

A

B

6

30



Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

DATE: February 24, 1982

TO: Cathy Hesser

FROM: Ann Krekelberg, Staffperson
House State Affairs
Representative Metcalfe Chairman

RE: HB 630

Dear Cathy:

I have gone over Representative Metcalfe's file on HB 630 and have copied some of the information I think will be useful to you. I'm also sending along a copy of the tape of his hearing in Labor and Commerce on February 8.

David Chatfield, Chairman of the Loan Committee of Commonwealth North, is also working on ironing out some of the problems with HB 630. You may want to get in touch with him. His number is 264-2757. Give me a call if you have any questions or want to talk things over. My phone number is 465-4947.

Alaska State Legislature



House of Representatives

RAY METCALFE

POUCH V
JUNEAU, ALASKA 99811

P.O. BOX 4-2766
ANCHORAGE, ALASKA 99509

February 12, 1982

David Chatfield, Chairman
Loan Committee
Common Wealth North
935 W 3rd Ave.
Anchorage, Alaska 99501

Dear Mr. Chatfield:

Enclosed please find four taped copies of the February 8 Labor and Commerce meeting on Representative Metcalfe's HB 630.

Representative Metcalfe requests that you review the testimony and address the concerns in the next meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ann Krekelberg".

Ann Krekelberg, Staff person
House State Affairs Committee

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

December 10, 1981

SUBJECT: Restructuring state loan programs
(Work Order No. 12-1921)

TO: Representative Ray H. Metcalfe

FROM: Thomas A. Sofo *AS*
Legislative Counsel

The enclosed draft incorporates many of the points raised in the May, 1981, report prepared by Commonwealth North concerning Alaska's state loan programs. That report contained nine conclusions of which six were found to be appropriate subjects of legislation [Conclusion Nos. 1, 8, and 9 were statements of philosophy or recommended no action]. Conclusion Nos. 2 - 7 of that report are summarized below.

No. 2. Need for an independent audit of all loan programs.

No. 3. Repeal of twelve state loan programs which are inactive.

No. 4. Consolidation of existing loan programs into three loan authorities:

- (a) Alaska Housing Loan Authority;
- (b) Alaska Business Loan Authority;
- (c) Alaska Social Loan Authority;

No. 5. State loan activity to be confined to secondary market.

No. 6. Abolish the Alaska Renewable Resource Corporation (ARRC) and the Commercial Fishing and Agricultural Bank (CFAB).

No. 7. Permit the refinancing of real estate loans if the original interest rate of the loan exceeds the present rate of interest by more than one-half percent.

The work draft includes statutory language designed to implement Conclusion Nos. 3, 4, 5, and 6 above. If an independent audit of all loan programs is required as a preliminary matter before substantive legislation addressing those programs is to be drafted, a separate resolution should probably call for such an audit rather than tagging that request onto the enclosed legislation.

In dealing with those programs which the Commonwealth North report stated were inactive, there are two different approaches taken in the bill. For those programs which were never funded or have absolutely no outstanding loans, we have simply repealed the statutory sections establishing the program. For those programs which were funded and have outstanding loans, it was felt that there was a continuing need to have the statutory material on the books for purposes of winding up the program or administering loans already made under those programs. In such cases the language used was "after July 1, 1982, no further loans may be made under AS _____". As to Conclusion No. 5, the language necessary to withdraw the state from the primary loan market is scattered throughout the draft, e.g., secs. 7 - 16. In that regard I would like to draw your attention to sec. 17 of the draft. On page 15, line 6, I have deleted the words "make and" from AS 44.88.010(a)(5). Although the Alaska Industrial Development Authority (AS 44.88) is not widely believed to have the authority to make direct loans, and is apparently operating at present only in a secondary market support capacity, the deleted language arguably granted the authority to make such direct loans. A similar deletion is made in AS 18.56.090(2) in sec. 5 of the draft concerning AHFC authority for making mortgages.

Most importantly, the findings and purpose language which I have attempted to synthesize from the Commonwealth North report raises one or two philosophical points which should given serious consideration at this early stage. Those particular considerations are reflected in the differing organizational schemes behind the Alaska Housing Loan Authority and the Alaska Business Loan and Industrial Development Authority. In trying to bring the various

residential real estate loan programs into some kind of centralized organization it became apparent that while although a new loan authority might bring consistency, order, and in the long run, economy to the area, in the short run it is obvious that the new tier which this draft adds serves only to potentially delay the process of obtaining approval for loans to be purchased by the state. Since the existing housing loan programs which were to be preserved were already functioning and were drafted with distinct statutory parts that differed on specific points depending on the nature of the project, it did not seem advisable to simply consolidate all the programs without further study. This is especially true since some of the programs, such as AHFC, have statutory provisions stating that they shall not be terminated as long as bonds, notes or obligations were outstanding. On the other hand, the other programs could not readily be merged into the AHFC format unless the interest, security, bonding, as well as other provisions were to apply. Any attempt to maintain the distinctions between the various programs as to those matters would have resulted in a statute containing nearly all the present language which is now located in several chapters. Thus, the creation of the Alaska Housing Loan Authority in the manner presented in this draft may well be an example of an attempt at the centralization of a function without necessarily resulting in a simplification. I look to you for direction relating to more specific statutory language to clarify the exact nature of the housing loan authority.

