

COMMITTEE REPORT

HOUSE

(11)

FURTHER:

5/20/83

Date: 6-1-83

Mr. Speaker:

The Committee on FINANCE has had HB 335

"An Act relating to the issuance of tax exempt, state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans under AS 18.56; 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 HR 385 (LUMAS) same title
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

[Signature]
[Signature]

[Signature]

CHAIRMAN

Offered: 5/20/83
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

2

CS FOR HOUSE BILL NO. 385 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the issuance of tax-exempt,
7 state-guaranteed revenue bonds by the Alaska Housing
8 Finance Corporation to finance mortgages for qualify-
9 ing veterans under AS 18.56; and providing for an
10 effective date."

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

12 * Section 1. For the purpose of assisting the Alaska Housing Finance
13 Corporation to provide money for the purchase of mortgages made for resi-
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to
16 principal and interest by the state in the principal amount of not more
17 than \$500,000,000. The full faith, credit, and resources of the state are
18 pledged to the payment of the principal of and interest on these bonds, and
19 the principal of and interest on the bonds are secured by the general
20 obligation of the State of Alaska. A statement of this pledge must be
21 printed on the face of the bonds and must be signed in manual or facsimile
22 form by the governor. The provisions of AS 37.15 do not apply to the
23 bonds. The bonds shall be sold by the Alaska Housing Finance Corporation
24 under AS 18.56 at public sale in amounts and at times approved by the state
25 bond committee. The guarantee authorized by this section is in addition to
26 the guarantee authorized by sec. 5, ch. 35, SLA 1982.

27 * Sec. 2. If the question set out in sec. 4 of this Act is approved by
28 the qualified voters of the state who vote on the question, the Alaska
29 Housing Finance Corporation may issue not more than the principal amount of

1 \$500,000,000 of its revenue bonds that are unconditionally guaranteed as to
2 principal and interest by the state, the proceeds of which are to be ex-
3 pended by the Alaska Housing Finance Corporation to provide money for the
4 purchase of mortgages made for residences for qualifying veterans under
5 AS 18.56. The authorization in this section to issue bonds is in addition
6 to the authorization to issue bonds that appears in sec. 6, ch. 35, SLA
7 1982.

8 * Sec. 3. As used in this Act, a qualifying veteran is a person who is
9 a "qualified veteran" as that term is defined or may be subsequently de-
10 fined under 26 U.S.C. 103(A) (Mortgage Subsidy Bond Tax Act of 1980).

11 * Sec. 4. The question of whether the state guaranty of bonds referred
12 to in this Act shall be made shall be submitted to the qualified voters of
13 the state at a special election to be held on November 8, 1983, and shall
14 read substantially as follows:

15 PROPOSITION

16 State Guaranteed Veterans Residential

17 Mortgage Bonds \$500,000,000

18 Shall the State of Alaska unconditionally guarantee
19 as a general obligation of the state, the payment
20 of principal of and interest on revenue bonds of
21 the Alaska Housing Finance Corporation issued in the
22 principal amount of not more than \$500,000,000 for
23 the purpose of purchasing mortgages made for resi-
24 dences for qualifying veterans, as defined by law?

25 Bonds Yes []

26 Bonds No []

27 * Sec. 5. The director of the division of elections shall conduct a
28 special election on November 8, 1983, to present to the voters the question
29 described in sec. 4 of this Act. The director shall conduct the special

1 election in accordance with the procedures generally applicable to general
2 elections under AS 15.

3 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
4 10.070(c).

Brief Analysis on the Fiscal Note
for
HB 385
AHFC Special Election

(100) Personal Services

265.2

This election will require the addition of 30 temporary employees including the absentee ballot staff. It also requires that seven PPT employees switch to PFT for the months prior to the election. The requested sum also allows for the overtime necessary to effectively plan and conduct this election on such short notice.

(200) Travel

87.2

Any statewide election requires that election board training be conducted throughout the state at the precinct level. Other travel considerations allow for the trooper escorted transportation of voted ballots and travel associated with the programming of the statewide vote counting system.

Travel costs are derived from \$83 costs and a 6% inflation figure. An additional \$10.0 is included to cover the transportation of ballots and programmer related travel.

(300) Contractual Services

716.5

The largest anticipated cost in this category is for the payment of the thousands of election board members who are involved statewide on election day (\$279.6). The division must also pay the various counting teams, review boards, and election night personnel (\$45.3).

The division's advertising costs (96.8) are the second largest expense. Public notice of the election is published at least twice in every newspaper in the state. Ads giving polling place locations, absentee balloting information, and voter assistance are printed statewide.

Data processing services (82.5) include programming costs, testing, and data processing charge backs.

Printing costs (79.1) includes the cost of ballot printing and election forms.

Communication expenses (55.8) include long distance phone calls, the installation of data base lines for election night, zenith numbers, and postage.

Equipment lease/rentals (34.8) include lease of 11 card readers, 7 telecopiers, polling place equipment, and the lease for the use of the Municipal Utilities System computer in Fairbanks.

Other expenses are the rental of polling places, (20.0) and freight (22.6).

(400) Commodities

12.6

The only commodities considered in the fiscal note are those supplies provided to 447 polling places.

TOTAL

1081.5

The following individuals may testify on CS HB 385
(Loans):

Representative Rick Uehling, Chair, House Committee on
Loans

A representative of the Alaska Housing Finance
Corporation

Mary Lou Meiners, Director, Division of Elections



LAWS OF ALASKA

1982

Source

CCSSB 593

Chapter No.

