
27 the interest rate on a loan purchased for a multi-family dwelling  
28 enterprise shall be one percent more than the interest rate, as deter-  
29 mined under AS 18.56.098(d)(1) - (3), on a mortgage loan purchased

1 under AS 18.56.098(d) from the proceeds of the most recent issue of  
2 taxable bonds before the loan purchased for a multi-family dwelling  
3 enterprise.

4 \* Sec. 40. AS 44.88.158(c) is repealed and reenacted to read:

5 (c) A loan purchased with money in the small enterprise loan  
6 account

7 (1) may not exceed

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

11 (B) \$500,000 if the loan is purchased under AS 44.88.-  
12 158(a)(2); or

13 (C) \$7,500,000 if the loan is made to a small enterprise  
14 that is not a multi-family dwelling enterprise;

15 (2) may not exceed 75 percent of the cost of the project or  
16 75 percent of the appraised value of the project, whichever is less,  
17 unless the amount of the loan in excess of those limits is federally  
18 insured or guaranteed or is insured by a qualified mortgage insurance  
19 company;

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

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

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

1 (6) shall be secured as to repayment by a mortgage or other  
2 security instrument in the manner the authority determines is feasible  
3 to assure timely repayment under a loan agreement entered into with the  
4 borrower; and

5 (7) may not be made unless at least 10 percent of the prin-  
6 cipal amount of the loan is retained by the originator of the loan.

7 \* Sec. 41. AS 44.88.158(d) is amended to read:

8 (d) The authority may adopt regulations for the administration of  
9 the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
10 ENTERPRISES] loan account which may include, without limitation, provi-  
11 sions for fees and agreements relating to application, loan commitment,  
12 servicing, and origination of loans by other lenders.

13 \* Sec. 42. AS 44.88.158(e) is amended to read:

14 (e) The authority may enter into agreements as to the use of the  
15 money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
16 FISHING ENTERPRISES] loan account, including without limitation, trust  
17 or custody arrangements with banks or trust companies. It may also  
18 pledge, assign, or grant the agreement, interests under an agreement,  
19 or interests in the small enterprise [BUSINESS, TOURISM, MINING, AND  
20 COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or  
21 appropriate to provide for payment and security for bonds of the author-  
22 ity.

23 \* Sec. 43. AS 44.88.158 is amended by adding a new subsection to read:

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

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

1           (2) "business enterprise" means a single proprietorship,  
2 corporation, firm, partnership, or other association of persons organ-  
3 ized in any manner, for any business purpose, other than [WHICH IS NOT  
4 ORGANIZED] on a nonprofit basis;

5 \* Sec. 45. AS 44.88.220(5) is amended to read:

6           (5) "project" means [INCLUDES]

7           (A) a plant or facility used or intended for use in  
8 connection with making, processing, preparing, or producing in any  
9 manner, goods, products or substances of any kind or nature or in  
10 connection with developing or utilizing a natural resource, or  
11 extracting, smelting, transporting, converting, assembling or  
12 producing in any manner, minerals, raw materials, chemicals,  
13 compounds, alloys, fibers, commodities and materials, products or  
14 substances of any kind or nature, any plant or facility used or  
15 intended for use as an industrial park or in connection with air  
16 and water transportation, or any plant or facility for the preven-  
17 tion, limitation or control of air or water pollution, for the  
18 disposal of sewage or solid waste, for the local furnishing of  
19 gas, or for the furnishing of water;

20           (B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE,  
21 MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN  
22 (12), (13), (14), AND (15) OF THIS SECTION]; or

23           (C) a multi-family dwelling enterprise;

24 \* Sec. 46. AS 44.88.220(6) is amended to read:

25           (6) "plant" or "facility" means real property, whether above  
26 or below mean high water, or an interest in it, and the buildings,  
27 improvements and structures constructed or to be constructed on or in  
28 it, and may include fixtures, machinery, and equipment on it or in it,  
29 and tangible personal property, regardless of whether the tangible

1 personal property is attached to or connected with real property, if  
2 the owner has agreed not to remove the tangible personal property  
3 permanently from the state for the period the authority sets; ["PLANT"  
4 OR "FACILITY" DOES NOT INCLUDE WORK IN PROCESS OR STOCK IN TRADE;]

5 \* Sec. 47. AS 44.88.220(8) is amended to read:

6 (8) "project cost" or "cost of a project"

7 (A) means all or any part of the aggregate costs deter-  
8 mined by the authority to be necessary to finance the construc-  
9 tion, expansion, or acquisition of a project, including without  
10 limitation the cost of acquiring real or tangible personal prop-  
11 erty, and, in connection with real property, the cost of con-  
12 structing buildings and improvements, the cost of constructing  
13 means of access to and from the project, the cost of constructing  
14 extensions of utility systems to the site of the project; the cost  
15 of a project includes, without limitation, the cost of financing  
16 the project, interest charges before, during or after construction,  
17 expansion, or acquisition of the project, costs related to the  
18 determination of the feasibility, planning, design or engineering  
19 of the project and, to the extent determined necessary by the  
20 authority, administrative expenses, the cost of machinery or  
21 equipment to be used in the operation of the project and expenses  
22 of installation, replacement or rehabilitation, and all other  
23 costs, charges, fees and expenses which may be determined by the  
24 authority to be necessary to finance the construction, expansion,  
25 or acquisition;

26 (B) includes work in progress, stock in trade, accounts  
27 receivable, or the refinancing of the existing indebtedness of a  
28 project applicant, financed or refinanced through a loan purchased  
29 under AS 44.88.158(a)(2);

1 \* Sec. 48. AS 44.88.220(12) is repealed and reenacted to read:

2 (12) "small enterprise" means

3 (A) a business enterprise that is a project applicant  
4 with gross income of \$10,000,000 or less for its last annual  
5 reporting period before the application to the authority for a  
6 loan; or

7 (B) a utility that

8 (i) provides telecommunication services;

9 (ii) is not eligible for financing from the Alaska  
10 Power Authority;

11 (iii) qualifies for a loan under the Rural Electri-  
12 fication Act (7 U.S.C. sec. 901, et seq.); and

13 (iv) has gross revenues of \$20,000,000 or less  
14 during its last annual reporting period before it applies to  
15 the authority for a loan;

16 \* Sec. 49. AS 44.88.220 is amended by adding a new paragraph to read:

17 (16) "multi-family dwelling enterprise" is a rental or  
18 cooperative dwelling of three or more units.

19 \* Sec. 50. The Alaska Housing Finance Corporation may issue bonds in the  
20 principal amount of \$592,000,000 during the fiscal year ending June 30,  
21 1982.

22 \* Sec. 51. Subject to the limitation of AS 44.88.090(g), the Alaska  
23 Industrial Development Authority may issue bonds in the principal amount of  
24 \$400,000,000 during the fiscal year ending June 30, 1982.

25 \* Sec. 52. The following laws are repealed: AS 18.56.098(f)(3) and  
26 AS 44.88.220(13), (14), and (15).

27 \* Sec. 53. This Act takes effect immediately in accordance with AS 01.-  
28 10.070(c).

29

Original sponsor: Mulcahy

Offered: 3/5/81  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 148 (Finance) am

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 housing loans; and providing for  
7 an effective date."

8

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

9

\* Section 1. AS 44.47.370 is amended by adding a new paragraph to read:

10

(8) originate and service direct loans made for construc-

11

tion, purchase, renovation, or improvements and building materials, for

12

nonconforming housing made to qualified buyers in accordance with

13

AS 44.47.360 - 44.47.560.

14

\* Sec. 2. AS 44.47.380 is amended to read:

15

Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is

16

created in the Department of Community and Regional Affairs the non-

17

conforming housing loan fund consisting of money appropriated to it by

18

the legislature. The director shall administer the nonconforming

19

housing loan fund in accordance with AS 44.47.360 - 44.47.560 and shall

20

use the money in the nonconforming housing loan fund to originate,

21

purchase, or participate in the purchase of

22

(1) nonconforming housing mortgage loans;

23

(2) loans made for building materials for nonconforming

24

housing;

25

(3) loans made for renovations or improvements to noncon-

26

forming housing;

27

(4) loans for construction of nonconforming housing.

28

\* Sec. 3. AS 44.47 is amended by adding a new section to read:

29

Sec. 44.47.385. ELIGIBLE LOCATIONS. (a) The director may make

1 loans from the nonconforming housing loan fund only for nonconforming  
2 housing loans to qualified buyers for nonconforming housing located in

3 (1) the unorganized borough, including cities and villages  
4 of the unorganized borough; and

5 (2) an organized borough or unified municipality; however,  
6 a nonconforming housing loan made under this paragraph may not be made  
7 within a city of an organized borough or service area of a unified  
8 municipality if the population of that city or service area exceeds  
9 3,500.

10 (b) For purposes of (a) of this section, population shall be de-  
11 termined with reference to the 1980 preliminary census report as pub-  
12 lished in "Alaska 1980 Population" and released January 1, 1981 by the  
13 Department of Labor.

14 \* Sec. 4. AS 44.47.390 is amended to read:

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

18 (1) originate direct loans or purchase or participate in the  
19 purchase of a nonconforming housing mortgage loan which exceeds the  
20 limitations on mortgage loans purchased by the Federal National Mortgage  
21 Association as to principal amount;

22 (2) originate direct loans or purchase or participate in the  
23 purchase of a loan made for building materials for nonconforming housing

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

25 (i) 80 percent of the appraised value of the work  
26 completed on the nonconforming housing for which the loan is made  
27 if the nonconforming housing is pledged as collateral for the  
28 loan; or

29 (ii) 80 percent of the value of other property

1 which is pledged as security for the loan and which is satis-  
2 factory to the director as collateral;

3 (B) unless the terms of the loan agreement require  
4 inspections and certifications, as required by regulations of the  
5 director, at the expense of the borrower; and

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

8 (i) THREE YEARS; OR

9 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY  
10 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG  
11 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE  
12 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

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

19 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION  
20 LOANS].

21 \* Sec. 5. AS 44.47 is amended by adding a new section to read:

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

27 (b) The operating reserve loss account consists of money appro-  
28 priated by the legislature. To the extent that money is paid out of  
29 the operating loss reserve account for the purposes stated in this

1 section, this money shall be replaced with money received as interest  
2 on loans authorized by this chapter.