The area of business loans was a good candidate for exploring another approach to implementing the Commonwealth suggestions. Since the report spoke favorably of the already existing Alaska Industrial Development Authority (AS 44.88), and that authority had recently undergone amendments to allow state support of loans for such disparate purposes as mining and tourism, it provided an excellent vehicle for the inclusion of the commercial fishing and agricultural loan programs which the report recommended be placed under or within a single business loan authority. The existing definition of "small enterprise" contained in AS 44.88.220(12) is considered to be sufficiently broad to cover those loans formerly made by the Commercial Fishing Revolving Loan Fund (AS 16.10.30C) and the Agricultural Revolving Loan Fund (AS 03.10.010). The only substantive amendments needed under AS 44.88 are contained in sec. 19 of the draft. With the

December 10, 1981

addition of paragraphs to AS 44.88.080 making it clear that loans for the purchase of fishing vessels or limited entry permits can be purchased by the authority, the language in AS 44.88 will permit the purchase of all loans previously administered under the programs identified by the Commonwealth report. In fact, the mining and tourism loans were already transferred to the development authority by Chapter 106, SLA 1980. Again, since the Commonwealth position paper was critical of the lack of rationale for the various "subsidized" interest rates, no attempt has been made to distinguish between appropriate interest rates for the various categories of business loans.

The only financing program recommended for inclusion by the Commonwealth document and not in fact placed within the business loan authority created by this draft is the Alaska Medical Facility Authority (AS 18.26). Upon review it was felt that the functions of that authority were more nearly covered by the rationale advanced by the Commonwealth report for the creation of an Alaska Social Loan Authority. You will note that the present draft does not contain language creating a social loan authority. The programs identified were of such disparate nature (e.g., disaster relief, outdoor recreation) that the creation of a loan authority to supervise the administration of the various programs would be much more likely to add another level of red tape and increase the capacity for delay and waste. At least in the Alaska Housing Loan Authority there is a commonality of subject matter in which the authority might develop expertise since those programs typically involve the availability of financing for residential real estate. Although it is beyond argument that various programs identified by the Commonwealth report do in fact come within the penumbra of "socially" worthwhile programs, it is not clear that the creation of a social loan authority will assist in the administration of any of those programs. The last statement clearly reflects a value judgment which this office needed to make in preparing this draft and is, of course, subject to your review.

This draft has taken quite some time to prepare due to the volume of material needed to be reviewed in order to confirm the major conclusions of the Commonwealth report. This is an area in which much further work can be done. The enclosed legislation can clearly be used to get rid of some of the less essential state loan programs as well as removing the

Representative Ray H. Metcalfe
Page 5
December 10, 1981

state from the primary market in those programs which remain. It is weakest in the areas of the loan authorities. The housing and business loan authorities outlined in this draft are merely two possible approaches to the problem. It will probably require further clarification in order to make this draft a strong one. At least the draft presents a vehicle for discussion and additional input. I would be happy to discuss any and all of the matters raised above further with you at your convenience.

TAS:ljb

Enclosure

BILL ANALYSIS
HOUSE BILL 630 (1/11/82)

1. Creates an Alaska Housing Loan Authority (AHLA) in Department of Commerce and Economic Development to coordinate, supervise and give final approval for purchase of loans by:
 - a. Alaska Housing Finance Corporation (AHFC).
 - b. Nonconforming Housing Loan Fund.
 - c. Senior Citizens Housing Development Fund.
 - d. Residential Energy Conservation Fund.

Authority may employ executive director and staff as necessary.

2. Amends the various statutes of AHFC and loan funds stipulated in (1) above subjecting their lending activity to AHLA approval.
3. Nonconforming Housing Loan Fund is allowed to purchase, as a secondary lender, loans but is not allowed to directly originate loans.
4. Alaska Industrial Development Authority is renamed the Alaska Business Loan and Industrial Development Authority (ABLIDA). Powers of ABLIDA are expanded to purchase or insure business loans to agricultural and fishing enterprises.
5. Residential Energy Conservation Fund can purchase loans but can no longer originate them.
6. After July 1, 1982 no further loans may be made for or under:
 - a. Alaska Agriculture Loan Account.
 - b. Loans for purchase of Alaska limited entry permits.
 - c. Fisherman's Mortgage and Note fund.
 - d. AHFC Housing Development Fund.
 - e. Veterans Loans from Department of Commerce and Economic Development.
 - f. Child Care Facility Revolving Loan Fund.
 - g. Residential Care Facility Revolving Loan Fund.
 - h. Alaska Commercial Fishing and Agriculture Bank.
7. The following programs are repealed:
 - a. Housing Development Revolving Loan Fund. (Low and Moderate income on rentals for low and moderate income).
 - b. Moderate cost and rental housing of the Alaska State Housing Authority.

BILL ANALYSIS, HOUSE BILL 630, Cont'd

- c. Housing Development Fund of AHFC; provides loans for persons of lower and moderate income.
- d. Loans for relocation assistance to encourage and facilitate the construction and rehabilitation of housing of displaced persons.
- e. Alaska Economic Disaster Impact Fund.
- f. Alaska Renewable Resources Corporation (repeals entire account).
- g. Native corporation loan fund. (This is no longer needed as native claim payments have been settled).
- h. Temperate Social Activities Revolving Loan Fund.
- i. Nonconforming Housing Loan Fund. (Repeals eligible locations statute).
- j. Alaska Commercial Fishing and Agriculture Bank (entire statute).

