

H B

96

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

2/4/81

(11)

Date: 4/21/81

Mr. Speaker:

The Committee on RESOURCES has had HB 96

"An Act providing financing for the purchase of unimproved land."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS 96 same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without ^{INDIVIDUAL} recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

[Signature]
[Signature]
[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

Smith NO REC
Tony Kaske - do not pass
Eric Schaffner NO REC

Nick Hodge 1 NO REC

[Signature]
[Signature]

CHAIRMAN



Alaska State Legislature
House of Representatives
Juneau, Alaska 99811

April 20, 1981

TO: Rep. Fred Zharoff and Rep. Terry Gardiner,
Co-Chairmen
House Resources Committee

FROM: Rep. Thelma Buchholdt

Thelma

RE: Amendments to HB 96

The following are amendments that I would suggest for HB 96:

1. Sec. 34.14.030. LAND PURCHASE LOANS.

Add the following at the end of this section: ...deed of trust, except that the State may subordinate its security interest to that of a lending institution which makes a loan for the construction of a residence on the land, if sufficient security is retained by the State after subordination to secure the balance of the land purchase loan.

2. Sec. 34.14.040. ELIGIBILITY.

Remove the fourth eligibility requirement: [(4) has sufficient financial resources to repay the loan;]

Note: The loan is secured by the value of the land.

My staff has been in contact with Linn Asper at Legal Services regarding possible amendments to the bill. He is prepared to assist the Committee with any changes the Committee wishes to make.

TB/ebs

MEMORANDUM

State of Alaska

TO: Sharon Traylor, Director
Division of Business Loans
Department of Commerce and
Economic Development

DATE: April 10, 1981

FILE NO: J-66-609-81

TELEPHONE NO: 465-3600

FROM: WILSON L. CONDON
ATTORNEY GENERAL

SUBJECT: Loan Guarantees

By: 
Leslie J. Ludtke
Assistant Attorney General

You have asked this department whether the loan guarantee fund set out in HB 96 presents legal or constitutional problems. There are no legal or constitutional problems with proposed AS 34.14.050(c) provided that the amount which may be re-covered on a loan guarantee is limited to that which has been appropriated to the loan guarantee fund. A loan guarantee may not create a debt of the state, and the state has no legal liability to pay a guarantee once the funds appropriated to the loan guarantee fund are exhausted.

LJL:wjp

RECEIVED
APR 16 1981

DEPARTMENT OF COMMERCE
& ECONOMIC DEVELOPMENT
DIVISION OF BUSINESS LOANS

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 96

Title An act providing financing for the purchase of unimproved land.

Requested by _____ Date _____

ii. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Development

BRU, Program, or Subprogram(s) Affected Division of Business 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	-0-	246.3	270.9	298.0	327.8	360.6
200 TRAVEL		19.2	21.1	23.2	25.5	28.0
300 CONTRACTUAL		57.7	63.5	69.9	76.9	84.6
400 COMMODITIES		3.0	3.3	3.6	4.0	4.4
500 EQUIPMENT		19.8	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	346.0	358.8	394.7	434.2	477.6

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	346.0	358.8	394.7	434.2	477.6
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

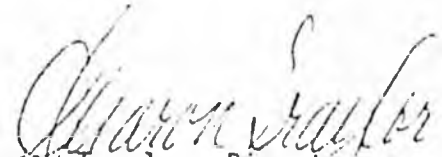
POSITIONS

FULL TIME	-0-	9	9	9	9	9
PART TIME						
TEMPORARY						

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

Staffing and related costs for processing and servicing of loans (fiscal note detail attached).