3 \* Sec. 6. AS 44.47.400 is amended to read:

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

8 (b) A person may pledge as security for the repayment of a loan  
9 originated or purchased in whole or in part under AS 44.47.380 a pre-  
10 ference right he holds to receive title to land he occupies as a pri-  
11 mary place of residence, primary place of business, subsistence  
12 campsite, or as headquarters for reindeer husbandry. The preference  
13 right must be conveyed to the person by the Native corporation to which  
14 the land was granted under section 14 of the Alaska Native Claims  
15 Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 1626, as amended  
16 by P.L. 94-204) before it may be pledged as security under this sub-  
17 section. The commissioner of community and regional affairs shall  
18 prescribe procedures and standard forms for establishing, pledging, and  
19 appraising the value of a preference right held by a person to secure  
20 the repayment of a loan originated or purchased in whole or in part  
21 under AS 44.47.380.

22 \* Sec. 7. AS 44.47.410 is amended to read:

23 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-  
24 gage loan originated or purchased in whole or in part under AS 44.-  
25 47.380 may not exceed

26 (1) nine percent for a mortgage loan made to a person who is  
27 an eligible veteran under AS 18.56.101;

28 (2) ten percent for a mortgage loan made to a person other  
29 than a person described in (1) of this subsection.

1 \* Sec. 8. AS 44.47.420(a) is amended to read:

2           Sec. 44.47.420. TITLE. (a) Before the director originates or  
3 purchases a nonconforming housing mortgage loan in whole or in part,  
4 the director may require a borrower to show marketable title to real  
5 property offered as security for the loan to be purchased.

6 \* Sec. 9. AS 44.47.430(b) is amended to read:

7           (b) The director may withdraw money from the restricted title  
8 loss reserve account in an amount equal to the loss to the division on  
9 a nonconforming housing mortgage loan originated or purchased in whole  
10 or in part by the division if marketable title to the real property  
11 used to secure the loan was shown in accordance with AS 44.47.420(b)-  
12 (2). Money withdrawn from the restricted title loss reserve account  
13 under this section shall be deposited in the nonconforming housing loan  
14 fund.

15 \* Sec. 10. AS 44.47.460 is amended to read:

16           Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-  
17 ticipating in the purchase of a loan, the director shall enter into a  
18 loan servicing agreement with the private financial institution from  
19 which the loan is to be purchased.

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

22           (c) Under the servicing agreement, the private financial insti-  
23 tution shall administer the loan and may charge the division a negoti-  
24 ated fee on the division's share of the loan. When appropriate, the  
25 [THE] private financial institution may also charge the borrower a  
26 reasonable originator fee not to exceed one percent.

27 \* Sec. 11. AS 44.47.470 is amended to read:

28           Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
29 participating in the purchase of a nonconforming housing mortgage loan,

1 the director may have or may require the borrower to have an appraisal  
2 made of the fair market value of the real property, including struc-  
3 tures on the real property, for which the loan is made. In conducting  
4 an appraisal under this section, the appraiser shall give full value to  
5 insulation and other features of construction in structures on the real  
6 property which add to the energy efficiency of the structures.

7 \* Sec. 12. AS 44.47.490 is amended to read:

8 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The  
9 director shall create field offices which have the authority of final  
10 approval of loans under this chapter, hire at least one lending offi-  
11 cer, and may [SHALL] contract for the services of

12 (1) real property appraisers who are familiar with rural  
13 construction; and

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

16 (b) The personnel described in (a) of this section shall make  
17 regular visits to each of the regions established under AS 44.47.510(a)  
18 to provide preconstruction and post-construction inspections of real  
19 property for which loans are originated or purchased by the division in  
20 whole or in part under AS 44.47.380 and to provide assistance to pri-  
21 vate financial institutions and their borrowers in the regions.

22 \* Sec. 13. 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. 14. This Act takes effect immediately in accordance with AS 01.-  
4     10.070(c).

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# COMMITTEE REPORT

## HOUSE

5/7/81

FURTHER:

(11)

Date: JUNE 9, 1981

Mr. Speaker:

The Committee on FINANCE has had CSSB 148(Fin)am  
"An Act relating to housing loans; and providing for an effective date."

under consideration and reports it back as follows:

- do pass  do not pass  
 do pass with attached amendments(s)  
 replace with CS for CSSB 148(Fin)  same title  
and recommends do pass  new title  
 AND attaches a "Letter of Intent"  New Fiscal Note  
 reports it back without recommendation  
 referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Freeman  
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Freeman  
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MEMBERS HAVING  
OTHER RECOMMENDATIONS:

Freeman - no rec  
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\_\_\_\_\_  
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\_\_\_\_\_

Freeman  
\_\_\_\_\_  
CHAIRMAN

Asper

Original sponsor: Mulcahy

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Finance)

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 places 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 can hear and have  
25 the same right to participate in the meeting as if the meeting were

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

June 8, 1981

### MEMORANDUM

TO: Honorable Russ Meekins  
House Finance Committee

FROM: Milt Barker, <sup>MB</sup> Fiscal Analyst  
Legislative Finance Division

SUBJECT: HCS SB 148 (Finance)

The following are the major revisions to CSHB 487 (Finance) relating to AHFC and AIDA, and CSSB 148 (Finance) am, relating to nonconforming housing loans, which are to be incorporated into HCS SB 148 (Finance):

#### AHFC

1. Authorization for second mortgages for either home purchase or home improvement:
  - 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;
2. the "Rogers ratchet" interest rate:
  - a) starts at 10%;
  - b) gradually adjusts upward to 3% below the corporations cost of funds;
  - c) in no case is less than 10% unless corporations cost of funds is less than 10%;
3. authorization for board meetings via electronic media;

4. annual report to legislature must include summary of past efforts and future plans regarding outreach and satisfaction of loan demand in rural areas;

5. legislative intent that the corporation study second mortgages before implementing;

6. automatic extension of prior year bond authorization in absence of legislative action;

7. AFHC is to pay a higher servicing fee for loans in rural areas;

#### AIDA

1. bond authorization increased to \$400 million;

2. automatic extension of prior year bond authorization in absence of legislative action;

3. loans purchased with bond proceeds will be held in the enterprise development fund:

a) 10% bank participation at a minimum required;

b) 20% bank participation for moral obligation on loans over \$1 million required;

c) no moral obligation on loans over \$10 million;

d) maximum loan is \$7,500,000 or 75% of project costs;

e) AIDA to establish income limits for project applicants for loans purchased from bond proceeds;

4. small enterprise account will use AIDA assets and cash flow to purchase loans for:

a) working capital, inventory, and refinancing up to \$500,000 which are federally guaranteed; the interest rate is the tax-exempt rate;

b) new multi-family rental and cooperative housing of three or more units up to \$50,000 per unit or \$3,000,000 per project; the interest rate is 1% greater than the "Rogers ratchet";

c) other small enterprise projects at the tax-exempt rate;

- d) letter of intent giving working capital and inventory loans first priority on \$2 million cash flow from existing AIDA assets and allocating 30% thereof to such loans which are less than \$100,000;
- e) definition of "small enterprise" includes telecommunications utilities with gross income less than \$20,000,000;

#### Nonconforming Loans

1. construction loans only to intended occupants;
2. no more than 20% of nonconforming loans may be in urban areas;
3. interest rates equal to the "Rogers ratchet" (in effect no subsidy for amounts greater than \$90,000);
4. higher servicing fees are to be paid for loans in rural areas;
5. intent that C&RA originate loans only if there is a demonstrated lack of service available prior to January 1982;
6. intent that approved business loans be processed to completion beyond FY 81 (HCR 40);

#### Appropriations

1. reduce nonconforming loans to \$40 million;
2. increase AHFC rural mortgage loans to \$20 million;
3. appropriate \$20 million to AIDA for multi-family housing;
4. allocate \$20 million of the AHFC special mortgage loan purchase program to second mortgages for home improvement.

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HCSCSSB 148 (Finance am)

Title An Act relating to housing loans and providing for an effect date

Requested by Legislative Finance Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Community & Regional Affairs

Program Category Affected Housing Assistance Division

BRU, Program, or Subprogram(s) Affected Non-Conforming Loans

(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		70.0				
200 TRAVEL						
300 CONTRACTUAL		100.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

GENERAL FUND		170.0				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2				
PART TIME						
TEMPORARY						

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

Sec. 44.47.395, of Senate Bill 148 established the Operating Loss Reserve Account, and it is recommended that \$100,000 be appropriated for this fund. The funding would be used for the specific purpose of renovation and repair on foreclosed properties. This account is to be continued from year to year.

Two additional positions are requested to be located in the Anchorage Office:

1 position is for a Loan Closing Clerk responsible for reviewing loan documents, obtaining title policies, insurance policies, and recording loan documents to provide expeditious closing of loans.

*Sue Lowell by m m*  
Sue Lowell (Deputy Director)

IV. DATE 6/22/81

PREPARED BY Community & Regional Affairs, Division of  
AGENCY Housing Assistance  
PHONE 272-4585

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

The second position is an Accounting Technician, to account for the disbursement of loan funds and to account for and monitor phased loan disbursements, for direct loans, construction loans; building material loans and repair and renovation loans.

Original sponsor: Mulcahy

Offered: 6/9/81  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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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 18.56.096 is amended to read:

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

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

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

16 \* Sec. 3. AS 18.56.098(a) is amended to read:

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

24 \* Sec. 4. AS 18.56.098(c) is amended to read:

25           (c) The corporation may pledge mortgage loans purchased by the  
26           corporation under (a) of this section, mortgage loans assigned to the  
27           corporation for the special mortgage loan purchase program, and mortgage  
28           loans purchased with amounts appropriated to the corporation for the  
29           special mortgage loan purchase program to pay the principal, interest,

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

9 \* Sec. 5. AS 18.56.098(d) is repealed and reenacted to read:

10 (d) The corporation shall establish the interest rate on a mort-  
11 gage loan purchased under (a) of this section in accordance with the  
12 following:

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

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

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

23 (B) Except as provided in (C) and (D) of this paragraph  
24 and (4) of this subsection, the interest rate may not be less than  
25 10 percent and may not be reduced.

26 (C) If the difference between the cost of funds of an  
27 issue of taxable bonds and the interest rate established for a  
28 mortgage loan purchased with the proceeds of the previous issue  
29 would be equal to or less than three percent under the provisions

1 of (B) of this paragraph, the interest rate on mortgage loans  
2 purchased with the proceeds of that taxable bond issue and subse-  
3 quent taxable bond issues is three percent less than the cost of  
4 funds of the taxable bond issue that is used to purchase the  
5 mortgage loan.