35

• AN ACT

Relating to the Alaska Housing Finance Corporation and bonds issued by the Alaska Housing Finance Corporation; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA

THE ACT FOLLOWS ON PAGE 1, LINE 10

FILE COPY

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: May 17, 1982
Actual Effective Date: Sections 1 - 4, take effect May 18, 1982; Sections 5 - 10 take effect on the adoption by the Twelfth Legislature of a version of a resolution that places a proposed constitutional amendment to art. IX, sec. 8 of the Constitution of the State of Alaska to allow the state to contract debt for housing loans for veterans, on a general election ballot for approval by the voters of the state.

AN ACT

Relating to the Alaska Housing Finance Corporation and bonds issued by the Alaska Housing Finance Corporation; and providing for an effective date.

* Section 1. AS 18.56.096(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from \$90,000 to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 2. AS 18.56.110(g) is amended to read:

(g) Notwithstanding AS 18.56.090(12) and (a) of this section, the corporation may not issue bonds, other than refunding bonds, in any 12-month period beginning after June 30, 1983 [1982], in an amount that exceeds the amount of bonds authorized to be issued during the preceding period, unless a different amount is authorized by the legislature.

* Sec. 3. In addition to the amount authorized by sec. 48, ch. 115, SLA 1981, the Alaska Housing Finance Corporation may issue bonds in the principal amount of \$210,000,000 during the fiscal year ending June 30, 1982.

Chapter 35

* Sec. 4. The Alaska Housing Finance Corporation may issue bonds in the principal amount of \$980,000,000 during the fiscal year ending June 30, 1983.

* Sec. 5. For the purpose of assisting the Alaska Housing Finance Corporation to provide money for the purchase of mortgages made for residences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of the Alaska Housing Finance Corporation may be unconditionally guaranteed as to principal and interest by the state in the principal amount of not more than \$400,000,000. The full faith, credit, and resources of the state are pledged to the paymer of the principal and interest on these bonds and the principal and interest on the bonds is secured by the general obligation of the State of Alaska. This statement shall be printed on the face of the bonds and shall be signed in manual or facsimile form by the governor. The provisions of AS 37.15 do not apply to the bonds. The bonds shall be sold by the Alaska Housing Finance Corporation under AS 18.56 at public sale in amounts and at times approved by the state bond committee.

* Sec. 6. If the question set out in sec. 8 of this Act is approved by the qualified voters of the state who vote on the question, the Alaska Housing Finance Corporation may issue not more than the principal amount of \$400,000,000 of its revenue bonds that are unconditionally guaranteed as to principal and interest by the state, the proceeds of which shall be expended by the Alaska Housing Finance Corporation to provide money for the purchase of mortgages made for residences for qualifying veterans under AS 18.56.

* Sec. 7. As used in this Act a qualifying veteran is a person who is a "qualified veteran" as the term is defined or may be subsequently defined under the Mortgage Subsidy Bond Tax Act of 1980.

* Sec. 8. The question of whether or not the state guaranty of bonds referred to in this Act shall be made shall be submitted to the qualified voters of the state at the first general election after the effective date of this Act and shall read substantially as follows:

PROPOSITION

State Guaranteed Veterans Residences
Mortgage Bonds \$400,000,000

Shall the State of Alaska unconditionally guarantee the principal and interest on revenue bonds of the Alaska Housing Finance Corporation issued for the purpose of purchasing mortgages made for residences for qualifying veterans, as described below:

Bonds Yes []
Bonds No []

* Sec. 9. The state may not guarantee bonds unless the voters of the state approve an amendment to art. IX of the Constitution of the State of Alaska that allows the state to guarantee housing loans for veterans.

* Sec. 10. If the voters of the state do not approve an amendment to art. IX, sec. 8 of the Constitution of the State of Alaska, the state shall not be allowed to contract debt for housing loans for veterans. If the proposed amendment appears on a general election ballot, the Act are repealed.

* Sec. 11. Sections 5 - 10 of this Act take effect on the twelfth Legislature of a version of a resolution of the Alaska State Constitutional Amendment to art. IX, sec. 8 of the Constitution of Alaska to allow the state to contract debt for housing loans for veterans on a general election ballot for approval by the voters.

* Sec. 12. Sections 1 - 4 of this Act take effect on the twelfth Legislature of a version of a resolution of the Alaska State Constitutional Amendment to art. IX, sec. 8 of the Constitution of Alaska to allow the state to contract debt for housing loans for veterans on a general election ballot for approval by the voters in accordance with AS 11.10.070(c).

PROPOSITION

State Guaranteed Veterans Residential
Mortgage Bonds \$400,000,000

Shall the State of Alaska unconditionally guarantee as a general obligation of the state, the payment of principal and interest on revenue bonds of the Alaska Housing Finance Corporation issued in the principal amount of not more than \$400,000,000 for the purpose of purchasing mortgages made for residences for qualifying veterans, as defined by law?

Bonds Yes []

Bonds No []

* Sec. 9. The state may not guarantee bonds under this Act unless the voters of the state approve an amendment to art. IX, sec. 8 of the Constitution of the State of Alaska that allows the state to contract debt for housing loans for veterans.

* Sec. 10. If the voters of the state do not approve an amendment to art. IX, sec. 8 of the Constitution of the State of Alaska that allows the state to contract debt for housing loans for veterans the first time the proposed amendment appears on a general election ballot, secs. 5 - 8 of this Act are repealed.