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 630
Title Relating to State Loan Programs
Requested by House Labor & Commerce Committee Date 1/11/82

II. FISCAL DETAIL

Agency Affected Dept. of Commerce & Economic Development, Dept of Revenue
Program Category Affected Development
BRU, Program, Or Subprogram(s) Affected _____
(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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		1,750.6	1,925.7	2,118.2	2,330.1	2,563.1
200 TRAVEL		200.0	220.0	242.0	266.2	292.8
300 CONTRACTUAL		500.0	550.0	615.0	665.5	732.1
400 COMMODITIES		50.0	55.0	60.5	66.5	73.2
500 EQUIPMENT		130.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		2,630.6	2,750.7	3,025.7	3,228.3	3,661.2

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		2,630.6	2,750.7	3,025.7	3,228.3	3,661.2
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		43.0	43.0	43.0	43.0	43.0
PART TIME		3.0	3.0	3.0	3.0	3.0
TEMPORARY						

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

Create an Alaska Housing Loan Authority (AHLA) in Dept. of Commerce & Economic Development to coordinate, supervise and give final approval for purchases of home loans by Alaska Housing Finance Corp. (AHFC) and several other programs, AHFC and others must make credit analysis, etc. and all their work is subject to approval of AHLA; therefore, staffing and budget presented above is similar in size and scope to AHFC budget since all AHFC and other work is subject to second review and approval.

IV. DATE February 8, 1982

PREPARED BY *Peter A. Bussiere*
Anselm Staack
AGENCY Department of Revenue

Original: Legislative Finance
cc: Budget and Management

PHONE 465-2350

Prime Sponsor (First Legislator Name)

33-001 (Rev. 12/81)

Stress that this is
a first draft. As many
who testified have stressed.
This is a subject worthy of
consideration, although, like any
work draft it has problems
over the years we, the legislators
have created a virtual Christmas tree of
Loan Programs.

As far as the decision of ~~an~~ an
additional layer of bureaucracy, possibly
what concern should be addressed, and a
no. of other committees
the philosophical question of
Direct vs indirect loans
is not of concern that is

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5
JUNEAU, ALASKA 99811

March 8, 1982

The Honorable Terry Martin
Chairman
House Labor and Commerce Committee
Room 211 - Behrends Building
Juneau, Alaska

Dear Mr. Martin:

Re: House Bill No. 630

House Bill No. 630, an Act relating to state loan programs, was introduced in the House on January 11, 1982 and was referred to the House Labor and Commerce; State Affairs and Finance Committees.

For the consideration of the House Labor and Commerce Committee, I am enclosing six copies of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning the proposed legislation.

Sincerely,

R. D. Stevenson
Special Assistant

Enclosure

cc: The Honorable Ray H. Metcalfe
Chairman
House State Affairs Committee

The Honorable Albert P. Adams
Chairman
House Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Anselm Staack
Treasury Comptroller
Department of Revenue

REC'D FEB 8 1982

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 630
Title Relating to State Loan Programs
Requested by House Labor & Commerce Committee Date 1/11/82

II. FISCAL DETAIL

Agency Affected Dept. of Commerce & Economic Development, Dept of Revenue
Program Category Affected Development
BRU, Program, Or Subprogram(s) Affected _____
(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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		1,750.6	1,925.7	2,118.2	2,330.1	2,563.1
200 TRAVEL		200.0	220.0	242.0	266.2	292.8
300 CONTRACTUAL		500.0	550.0	605.0	665.5	732.1
400 COMMODITIES		50.0	55.0	60.5	66.5	73.2
500 EQUIPMENT		130.0				
600 LAND & STRUCTURE						
700 GRANTS, CLAIMS, ETC.						
TOTAL		2,630.6	2,750.7	3,025.7	3,228.3	3,661.2

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		2,630.6	2,750.7	3,025.7	3,228.3	3,661.2
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		43.0	43.0	43.0	43.0	43.0
PART TIME		3.0	3.0	3.0	3.0	3.0
TEMPORARY						

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

Create an Alaska Housing Loan Authority (AHLA) in Dept. of Commerce & Economic Development to coordinate, supervise and give final approval for purchases of home loans by Alaska Housing Finance Corp. (AHFC) and several other programs, AHFC and others must make credit analysis, etc. and all their work is subject to approval of AHLA; therefore, staffing and budget presented above is similar in size and scope to AHFC budget since all AHFC and other work is subject to second review and approval.

IV. DATE February 8, 1982

PREPARED BY *Peter A. Bushne* Anselm Staack

AGENCY Department of Revenue

Original: Legislative Finance

PHONE 465-2350

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

BILL ANALYSIS
HOUSE BILL 630 (1/11/82)

1. Creates an Alaska Housing Loan Authority (AHLA) in Department of Commerce and Economic Development to coordinate, supervise and give final approval for purchase of loans by:
 - a. Alaska Housing Finance Corporation (AHFC).
 - b. Nonconforming Housing Loan Fund.
 - c. Senior Citizens Housing Development Fund.
 - d. Residential Energy Conservation Fund.

Authority may employ executive director and staff as necessary.

2. Amends the various statutes of AHFC and loan funds stipulated in (1) above subjecting their lending activity to AHLA approval.
3. Nonconforming Housing Loan Fund is allowed to purchase, as a secondary lender, loans but is not allowed to directly originate loans.
4. Alaska Industrial Development Authority is renamed the Alaska Business Loan and Industrial Development Authority (ABLIDA). Powers of ABLIDA are expanded to purchase or insure business loans to agricultural and fishing enterprises.
5. Residential Energy Conservation Fund can purchase loans but can no longer originate them.
6. After July 1, 1982 no further loans may be made for or under:
 - a. Alaska Agriculture Loan Account.
 - b. Loans for purchase of Alaska limited entry permits.
 - c. Fisherman's Mortgage and Note fund.
 - d. AHFC Housing Development Fund.
 - e. Veterans Loans from Department of Commerce and Economic Development.
 - f. Child Care Facility Revolving Loan Fund.
 - g. Residential Care Facility Revolving Loan Fund.
 - h. Alaska Commercial Fishing and Agriculture Bank.
7. The following programs are repealed:
 - a. Housing Development Revolving Loan Fund. (Low and Moderate income on rentals for low and moderate income).
 - b. Moderate cost and rental housing of the Alaska State Housing Authority.