6 (D) The interest rate on a mortgage loan purchased with  
7 the proceeds of a taxable bond issue may not be less than 10  
8 percent unless the cost of funds of the taxable bond issue is less  
9 than 10 percent, in which case the interest on a mortgage loan  
10 purchased with the proceeds of a taxable bond issue is equal to  
11 the cost of funds.

12 (3) If the corporation does not issue taxable bonds, the  
13 interest rate on the first \$90,000 of a mortgage loan purchased under  
14 (a) of this section may not exceed 10 percent.

15 (4) An interest rate determined under this subsection shall  
16 be reduced by one percentage point if the loan is made to an eligible  
17 veteran under AS 18.56.101.

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

22 (6) If a second mortgage is purchased under (a) of this  
23 section, the existing unamortized loan amount of the first mortgage  
24 shall be subtracted from \$90,000 to determine the amount of the loan  
25 that is eligible for an interest rate determined under (1) - (4) of  
26 this subsection.

27 (7) The interest rate on a mortgage loan purchased from  
28 money appropriated to the corporation is the rate the corporation  
29 determines is appropriate by application of the provisions of (1) - (5)

1 of this subsection.

2 (8) The interest rate on a mortgage loan purchased from the  
3 proceeds of bonds that are exempt from taxation under the Mortgage  
4 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10 percent or the cost  
5 of the funds, whichever is less, unless a higher or lower interest rate  
6 is required to be established under the Mortgage Subsidy Bond Tax Act.

7 (9) In this subsection

8 (A) "cost of funds" means the true interest cost ex-  
9 pressed as a rate on bonds of the corporation plus an additional  
10 percentage as determined by the corporation to represent the  
11 expenses of operation, costs of issuance, and mortgage servicing;

12 (B) "taxable bonds" means bonds bearing interest that  
13 is taxable under the provisions of the Mortgage Subsidy Bond Tax  
14 Act of 1980 (26 U.S.C. 103A).

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

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

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

29 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to

1 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
2 103A) the amount of mortgage revenue bonds that may be issued in the  
3 state under sec. 103A(g)(4) of that Act is allocated solely to the  
4 corporation. A municipality may not issue mortgage revenue bonds under  
5 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless  
6 permitted to do so by the corporation. The amount of mortgage revenue  
7 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage  
8 Subsidy Bond Tax Act of 1980 with the permission of the corporation  
9 shall be deducted from the total amount permitted by that Act.

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

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

13 Sec. 18.56.107. LOAN SERVICE FEES FOR RURAL AREAS. Loan service  
14 fees charged for a loan made or purchased in a rural area with money  
15 received by the corporation after July 1, 1981, shall be higher than  
16 loan service fees charged for other loans made or purchased by the  
17 corporation.

18 \* Sec. 9. AS 18.56.110 is amended by adding a new subsection to read:

19 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the  
20 corporation may not issue bonds, other than refunding bonds, in any  
21 12-month period beginning after June 30, 1982, in an amount that exceeds  
22 the amount of bonds authorized to be issued during the preceding 12-  
23 month period, unless a different amount is authorized by the legisla-  
24 ture.

25 \* Sec. 10. AS 18.56.200(c) is amended to read:

26 (c) The corporation shall include in its annual report under (b)  
27 of this section an estimate of the investment activity of the corpora-  
28 tion in mortgage loans under this chapter for the following 12-month  
29 period and an estimate of the amount of bonds to be issued for the

1 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE  
2 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY  
3 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS  
4 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

5 \* Sec. 11. AS 18.56.200 is amended by adding a new subsection to read:

6 (d) The corporation shall include in its annual report under (b)  
7 of this section a summary of its efforts to implement a program to ex-  
8 tend the operation of the loan programs authorized under this chapter  
9 to communities with populations of less than 15,000.

10 \* Sec. 12. AS 18.56.210 is amended by adding a new paragraph to read:

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

14 \* Sec. 13. AS 44.47.370 is amended by adding a new paragraph to read:

15 (8) originate and service direct loans made for construc-  
16 tion, purchase, renovation, or improvements and building materials, for  
17 nonconforming housing made to qualified buyers in accordance with  
18 AS 44.47.360 - 44.47.560.

19 \* Sec. 14. AS 44.47.380 is amended to read:

20 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created  
21 in the Department of Community and Regional Affairs the nonconforming  
22 housing loan fund consisting of money appropriated to it by the legis-  
23 lature. The director shall administer the nonconforming housing loan  
24 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the  
25 money in the nonconforming housing loan fund to originate, purchase, or  
26 participate in the purchase of

- 27 (1) nonconforming housing mortgage loans;  
28 (2) loans made for building materials for nonconforming  
29 housing;

1 (3) loans made for renovations or improvements to noncon-  
2 forming housing;

3 (4) loans made for the construction of nonconforming owner-  
4 occupied housing other than loans to builders or contractors.

5 \* Sec. 15. AS 44.47 is amended by adding a new section to read:

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

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

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

17 (d) In allocating money under (b) of this subsection, if a home  
18 proposed for financing is in more than one service area, that home  
19 shall be considered to be in the service area with the smallest popula-  
20 tion.

21 \* Sec. 16. AS 44.47.390 is amended to read:

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

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

29 (2) originate a direct loan or purchase or participate in

1 the purchase of a loan made for building materials for nonconforming  
2 housing

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

4 (i) 80 percent of the appraised value of the work  
5 completed on the nonconforming housing for which the loan is made  
6 if the nonconforming housing is pledged as collateral for the  
7 loan; or

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

11 (B) unless the terms of the loan agreement require  
12 inspections and certifications, as required by regulations of the  
13 director, at the expense of the borrower; and

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

16 (i) THREE YEARS; OR

17 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY  
18 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG  
19 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE  
20 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

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

27 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION  
28 LOANS].

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

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

6           (b) The operating reserve loss account consists of money appro-  
7 priated by the legislature. To the extent that money is paid out of  
8 the operating loss reserve account for the purposes stated in this  
9 section, this money shall be replaced with money received as interest  
10 on loans authorized by this chapter.

11 \* Sec. 18. AS 44.47.400 is amended to read:

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

16           (b) A person may pledge as security for the repayment of a loan  
17 originated or purchased in whole or in part under AS 44.47.380 a pre-  
18 ference right he holds to receive title to land he occupies as a pri-  
19 mary place of residence, primary place of business, subsistence camp-  
20 site, or as headquarters for reindeer husbandry. The preference right  
21 must be conveyed to the person by the Native corporation to which the  
22 land was granted under section 14 of the Alaska Native Claims Settlement  
23 Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.  
24 94-204) before it may be pledged as security under this subsection.  
25 The commissioner of community and regional affairs shall prescribe  
26 procedures and standard forms for establishing, pledging, and appraising  
27 the value of a preference right held by a person to secure the repayment  
28 of a loan originated or purchased in whole or in part under AS 44.-  
29 47.380.

1 \* Sec. 19. AS 44.47.410 is repealed and reenacted to read:

2 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-  
3 gage loan originated or purchased in whole or in part under AS 44.-  
4 47.380 is equal to the interest rate, as determined under AS 18.56.098-  
5 (d)(1) - (5), on a mortgage loan purchased under AS 18.56.098(d) from  
6 the proceeds of the most recent issue of taxable bonds before the  
7 mortgage loan originated or purchased under AS 44.47.380.

8 \* Sec. 20. AS 44.47.420(a) is amended to read:

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

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

14 (b) The director may withdraw money from the restricted title  
15 loss reserve account in an amount equal to the loss to the division on  
16 a nonconforming housing mortgage loan originated or purchased in whole  
17 or in part by the division if marketable title to the real property  
18 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).  
19 Money withdrawn from the restricted title loss reserve account under  
20 this section shall be deposited in the nonconforming housing loan fund.

21 \* Sec. 22. AS 44.47.460 is amended to read:

22 Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-  
23 ticipating in the purchase of a loan, the director shall enter into a  
24 loan servicing agreement with the private financial institution from  
25 which the loan is to be purchased.

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

28 (c) Under the servicing agreement, the private financial insti-  
29 tution shall administer the loan and may charge the division a negoti-

1 ated fee on the division's share of the loan. When appropriate, the  
2 [THE] private financial institution may also charge the borrower a  
3 reasonable originator fee not to exceed one percent.

4 (d) Loan servicing agreements entered into under this section  
5 shall provide for higher fees for loans made for nonconforming housing  
6 located outside of cities of organized boroughs and service areas of  
7 unified municipalities that have a population in excess of 3,500, than  
8 for other loans made for nonconforming housing.

9 \* Sec. 23. AS 44.47.470 is amended to read:

10 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
11 participating in the purchase of a nonconforming housing mortgage loan,  
12 the director may have or may require the borrower to have an appraisal  
13 made of the fair market value of the real property, including struc-  
14 tures on the real property, for which the loan is made. In conducting  
15 an appraisal under this section, the appraiser shall give full value to  
16 insulation and other features of construction in structures on the real  
17 property which add to the energy efficiency of the structures.

18 \* Sec. 24. AS 44.47.490 is amended to read:

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

23 (1) real property appraisers who are familiar with rural  
24 construction; and

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

27 (b) The personnel described in (a) of this section shall make  
28 regular visits to each of the regions established under AS 44.47.510(a)  
29 to provide preconstruction and post-construction inspections of real

1 property for which loans are originated or purchased by the division in  
2 whole or in part under AS 44.47.380 and to provide assistance to private  
3 financial institutions and their borrowers in the regions. Authority  
4 for final approval of loans may not be exercised by the personnel des-  
5 cribed in this section.

6 \* Sec. 25. AS 44.47.510(b) is amended to read:

7 (b) Unless otherwise required by an appropriation, the director  
8 shall allocate the money in the nonconforming housing loan fund among  
9 the regions established under (a) of this section for the purpose of  
10 originating or purchasing each type of loan described in AS 44.47.380.  
11 In making an allocation under this subsection, the director shall  
12 consider the past and potential lending activity of private financial  
13 institutions in the region as well as the need for loans in the region.  
14 The director may reallocate the money among the regions as he considers  
15 necessary.