* Sec. 11. Sections 5 - 10 of this Act take effect on the adoption by the Alaska Legislature of a version of a resolution that places a proposed constitutional amendment to art. IX, sec. 8 of the Constitution of the State of Alaska to allow the state to contract debt for housing loans for veterans, on a general election ballot for approval by the voters of the state.

* Sec. 12. Sections 1 - 4 of this Act take effect immediately in accordance with AS 01.10.070(c).

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 28, 1983

The Honorable Joe L. Hayes
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which relates to the sale of state-guaranteed bonds for the veterans mortgage program.

In the 1982 general election, the voters authorized the sale of \$400,000,000 in state-guaranteed revenue bonds by the Alaska Housing Finance Corporation for the veterans mortgage program under AS 18.56. The program has proven to be more popular than expected, and, as a consequence, the current \$400,000,000 authorization will be exhausted approximately 10 months before the next general election (November 1984). Without authority to sell additional amounts of state-guaranteed revenue bonds, it will cost the corporation substantially more, an approximate seven-fold increase, to offer eligible veterans the benefits available under the veterans mortgage program. This bill provides for a special election on October 4, 1983 to present to the voters the question of whether to authorize the sale of an additional \$500,000,000 in state-guaranteed revenue bonds. If voter approval is obtained, the corporation will have sufficient bonding authority to implement the veterans mortgage program in the most cost-efficient fashion until the general election in November 1984.

Sincerely,

Bill Sheffield
Bill Sheffield
Governor

Alaska

HOUSING



FINANCE CORPORATION

FILE COPY

May 17, 1983

The Honorable Rick Uehling
Chairman, House Special
Committee on Loans
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Rick:

The Corporation estimates that the \$400 million general obligation bond authorization for the Veterans Mortgage Program (the "Program") will be exhausted by the end of February 1984. Without legislation authorizing a special election to be held in 1983 approving additional bonding, the Corporation would be unable to operate the Program from March 1984 until January 1985 (additional authorization at a November 1984 general election would allow a subsequent January 1985 bond sale).

If you assume that the Veterans Mortgage Program is not demand expansive, but rather represents a re-allocation of funding sources for residences from the Corporation's Taxable First Mortgage Program to the Veterans Mortgage Program, the potential gap from March 1984 to January 1985 could mean a substantial increase in the actual subsidy costs associated with the Corporation's financing activities during this period. The Corporation's FY 84 capital budget request reflects a subsidy cost for the Taxable First Mortgage Program of approximately \$25 million per \$100 million of mortgages financed. The estimates for the Veterans Mortgage Program are \$11 million per \$100 million of mortgages financed. This represents a savings of \$14 million per \$100 million of mortgage activity diverted to the lower cost tax exempt financed program. The Corporation is requesting legislation for additional bond authorization in the amount of \$500 million. If this entire amount is utilized, assuming a non-expansive program, the subsidy reduction would approximate \$70 million during the gap period.

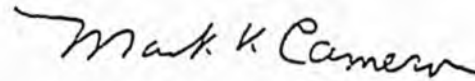
The Corporation's FY 84 capital budget request assumes \$200 million in Veterans Mortgage Program Bonds. Due to increased mortgage demand over that anticipated for the Program, of the \$400 million current authorization only \$150 million will be available during FY 84. The \$50 million shortfall will result in an approximate FY 84 subsidy increase of \$7.0 million.

The Honorable Rick Uehling
May 17, 1983
Page 2

The FY 84 capital budget request assumes approximately 20 percent of the mortgage loan activity will occur in the Veterans Mortgage Program (a historical percentage for state veterans qualifying for the 1 percent rate reduction). The \$500 million additional authorization request assumes, however, a continuation of recent percentages for applications by "qualified veterans" under the general obligation Veterans Mortgage Program which has averaged approximately 34 percent.

Attached is a more detailed numerical analysis of the effect of HB 385 on the subsidy requirements of the Special Mortgage Loan Purchase Program.

Sincerely,



Mark K. Cameron
Finance Director

MKC/de

P.O. Box 1020, Anchorage, Alaska 99510

TO: Michael S. Lynch
Executive Director

DATE: April 5, 1983

FROM: Mark K. Cameron
Finance Director

SUBJECT: ANALYSIS OF STATE GUARANTEED VETERANS MORTGAGE LOAN DEMAND AND
ASSOCIATED BONDING REQUIREMENTS

During the previous Legislative Session CCSSB 593 was approved and signed into law authorizing a \$400 million bond proposition to be placed on the ballot for the November 1982 general election. The Bond proposition was approved by the voters with 118,874 yes votes (63.90%) and 67,168 no votes (36.10%).

The \$400 million submitted for approval by the voters was a low side estimate based upon a total available mortgage pool of \$450 million providing funds for a two year period. With a total projected annual demand for all first mortgage programs of \$900 million, with 25% of such activity qualifying under the State Veterans program, this legislative bond authorization would have been sufficient. Several unanticipated factors have influenced the actual demand experienced to date under the program and an October 1983 special election is recommended for approval of a \$500 million State Guaranteed Bonds Veterans Mortgage Program bond authorization. The additional \$500 million is estimated to be sufficient to meet program demand through December 31, 1984. The bond authorization for calendar years 1985 and 1986 will be presented to the voters in the November 1984 general election subsequent to 1984 Legislative approval.

As indicated in the attached Summary of Financing Requirements, both the total first mortgage activity and the percentage of such activity occurring in the Veterans program has been in excess of that originally projected. The shortfall of bond authorization for the calendar years 1983 and 1984 as presented aggregates \$447,590,030.