2/8/82

BILL ANALYSIS, HOUSE BILL 630, Cont'd

- c. Housing Development Fund of AHFC; provides loans for persons of lower and moderate income.
- d. Loans for relocation assistance to encourage and facilitate the construction and rehabilitation of housing of displaced persons.
- e. Alaska Economic Disaster Impact Fund.
- f. Alaska Renewable Resources Corporation (repeals entire account).
- g. Native corporation loan fund. (This is no longer needed as native claim payments have been settled).
- h. Temperate Social Activities Revolving Loan Fund.
- i. Nonconforming Housing Loan Fund. (Repeals eligible locations statute).
- j. Alaska Commercial Fishing and Agriculture Bank (entire statute).

Alaska State Legislature



House of Representatives

RAY METCALFE

POLCH V
JUNEAU, ALASKA 99811

P.O. BOX 4-2786
ANCHORAGE, ALASKA 99509

February 12, 1982

David Chatfield, Chairman
Loan Committee
Common Wealth North
935 W 3rd Ave.
Anchorage, Alaska 99501

Dear Mr. Chatfield:

Enclosed please find four taped copies of the February 8 Labor and Commerce meeting on Representative Metcalfe's HB 630.

Representative Metcalfe requests that you review the testimony and address the concerns in the next meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ann Krekelberg".

Ann Krekelberg, Staff person
House State Affairs Committee

Alaska State Legislature



MEMBERS:
TERRY MARTIN, CHAIRMAN
BERNARD BYLSMA, VICE CHAIRMAN
RICHARD RANDOLPH
TERRY GARDINER
BRIAN ROGERS

POUCH V
STATE CAPITOL
JUNEAU, AK 99811
PHONE (907) 465-3783
OFFICIAL BUSINESS

House of Representatives

LABOR AND COMMERCE COMMITTEE

To: Russ Meekins, Chairman
Special Banking Committee

From: Terry Martin, Chairman
House Labor & Commerce Committee

Date: February 8, 1982

Subject: HB 630 referral

Pursuant to hearing and discussion by this committee, the members have agreed that the Special Banking Committee should review HB 630 before action by the Labor & Commerce Committee. Areas we request your committee review are:

1) to include all state loan programs under the proposed Alaska Business Loan and Industrial Development Authority:

a) consolidation of social loan programs;

b) include the Alaska Power Authority in the loans being addressed by this legislation;

2) review contractual and constitutional rights of loan participants under those loan programs being eliminated; and,

3) evaluate the bureaucracy potentially created by this legislation.

Labor & Commerce Committee members Bylsma and Rogers have been appointed by the committee chairman to work with your committee on reviewing HB 630. After review by the Special Committee on Banking, we request HB 630 be returned to the House Labor & Commerce Committee for expedited consideration.

*Terry Martin by
M. Jones*

Alaska State Legislature



House of Representatives

RAY METCALFE

POUCH V
JUNEAU, ALASKA 99811

P.O. BOX 4-2766
ANCHORAGE, ALASKA 99509

*For your info
11/8 6:30 in Martins committee
this was my comments.*

TO: All interested parties
FROM: Rep. Ray Metcalfe *RM*
SUBJ: Proposed legislation
DATE: December 17, 1981

Attached you will find the final draft of the proposed legislation that would implement Commonwealth North's proposal to reconstruct the State loan programs. To this point, the only instructions I have given to the Legislative Legal Department was to draft what that department determines to be the directive of the Commonwealth North proposal.

Please review the enclosed legislative proposal and provide me with any comments or recommendations of change that you perceive to be beneficial.

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA STATE ARCHIVES TO VIEW THE ORIGINAL.

"*NEWSYAVEK*" STORY
"ALASKA FISHERMAN"
FEB 1982

AARC LIKELY TO GO OUT OF BUSINESS

1-15

H0630

Notify Commonwealth North,
Malcolm Roberts # 274 7011
loan committee members 11

Midnight

Feb 8 1-3 Behrens Teleconference
Rm

Sabour Commerce Com
m R

C/O CW

935 W 3rd Ave.

99501

Ronda, Secy., will notify all
members of Teleconference

L.A. in Arch. has bill copies

2-1

David Chatfield - state loan committee

264 275-7

is away meeting will be in D.C. for
a week

John Norman - 274 3576

Jean Shepherd 276 #1333

Bob Baer 272 0571

Chris Lethin 344 2211

Fred Ferrina 278 3537

Dick Miller 276 7200

Stan Howitt 276 1246

Edith Bullock 272 0775

Jim Laiks 276 7725

Assigned to Special
Committee on Banking.

MAR 5 1982

Called Meekins' aide,
Carl Nesso, to find out
status of the Bill.

He said he is going
to get with Tom Sogo (the
attorney working on it)
and he was out of town
and was supposed to
return this week. He is
now scheduled to return
next week at which time
Carl will meet with him
in an effort to "translate
it into English" - it is
presently cumbersome in
language ~~and~~ ^{too lengthy} and
difficult to understand.

He will call me when he
gets with Sogo as to when it is

NB-630 - Called Carl Nelson
4937 (1:12 PM) Out - he will
call me back, ^{Sofo} He isn't
back in town. But, they are planning
on waiting for Senate Bill
SB-729. Then they will
compare the two bills
and discuss the language.
The SB is similar but
merbiage is impr- ^{ment} ~~ved~~ on
NB-630. When it has
been discussed w/ Sofo,
Carl will keep me
posted.