16 \* Sec. 26. AS 44.88.010 is amended to read:

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

19 (1) there exist areas of the state in which seasonal and  
20 nonseasonal unemployment exist;

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

24 (3) the state lacks the basic manufacturing, industrial, and  
25 small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises  
26 and other facilities referred to in (5) of this subsection [AS 44.88.-  
27 010(a)(5)] necessary to permit adequate development of its natural  
28 resources and the balanced growth of its economy;

29 (4) the establishment, and expansion of industrial, manufac-

1 turing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]  
2 enterprises in Alaska, including facilities for air and water transpor-  
3 tation, facilities for pollution control and waste disposal, facilities  
4 for the local furnishing of gas, facilities for water, and facilities  
5 for industrial parks, is essential to the development of the natural  
6 resources and the long-term economic growth of the state, and will di-  
7 rectly and indirectly alleviate unemployment in the state;

8 (5) the achievement of the goal of full employment, and of  
9 establishment and continuing operation and development of industrial,  
10 manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
11 FISHING] enterprises in the state, including facilities for air and  
12 water transportation, facilities for pollution control and waste dis-  
13 posal, facilities for the local furnishing of gas, facilities for  
14 water, and facilities for industrial parks, will be accelerated and  
15 facilitated by the creation of an instrumentality of the state with  
16 powers to incur debt and to make and insure loans to finance, and to  
17 assist private lenders to make loans to finance, the establishment,  
18 operation, and development of industrial, manufacturing, and small  
19 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, includ-  
20 ing facilities for air and water transportation, facilities for pollu-  
21 tion control and waste disposal, facilities for the local furnishing of  
22 gas, facilities for water, and facilities for industrial parks, for  
23 private operation;

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

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

4 (b) It is declared to be the policy of the state, in the interests  
5 of promoting the health, security and general welfare of all the people  
6 of the state, and a public purpose, to increase job opportunities and  
7 otherwise to encourage the economic growth of the state, including the  
8 development of its natural resources, through the establishment of  
9 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
10 COMMERCIAL FISHING] enterprises and the other facilities referred to in  
11 (a)(5) of this section [AS 44.88.010(a)(5)] by creating the public  
12 corporation with power, duties and functions as provided in this chapter.

13 \* Sec. 27. AS 44.88.050(a) is amended to read:

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

1 \* Sec. 28. AS 44.88.070 is amended to read:

2 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
3 authority is to promote, develop and advance the general prosperity and  
4 economic welfare of the people of Alaska, to relieve problems of unem-  
5 ployment, and to create additional employment by providing various  
6 means of financing and means of facilitating the financing of indust-  
7 rial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMER-  
8 CIAL FISHING] enterprises and the other facilities referred to in  
9 AS 44.88.010(a)(5) within the state.

10 \* Sec. 29. AS 44.88.080(12) is amended to read:

11 (12) to purchase or insure loans to finance the costs of  
12 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
13 COMMERCIAL FISHING] enterprise projects;

14 \* Sec. 30. AS 44.88.080(18) is amended to read:

15 (18) to facilitate the expansion of a secondary market for  
16 the resale of federally or commercially insured loans made to finance  
17 the costs of projects held by federal and state chartered financial  
18 institutions [COMMERCIAL BANKS] in Alaska.

19 \* Sec. 31. AS 44.88 is amended by adding a new section to read:

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

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

25 \* Sec. 32. AS 44.88.090(g)(1) is repealed and reenacted to read:

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

1 \* Sec. 33. AS 44.88.105 is amended by adding new subsections to read:

2 (f) The authority may establish a reserve fund, other than a  
3 capital reserve fund, to secure its bonds. The authority may deposit  
4 in a reserve fund established under this subsection the proceeds of  
5 sale of its bonds and other money that may be made available from any  
6 other source. A reserve fund established under this subsection must  
7 comply with (a) - (c) of this section. The authority may allow a  
8 reserve fund established under this subsection to be depleted without  
9 complying with (d) of this section.

10 (g) The authority may not establish a capital reserve fund to  
11 secure an issue of bonds if the proceeds of the bonds are used to  
12 finance a project the cost of which exceeds \$10,000,000.

13 (h) The authority may not establish a capital reserve fund to  
14 secure an issue of bonds in an amount in excess of \$1,000,000 unless at  
15 least 20 percent of the principal amount of the loan for the project  
16 that is financed from the proceeds of the bonds is retained by a federal  
17 or state chartered financial institution.

18 \* Sec. 34. AS 44.88.155(a) is amended to read:

19 (a) There is established in the authority the enterprise develop-  
20 ment fund. The enterprise development fund is a trust fund for the  
21 uses and purposes of this chapter. Money may be paid into and out of  
22 the enterprise development fund only as provided in this chapter. The  
23 enterprise development fund may be composed of money or assets appro-  
24 priated or transferred to the authority, interest on investments and  
25 loans of the enterprise development fund, and other money deposited in  
26 it by the authority. The authority may use the assets of the enter-  
27 prise development fund to purchase loans made by others for projects,  
28 as defined in AS 44.88.220, that have been or that the authority anti-  
29 cipates will be financed with the proceeds of bonds.

1 \* Sec. 35. AS 44.88.155(b) is amended to read:

2 (b) The authority shall establish within the enterprise develop-  
3 ment fund a loan insurance account, a small enterprise [BUSINESS,  
4 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and  
5 other accounts it considers appropriate. Amounts in the enterprise  
6 development fund including, without limitation, repayments of loan  
7 principal and interest, may be pledged to the payment of bonds of the  
8 authority and shall be held and invested by the authority in investments  
9 authorized under AS 37.10.070(a) or as may be authorized in agreements  
10 with bondholders respecting amounts in the loan insurance account, the  
11 small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
12 ENTERPRISES] loan account, and other accounts within the enterprise  
13 development fund.

14 \* Sec. 36. AS 44.88.155 is amended by adding new subsections to read:

15 (d) A loan purchased with money in the enterprise development  
16 fund

17 (1) may not exceed \$7,500,000

18 (2) may not exceed 75 percent of the cost of the project or  
19 75 percent of the appraised value of the project, whichever is less,  
20 unless the amount of the loan in excess of those limits is federally  
21 insured or guaranteed or is insured by a qualified mortgage insurance  
22 company;

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

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

28 (5) shall be in the form and contain the terms and provi-  
29 sions with respect to insurance, repairs, alterations, payment of taxes

1 and assessments, default reserves, delinquency charges, default reme-  
2 dies, acceleration of maturity, secondary liens and other matters the  
3 authority prescribes;

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

8 (7) may not be made unless at least 10 percent of the  
9 principal amount of the loan is retained by the originator of the  
10 loan.

11 (e) The authority shall establish income eligibility limits for  
12 applicants for loans purchased under this section for projects costing  
13 less than \$10,000,000. The limits shall be consistent with income and  
14 experience levels required to insure the viability of the project.

15 (f) The interest rate on a loan purchased with money in the  
16 enterprise development fund may not exceed the true interest cost  
17 expressed as a rate, plus an additional percentage to represent the  
18 expenses of operation, costs of issuance, and mortgage servicing costs  
19 that the authority estimates would be payable on bonds issued by the  
20 authority to provide money to make the loan.

21 \* Sec. 37. AS 44.88.157 is amended by adding new subsections to read:

22 (j) Notwithstanding (a) - (i) of this section, the authority may  
23 establish additional loan insurance accounts outside the enterprise  
24 development fund to secure special obligation bonds, and pay into the  
25 loan insurance account money made available from an appropriation or  
26 from any other source. A loan insurance account established under this  
27 subsection is not subject to the requirements of (d) and (g) of this  
28 section.

29 (k) A loan may not be insured from a loan insurance account

1 within the enterprise development fund if the loan is for a project the  
2 cost of which exceeds \$10,000,000.

3 (1) A loan in excess of \$1,000,000 may not be insured from a loan  
4 insurance account within the enterprise development fund unless at  
5 least 20 percent of the principal amount of the loan is retained by a  
6 federal or state chartered financial institution.

7 \* Sec. 38. AS 44.88.158(a) is repealed and reenacted to read:

8 Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) The authority  
9 may use the assets of the small enterprise loan account to purchase

10 (1) loans made to a project applicant for a multi-family  
11 dwelling enterprise;

12 (2) the guaranteed portion of a loan made by a private state  
13 or federal chartered financial institution to a small enterprise to pay  
14 the cost of a project, as defined in AS 44.88.220, if the loan is  
15 guaranteed by the United States or an agency or instrumentality of the  
16 United States, including, but not limited to, the federal Small Business  
17 Administration, the National Marine Fisheries Service, and the Farmers  
18 Home Administration; and

19 (3) other loans made to small enterprises to pay the costs  
20 of projects, as defined in AS 44.88.220.

21 \* Sec. 39. AS 44.88.158(b) is repealed and reenacted to read:

22 (b) The interest rate on a loan purchased with money in the small  
23 enterprise loan account shall equal the true interest cost, expressed  
24 as a rate, plus an additional percentage to represent the expenses of  
25 operation, costs of issuance, and mortgage servicing costs that the  
26 authority estimates would be payable on tax-exempt bonds, except that  
27 the interest rate on a loan purchased for a multi-family dwelling  
28 enterprise shall be one percent more than the interest rate, as deter-  
29 mined under AS 18.56.098(d)(1) - (3), on a mortgage loan purchased

1 under AS 18.56.098(d) from the proceeds of the most recent issue of  
2 taxable bonds before the loan purchased for a multi-family dwelling  
3 enterprise.

4 \* Sec. 40. AS 44.88.158(c) is repealed and reenacted to read:

5 (c) A loan purchased with money in the small enterprise loan  
6 account

7 (1) may not exceed

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

11 (B) \$500,000 if the loan is purchased under AS 44.88.-  
12 158(a)(2); or

13 (C) \$7,500,000 if the loan is made to a small enterprise  
14 that is not a multi-family dwelling enterprise;

15 (2) may not exceed 75 percent of the cost of the project or  
16 75 percent of the appraised value of the project, whichever is less,  
17 unless the amount of the loan in excess of those limits is federally  
18 insured or guaranteed or is insured by a qualified mortgage insurance  
19 company;

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

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

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

1 (6) shall be secured as to repayment by a mortgage or other  
2 security instrument in the manner the authority determines is feasible  
3 to assure timely repayment under a loan agreement entered into with the  
4 borrower; and

5 (7) may not be made unless at least 10 percent of the prin-  
6 cipal amount of the loan is retained by the originator of the loan.

7 \* Sec. 41. AS 44.88.158(d) is amended to read:

8 (d) The authority may adopt regulations for the administration of  
9 the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
10 ENTERPRISES] loan account which may include, without limitation, provi-  
11 sions for fees and agreements relating to application, loan commitment,  
12 servicing, and origination of loans by other lenders.