This projection is based upon activity experienced during the four week period from March 7, 1983, to April 1, 1983. March 1982 activity was 72 percent of the average for that calendar year while March 1981 activity was 88 percent of the average for the calendar year 1981. Based upon the brief history of the Special Mortgage Loan Purchase Program the projected shortfall should be on the low side since the four week activity used in the analysis was not "annualized". There is no clear consensus as to whether the demand experienced during recent months will subside or increase in the following months resulting in July through September being the "peak" demand periods as has generally been the case. It is also uncertain whether the current percentage of application under the Veterans Program represents a surge in demand

Michael S. Lynch
April 5, 1983
Page 2

resulting from its recent implementation or can be assumed to be maintained in long term forecasts. Prior to implementation of the program, the Corporation estimated that 30 percent to 35 percent of the first mortgage activity would be submitted through the Veterans program. The 33.99 percent experienced during the previous four weeks is consistent with the estimates and there is little reason to believe that it should settle in below 30 percent on an ongoing basis.

I recommend the amount of the requested additional bond authorization be \$500 million to cover any slight potential increase over estimated activity based upon March 1983 applications.

de

ALASKA HOUSING FINANCE CORPORATION

SUMMARY OF FINANCING REQUIREMENTS
State Guaranteed Veterans Bonds

Funds Available for Commitment (4/01/83)	\$(11,526,002)
Projected Activity through 12/31/83 *(40 wks.)	(339,103,925)
Projected Activity from 1/1/84 through 12/31/84* (52 wks.)	<u>\$(440,835,103)</u>
Mortgage Demand Necessary to be Funded through 12/31/84	<u>\$(791,465,030)</u>
Remaining Bond Authorization	\$ 350,000,000
Required Additional Authorization	447,590,030
Less Estimated Discount on Bonds (1.75%)	<u>(6,125,000)</u>
	<u>\$ 791,465,030</u>

* Projection based upon average 3/07/83 through 4/01/83 four week activity at 95% acceptance level (\$8,477,598 per week)

January to December 1982 Approved Commitments
Average \$60,876,283 March \$43,885,950 (72%)

January to December 1981 Approved Commitments
Average \$73,848,125 March \$64,754,050 (88%)

State Guaranteed Veterans Applications for Week Ending:

	<u>Number</u>	<u>Dollar</u>
1/31/83 - 2/04/83	12	\$1,333,350
2/07/83 - 2/11/83	49	5,325,050
2/14/83 - 2/18/83	73	7,772,550
2/21/83 - 2/25/83	56	6,027,300
2/28/83 - 3/04/83	77	8,414,300
3/07/83 - 3/11/83	75	8,753,200
3/14/83 - 3/18/83	82	9,333,300
3/21/83 - 3/25/83	89	9,626,450
3/28/83 - 4/01/83	73	7,982,200

Prior 4 weeks applications:

All First Mortgage Programs	100%	\$105,022,050
State Guaranteed Veterans	33.99%	\$ 35,695,150

Alaska HOUSING FINANCE CORPORATION



May 17, 1983

The Honorable Rick Uehling
Chairman, House Special
Committee on Loans
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Rick:

The Corporation estimates that the \$400 million general obligation bond authorization for the Veterans Mortgage Program (the "Program") will be exhausted by the end of February 1984. Without legislation authorizing a special election to be held in 1983 approving additional bonding, the Corporation would be unable to operate the Program from March 1984 until January 1985 (additional authorization at a November 1984 general election would allow a subsequent January 1985 bond sale).

If you assume that the Veterans Mortgage Program is not demand expansive, but rather represents a re-allocation of funding sources for residences from the Corporation's Taxable First Mortgage Program to the Veterans Mortgage Program, the potential gap from March 1984 to January 1985 could mean a substantial increase in the actual subsidy costs associated with the Corporation's financing activities during this period. The Corporation's FY 84 capital budget request reflects a subsidy cost for the Taxable First Mortgage Program of approximately \$25 million per \$100 million of mortgages financed. The estimates for the Veterans Mortgage Program are \$11 million per \$100 million of mortgages financed. This represents a savings of \$14 million per \$100 million of mortgage activity diverted to the lower cost tax exempt financed program. The Corporation is requesting legislation for additional bond authorization in the amount of \$500 million. If this entire amount is utilized, assuming a non-expansive program, the subsidy reduction would approximate \$70 million during the gap period.

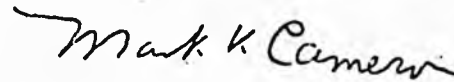
The Corporation's FY 84 capital budget request assumes \$200 million in Veterans Mortgage Program Bonds. Due to increased mortgage demand over that anticipated for the Program, of the \$400 million current authorization only \$150 million will be available during FY 84. The \$50 million shortfall will result in an approximate FY 84 subsidy increase of \$7.0 million.

The Honorable Rick Uehling
May 17, 1983
Page 2

The FY 84 capital budget request assumes approximately 20 percent of the mortgage loan activity will occur in the Veterans Mortgage Program (a historical percentage for state veterans qualifying for the 1 percent rate reduction). The \$500 million additional authorization request assumes, however, a continuation of recent percentages for applications by "qualified veterans" under the general obligation Veterans Mortgage Program which has averaged approximately 34 percent.

Attached is a more detailed numerical analysis of the effect of HB 385 on the subsidy requirements of the Special Mortgage Loan Purchase Program.