3/15/82 Talked to Carl Nelson -
(who is working w/ Sofo on bill)
Still waiting for SB-729 it
is similar. He will let me
know as soon as it is put into
appropriate language.

(I call every other day to
check to see if there is any progress.)

3/19
Loss ... SB 729

WB-630 - Loans - Sp. Committee
On Loans"

Loan Chairman

Letter has been sent to
Kathy Hesse and Jane
Chatfield, head of Commonwealth
North.

Kathy is with Common
Sense.

Also tape of February
8 meeting.

Kathy has backup and
she is working full time on the bill.

They are working on the
problems.

Their comments are
requested.

I will contact them
at the end of each week
as to their progress.

Kathy Hesse 276-6222

(Common
Sense)

Cathy Hesser Commonsense
from 243 8609 wh 2766222

4321 Edinburgh Court
Anch 99502

tape of meeting
Cu. Still has Mel Roberts
Commonwealth North

An Investor's
Guide To
Farm Credit
Securities

HB630





The Farm Credit System

The banks and associations of the Farm Credit System rank first among institutional lenders to agriculture in the United States.

Farm Credit System loans are made through:

The 12 Federal Land Banks which provide mortgage credit of up to 40 years through 520 local Federal Land Bank Association offices.

The 12 Federal Intermediate Credit Banks which provide short- and intermediate-term loan funds to farmers and ranchers through 427 local Production Credit Associations.

The 13 Banks for Cooperatives which make loans of all kinds to agricultural marketing, supply, and business service cooperatives.

Farm Credit System loans are backed by solid collateral—land, buildings, equipment, livestock, commodities, and other agricultural assets.

Added to this is the credit expertise of Farm Credit System loan specialists. They know agriculture and its credit needs. As a result, investors in Farm Credit securities—issued by the banks to raise loan funds—have never failed to receive interest and principal when due. This record of strength and excellence dates back to 1917.

Farm Credit Securities

Federal Farm Credit Banks Consolidated Systemwide securities are the joint and several obligations of all 37 Farm Credit Banks and are sold through a nationwide selling group managed by the banks' Fiscal Agency in New York. The selling group consists of both commercial bank and non-bank securities dealers. The securities are in the form of discount notes (5 to 270 days), 6- and 9-month bonds, and longer term bonds.

The securities of the Farm Credit Banks are not obligations of nor are they guaranteed by the U.S. Government. The Farm Credit Banks are Federally chartered and are supervised and examined regularly by the Farm Credit Administration, an independent agency of the Federal Government.

Income derived from interest on Farm Credit securities is exempt from state, municipal, and local taxes. The interest income, however, is subject to Federal income taxes. Likewise, the gain from sale or transfer by gift or inheritance of these securities is subject to both Federal and state taxes.

Eligibility as Investments

Farm Credit securities are legal investments for many public bodies subject to the regulations and restrictions of the individual states. They are accepted as security for fiduciary, trust, and public funds under the control of the U.S. Government and are eligible as collateral for Treasury tax and loan accounts and for advances by Federal Reserve Banks to member commercial banks.

Offering Notices

Interest rates on new security issues are set at the time they are sold, consistent with current yields on comparable securities. Offering notices of new issues and pricing announcements appear in financial publications and major newspapers, such as the *Wall Street Journal*, *New York Times*, *American Banker*, and the *Bond Buyer*. Farm Credit securities enjoy an active secondary market supported by those dealers who distribute the original issues.

Denominations

Federal Farm Credit Banks Consolidated Systemwide Bonds are issued only in book-entry form. Bonds with original maturities of 13 months or longer are in denominations of \$1,000. Bonds with original maturities of less than 13 months are in denominations of \$5,000.

Federal Farm Credit Banks Consolidated Systemwide Notes (discount notes) are issued only in definitive form in denominations of \$50,000, \$100,000, \$500,000, \$1,000,000, and \$5,000,000.