IV. DATE 2/11/81


 PREPARED BY Sharon Traylor, Director
 AGENCY Division of Business Loans/Dept. of Commerce & Economic Development
 PHONE 465-2510

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

FISCAL NOTE DETAIL

HB 96 - Unimproved Land Purchase

100.	2 Loan Examiner I/II's @ \$2,455/mo.	\$ 58.9
	1 Loan Examiner I/II @ \$2,837/mo.	34.0
	2 Documents Processing Clerk III's @ \$1,564/mo.	37.5
	1 Documents Processing Clerk III @ \$1,761/mo.	21.1
	1 Loan Closer I @ \$1,564/mo.	18.8
	2 Accounting Clerk III's @ \$1,564/mo.	<u>18.8</u>

Total Wages..... \$189.1

Standard Benefits (Wages x .1555)	29.4
Supplemental Benefits (Wages x .0613)	11.6
Health Insurance (Man months x \$150)	<u>16.2</u>

Total Personal Services..... \$246.3

200. Travel to close loans:

30 trips @ \$500	\$15.0	
60 days' per diem @ \$70	<u>4.2</u>	19.2

300. Telephone & Postage	\$29.7	
Printing of applications, advertising	3.0	
Office space, Anch. (7 x \$2,700)	18.9	
Office space, Fbks. (2 x 3,007)	<u>6.1</u>	57.7

400. Office Supplies 3.0

500. Equipment

9 Desks @ \$330	3.0	
5 Credenzas @ \$470	2.4	
4 Typists Extensions @ \$455	1.8	
3 Executive chairs @ \$190	.6	
6 Secretarial chairs @ \$150	.9	
10 Side chairs @ \$100	1.0	
9 File cabinets @ \$325	2.9	
9 Calculators @ \$200	1.8	
5 Typewriters @ \$1,000	5.0	
9 Wastebaskets @ \$25	.2	
3 Coat racks @ \$70	.2	
		<u>19.8</u>

\$346.0

10% inflation for succeeding years

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH D

JUNEAU, ALASKA 99811

Phone: 465-2500

March 18, 1981

Honorable Thelma Buchholdt
Alaska State House of
Representatives
Pouch V
Juneau, Alaska 99811

Dear Ms. Buchholdt:

The following is this department's analysis of House Bill 96:

- Sec. 34.14.010(a) and (b) create loan and guarantee funds, but there is no accompanying bill for appropriations to these funds.
- Sec. 34.14.030 specifies that loans may not exceed \$30,000 or 99% of the appraised value of the land, whichever is less. Loans for 99% of value allow no leeway for foreclosure costs, accrued interest due or for fluctuating land values in the event of default. Example: A borrower secures a loan of \$24,750 on land valued at \$25,000. Six months later foreclosure is instituted because he has made no payments. The interest due for six months at a rate of 7% per annum is \$875. Legal fees would probably be at least \$2,500, and there would also be costs for advertising and conducting the foreclosure sale, etc. The State could easily have \$28,500 invested in a property from which it could recover only \$25,000 or less. In many cases, there are other costs also, such as outstanding property taxes and assessments.
- Sec. 34.14.030 states that the loan shall be secured by a first lien, mortgage or deed of trust, but Sec. 34.14.040(a)(5) states that the borrower must certify that he is purchasing the land for his residential use. If the borrower attempts to get financing to build his residence, he will find that the bank will not do it unless he offers the bank a first deed of trust. Either the borrower holds the state loan only until he begins to build, or some provisions must be made to allow subordination of the loan to the bank's construction loan if the section regarding residential use is to remain in the bill.

March 18, 1981

Sec. 34.14.050(c) states that the commissioner may not guarantee loans if the balance of the loan guarantee fund is less than 20% of the unpaid balances of all outstanding loans guaranteed under the section. A 1972 Attorney General's opinion, addressed to this department, said "The State cannot guarantee a loan at any financial institution or elsewhere unless a cash reserve is established sufficient to respond in the event the guaranty or guarantor is called upon. To do otherwise would be to create a debt in violation of the Alaska constitution, since there is no appropriation available." It further quotes the Alaska Constitution, Art. 9, Paragraph 13: "No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law." It appears a fund dropping as low as 20% of the unpaid balances of all outstanding loans would not be sufficient to allow guaranties, but we are requesting another opinion on that matter.

Sec. 34.14.070(5) defines "residential use" as the use of land for a temporary or permanent place of residence. Some legislative intent would be helpful regarding recreational lands, as cabins can be called "temporary" places of residence.

A copy of the Attorney General's opinion regarding loan guarantees will be sent to you as soon as it is received by this department.

Sincerely,



Charles R. Webber
Commissioner

CRW/saJ/3