13 \* Sec. 42 AS 44.88.158(e) is amended to read:

14 (e) The authority may enter into agreements as to the use of the  
15 money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
16 FISHING ENTERPRISES] loan account, including without limitation, trust  
17 or custody arrangements with banks or trust companies. It may also  
18 pledge, assign, or grant the agreement, interests under an agreement,  
19 or interests in the small enterprise [BUSINESS, TOURISM, MINING, AND  
20 COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or  
21 appropriate to provide for payment and security for bonds of the author-  
22 ity.

23 \* Sec. 43. AS 44.88.158 is amended by adding a new subsection to read:

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

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

1 (2) "business enterprise" means a single proprietorship,  
2 corporation, firm, partnership, or other association of persons organ-  
3 ized in any manner, for any business purpose, other than [WHICH IS NOT  
4 ORGANIZED] on a nonprofit basis;

5 \* Sec. 45. AS 44.88.220(5) is amended to read:

6 (5) "project" means [INCLUDES]

7 (A) a plant or facility used or intended for use in  
8 connection with making, processing, preparing, or producing in any  
9 manner, goods, products or substances of any kind or nature or in  
10 connection with developing or utilizing a natural resource, or  
11 extracting, smelting, transporting, converting, assembling or  
12 producing in any manner, minerals, raw materials, chemicals,  
13 compounds, alloys, fibers, commodities and materials, products or  
14 substances of any kind or nature, any plant or facility used or  
15 intended for use as an industrial park or in connection with air  
16 and water transportation, or any plant or facility for the preven-  
17 tion, limitation or control of air or water pollution, for the  
18 disposal of sewage or solid waste, for the local furnishing of  
19 gas, or for the furnishing of water;

20 (B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE,  
21 MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN  
22 (12), (13), (14), AND (15) OF THIS SECTION]; or

23 (C) a multi-family dwelling enterprise;

24 \* Sec. 46. AS 44.88.220(6) is amended to read:

25 (6) "plant" or "facility" means real property, whether above  
26 or below mean high water, or an interest in it, and the buildings,  
27 improvements and structures constructed or to be constructed on or in  
28 it, and may include fixtures, machinery, and equipment on it or in it,  
29 and tangible personal property, regardless of whether the tangible

1 personal property is attached to or connected with real property, if  
2 the owner has agreed not to remove the tangible personal property  
3 permanently from the state for the period the authority sets; ["PLANT"  
4 OR "FACILITY" DOES NOT INCLUDE WORK IN PROCESS OR STOCK IN TRADE,]

5 \* Sec. 47. AS 44.88.220(8) is amended to read:

6 (8) "project cost" or "cost of a project"

7 (A) means all or any part of the aggregate costs deter-  
8 mined by the authority to be necessary to finance the construc-  
9 tion, expansion, or acquisition of a project, including without  
10 limitation the cost of acquiring real or tangible personal prop-  
11 erty, and, in connection with real property, the cost of con-  
12 structing buildings and improvements, the cost of constructing  
13 means of access to and from the project, the cost of constructing  
14 extensions of utility systems to the site of the project; the cost  
15 of a project includes, without limitation, the cost of financing  
16 the project, interest charges before, during or after construction,  
17 expansion, or acquisition of the project, costs related to the  
18 determination of the feasibility, planning, design or engineering  
19 of the project and, to the extent determined necessary by the  
20 authority, administrative expenses, the cost of machinery or  
21 equipment to be used in the operation of the project and expenses  
22 of installation, replacement or rehabilitation, and all other  
23 costs, charges, fees and expenses which may be determined by the  
24 authority to be necessary to finance the construction, expansion,  
25 or acquisition;

26 (B) includes work in progress, stock in trade, accounts  
27 receivable, or the refinancing of the existing indebtedness of a  
28 project applicant, financed or refinanced through a loan purchased  
29 under AS 44.88.158(a)(2);

1 \* Sec. 48. AS 44.88.220(12) is repealed and reenacted to read:

2 (12) "small enterprise" means

3 (A) a business enterprise that is a project applicant  
4 with gross income of \$10,000,000 or less for its last annual  
5 reporting period before the application to the authority for a  
6 loan; or

7 (B) a utility that

8 (i) provides telecommunication services;

9 (ii) is not eligible for financing from the Alaska  
10 Power Authority;

11 (iii) qualifies for a loan under the Rural Electri-  
12 fication Act (7 U.S.C. sec. 901, et seq.); and

13 (iv) has gross revenues of \$20,000,000 or less  
14 during its last annual reporting period before it applies to  
15 the authority for a loan;

16 \* Sec. 49. AS 44.88.220 is amended by adding a new paragraph to read:

17 (16) "multi-family dwelling enterprise" is a rental or  
18 cooperative dwelling of three or more units.

19 \* Sec. 50. The Alaska Housing Finance Corporation may issue bonds in the  
20 principal amount of \$592,000,000 during the fiscal year ending June 30,  
21 1982.

22 \* Sec. 51. Subject to the limitation of AS 44.88.090(g), the Alaska  
23 Industrial Development Authority may issue bonds in the principal amount of  
24 \$400,000,000 during the fiscal year ending June 30, 1982.

25 \* Sec. 52. The following laws are repealed: AS 18.56.098(f)(3) and  
26 AS 44.88.220(13), (14), and (15).

27 \* Sec. 53. This Act takes effect immediately in accordance with AS 01.-  
28 10.070(c).

29

Original sponsor: Mulcahy

Offered: 3/5/81  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 148 (Finance) am  
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 housing loans; and providing for  
7 an effective date."

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

9 \* Section 1. AS 44.47.370 is amended by adding a new paragraph to read:

10 (8) originate and service direct loans made for construc-  
11 tion, purchase, renovation, or improvements and building materials, for  
12 nonconforming housing made to qualified buyers in accordance with  
13 AS 44.47.360 - 44.47.560.

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

15 Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is  
16 created in the Department of Community and Regional Affairs the non-  
17 conforming housing loan fund consisting of money appropriated to it by  
18 the legislature. The director shall administer the nonconforming  
19 housing loan fund in accordance with AS 44.47.360 - 44.47.560 and shall  
20 use the money in the nonconforming housing loan fund to originate,  
21 purchase, or participate in the purchase of

22 (1) nonconforming housing mortgage loans;

23 (2) loans made for building materials for nonconforming  
24 housing;

25 (3) loans made for renovations or improvements to noncon-  
26 forming housing;

27 (4) loans for construction of nonconforming housing.

28 \* Sec. 3. AS 44.47 is amended by adding a new section to read:

29 Sec. 44.47.385. ELIGIBLE LOCATIONS. (a) The director may make

1 loans from the nonconforming housing loan fund only for nonconforming  
2 housing loans to qualified buyers for nonconforming housing located in

3 (1) the unorganized borough, including cities and villages  
4 of the unorganized borough; and

5 (2) an organized borough or unified municipality; however,  
6 a nonconforming housing loan made under this paragraph may not be made  
7 within a city of an organized borough or service area of a unified  
8 municipality if the population of that city or service area exceeds  
9 3,500.

10 (b) For purposes of (a) of this section, population shall be de-  
11 termined with reference to the 1980 preliminary census report as pub-  
12 lished in "Alaska 1980 Population" and released January 1, 1981 by the  
13 Department of Labor.

14 \* Sec. 4. AS 44.47.390 is amended to read:

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

18 (1) originate direct loans or purchase or participate in the  
19 purchase of a nonconforming housing mortgage loan which exceeds the  
20 limitations on mortgage loans purchased by the Federal National Mortgage  
21 Association as to principal amount;

22 (2) originate direct loans or purchase or participate in the  
23 purchase of a loan made for building materials for nonconforming housing

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

25 (i) 80 percent of the appraised value of the work  
26 completed on the nonconforming housing for which the loan is made  
27 if the nonconforming housing is pledged as collateral for the  
28 loan; or

29 (ii) 80 percent of the value of other property

1 which is pledged as security for the loan and which is satis-  
2 factory to the director as collateral;

3 (B) unless the terms of the loan agreement require  
4 inspections and certifications, as required by regulations of the  
5 director, at the expense of the borrower; and

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

8 (i) THREE YEARS; OR

9 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY  
10 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE AMONG  
11 PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN WHICH THE  
12 LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING MATERIALS];

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

19 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION  
20 LOANS].

21 \* Sec. 5. AS 44.47 is amended by adding a new section to read:

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

27 (b) The operating reserve loss account consists of money appro-  
28 priated by the legislature. To the extent that money is paid out of  
29 the operating loss reserve account for the purposes stated in this

1 section, this money shall be replaced with money received as interest  
2 on loans authorized by this chapter.

3 \* Sec. 6. AS 44.47.400 is amended to read:

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

8 (b) A person may pledge as security for the repayment of a loan  
9 originated or purchased in whole or in part under AS 44.47.380 a pre-  
10 ference right he holds to receive title to land he occupies as a pri-  
11 mary place of residence, primary place of business, subsistence  
12 campsite, or as headquarters for reindeer husbandry. The preference  
13 right must be conveyed to the person by the Native corporation to which  
14 the land was granted under section 14 of the Alaska Native Claims  
15 Settlement Act (85 Stat. 688, 43 U.S.C. secs. 1601 1626, as amended  
16 by P.L. 94-204) before it may be pledged as security under this sub-  
17 section. The commissioner of community and regional affairs shall  
18 prescribe procedures and standard forms for establishing, pledging, and  
19 appraising the value of a preference right held by a person to secure  
20 the repayment of a loan originated or purchased in whole or in part  
21 under AS 44.47.380.

22 \* Sec. 7. AS 44.47.410 is amended to read:

23 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-  
24 gage loan originated or purchased in whole or in part under AS 44.-  
25 47.380 may not exceed

26 (1) nine percent for a mortgage loan made to a person who is  
27 an eligible veteran under AS 18.56.101;

28 (2) ten percent for a mortgage loan made to a person other  
29 than a person described in (1) of this subsection.

1 \* Sec. 8. AS 44.47.420(a) is amended to read:

2           Sec. 44.47.420. TITLE. (a) Before the director originates or  
3 purchases a nonconforming housing mortgage loan in whole or in part,  
4 the director may require a borrower to show marketable title to real  
5 property offered as security for the loan to be purchased.