Sincerely,



Mark K. Cameron
Finance Director

M. U./de

ALASKA HOUSING FINANCE CORPORATION

Additional Veterans GO Bond Authorization
(in Millions)

Effect on FY 84 Capital Budget for Special Mortgage Loan Purchase Program

As presented Capital Budget Supporting Documents (April 28, 1983 version)(1)

Anticipated Veterans Bonding	\$200
Available Authorization without HB 385	<u>150</u>
	50
Difference in Subsidy Ratios (25% - 11%)*	x <u>.14%</u>
	<u>\$7.0</u>

Assuming No Decrease in Veterans Activity

Anticipated Veterans Bonding	\$400
Available Authorization without HB 385	<u>150</u>
	250
Differenece in Subsidy Ratios (25% - 11%)*	x <u>.14%</u>
	<u>\$35.0</u>

Effect on Actual Subsidy Costs (FY 84 and FY 85 combined)
At Varying Activity Levels(1)

<u>Total Demand</u> (1/84 to 1/85)	<u>Subsidy Differential</u> (25% Taxable - 11% Vets GO)*	<u>Incremental Subsidy Cost</u>		
		<u>Total</u>	<u>FY 84</u>	<u>FY 85</u>
\$500	14%	\$70	\$30	\$40
\$400	14%	\$56	\$24	\$32
\$300	14%	\$42	\$18	\$24

(1) Assumes exhaustion of Veterans GO Bond authorization would not result in a reduction of total demand but rather a reallocation of funding sources from the lower cost to tax exempt Veterans bonds to the taxable program.

(2) Subsidy ratios as reflected in the Capital Budget Supporting Documents (April 28, 1983 version).

P.O. Box 1020, Anchorage, Alaska 99510

TO: Michael S. Lynch
Executive Director

DATE: April 5, 1983

FROM: Mark K. Cameron
Finance Director

SUBJECT: ANALYSIS OF STATE GUARANTEED VETERANS MORTGAGE LOAN DEMAND AND
ASSOCIATED BONDING REQUIREMENTS

During the previous Legislative Session CCSSB 593 was approved and signed into law authorizing a \$400 million bond proposition to be placed on the ballot for the November 1982 general election. The Bond proposition was approved by the voters with 118,874 yes votes (63.90%) and 67,168 no votes (36.10%).

The \$400 million submitted for approval by the voters was a low side estimate based upon a total available mortgage pool of \$450 million providing funds for a two year period. With a total projected annual demand for all first mortgage programs of \$900 million, with 25% of such activity qualifying under the State Veterans program, this level of bond authorization would have been sufficient. Several unanticipated factors have influenced the actual demand experienced to date under the program and an October 1983 special election is recommended for approval of a \$500 million State Guaranteed Bonds Veterans Mortgage Program bond authorization. The additional \$500 million is estimated to be sufficient to meet program demand through December 31, 1984. The bond authorization for calendar years 1985 and 1986 will be presented to the voters in the November 1984 general election subsequent to 1984 Legislative approval.

As indicated in the attached Summary of Financing Requirements, both the total first mortgage activity and the percentage of such activity occurring in the Veterans program has been in excess of that originally projected. The shortfall of bond authorization for the calendar years 1983 and 1984 as presented aggregates \$447,590,030.:

This projection is based upon activity experienced during the four week period from March 7, 1983, to April 1, 1983. March 1982 activity was 72 percent of the average for that calendar year while March 1981 activity was 88 percent of the average for the calendar year 1981. Based upon the brief history of the Special Mortgage Loan Purchase Program the projected shortfall should be on the low side since the four week activity used in the analysis was not "annualized". There is no clear consensus as to whether the demand experienced during recent months will subside or increase in the following months resulting in July through September being the "peak" demand periods as has generally been the case. It is also uncertain whether the current percentage of applications under the Veterans Program represents a surge in demand

Michael S. Lynch
April 5, 1983
Page 2

resulting from its recent implementation or can be assumed to be maintained in long term forecasts. Prior to implementation of the program, the Corporation estimated that 30 percent to 35 percent of the first mortgage activity would be submitted through the Veterans program. The 33.99 percent experienced during the previous four weeks is consistent with the estimates and there is little reason to believe that it should settle in below 30 percent on an ongoing basis.

I recommend the amount of the requested additional bond authorization be \$500 million to cover any slight potential increase over estimated activity based upon March 1983 applications.

de

ALASKA HOUSING FINANCE CORPORATION

SUMMARY OF FINANCING REQUIREMENTS
State Guaranteed Veterans Bonds

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Projected Activity from 1/1/84 through 12/31/84* (52 wks.)	<u>\$(440,835,103)</u>
Mortgage Demand Necessary to be Funded through 12/31/84	<u><u>\$(791,465,030)</u></u>
Remaining Bond Authorization	\$ 350,000,000
Required Additional Authorization	447,590,030
Less Estimated Discount on Bonds (1.75%)	<u>(6,125,000)</u>
	<u><u>\$ 791,465,030</u></u>

* Projection based upon average 3/07/83 through 4/01/83 four week activity at 95% acceptance level (\$8,477,598 per week)

January to December 1982 Approved Commitments
Average \$60,876,283 March \$43,885,950 (72%)

January to December 1981 Approved Commitments
Average \$73,848,125 March \$64,754,050 (88%)

State Guaranteed Veterans Applications for Week Ending:

	<u>Number</u>	<u>Dollar</u>
1/31/83 - 2/04/83	12	\$1,333,350
2/07/83 - 2/11/83	49	5,325,050
2/14/83 - 2/18/83	73	7,772,550
2/21/83 - 2/25/83	56	6,027,300
2/28/83 - 3/04/83	77	8,414,300
3/07/83 - 3/11/83	75	8,753,200
3/14/83 - 3/18/83	82	9,333,300
3/21/83 - 3/25/83	89	9,626,450
3/28/83 - 4/01/83	73	7,982,200

Prior 4 weeks applications:

All First Mortgage Programs	100%	\$105,022,050
State Guaranteed Veterans	33.99%	\$ 35,695,150

Veterans Mortgage Program

Alaska
HOUSING
FINANCE
CORPORATION

To apply under this program, federal regulations require that individuals must be veterans as defined by the United States code.