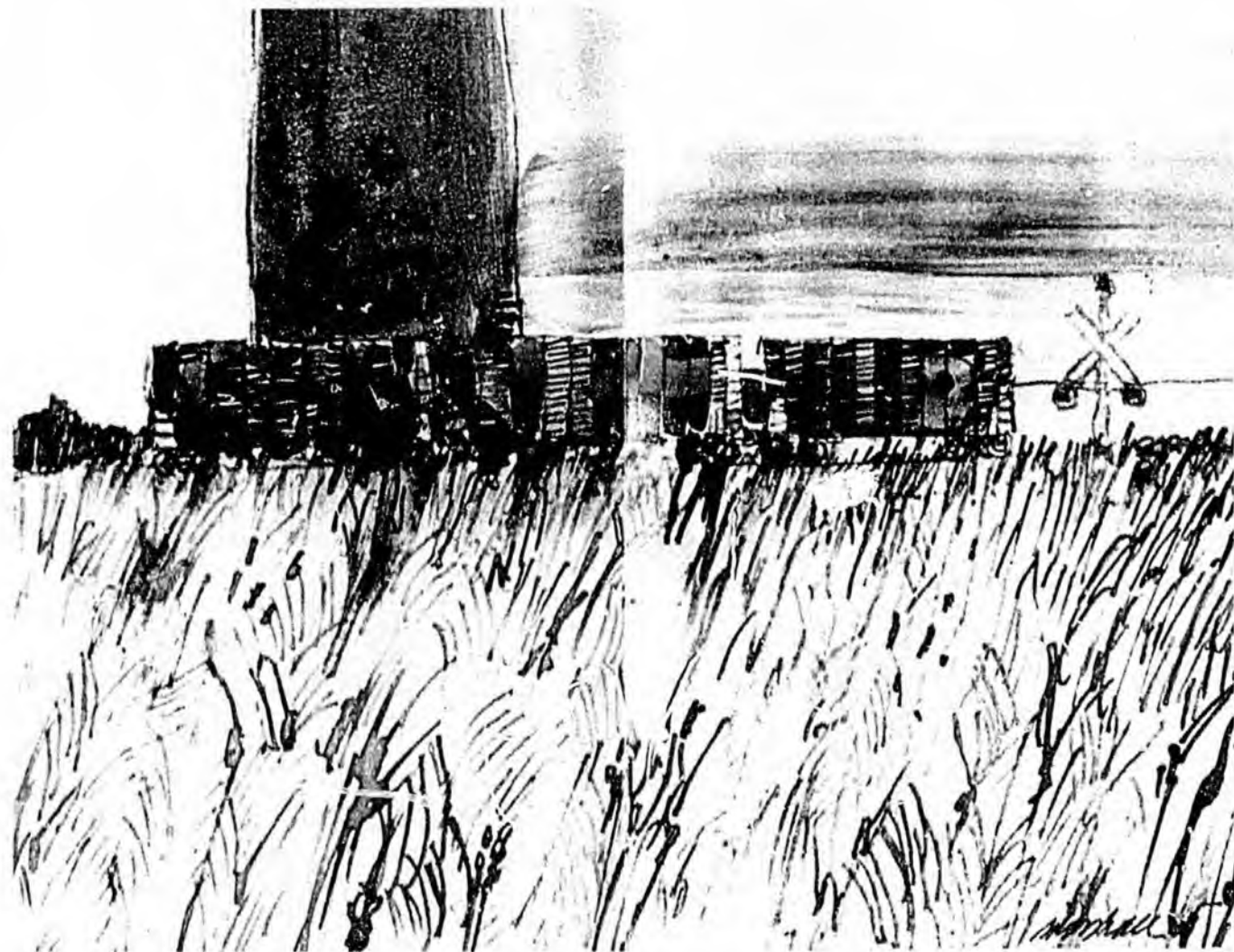
Book-Entry Delivery

Farm Credit bonds are now issued in book-entry form only. Investors in book-entry securities do not receive physical certificates. They are not registered, but rather are assigned to an investor's account. Federal Reserve Banks and branches maintain computerized records of book-entry securities in the names of member banks. These member banks keep separate accounts for securities they own and for those they maintain for investors and other financial institutions.

Investors may choose as custodian any bank or other financial institution that maintains book-entry accounts with a member of the Federal Reserve System. The bank or non-bank dealer will issue a custody receipt as evidence of the investor's ownership of the securities. Payment of interest and principal at maturity of book-entry securities is credited to the investor's account and does not require presentation of a coupon or certificate. Investors may be charged a fee for this service.

Investors In Farm Credit Securities

Farm Credit securities meet the needs of a wide variety of investors, such as commercial banks, insurance companies, state and local governments, fiduciary accounts, thrift institutions, and individuals. The Farm Credit Banks offer bonds with short-, intermediate-, and long-term maturities. Discount notes are sold on a daily basis and carry maturities from 5 to 270 days. Every month, the Farm Credit Banks issue bonds with 6- and 9-month maturities. Intermediate



and long-term issues are offered periodically throughout the calendar year—January, April, July, and October . . . and as the needs of the banks dictate. Thus, the investor is provided with flexibility of issue date and maturity selection.

Commercial Bank Portfolio Accounts

Commercial bank portfolio managers must consider the safety, liquidity, and yield of any investment. Farm Credit securities are generally considered risk free. They are designed for liquidity management, with discount notes available to mature as needed and 6- and 9-month issues to mature monthly. Longer term issues are offered in a variety of maturities to fit investment portfolio objectives. All Farm Credit securities may be easily liquidated as a source of funds for unexpected deposit flows or increased loan demand.

Farm Credit securities provide yields which normally are higher than those of comparable Treasury issues. These securities can be used as collateral to secure deposits of public monies and for Federal Reserve Bank advances and discounts. They are not subject to national bank percentages on investment in the securities of one obligor or maker.

Insurance Companies

Insurance fund managers invest in Farm Credit securities with a broad range of maturities. Insurance premiums are paid regularly, but payouts generally are irregular. Farm Credit discount notes can be used to maximize daily cash flow; 6-month and 9-month bonds provide funds on a monthly basis. In addition, Farm Credit term issues provide for a higher and more stable yield for a company's income portfolio.

State and Local Governments

Government entities normally have regular seasonal inflows (tax payments) and less regular outflows as bills are paid. Short-term Farm Credit notes and bonds can help cope with unpredictable outflows while providing a high degree of safety and liquidity for public monies. Term bonds are well suited for investment by public employee and retirement accounts requiring safety, stability, and yield.

Fiduciary Accounts

To meet scheduled commitments, fiduciary accounts, such as pension funds, mutual funds, and commercial bank trust accounts invest funds obtained from security sales and deposits. Farm Credit discount notes are an ideal place for these short-term funds. Longer term Farm Credit issues provide fiduciary accounts with a higher return than comparable U.S. Treasury obligations, while still enjoying a strong secondary market and a proven record of safety.

Thrift Institutions

Savings banks, credit unions, and savings and loan associations are large investors in Farm Credit securities. Their participation reflects regulatory limitations, maturity requirements, and expectations of deposit flows. With Farm Credit securities, thrift institutions can select maturities and receive fair returns while meeting their obligation to select safe investments and maintain liquid portfolios.