6 \* Sec. 9. AS 44.47.430(b) is amended to read:

7           (b) The director may withdraw money from the restricted title  
8 loss reserve account in an amount equal to the loss to the division on  
9 a nonconforming housing mortgage loan originated or purchased in whole  
10 or in part by the division if marketable title to the real property  
11 used to secure the loan was shown in accordance with AS 44.47.420(b)-  
12 (2). Money withdrawn from the restricted title loss reserve account  
13 under this section shall be deposited in the nonconforming housing loan  
14 fund.

15 \* Sec. 10. AS 44.47.460 is amended to read:

16           Sec. 44.47.460. LOAN SERVICING. (a) Before purchasing or par-  
17 ticipating in the purchase of a loan, the director shall enter into a  
18 loan servicing agreement with the private financial institution from  
19 which the loan is to be purchased.

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

22           (c) Under the servicing agreement, the private financial insti-  
23 tution shall administer the loan and may charge the division a negoti-  
24 ated fee on the division's share of the loan. When appropriate, the  
25 [THE] private financial institution may also charge the borrower a  
26 reasonable originator fee not to exceed one percent.

27 \* Sec. 11. AS 44.47.470 is amended to read:

28           Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
29 participating in the purchase of a nonconforming housing mortgage loan,

1 the director may have or may require the borrower to have an appraisal  
2 made of the fair market value of the real property, including struc-  
3 tures on the real property, for which the loan is made. In conducting  
4 an appraisal under this section, the appraiser shall give full value to  
5 insulation and other features of construction in structures on the real  
6 property which add to the energy efficiency of the structures.

7 \* Sec. 12. AS 44.47.490 is amended to read:

8 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The  
9 director shall create field offices which have the authority of final  
10 approval of loans under this chapter, hire at least one lending offi-  
11 cer, and may [SHALL] contract for the services of

12 (1) real property appraisers who are familiar with rural  
13 construction; and

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

16 (b) The personnel described in (a) of this section shall make  
17 regular visits to each of the regions established under AS 44.47.510(a)  
18 to provide preconstruction and post-construction inspections of real  
19 property for which loans are originated or purchased by the division in  
20 whole or in part under AS 44.47.380 and to provide assistance to pri-  
21 vate financial institutions and their borrowers in the regions.

22 \* Sec. 13. 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. 14. This Act takes effect immediately in accordance with AS 01.-  
4     10.070(c).

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# Alaska State Legislature

## Senate

Official Business

18 February 1981

Pouch V  
State Capitol  
Juneau, Alaska 99811

To: Senate Finance Committee Members

From: Senator Ferguson *JS*

ANALYSIS  
COMMITTEE SUBSTITUTE FOR  
SENATE BILL 148

Section 1. Page 1, lines 9 thru 13 AS 44.47.370 is amended by adding a new paragraph to allow the Division of Housing Assistance, Department of Community & Regional Affairs, to originate and services made under the nonconforming housing loan program.

Section 2. Page 1, lines 14 thru 27 AS 44.47.380 is amended to allow the Division of Housing Assistance to make loans for construction. Also, the section includes the language to allow loan origination by the Division.

Section 3. Page 1, lines 28 & 29; Page 2, lines 1 thru 29; Page 3, lines 1 thru 5 AS 44.47.390 is amended to allow for building materials loans to be made not to exceed \$45,000 and 15 year term. Loan origination language is included in the section. Also, the three year limit and maximum loan term established by regulation is deleted and replaced by statute with a longer term and loan amount ceiling. Construction loans are deleted.

Section 4. Page 3, lines 6 thru 16 AS 44.47 is amended by adding a new section that set up an operating loss reserve account to pay expenses incurred by the Division of Housing Assistance through foreclosure of properties that need repairs for resale and to meet any legal expences. The section also allows for the Legislature to appropriate funds to the account and allow for repayment to the fund with money received from interest payments until the amount expended from the account is replenished.

Section 5. Page 3, lines 17 thru 29; Page 4, lines 1 thru 6 AS 44.47.400 is amended to include language that allows the Division of Housing Assistance to originate loans. This language keeps the section consistent with the earlier intent to allow loan origination by the Division of Housing Assistance.

SENATE BILL 148 ANALYSIS

Page 2 of 2

Section 6. Page 4, lines 7 thru 14 AS 44.47.410 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 7. Page 4, lines 15 thru 19 AS 44.47.420(a) is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 8. Page 4, lines 20 thru 28 AS 44.47.420 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 9. Page 4, line 29; Page 5, lines 1 thru 11 AS 44.47.460 is amended to allow the director of the Division of Housing Assistance to execute service agreements with private lending institutions to service loans that the division has made. Also, language further clarifies that a private financial institution may, when appropriate, charge an originator fee on those loans which are not originated by the Division of Housing Assistance.

Section 10. Page 5, lines 12 thru 20 AS 44.47.470 is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 11. Page 5, lines 21 thru 29; Page 6, lines 1 thru 6 AS 44.47.490 is amended to allow the Division of Housing Assistance field offices to have final authority on approval of loans. Also, changes shall to may in requiring the director to contract for appraisers and engineers. The division personnel, in some cases, have this expertise.

Section 12. Page 6, lines 7 thru 16 AS 44.47.510(b) is amended to include language that clarifies that the Division of Housing Assistance will originate loans.

Section 13. Page 6, lines 17 & 18 AS 01.10.070(c) allows for an immediate effective date.



ALASKA ASSOCIATION OF REALTORS<sup>®</sup>

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A PROPOSAL FOR MEETING ALASKA'S HOUSING NEEDS

Alaska Association of Realtors  
1818 W. Northern Lights Boulevard  
Anchorage, Alaska

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## A PROPOSAL FOR MEETING ALASKA'S HOUSING NEEDS

The Alaska Housing Finance Corporation has assisted rural and urban Alaskans since 1971, by providing funds through the sale of tax-exempt bonds, for the acquisition of housing for Alaskans and their families. The very existence of that corporation and its financing programs is now threatened through the enactment of the "Ullman Bill" - Federal legislation that was passed last year. This new law sharply restricts the availability of tax-exempt bonds for housing, and thus, nearly eliminates the primary funding source of the Alaska Housing Finance Corporation.

This extreme change in the availability of funding, coupled with a projected severe shortage of housing in Alaska in the next few years, brings to light the grave necessity of legislative action in the early months of 1981, to add permanent strength and stability to the Alaska Housing Finance Corporation and to create new sources of funding.

Although the rural areas of Alaska have always had a shortage of decent, affordable housing, most of the urban areas of Alaska, except for Southeastern, have had an adequate supply in recent years. However, housing experts throughout the State are now reporting that housing inventories are rapidly diminishing and predict a housing shortage unless there is a substantial construction program this summer.

Housing experts report the greatest shortages of available homes for sale are in Southeastern Alaska, Kenai Peninsula, Matanuska-Susitna Borough, and Fairbanks. Although the Municipality of Anchorage has the largest supply of housing available, both for sale and rental, this supply is rapidly diminishing.

There are a number of sources confirming the approaching housing shortage in the Municipality of Anchorage. The supply of available "for sale" housing, as indicated by the Anchorage Multiple Listing System, is shown in Table 1 attached hereto. Based on the rate of sales since January 1, 1981, this would indicate that there is only an eight week inventory of unsold housing remaining in the Municipality of Anchorage. Table 2 indicates vacancy rates in rental housing. As can be seen from this table, high vacancy rates which were experienced last year are now rapidly decreasing to a normal 5% to 7% rate. In fact, this table indicates that medium and higher priced units are now experiencing typical vacancy rates. The vacancy factor for lower priced housing includes many older, substandard units which are barely habitable and, therefore, represent vacancy rates for substandard housing rather than housing generally classified as "safe, sanitary, and decent".

In summary, it is the opinion of the Alaska Association of Realtors that unless there is a substantial program to provide funding for homes and apartments during the summer of 1981, all areas of Alaska

will face a severe housing shortage before the end of 1981. Because of the lead time required to construct new housing, it is imperative that any program which will have an impact on the supply of housing in 1981 be enacted and available to disburse funds not later than May 1, 1981.

The purpose of this paper is to explain the need for funding to provide housing for rural and urban Alaskans and some suggestions for possible long-term solutions to the housing problems of Alaska.

### HOUSING COSTS

In addition to the problem of a shortage of actual housing units, there is a potential lack of affordable housing due to the current aberration in the financial markets. At the current moment, due to the action of the 1980 Legislature, this is not a problem in Alaska but will be unless the Legislature takes appropriate action.

Ironically, the State's well-being has been responsible for the high cost of housing in many parts of the State. Due to rising petroleum prices, the cost of heating oil has increased by over 300% in recent years. In some rural areas, the cost of heating oil now exceeds \$2.00 per gallon!! One way of offsetting increased housing costs created by the State's financial success is to loan some of this money back to citizens at reasonable rates.

For the last several years, renters in most urban areas of Alaska have been blessed with extremely affordable rental housing due to the oversupply which has kept rents stable during one of the highest periods of inflation ever experienced in the United States. During the period of September 1978 to September 1980, the Consumer Price Index for Anchorage increased from 192.8 to 230.9, an increase of 19.76% in the cost of living. During the same period of time, the residential rental index declined from 159.9 to 157.7 for a decrease of 1.4% in rental costs.<sup>1/</sup> During the same period of time, the cost of new construction has risen by approximately 20% and interest rates for financing new construction have increased by over 40%. Alaskan appraisers report that current rent levels will have to increase by at least 50% before the construction of new rental housing at the current cost and interest rates is feasible.

The effect of high interest rates on purchasers of new homes can be best demonstrated by comparing the cost of owning a \$90,000 home with an \$85,000 mortgage, under the current Alaska Housing Finance Corporation rate of 10% as opposed to a rate of 15% currently being charged in other States.

<sup>1/</sup> Anchorage Consumer Price Index for September 1978 and September 1980. Published by the Bureau of Labor Statistics of the U.S. Department of Labor.

10% - The required monthly payments on a 30-year, \$85,000 mortgage at 10%, is \$745.94/month. Allowing an additional \$100/month for real estate taxes and insurance, this means, with current underwriting standards, a family would have to have an annual income of \$40,605 to afford the typical \$90,000 home.

15% - Using the same assumptions at 15%, the required monthly payment rises to \$1,074.78/month and the required annual income to qualify for the loan increases to \$56,389.

Based on the foregoing, it is safe to predict that unless the Legislature of the State of Alaska provides for continuation and expansion of existing housing loan programs, there will be a shortage of available housing throughout the State and everyone except those fortunate enough to already own their own home, will experience a sharp increase in the cost of renting or buying housing. Because of this sharp increase in cost, many people will be forced to reside in inadequate, overcrowded, or substandard housing.