Features

Maximum Loan Amount

Single-Family Residence	\$160,500
Duplex	205,200
Triplex	247,650
Four-Plex	307,950

Minimum Down Payment

Single-Family and Duplexes	
Residences	5%
Triplexes and Four-Plexes	
Residences	10%

Eligible Properties

Owner-occupied single-family dwellings (including condominiums and units in a PUD) and multi-family dwellings up to and including four-plexes. If the residence is a multi-family dwelling, then all units must have been occupied as such for at least 5 years. For example, if the dwelling is a four-plex, it must have been occupied as a four-plex for 5 years.

VA guaranteed loans are allowed. However, down payments and maximum loan amounts will vary. Check with your lender for details.

Type of Loan

The ABE mortgage structure applies to the Veterans Program. Under this type of mortgage, the interest rate is fixed, however, there are moderate increases to the mortgage payment in years four through nine. These increases are applied to the principal balance on the loan. Therefore, the loan is repaid in approximately 18 years. A detailed description of the ABE mortgage is available in AHFC's pamphlet entitled "Buying a Home in the Future?"

Other Criteria

In November of 1982, the voters passed a constitutional amendment and a



bond proposition that allowed AHFC to issue tax-exempt bonds for the purpose of financing homes for qualified veterans. Since this program is regulated by the U.S. Department of Treasury, IRS, the borrower(s) must meet certain criteria to qualify.

1. The borrower(s) must be a qualified veteran. Temporary regulations of the IRS have impacted the meaning of "veteran" as defined in 38 U.S.C. 101(2). In order to apply under this program, the borrower(s) must submit documentation that they are a veteran under the federal definition.

A Certificate of Eligibility or a letter from the Federal Veterans Administration will be accepted as evidence of meeting this requirement. In some instances, it may take thirty (30) to sixty (60) days to obtain the Certificate of Eligibility. Therefore, if you are planning on applying under this program, you may want to start the process beforehand, as AHFC will not process any applications without the appropriate documentation.

2. Not more than 15% of the dwelling may be used for business or trade

(other than for renting one of the units, if the residence is a multi-family dwelling) and no portion of the property may be specifically designed for commercial use.

3. The borrower must occupy the residence or one unit of the residence as their primary dwelling. In addition, the loan must be paid in full, if you cease to occupy the residence or sell or transfer your ownership interest in the property.

4. Refinancing is prohibited under the Program. The proceeds of the loan must be used for new financing.

5. Excess land may not be financed. The real estate upon which the residence is located must be reasonably required to maintain the basic livability of the residence.

Interest Rates

Mortgage interest rates are based on the interest rate for AHFC bonds plus the Corporation's operating costs and will vary from time to time. INTEREST RATES ARE SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC rate on the Veterans Program.

Special Mortgage Loan Purchase Program Conventional Loan



The largest and most commonly utilized program is AHFC's Conventional or Regular Program.

Features

Maximum Loan Amount

Single-Family
Residence \$160,500
Two-Family Residence . \$205,200

Minimum Down Payment 5%

Eligible Property

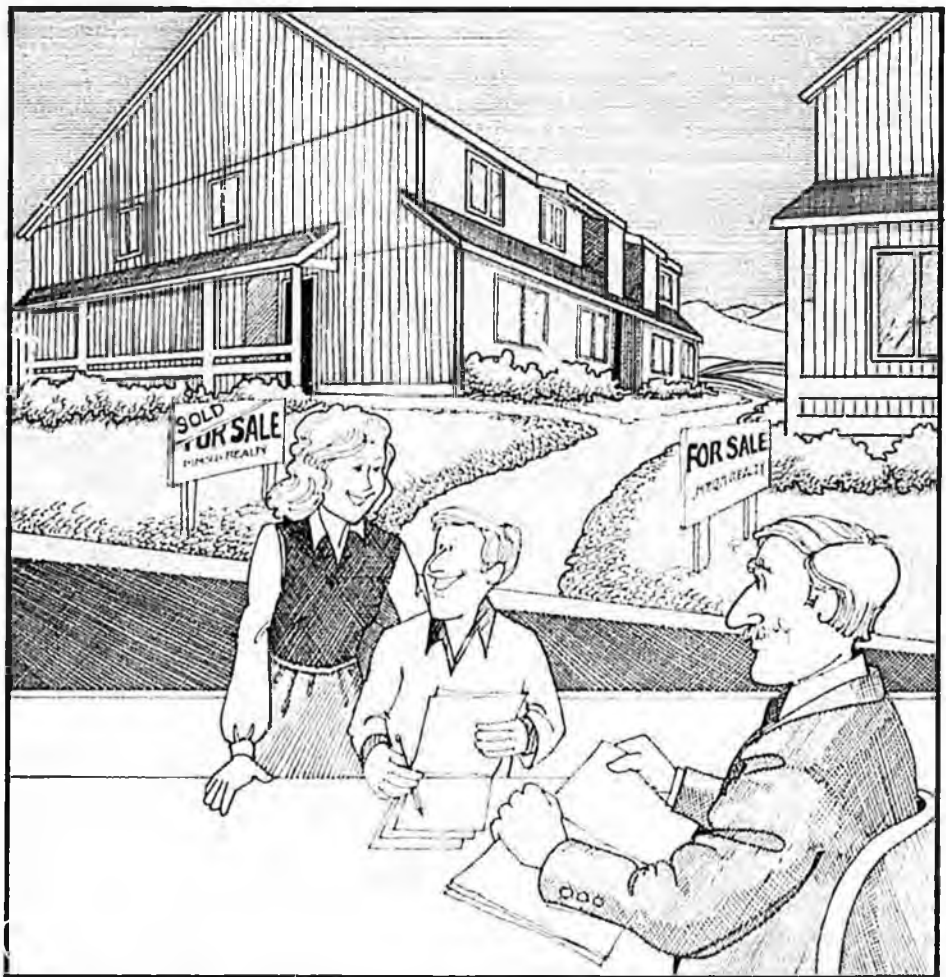
Owner-occupied single-family or duplex dwelling, including owner-occupied condominium units or units in a planned unit development (PUD).