Individuals

Farm Credit securities are available to individuals through the nationwide selling group of bank and non-bank dealers.



They can be attractive personal investments. A dealer may charge a fee or commission for arranging the purchase of these securities. Charges may vary from dealer to dealer and it is advisable to ask about the charges before placing an order.

In Summary

Farm Credit securities offer safety, liquidity, and returns generally higher than comparable U.S. Treasury securities. Discount notes have flexible settlement and maturity dates, allowing investors to commit funds as they become available and redeem them when needed. Six- and 9-month bonds are issued each month on a regular basis. Term bonds are issued periodically throughout the year, affording investors a fair and stable rate of return for longer periods. All Farm Credit securities enjoy an active secondary market.

A publication—"Farm Credit Banks Report to Investors"—which describes the Farm Credit Banks and their securities and which contains their financial statements may be obtained from your securities dealer or from the Fiscal Agency for the Farm Credit Banks, 90 William Street, New York, New York 10038.



INFORMATION

February 13, 1982

The Alaska Commercial Fishing and Agriculture Bank (CFAB) - a private lending cooperative, was created to fill the gap in sources of financing for Alaska's fishing and agriculture industries.

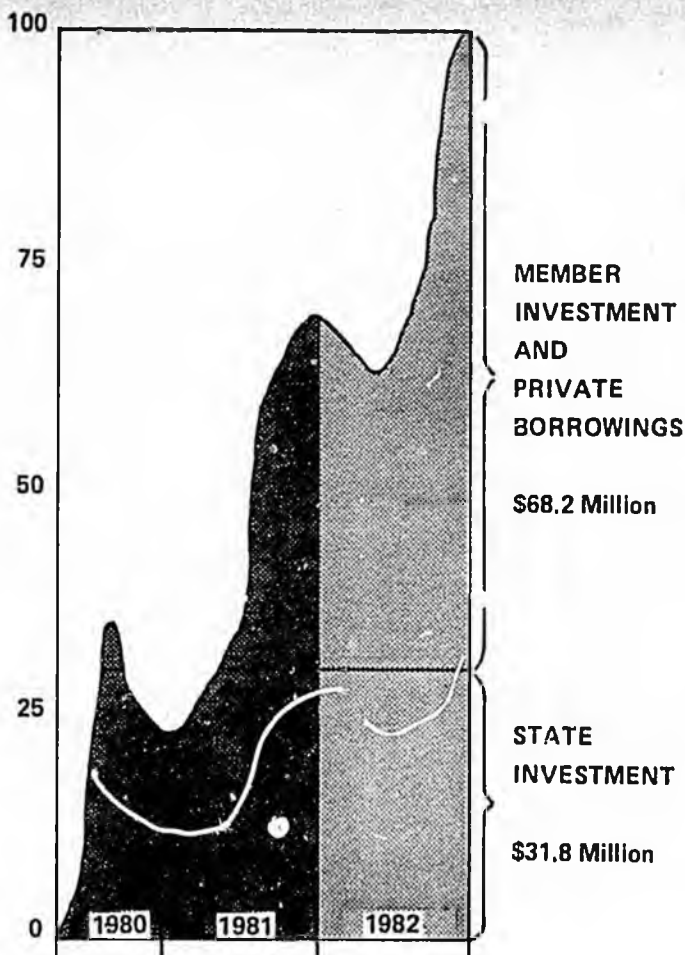
Since opening its doors nearly two years ago, CFAB has shown significant responsiveness to the needs of the industries it serves; Development of a growing body of expertise resulting from broad specialization has enabled CFAB to finance business endeavors rather than service loan requests. Development of service and industry programs to meet all segments of the industries' needs has enabled CFAB to meet the demands of forecasted development and expansion. And by providing greater accessibility to its intended borrowers CFAB has been able to reach the following villages and communities throughout Alaska:

Aleknagik	\$ 136,810	English Bay	\$ 4,407,180	Metlakatla	\$ 3,800	Sitka	\$ 57,750
Alexander Creek	11,550	Haines	17,875	Naknek	8,752	Slana	13,200
Anchorage	7,368,377	Homer	5,230,545	Nelson Lagoon	100,980	Soldotna	2,014,100
Anchor Point	252,450	Hydaburg	2,200,000	Ninilchick	104,500	S. Naknek	42,399
Auke Bay	62,700	Juneau	972,158	Nome	42,900	Sterling	2,200,000
Bethel	224,331	Kasilof	182,902	Palmer	137,236	Tatitlek	35,200
Chignik	792,000	Kenai	3,789,115	Pelican	11,000	Togiak	1,100,000
College	4,842	Ketchikan	2,307,506	Petersburg	12,149,500	Toksook Bay	66,288
Cordova	19,747,373	King Cove	1,207,562	Port Alexander	76,890	Unalaska	2,649,900
Craig	3,850	King Salmon	275,000	Port Helden	166,638	Valdez	308,000
Delta Junction	1,036,200	Kodiak	16,652,316	Port Lion	39,600	Ward Cove	45,100
Dillingham	4,474,936	Kogwton	11,000	Sant Pt.	2,986,555	Wasilla	134,585
Douglas	11,000	Koliganek	190,999	Seldovia	49,500	Wrangell	495,550
Egegik	9,130,000	Manakotak	67,304	Seward	672,550	Yakutat	35,750

Reflective also of CFAB's responsiveness is its ever increasing loan portfolio performance record as of 31 January 1982:

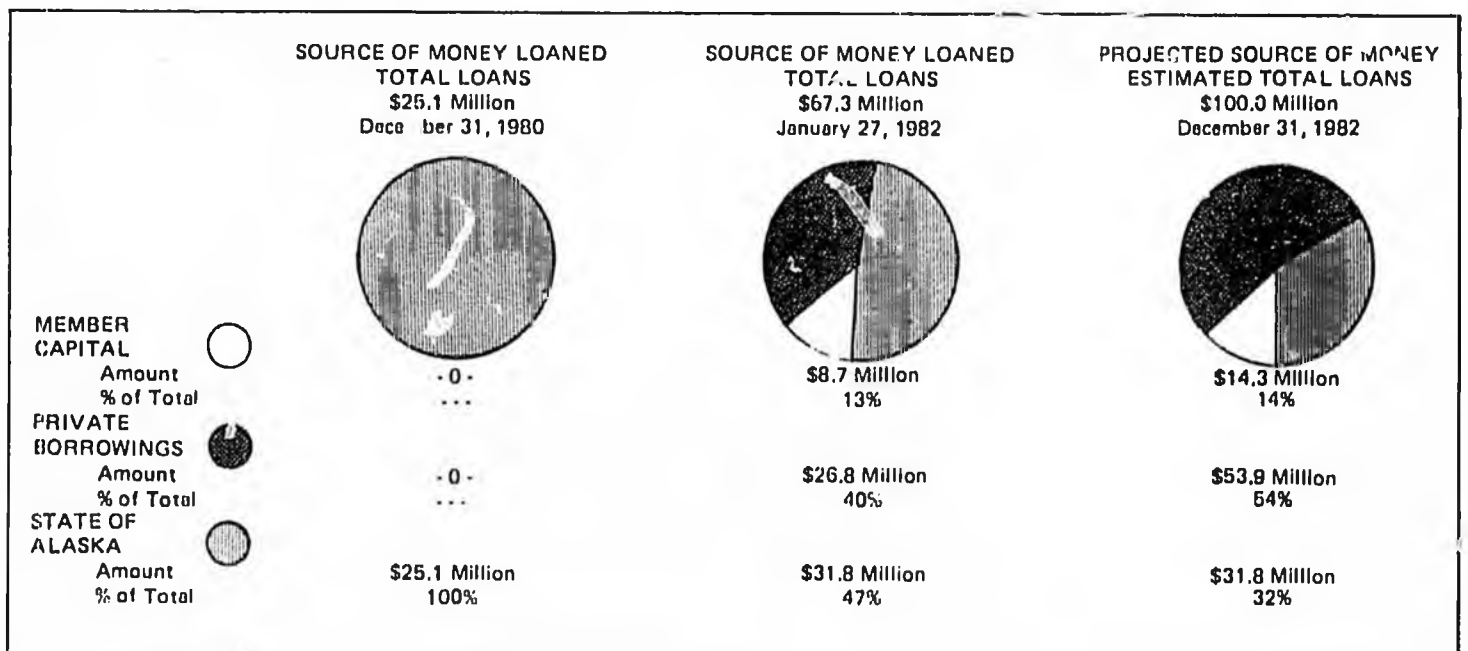
LOANS MADE SINCE INCEPTION:	\$153,873,324.
LOANS OUTSTANDING:	\$ 68,443,017.
COMMITMENTS TO FUTURE LOANS:	\$ 29,131,831.
APPLICATIONS BEING REVIEWED:	\$ 8,982,421.

Previous loan growths, commitments outstanding, and applications pending, substantiate that by year end 1982 \$80 million dollars of non-Alaskan monies will have been brought into the state. This is effectuated by CFAB's ability as a cooperative and a participant in the Farm Credit System to have ready access to "Wall Street" funds at reasonable rates. This enables CFAB to magnify the effects of the state's initial \$32 million dollar investment by more than doubling it in less than two years of operation and potentially having the capability of enhancing that same investment by a factor of 10 (\$300 million) prior to its repurchase by CFAB.



Replacing over \$100 million dollars of state funds by its creation, CFAB has also eliminated for the state the growing burdens of primary and secondary funding to the commercial fishing industry, high cost of subsidies, risk of loan losses and administrative costs. CFAB operates out of earned member capital contributions. CFAB does not return to the state for additional operational or debt fundings.

The continued vote of confidence exemplified by member capital investment of over \$8 million dollars and their undertaking of risk for loan losses are graphically demonstrated below:



Rapidly evolving from state support to member capitalization, reliance upon state capital is being reduced while member ownership is steadily increasing. The first repurchase of the state's investment was completed at the end of CFAB's first year of operation and subsequent retirement is a fundamental part and concern of the formal policy planning by CFAB's Board of Directors and management.

In conjunction with expert solicited advice from International Development Consultant Dr. Belden Daniels of Harvard and Dr. Kenneth Duft, Management and Financial Consultant on Cooperatives; restructuring of CFAB's equity program is underway with anticipated results to be made known to the state by year end.

As a further example of CFAB's continuing effort to fulfill the needs of the people it serves CFAB has prepared and processed for submittal to the Fisherman's Mortgage and Note Program 16 of the only 17 applications this program has received to date and will continue its efforts to assure that all eligible Alaskans are fairly represented.

The Board of Directors and management of CFAB see its purpose as not only providing loans but services as well. We must both serve the present and prepare for the future. Only in doing so can we assure the ongoingness of the commercial fishing and agriculture communities that we serve.

Commonwealth North (4)

Chairman Loan Committee 630

Review & address views & concerns.
expressed in next hearing

has been assigned to sp committee
on to him