#### SUMMARY OF EXISTING PROGRAMS

Since the primary purpose of this paper is to focus on actions which can be taken by the Legislature of the State of Alaska, no effort will be made to examine Federal housing programs except to say that their impact is limited only to a small percentage of persons in the very lowest income brackets.

During its 1980 session, the Alaska Legislature's passage of SB-1 established several housing loan programs administered through the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs. At the time of passage, they appeared to provide acceptable solutions to the majority of Alaska's housing needs. A summary of these programs are as follows.

Special Mortgage Loan Purchase Program: Under this program, loans are provided through the Alaska Housing Finance Corporation to all credit worthy Alaskans for the purchase of single-family and owner-occupied duplexes, to a maximum loan amount of \$147,750 for single-family homes and \$189,000 for duplexes. Under this program, loans may be made equal to 95% of the appraised value of single-family homes and 90% for duplexes. The program provides that the interest rate on the first \$90,000 of such loans will not exceed 10% annual interest for non-veterans or 9% for qualifying veterans. Interest rates on the portion in excess of \$90,000 may exceed 10% if AHFC's cost of acquiring money is higher.

Graduated Payment Mortgages: To assist families who are likely to experience rising incomes to acquire homes sooner, the program also allows for graduated payment mortgages where the amount of payments are lower in the early years and are increased in later years.

Homeowners Assistance Program: In an effort to expand home ownership opportunities to lower income persons, the program provides a subsidy for certain lower income persons so that the interest cost of their loans can be as low as 6% and so that the required payments do not exceed 25% of their income.

Non-Conforming Housing Loans: Because the "bond market" has traditionally required that bond funds may be only used to make loans on "standard homes" (usually defined to mean the type of housing that non-Alaskan investors are familiar with), there has never been an adequate supply of money for many of Alaska's rural communities. As a result, SB-1 established a special non-conforming housing program within the Department of Community and Regional Affairs to provide loans for rural housing which does not meet the so called "standard housing" criteria.

Mobile Homes: For the first time, the State has implemented a program whereby long-term money is available for purchase of mobile homes at reasonable rates.

#### PROBLEMS WITH EXISTING PROGRAMS

Although the above-mentioned programs did provide a solution to a large percentage of Alaska's housing need, they did not address the needs for rental housing or higher priced homes. Due to administrative regulations, they have not been significantly effective in providing ownership of duplexes. Unfortunately, the program was primarily dependent upon the sale of tax-exempt bonds, which can be sold at rates substantially less than rates for taxable bonds, to meet the funding needs of the program. During the "lame duck session" of the 1980 Congress, the so called "Ullman Bill" was passed, which sharply restricts the availability of tax-exempt bonds to meet housing needs. The bill does provide for a transitional period in which a small percentage of the non-veteran housing needs may be met through sale of tax-exempt bonds. If the tax-exempt bonds are general obligation bonds, they may be used to make loans to qualifying veterans. The enactment of the "Ullman Bill" means that the cost of providing housing loans for most Alaskans will be sharply increased. According to a February 18, 1981 memorandum from Milt Barker, Legislative Fiscal Analyst, options that are being considered for meeting the needs of loans not qualifying for tax-exempt bonds are the sale of taxable revenue bonds and pass through mortgage certificates.<sup>2/</sup>

<sup>2/</sup> Memorandum dated February 18, 1981 from Milt Barker, Fiscal Analyst to Honorable Arliss Sturgulewski, Chairwoman, Budget and Audit Committee, on the subject, "AHFC and the Ullman Bill".

While, of course, it would be possible to raise money through either of these two mechanisms, both will result in a substantial increase in cost. To continue the existing programs, it is estimated that the cost of selling taxable bonds at 15% would be \$236 million for \$700 million in loans to 7,000 families. Although the Barker memo indicates that Merrill Lynch has estimated a reduced cost of 13.1% for pass through certificates, that cost still amounts to \$139,000,000.<sup>2/</sup>

Using the worst case estimate (15% taxable bonds), the average cost to maintain the current 9% and 10% interest rates would be \$33,714 per loan ( $\$236,000,000 \div 7,000$ ). Since the 15% taxable bond rate is based on a 30-year period and considering the average loan is refinanced every seven years, the total number of families benefiting from the program over the 30-year bond period would be approximately 28,000 and the cost of the interest differential per family would be \$8,428 ( $\$33,714 \div 4$ ). According to the Barker memo, the 1970 census indicates an average household size of 3.52 persons. Using this figure and assuming an average loan of 7½ years (90 months) per family, the cost of the interest differential is \$26.60/month/person benefitted ( $\$8,428 \div 3.52 = \$2,394$ ;  $\$2,394 \div 90 \text{ months} = \$26.60/\text{month}$ ).

Although the cost of \$26.60/month/person benefitted is based on the worst case estimate and even though that figure seems a bargain for the benefits provided, some persons would prefer to use Alaska's vast oil wealth for other purposes. Rather than chance creating a severe housing shortage through losing an argument as to whether or not the State of Alaska can afford \$20+ per month per citizen to provide an adequate supply of decent affordable housing, the Alaska Association of Realtors is making recommendations to reduce the cost of loan programs and to broaden the eligibility of those who may benefit.

#### POSSIBLE SOURCES OF MONEY

While the sale of taxable bonds is one source of obtaining the necessary money to fund a viable loan program, it is also the most expensive method. The Alaska Association of Realtors, therefore, would like to propose consideration of a combination of the following alternate sources of financing as a method to reduce the cost of the interest differential.

<sup>2/</sup> Memorandum dated February 18, 1981 from Milt Barker, Fiscal Analyst to Honorable Arliss Sturgulewski, Chairwoman, Budget and Audit Committee, on the subject, "AHFC and the Ullman Bill".

1. Sale of Tax-Exempt Bonds: Although the Ullman Bill does sharply restrict the use of tax-exempt bonds, it does allow each State to sell tax-exempt bonds to a maximum of \$200 million per year or 9% of the average annual mortgages for the past three years. In the case of the State of Alaska, this means \$200 million per year could be funded through the sale of tax-exempt bonds. However, legislation further provides that only 50% of this amount can be utilized by the State Housing Finance Agency. Since the Alaska Housing Finance Corporation estimates a need of \$700 million for next year, \$100 million of this amount could be raised from the sale of tax-exempt bonds with the remaining \$600 million from other sources.

2. Pass Through Mortgage Certificates: Pass Through Mortgage Certificates are securities participating in a pool of specific mortgages whereby the actual payments to interest and principal pass through on a pro rata basis to the holder of the certificate. Because residential mortgages are traditionally paid off well before their maturity (average of 7 years), such certificates represent a shorter term investment than 30-year mortgage bonds. As a result, the required interest rate on such certificates is usually less than long-term bonds. According to the Barker memo, Merrill Lynch indicates that such certificates could be sold on the market for 13.1% as opposed to 15% for mortgage bonds.

3. General Obligation Bonds for Veterans: The Ullman Bill specifically allows the sale of tax-exempt general obligation bonds to fund veteran loan programs similar to those now in effect in California and Oregon. The staff of the Alaska Housing Finance Corporation has already explored this possibility and estimates that 30% to 40% of the total financing market is represented by veterans. Assuming the lower figure means that \$210 million of the total \$700 million need could be met through inexpensive tax-exempt bonds. Unfortunately, the issue has not been completely clarified as to whether or not Alaska can sell such bonds without a Constitutional Amendment. If the Attorney General rules that they can be sold, then immediate steps should be taken to implement such a bond sale. If a Constitutional Amendment is required, it will not be possible to implement such a program during 1981. Nevertheless, even though there might be a delay in implementing such a program, it will be a solution to future needs and should be pursued as quickly as possible.

4. Sale of Tax-Exempt Bonds for Rental Housing: Since the total thrust of the Ullman Bill was to limit the sale of tax-exempt bonds to make loans for the purchase of housing, it did not in any way limit the authority of the Alaska Housing Finance Corporation to sell tax-exempt bonds for low and moderate income rental housing. Since Alaska will soon experience a shortage of rental housing as well as owner-occupied housing, immediate steps should be taken to implement a sale of tax-exempt bonds to provide loans for construction of low and moderate income rental housing.

5. Direct Investment in Mortgage Loans: Since the State of Alaska is projected to have a large budget surplus, a desirable alternative to spending that money would be to invest a substantial portion in mortgage loans yielding 9% to 10%. While such an interest rate is lower than the rate which can be currently obtained in the short-term financial market, it is a higher return than the State has averaged on other investments over the past several years. For example, an article in the March 4th edition of the Anchorage Times indicates that \$46 million of the State Employees Pension Fund, which the Department of Revenue has invested in gold, is now only worth \$34.8 million. However, the article quotes Revenue's Deputy Commissioner as stating that a "secret agreement" with an "unnamed bank" will provide the State with a guaranteed profit of 6.5%! Since current practice provides for careful underwriting of mortgage loans and independent mortgage insurance on the top 20% of the loan by a reputable mortgage insurance company, investments in mortgage loans are virtually risk free. It would appear that a 9% to 10% return in a relatively risk free investment, which also provides benefits to the citizens, whose money is being loaned, is certainly a more attractive investment than speculation in a non-productive commodity at 6½%.

6. Loans from the Permanent Fund: The same arguments expressed above for direct investment by the State can be made for investing a portion of the Permanent Fund in residential mortgages. Although Commissioner of Revenue, Tom Williams, has stated that the Permanent Fund is currently earning 13%, its average return over the past several years has been somewhat less. For example, the rate of return in Fiscal 1978 was 7.53%; Fiscal 1979 was 8.24%; and Fiscal 1980 was 11.29%.<sup>3/</sup>

One difficulty in use of the Permanent Fund is the belief by some that the purpose of the Permanent Fund is to obtain the maximum possible monetary yield without regard to the residual benefits that can be obtained by investing in the welfare of the beneficiaries of the Fund. Even if this somewhat questionable philosophy is accepted, the Permanent Fund can be used to satisfy housing needs and housing loans can benefit the Permanent Fund. For example, rather than pay \$139 million to non-resident investors to fund the required interest differential on the sale of pass through mortgage certificates, it would be more desirable to appropriate an additional \$139 million to the Permanent Fund and allow it to invest in such certificates. At least in this manner, the total capital amount is invested in the Permanent Fund rather than being spent outside the State of Alaska.