VA guaranteed loans are allowed; however, down payments and maximum loan amounts will vary. The current maximum loan amount is \$135,000. Check with your lender for details.

Type of Loan

Alaska Housing Finance Corporation utilizes a mortgage loan referred to as the Alaska Building Equity (ABE) Mortgage. There are many positive features to the ABE mortgage. The interest rate remains fixed for the entire life of the mortgage. Although there are moderate increases to the mortgage payment during the years four through nine, the borrower knows exactly what the monthly payments will be for the entire life of the mortgage. Since the interest rate remains fixed, all increases are applied to the principal balance, thus increasing the borrower's equity and repaying the loan within approximately sixteen years.

A detailed description of the ABE mortgage is available in AHFC's pamphlet entitled "Buying A Home In The Future?"



Interest Rates

Interest rates charged by AHFC have been established by the Legislature and these rates will fluctuate according to the cost AHFC pays to obtain its funds. By law, AHFC is required to provide below market or subsidized rates to eligible borrowers on the first \$90,000 of the mortgage loan. For any portion above \$90,000, the borrower

is required to pay the cost AHFC pays to obtain its funds. Since AHFC interest rates are directly tied to the cost the Corporation must pay to obtain the funds, interest rates are SUBJECT TO CHANGE WITHOUT PRIOR NOTICE. Consult your lender for the current AHFC interest rate for this program.

REMARKS OF ESTHER C. WUNNICKE, COMMISSIONER OF THE
DEPARTMENT OF NATURAL RESOURCES, AT THE HOUSE FINANCE
COMMITTEE MEETING ON CSSB 128 (Marine Parks)
1 June 1983

Mr. Chairman and members of the Committee, thank you for hearing the Administration's position on the proposed marine parks system. It is a pleasure for me to be here today in support of this bill. I am accompanied by Neil Johannsen, Director of the Division of Parks.

When the marine parks proposal came before the Senate Resources Committee earlier during this session, Governor Sheffield expressed his enthusiastic support for it.

Alaskans need a marine park system to serve those who enjoy the excellent recreational opportunities of our ocean waterways and islands. The proposed legislation will help meet this need without foreclosing most other uses of the affected lands and waters. It does this by assuring access to privately held lands and mineral claims and by assuring continued hunting and fishing in these areas. It also, of course, protects valid existing rights.

Favorable action on this bill will allow us to establish a system of marine parks without the large acquisition costs often associated with parks legislation in other states. Recent changes in land ownership and management on Prince William Sound remind us that what have been accepted as

recreational lands can be converted to other uses. Establishment of these twelve parks will protect recreational areas while the opportunity to protect is clearly ours.

Within the Department of Natural Resources, our divisions have worked closely together to balance the various needs -- recreation, development, and settlement -- in the marine parks issue. We have taken care to excise from the bill any areas with likely mineral potential, and the bill has been amended, with our support, to exclude areas that will be studied for settlement potential. The result of our work within the Department and then with the Legislature is a balanced bill that deserves the full support of your Committee and the House.

Thank you. Neil Johannsen might want to add to my remarks, and then we would be pleased to respond to any questions you have.

MARINE PARKS INFORMATION

The marine parks legislation (CSSB 128) now before the House Finance Committee:

- * would create 12 marine parks in Prince William Sound and Southeast Alaska;
- * would protect these areas -- totalling approximately 15,000 acres -- mostly for recreational uses and fish and wildlife habitat protection;
- * would preserve private land ownership and mineral claims within the parks;
- * includes strong access provisions for future development;
- * protects hunting and fishing opportunities;
- * was passed by the Senate on 11 April by 13-5;
- * was passed out of the House Resources Committee with 7 do-pass recommendations;
- * is supported by sportsmen and other citizen groups;
- * would provide statutory designation of lands selected by the state for their recreational potential;
- * is strongly supported by local governments, such as the City of Whittier; and
- * would add Alaskan units to the international marine park system that includes 80 units in coastal British Columbia and Washington State.