<sup>3/</sup> Alaska Permanent Fund Corporation, 1980 Annual Report and Financial Statements.

It must also be remembered that the interest differential applies only on the first \$90,000 of a loan and that there is no program presently available to those Alaskans who desire and are able to pay a loan for more than \$147,750. The Permanent Fund could easily be utilized to make such higher limit loans or to make the portion of the loan in excess of \$90,000.

In any event, it is the opinion of the Alaska Association of Realtors that 10% mortgage loans made to the beneficiaries of the Permanent Fund are an attractive long-term investment while also providing numerous social benefits and increased employment.

#### SUGGESTIONS FOR BROADENING ELIGIBILITY OF THE PROGRAM

In an effort to allow more Alaskans to benefit from a comprehensive housing program and to allow the amount of money available for such a program to go farther, the Alaska Association of Realtors suggests the following program changes.

1. Expand Loan Program to Include Owner-Occupied Triplexes and Fourplexes: Since the typical cost of triplexes and fourplexes ranges from \$40,000 to \$50,000 per dwelling unit, the cost per dwelling unit is substantially less than the \$90,000 to \$100,000 required in a single-family loan program. Additional benefit of such a program is that it provides housing for owner-occupants as well as additional rental housing for those persons who do not desire to undertake the obligation of home ownership.

2. Expand the Use of Graduated Payment Mortgages: Through the expanded use of Graduated Payment Mortgages, the income eligibility requirements to qualify for a loan are decreased, therefore, allowing more persons to qualify.

3. Implement a Program of Junior Mortgages: In almost every situation involving the sale of an existing home, a major portion of the purchase price paid to the seller is used to pay off an existing loan. Many of these loans are held by the Alaska Housing Finance Corporation and were obtained from the sale of low interest bonds in earlier years. By allowing the purchaser to assume an existing loan and obtain a new junior mortgage for the required differential in sales price, the amount of money available goes much farther. As an example, assume that in the sale of a \$90,000 home the buyer requires an \$85,000, 30-year mortgage at 10% but that the home being sold is already subject to an existing \$55,000 loan made five years ago (25 years remaining on the loan) at 8% interest. The economics of the situation are as follows:

\$85,000 loan at 10% with 30 year amortization =	\$745.94/month
Payments on existing \$55,000 loan at 8% with 25 years re- maining =	<u>-424.50/month</u>
Payments available to be made on \$30,000 junior mortgage:	\$321.44/month

In this example, rather than requiring \$85,000 in new money, only \$30,000 is required for a junior mortgage and the buyer can pay \$321.44/month on that mortgage without increasing his cost above the cost of a new 30 year, \$85,000 mortgage at 10%. If the junior mortgage were made for 25 years (the term on the underlying mortgage) payable at \$321.44/month, the yield to Alaska Housing Finance Corporation on the \$30,000 junior mortgage would be approximately 12.25%.

As can be seen from the above example, through the use of junior mortgages, the amount of money required is less and the interest rate paid by the borrower is more. As a result, without increasing the cost of home ownership, it is possible to make the same amount of available money benefit more people and the cost of the interest differential is reduced.

4. Expand Loan Program to Include Multiple-Family Housing: As discussed under "Possible Sources of Money", it is still possible to sell tax-exempt bonds to make loans for the construction of lower and moderate income rental housing. Since the typical cost of construction of rental units is approximately \$40,000 per unit, the amount of money required for a dwelling unit is less than under single-family programs. In addition, by making loans financed from tax-exempt bonds, the required interest rate to the borrower would be less, thereby reducing rents to occupants and reducing the amount of rental increases required to make new multiple housing feasible.

5. Continuation of the Mobile Home Program: As mentioned before in this paper, the State of Alaska has recently enacted a program to provide loans for the acquisition of mobile homes. Since the cost of mobile homes is significantly less than the cost of acquiring a conventionally constructed single-family home, the cost per dwelling unit is substantially less. Also, because mobile homes are factory manufactured and are easily transportable by barge, it is easy to meet rapidly expanding housing needs, particularly in rural locations, through use of mobile homes.

6. Higher Loan Limit: Although only a small percentage of Alaskans have the financial capability to acquire a home requiring loan limits in excess of the AHFC limit, those that do are forced to borrow the entire amount of money at currently prevailing money market rates. Although such persons are in a better

financial position than the average Alaskan, they are, nevertheless, citizens and should be entitled to the same benefit of an interest differential on the first \$90,000 of money borrowed. We propose that loans be allowed equal to 80% of the purchase price of any Alaskan home with a maximum 10% interest rate on the first \$90,000 (9% veterans) with the balance at market rates. Such a change in the program would eliminate the present discrimination against higher income Alaskans.

7. Refinance of High Interest Debt: Because the current loan programs have been in existence for only a short time and because not all Alaskans were eligible, certain persons have been forced to obtain loans at high short-term money market rates. Although we do not propose that loans be allowed to extract equity from the property, we do believe that loans should be made available to refinance existing high interest loans plus the cost of such refinancing including any costs incurred for remodeling or energy conservation. Such a program will eliminate the discrimination against those persons forced to pay higher interest rates for acquisition of their homes simply because they were purchased prior to the current loan program.

8. Expanded Funding of Non-Conforming Housing Program: Because of the difficulty which has been encountered in the past in selling bonds to make rural loans and loans for homes not considered to meet "urban standards", the Legislature should provide sufficient direct appropriations to provide for these needs.

9. Increase Percentage of Income Allowable for Mortgage Payments: This change would not involve legislation but would involve a change in Alaska Housing Finance Corporation's regulations. The current eligibility criteria provides that borrowers may not pay more than 25% of their gross income for principal, interest, taxes, and insurance. In the example shown earlier in this paper, it was pointed out that, as a result of this requirement, a family had to have an income of \$40,605 to acquire a \$90,000 home with an \$85,000 loan. In many foreign countries and even in other States, lenders have recognized that the 25% limit is somewhat arbitrary and that it is possible for persons to pay a larger percentage of their income for housing without jeopardizing their ability to provide for other living needs or making a risky loan. If, for example, the limits were raised from 25% to 35%, the necessary income to qualify for an \$85,000 loan to purchase a \$90,000 house would be reduced from \$40,605 per year to \$29,003 per year. Such a change in regulations would immediately make many more Alaskans eligible for home ownership.

10. Change Method of Underwriting Duplex Loans: At the current time, in determining the eligibility of a borrower for a duplex loan, his eligibility is calculated by adding 80% of the rental value of the rental unit to his income. Therefore, if a person making \$40,000/year desires to acquire a duplex with a unit renting for \$500/month, the amount of mortgage payments which he may pay is calculated as follows:

Basic Income:	\$40,000
Rental Income: \$500/Mo. x 12 x 80% =	<u>4,800</u>
Total Income:	\$44,800

Since a borrower may only pay 25% of his eligible income for mortgage, taxes, and insurance payments, the maximum payment he may make for debt service, taxes, and insurance is \$933/month ( $\$44,800 + 12 \times .25$ ). If the cost of taxes and insurance were \$100/month, the maximum loan at 10% interest with a 30-year amortization is only \$94,921. Since the cost of a typical duplex is much higher, a person earning \$40,000/year is not eligible for a duplex loan unless he has large cash savings which he can make as a down payment.

Instead of the present standard of underwriting duplex loans, we suggest that the borrower be allowed to subtract 80% of the rental value of the rental unit from the total payment of principal, interest, taxes, and insurance before calculating eligibility. Utilizing this method, a person earning \$40,000 could make monthly payments of \$833.33/month before counting the rental value. If 80% of the rental value were then added, the total amount of payments which a borrower could make would be \$1,233 ( $\$833 + 80\% \times \$500$ ). If the cost of taxes and insurance is \$133/month, the borrower would have \$1,100 for principal and interest payments. At 10% interest, this would amortize a loan of \$125,345. With this change in AHFC's administrative regulations, it would be possible for a person earning \$40,000/year to acquire a modest duplex.

#### SUMMARY

In addition to the increased availability of housing for more Alaskans, it must be remembered that a program which provides money for construction of new homes provides many jobs in the construction and related industries. Throughout the decade of the 1970's, the average number of new housing units constructed in Alaska was 4,775 per year. Although we know of no specific studies within the State of Alaska, a survey by the Economics Department of the National Association of Realtors, indicates that due to the multiplier effect of money spent in the construction industry, the construction of each new home provides employment for 4 persons during the year in which the home is constructed. Assuming no increase in new construction over the 1970's average, the continued availability of residential financing, therefore, has the ability of providing 19,100 jobs per year. While not all of the jobs created would be in Alaska, a high percentage of them would be.

While the Alaska Association of Realtors is not naive enough to believe that adoption of all the suggestions contained herein will solve all of the housing needs of all Alaskans, we do sincerely believe that if these suggestions are adopted, more Alaskans will be provided with safe, sanitary, and decent housing, more jobs will be provided for Alaskans, and the cost benefit ratio will be very nominal. For many years Alaskans have been forced to live in the lowest quality housing of any State in the United States because of a poor economy, lack of mortgage financing, and the complete dependence on the Federal government for all our needs. Now that we have been fortunate enough to see our natural resources profitably developed, we should make every attempt to wisely utilize the money produced by such resource development to raise the housing standards of all Alaskans to those enjoyed by persons in the rest of the United States. The need is obvious, funds are available, and the Alaska Legislature has the ability to provide the solution.

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TABLE I

ANCHORAGE MULTIPLE LISTING SERVICE

The figures below were compiled from the Multiple Listing Book dated March 24, 1981 and from the February month-end "MLS Listing Exchange Statistics". The figures include Anchorage, Eagle River, Potter, Whittier, etc. Unfortunately, statewide figures are not available, but housing needs are considered to be as critical in the more rural areas of Alaska.

Units Listed (3/24/81)

Single Family	692
Condominium Units	<u>218</u>
	910
Sales Per Week in February	118
Weeks of Inventory Remaining	7.7

TABLE II

The Spring 1981 issue of the Anchorage Real Estate Research Report is in the process of being printed. The civilian rental housing vacancy rate included therein is as follows:

Percent of Vacancy  
Rental Units According to Price

	<u>Low</u>	<u>Medium</u>	<u>High</u>
January 1981	27.1%	7.2%	5.5%

The lower priced units had a considerably higher vacancy, but that ratio is not considered to be representative of the market. The vacancy ratio of housing generally classified as 'safe, sanitary, & decent' is 5.5% to 7.2% as of January 31, 1981.