COMPARISON OF VERSIONS
OF SB 128
(Marine Parks)

	Units (Prince Wm/ Southeast)	Acreage (land/water)	Access Language	Hunting and fishing	Development of adjacent lands and inholdings
SB 128 orig.	9 Pr Wm 5 Southeast <u>14 total</u>	16,055 land 25,775 water <u>41,830 total</u>	Protects ac- cess to priv. owned land.	Firearms dis- charge permitted by regulation.	Protects use of privately owned land. Standard incompatible use prohibition.
SB 128 am (Senate- passed)	9 Pr Wm 5 Southeast <u>14 total</u>	16,055 land 25,775 water <u>41,830 total</u>	Comm'r to permit adeq. & feas. access to & from pri- vate land if nec. for de- velopment. Protects hunting and fishing access.	Discharge per- mitted exc. for public safety closures.	Aquaculture must be considered a compatible use.
CSSB 128 (House Resources)	7 Pr Wm 5 Southeast <u>12 total</u>	14,440 land 23,070 water <u>37,150 total</u>	Also protects access to min- eral claims & leases, with regulations to protect natu- ral values.	Fishing and hunting not to be considered incompatible uses.	Adds letter of intent to ensue development of associated fac- ilities where necessitated by development, and to allow study of park and settlement potential at Decision Point and Entry Cove.

1 JUNE 1983.

Introduced: 4/28/83
Referred: House Special Committee
on State Loans and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 385

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the issuance of tax-exempt,
7 state-guaranteed revenue bonds by the Alaska Housing
8 Finance Corporation to finance mortgages for qualify-
9 ing veterans under AS 18.56; and providing for an
10 effective date."

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

12 * Section 1. For the purpose of assisting the Alaska Housing Finance
13 Corporation to provide money for the purchase of mortgages made for resi-
14 dences for qualifying veterans under AS 18.56, tax-exempt revenue bonds of
15 the Alaska Housing Finance Corporation are unconditionally guaranteed as to
16 principal and interest by the state in the principal amount of not more
17 than \$500,000,000. The full faith, credit, and resources of the state are
18 pledged to the payment of the principal of and interest on these bonds, and
19 the principal of and interest on the bonds are secured by the general
20 obligation of the State of Alaska. A statement of this pledge must be
21 printed on the face of the bonds and must be signed in manual or facsimile
22 form by the governor. The provisions of AS 37.15 do not apply to the
23 bonds. The bonds are to be sold by the Alaska Housing Finance Corporation
24 under AS 18.56 at public sale in amounts and at times approved by the state
25 bond committee. The guarantee authorized by this section is in addition to
26 the guarantee authorized by sec. 5, ch. 35, SLA 1982.

27 * Sec. 2. If the question set out in sec. 4 of this Act is approved by
28 the qualified voters of the state who vote on the question, the Alaska
29 Housing Finance Corporation may issue not more than the principal amount of

1 \$500,000,000 of its revenue bonds that are unconditionally guaranteed as to
2 principal and interest by the state, the proceeds of which are to be ex-
3 pended by the Alaska Housing Finance Corporation to provide money for the
4 purchase of mortgages made for residences for qualifying veterans under
5 AS 18.56. The authorization in this section to issue bonds is in addition
6 to the authorization to issue bonds that appears in sec. 6, ch. 35, SLA
7 1982.

8 * Sec. 3. As used in this Act, a qualifying veteran is a person who is
9 a "qualified veteran" as that term is defined or may be subsequently
10 defined under the Mortgage Subsidy Bond Tax Act of 1980.

11 * Sec. 4. The question of whether the state guaranty of bonds referred
12 to in this Act shall be made shall be submitted to the qualified voters of
13 the state at a special election to be held on October 4, 1983, and shall
14 read substantially as follows:

15 PROPOSITION

16 State Guaranteed Veterans Residential

17 Mortgage Bonds \$500,000,000

18 Shall the State of Alaska unconditionally guarantee
19 as a general obligation of the state, the payment
20 of principal of and interest on revenue bonds of
21 the Alaska Housing Finance Corporation issued in the
22 principal amount of not more than \$500,000,000 for
23 the purpose of purchasing mortgages made for resi-
24 dences for qualifying veterans, as defined by law?

25 Bonds Yes []

26 Bonds No []

27 * Sec. 5. The director of the division of elections shall conduct a
28 special election on October 4, 1983, to present to the voters the question
29 described in sec. 4 of this Act. The director shall conduct the special

1 election in accordance with the procedures generally applicable to general
2 elections under AS 15.

3 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
4 10.070(c).

Offered: 5/20/83
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

2

CS FOR HOUSE BILL NO. 385 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the issuance of tax-exempt,
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4 purchase of mortgages made for residences for qualifying veterans under
5 AS 18.56. The authorization in this section to issue bonds is in addition
6 to the authorization to issue bonds that appears in sec. 6, ch. 35, SLA
7 1982.

8 * Sec. 3. As used in this Act, a qualifying veteran is a person who is
9 a "qualified veteran" as that term is defined or may be subsequently de-
10 fined under 26 U.S.C. 103(A) (Mortgage Subsidy Bond Tax Act of 1980).

11 * Sec. 4. The question of whether the state guaranty of bonds referred
12 to in this Act shall be made shall be submitted to the qualified voters of
13 the state at a special election to be held on November 8, 1983, and shall
14 read substantially as follows:

15 PROPOSITION

16 State Guaranteed Veterans Residential

17 Mortgage Bonds \$500,000,000

18 Shall the State of Alaska unconditionally guarantee
19 as a general obligation of the state, the payment
20 of principal of and interest on revenue bonds of
21 the Alaska Housing Finance Corporation issued in the
22 principal amount of not more than \$500,000,000 for
23 the purpose of purchasing mortgages made for resi-
24 dences for qualifying veterans, as defined by law?

25 Bonds Yes []

26 Bonds No []

27 * Sec. 5. The director of the division of elections shall conduct a
28 special election on November 8, 1983, to present to the voters the question
29 described in sec. 4 of this Act. The director shall conduct the special

1 election in accordance with the procedures generally applicable to general
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